ZONE 4 PLAY INC
Form 10QSB
August 16, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 0R 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ______________ to ______________

Commission file number 333-91356

ZONE 4 PLAY, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	98-0374121
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

103 Foulk Road, Wilmington, DE 19803
(Address of principal executive offices)

(302)-691-6177
(Issuer's telephone number)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 15 2004, the issuer had 19,517,789 outstanding shares of Common Stock.

Transitional Small Business Disclosure Format (Check One): Yes [ ] No [X]

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AND ITS SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2004

IN U.S. DOLLARS

UNAUDITED

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ZONE4PLAY INC. AND ITS SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEET

U.S. DOLLARS

	JUNE 30, 2004
	UNAUDITED
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$235,604
Trade receivables	102,888
Other accounts receivable and prepaid expenses	28,105
Total current assets	366,597
SEVERANCE PAY FUND	47,203
PROPERTY AND EQUIPMENT, NET	91,885
Total assets	$505,685

The accompanying notes are an integral part of the consolidated financial statements.

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ZONE4PLAY INC. AND ITS SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEET

U.S. DOLLARS

	JUNE 30, 2004
	UNAUDITED
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
CURRENT LIABILITIES:	
Short-term bank credit	$ 15,507
Short-term loans from stockholders and others	3,997
Trade payables	95,667
Employees and payroll accruals	193,793
Accrued expenses and other liabilities	103,792
Total current liabilities	412,756
ACCRUED SEVERANCE PAY	152,575
COMMITMENTS AND CONTINGENT LIABILITIES	
STOCKHOLDERS' DEFICIENCY : Common stock of $ 0.001 par value: Authorized: 75,000,000 shares as of June 30, 2004; Issued and outstanding: 19,517,789 shares as of June 30, 2004	19,518
Additional paid in capital	1,236,169
Deficit accumulated during the development stage	(1,315,333)
Total stockholders' deficiency	(59,646)
	$ 505,685

The accompanying notes are an integral part of the consolidated financial statements.

ZONE4PLAY INC. AND ITS SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. DOLLARS (EXCEPT SHARE DATA)

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
	UNAUDITED			
Revenues:				
Software applications	$ 292,519	$ 45,663	$ 193,329	$ 4
Sale of software applications to related party	196,000	380,000	--	14
Total revenues	488,519	425,663	193,329	18
Cost of revenues	99,924	172,483	5,600	6
Gross profit	388,595	253,180	187,639	11
Operating expenses:				
Research and development	453,521	179,333	325,325	12
Sales and marketing	151,551	36,958	105,556	1
General and administrative	138,285	65,207	75,796	1
Total operating expenses	743,357	281,498	506,677	16
Operating loss	354,762	28,318	319,038	4
Financial expenses, net	10,229	10,435	11,541	1
Net loss	364,991	38,753	330,579	5
Basic and diluted net loss per share	$ 0.021	$ 387	$ 0.017	$
Weighted average number of shares of Common stock used in computing basic and diluted net loss per share	16,992,024	100	19,399,365	

The accompanying notes are an integral part of the consolidated financial statements.

ZONE4PLAY INC. AND ITS SUBSIDIARIES

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. DOLLARS

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS END JUNE 30,	
	2004	2003	2004	
	UNAUDITED			
Cash flows from operating activities:				
Net loss	$ 364,991	$ 38,753	$ 330,579	$
Adjustments required to reconcile net loss to net cash used in operating activities:				
Depreciation	14,896	10,353	7,859	
Loss from sale of property	--	--	--	
Decrease (increase) in accounts receivable and prepaid expenses	(33,884)	(23,290)	38,287	
Increase (decrease) in trade payables	18,120	(47,073)	24,300	
Increase in employees and payroll accruals	31,906	45,408	27,398	
Increase in accrued expenses and other liabilities	76,967	7,100	16,044	
Decrease in advance payment from customer	(243,500)	--	(79,000)	
Accrued severance pay, net	37,595	18,866	35,943	
Net cash used in operating activities	(462,891)	(27,389)	(259,748)	
Cash flows from investing activities:				
Purchase of property and equipment	(51,085)	(7,451)	(13,583)	
Net cash used in investing activities	(51,085)	(7,451)	(13,583)	
Cash flows from financing activities:				
Issuance of shares in respect of reverse acquisition (1)	3,546	--	--	
Issuance of Capital stock	1,197,797	--	200,000	
Short-term bank credit, net	(21,346)	(6,311)	1,813	

Receipt of short-term loans from stockholders and others	50,000	250,000	267,361	
Proceeds from short-term loans from stockholders and others	(530,298)	--	(57,202)	
Net cash provided by financing activities	699,699	243,689	144,611	
Increase (decrease) in cash and cash equivalents	185,723	208,849	(128,720)	
Cash and cash equivalents at the beginning of the period	49,882	816	364,324	
Cash and cash equivalents at the end of the period	$ 235,604	$ 209,665	$ 235,604	$

*) Represents an amount lower than $ 1.

The accompanying notes are an integral part of the consolidated financial statements.

ZONE4PLAY INC. AND ITS SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. DOLLARS

	SIX MONTHS ENDED JUNE 30,		THREE MONTHS ENDED JUNE 30,	
	2004	2003	2004	2
	UNAUDITED			
Supplemental disclosure of cash flows information:				
Cash paid during the period for:				
Interest	$ 1,348	$ 1,758	$ 785	$
Supplemental disclosure of non-cash activities:				
Issuance of Common stock	$ 39,913	$ --	$ 39,913	$

(1) On February 1, 2004, the Company was acquired by Zone4Play Inc. (Nevada) through a rever
Note 1b).

Working capital excluding cash and cash equivalent (unaudited)	$	(845)
Equity		4,391
	$	3,546

*) Represents an amount lower than $ 1.

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Zone4Play Inc. ("the Company") was incorporated under the laws of the State of Delaware on April 2, 2001. The Company develops and markets interactive games applications for Internet, portable devices and interactive TV platforms.

The Company conducts its operations and business with and through its wholly-owned subsidiaries, Zone4Play Limited, an Israeli corporation incorporated in July 2001, which is engaged in research and development and marketing of the applications, Zone4Play (UK) Limited, a United Kingdom corporation, incorporated in November 2002, which is engaged in marketing of the applications.

The Company generates revenues from sale of software applications.

The Company signed an agreement with its wholly-owned subsidiary, Zone4Play t 18 12 18 Limited, according to which the subsidiary provides research and development services, as a subcontractor, to the Company, based on a fee of cost plus 8%.

b. On February 1, 2004, the Company was acquired by Old Goat Enterprises, Inc. ("Old Goat"), through a reverse purchase acquisition. Old Goat is a publicly traded company subject to the reporting requirements set forth in Section 12 of the Securities and Exchange Act of 1934. As a result of the transaction between the Company and Old Goat, Old Goat changed its name to Zone4Play, Inc. ("Zone4Play (Nevada)").

Zone4Play Inc. (Nevada) shares are currently traded on the OTC Bulletin Board under the trading symbol "ZFPI.OB."

The acquisition has been accounted for as a reverse acquisition, whereby Zone4Play Inc. (Nevada) was treated as the acquiree and the Company as the acquirer, primarily because the Company's shareholders owned a majority, approximately 58% of Zone4Play Inc.'s (Nevada) Common stock, upon completion of the acquisition.

c. On February 6, 2004, Zone4Play Inc. (Nevada), filed a Current Report on Form 8-K with the Securities and Exchange Commission reporting the acquisition of the Company with Zone4Play Inc. (Nevada). As described in the Current Report, for accounting purposes, the acquisition was accounted for as a reverse acquisition, with the Company as the acquirer. The historical financial statements of Zone4Play Inc. (Nevada), became the historical financial statements of the Company, and the assets and liabilities of Zone4Play Inc. (Nevada) are accounted for as required under the purchase method of accounting. Results of operations of Zone4Play Inc. (Nevada) are included in the financial statements from February 1, 2004, the effective date of the acquisition.

U.S. DOLLARS

NOTE 1:- GENERAL (CONT.)

d. The Company and its subsidiaries are devoting substantially all of their efforts toward conducting research, development and marketing of their software. The Company's and its subsidiaries' activities also include raising capital and recruiting personnel. In the course of such activities, the Company and its subsidiaries have sustained operating losses and expect such losses to continue in the foreseeable future. The Company and its subsidiaries have not generated sufficient revenues and have not achieved profitable operations or positive cash flow from operations. The Company's accumulated deficit aggregated to $ 1,315,333 as of June 30, 2004. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis.

The Company plans to continue to finance its operations with a combination of stock issuance and private placements and revenues from product sales.

e. Concentration of risk that may have a significant impact on the Company:

The Company derived 88% of its revenues from three major customers (see Note 3b).

f. In April 2004, Zone4Play Inc. (Nevada) completed a $ 1.2 million private placement, consisting of 1,497,251 shares of its Common stock of $ 0.001 par value and two warrants to purchase one share of common stock each. One warrant is exercisable for 24 months at a price of $1.85 per share and one warrant is exercisable for 36 months at a price of $2.50 per share. The purchase price for each common stock and two warrants was $ 0.80. The private placement agreement was signed with a group of institutional and individual investors.

g. The Company has signed agreements with two non-employee directors. While each such director serves as a member of the Board, the Company shall pay the director a director's fee of $7,000 per annum, payable in quarterly installments. Both directors shall be granted an option under the terms of the Company's option plan to purchase 192,261 shares of common stock of the Company, at an exercise price per share of $1. Each director's rights to exercise such option shall vest in three equal annual installments during a period of three years commencing on May 2004, provided that the Company's agreement with such Director is not earlier terminated.

h. On June 2004 the Company and NetFun formed a Joint Venture named MiXTV Ltd in order to pursue the marketing, deployment and support of the MiXTV system. The controlling stake of the joint venture - 50.1% - is held by the Company. NetFun currently has a 20% share of the joint company, which can increase to up to 49.9% as pre-defined milestones are achieved. The company provided capital for one year of operating the joint venture, whereas NetFun is delivering its Intellectual Properties assets (MiXTV).

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ZONE4PLAY INC. AND ITS SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

U.S. DOLLARS

NOTE 2:- BASIS OF PRESENTATION

The accompanying interim consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission, and include the accounts of the Company and its subsidiaries. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the unaudited financial statements reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial position at June 30, 2004 and the operating results and cash flows for the Six months ended June 30, 2004 and 2003.

The results of operations for the Six months ended June 30, 2004 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending December 31, 2004.

NOTE 3:- SEGMENTS, CUSTOMERS AND GEOGRAPHIC INFORMATION

Summary information about geographic areas:

The Company manages its business on the basis of one reportable segment (see Note 1 for a brief description of the Company's business) and follows the requirements of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information".

a. The following is a summary of operations within geographic areas, based on the location of the customers:

	SIX MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2003
	TOTAL REVENUES	
England	$ 381,289	$ 39,275
USA	98,574	5,630
Israel	2,833	
Cyprus	--	380,000
Holland	5,397	
Others	426	758
	$ 488,519	$ 425,663

b Major customer data as a percentage of total revenues:

	2004	2003
Customer A	--	89%
Customer B	40%	--
Customer C	31%	2%
Customer D	17%	--

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those in the forward-looking statements as a result of various important factors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such should not be regarded as a representation by Zone 4 Play, Inc., or any other person, that such forward-looking statements will be achieved. The business and operations of Zone 4 Play, Inc. are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report.

OVERVIEW

Our financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

You should read the following discussion of our financial condition and results of operations together with the unaudited financial statements and the notes to unaudited financial statements included elsewhere in this filing prepared in accordance with accounting principles generally accepted in the United States. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements.

COMPANY HISTORY

Zone4Play, Inc. (hereinafter referred to as "Zone4Play", "the Company", "us" or "we") is a corporation duly organized under the laws of the State of Nevada on April 23, 2002, as Old Goat Enterprises, Inc. ("Old Goat"). On February 1, 2004, the Company acquired Zone4Play, Inc., a Delaware corporation ("Zone4Play Delaware"), through a reverse purchase acquisition. The acquisition has been accounted for as a reverse acquisition, whereby Old Goat was treated as the acquiree and Zone4play Delaware as the acquiror. The historical financial statements of Zone4play Delaware became the historical financial statements of the Company, and the assets and liabilities of Old Goat are accounted for as required under the purchase method of accounting. The results of operations of Old Goat are included in the financial statements from February 1, 2004, the effective date of the acquisition. The Company conducts its operations and business with and through Zone4Play Delaware's wholly owned subsidiaries, Zone4Play Limited, an Israeli Corporation incorporated in July 2001, and Zone4Play (UK) Limited, a United Kingdom corporation incorporated in November 2002. The Company's shares are currently traded on the OTC Bulletin Board under the trading symbol "ZFPI."

COMPANY BUSINESS

Zone4Play is a U.S.-based company with an R&D center in Israel and operations in the U.K. Zone4Play aims to become a worldwide brand in online cross-platform betting and gaming applications. In parallel, it plans to expand its operations in interactive Digital TV (iTV), Mobile gaming applications, and Internet betting portals.

Zone4Play offers Media Service Operators (MSOs) cross-platform flexibility and access possibilities for their clients. Zone4Play is the only company offering a single user account that enables switching from one network to another (i.e., from mobile to iTV and vice versa) with the same user information.

The Company currently employs 24 professionals in software design, client-server applications, graphic layouts and cross-platform deployments.

Zone4Play has signed contracts with premium cellular operators, content providers, Satellite and Digital cable operators which have begun to generate growing revenues. A number of existing customers have expressed their high satisfaction by placing orders for additional applications.

ZONE4PLAY'S CUSTOMERS INCLUDE: AVAGO TV (Sky UK), NTL (UK), Telewest (UK), UPC iTV (Austria & Holland), Orange (Israel), O2 (UK), Hutchison (China), YES Satellite (Israel), Cablevision (US), Lodgenet (US), RCN (US) and others.

The Company intends to invest additional efforts in broadening its marketing efforts and customer service operations, and entering additional markets.

Zone4Play and its subsidiaries devote substantially all of their efforts toward conducting research, development and marketing of their software. Zone4Play's activities also include raising capital and recruiting personnel. In the course of such activities, the Company and its subsidiaries have sustained operating losses and expect such losses to continue in the foreseeable future. The Company and its subsidiaries have not generated sufficient revenues and have not achieved profitable operations or positive cash flow from operations. The Company's accumulated deficit aggregated $1,315,333 as of June 30, 2004. There is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis.

During the six months ended June 30, 2004, the Company derived 88% of its revenues from three major customers.

RECENT DEVELOPMENTS

In March 2004, the Company entered into a Consulting Contract, whereby The Equity Group agreed to provide financial public relations/investor relations services. The Consulting Contract commenced April 1, 2004 and continues indefinitely unless terminated by either party. We agreed to pay The Equity Group $3,000 per month under the agreement. In addition, we issued The Equity Group 44,348 shares of common stock and agreed to issue on each six-month anniversary date of the Consulting Contract an amount of common stock valued at $30,600, based on valuing the shares at 80% of the market price on the respective anniversary date. We also agreed to reimburse The Equity Group for all reasonable and necessary out-of-pocket expenses.

On June 1, 2004 the Company entered into a Joint Venture Agreement with Netfun, Ltd. Zone4Play and NetFun formed a joint venture named MiXTV Ltd. in order to pursue the marketing, deployment and support of the MiXTV system. The MiXTV system includes software and hardware components to enable the seamless integration of various communication standards, including mobile entertainment, online TV interactivity, message boards and others. Under the Joint Venture Agreement, Zone4Play is the controlling stakeholder, with 50.1% ownership of the joint venture. NetFun has a 20% share of the joint company, which can increase to up to 49.9% as pre-defined milestones are achieved. The Company agreed to provide capital for one year of operating the joint venture in the amount of $13,500 per month and NetFun agreed to deliver the MiXTV intellectual property assets.

On January 1 2004, the Company signed agreements with two non-employee directors. While each such director serves as a member of the Board, the Company shall pay the director a director's fee of $7,000 per annum, payable in quarterly installments. Both directors shall be granted an option under the terms of the Company's option plan to purchase 192,261 shares of common stock of the Company, at an exercise price per share of $1. Each director's rights to exercise such option shall vest in three equal annual installments during a period of three years commencing on May 2004, provided that the Company's agreement with such Director is not earlier terminated. To date, the Company has not adopted a stock option plan.

RESULTS OF OPERATIONS - THREE AND SIX MONTHS ENDED JUNE 30, 2004 COMPARED TO THREE AND SIX MONTHS ENDED JUNE 30, 2003

REVENUES

Total revenues for the six months ended June 30, 2004 increased by 15% to $488,519 from $425,663 for the six months ended June 30, 2003. Total revenues for the three months ended June 30, 2004 increased by 6% to $193,329 from $182,935 for the three months ended June 30, 2003. Revenues from sales of software applications for the six months ended June 30, 2004 increased by 540% to $292,519 from $45,663 for the six months ended June 30, 2003. Revenues from sales of software applications for the three months ended June 30, 2004 increased by 357% to $193,329 from $42,334 for the three months ended June 30, 2003. Revenues from sales of software applications to related parties decreased by 93% to $196,000 compared to $380,000 in the same period in 2003. For the three months ended June 30, 2004, revenues from sales of software applications to related parties were $0, compared with $140,601 for the three months ended June 30, 2003. The increase in revenues from software applications was due to new contracts, mainly in the UK. Also, in 2004, we had revenues from US customers, such as Cablevision, Lodgenet, and RCN, which we did not have in 2003. The revenues from sale of software applications to related parties in 2004 is from the delivery of software to related parties from orders that were placed during 2002. Going forward, management expects that revenues from sale of software applications to related parties will be nominal.

Cost of revenues for the six months ended June 30, 2004 decreased by 73% to $99,924 from $172,483 for the six months ended June 30, 2003. Cost of revenues for the three months ended June 30, 2004 decreased by 91% to $5,600 from $63,869 for the three months ended June 30, 2003. Gross profit increased by 53% for the six months ended June 30, 2004 to $388,595 from $253,180 for the same period in 2003. For the three months ended June 30, 2004, gross profit increased 58% to $187,639 when compared to gross profit of $119,066 for the three months ended June 30, 2003. The decrease in cost of revenues is mostly attributable to a one-time software application agreement, which included customization of the software, which required allocation of employees of our R&D department. As a result, some R&D expenses were allocated to cost of sales.

RESEARCH AND DEVELOPMENT

Research and development expenses for the six months ended June 30, 2004 increased by 153% to $453,521 from $179,333 for the six months ended June 30, 2003. Research and development expenses for the three months ended June 30, 2004 increased 154% to $325,325 from $128,075 for the three months ended June 30, 2003. The increase in research and development expenses was primarily attributable to an increase in employee recruiting during 2003 and 2004, an increase in salary expenses and expenses allocated to sale of software due to the fact that in the 2nd quarter of 2004, there were no sales of software applications, no expenses allocated to the cost of sales, and the research and development costs increased.

SALES AND MARKETING

Sales and marketing expenses for the six months ended June 30, 2004 increased by 310% to $151,551 from $36,958 for the six months ended June 30, 2003. Sales and marketing expenses for the three months ended June 30, 2004 increased by 442% to $105,556 from $19,467 for the three months ended June 30, 2003. In 2004, the Company increased its marketing efforts mainly in the UK using its Israeli marketing team. Sales and marketing expenses consist mainly of labor costs and travel expenses in the UK and the US.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the six months ended June 30, 2004 increased by 112% to $138,285 from $65,207 for the six months ended June 30, 2003. General and administrative expenses for the three months ended June 30, 2004 increased 296% to $75,796 from $19,159 for the three months ended June 30,

2003. The increase in general and administrative expenses is primarily attributable to the recruitment of employees, additional legal and audit expenses associated with being a reporting company with the U.S. Securities and Exchange Commission and investor relations expenses.

NET LOSS AND NET LOSS PER SHARE

For the three and six months ended June 30, 2004, the Company incurred a net loss of $330,579 ($0.017 per share) and $364,991 ($0.021 per share), respectively. This compares with a net loss for the three and six months ended June 30, 2003 of $59,169 ($592 per share) and $38,753 ($387 per share), respectively. The increased net loss is primarily attributable to increased operating expenses. The drastically lower net loss per share is due to the fact that the weighted average number of shares of common stock outstanding at June 30, 2003 was only 100 shares, versus 16,992,024 at June 30, 2004.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2004, cash and cash equivalents were $235,604 and total current liabilities were $412,756. The Company's accumulated deficit aggregated to $1,315,333 as of June 30, 2004. The Company finances its operations with a combination of stock issuances and private placements and revenues from product sales.

In April 2004, Zone4Play completed a $1.2 million private placement, consisting of units offered at a price of $0.80 per unit, with each unit comprised of one share of common stock and two common stock purchase warrants. One warrant is exercisable for 24 months at a price of $1.85 per share and one warrant is exercisable for 36 months at a price of $2.50 per share. The private placement agreement was signed with a group of institutional and accredited investors. .

We believe that we have sufficient funds to operate for the next 12 months, with additional funds anticipated from the performance of agreements that we have entered with our current customers, and from future contracts that we expect to execute in the near future. Nonetheless, the Company intends to raise additional funds in order to broaden its financial strength and liquidity.

OUTLOOK

We believe that our future success will depend upon our ability to enhance our existing products and systems and introduce new commercially viable products and systems addressing the demands of the evolving markets. As part of the product development process, we work closely with current and potential customers, distribution channels and leaders in our industry segments to identify market needs and define appropriate product specifications. The Company's current anticipated levels of revenue and cash flow are subject to many uncertainties and cannot be assured. In order to have sufficient cash to meet our anticipated requirements for the next twelve months, the Company may be dependent upon its ability to obtain additional financing. The inability to generate sufficient cash from operations or to obtain the required additional funds could require the Company to curtail operations.

FACTORS WHICH MAY AFFECT FUTURE RESULTS

In evaluating our business, prospective investors and shareholders should carefully consider the following risks factors, any of which could have a material adverse impact on our business, operating results and financial condition and result in a complete loss of your investment.

FAILURE TO PROPERLY MANAGE GROWTH AND EXPANSION COULD ADVERSELY AFFECT THE COMPANY'S BUSINESS AND SHAREHOLDER'S EQUITY

The Company anticipates future internal growth and expansion. Such growth will increase the demands on the Company's management, operating systems and internal controls. Consequently, the Company's existing management resources and operational, financial, human and management information systems and controls

may be inadequate to support its future operations. The Company cannot be sure that it will be able to manage the Company's growth successfully. As a result of these concerns, the Company also cannot be sure that it will be able to grow, or, if it does grow, at what growth rate.

SUBSTANTIAL COMPETITION

The gaming industry is highly competitive, fragmented and subject to rapid change. There are numerous other companies that provide these services, a number of which are as large or larger than the Company on a national or regional basis and thousands of which are small, independent and serve local populations. Certain of these competitors operate in several of the Company's existing or target markets, and others may choose to enter those markets in the future. The majority of the Company's competition is made up of smaller regional or local operators with a strong presence in their respective local markets. As a result of these factors, the Company may in the future lose customers or have difficulty acquiring new customers, or the Company may consider acquiring these smaller competitors.

POSSIBLE RULE 144 SALES

There are presently 19,517,789 shares of common stock and no shares of preferred stock issued and outstanding. All of the issued and outstanding shares, except 7,500,000 common shares offered under a SB-2 Registration Statement effective December 24, 2002, are deemed "restricted securities" under Rule 144 of the Securities Act of 1933. Rule 144 prescribes the manner of sale of restricted shares. Unless registered pursuant to the Securities Act, under Rule 144, limited sales of "Restricted Securities" may be made by the holders thereof after a minimum of one (1) year has elapsed between the date of acquisition and resale. Sales may be made only in ordinary broker transactions, but only if information about the Company has been published through one of several SEC approved reporting means. No more than 1% of the Company's outstanding Common Stock may be sold by the owner every three months until the restriction is lifted, and all such sales must be preceded by a Notice of Sale filed with the SEC. The possibility that substantial amounts of "restricted securities" may be sold in the public market after the one-year holding period may adversely affect prevailing market prices, if any shall then exist, for the Common Stock. This could impair the Company's ability to raise additional capital through the sale of its equity securities.

PENNY STOCK REGULATION.

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). Penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. A broker-dealer must also provide the customer with bid and offer quotations for the penny stock, the compensation of the broker-dealer, and our sales person in the transaction, and monthly account statements indicating the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that, prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for stock that becomes subject to those penny stock rules. If any of our securities become subject to the penny stock rules, holders of those securities may have difficulty selling those securities.

ITEM 3. CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, Zone4Play conducted an evaluation, under the supervision and with the participation of its principal executive officer and principal financial officer; of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the

Exchange Act). Based upon this evaluation, Zone4Play's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no significant change in Zone4Play's internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

On April 1, 2004, the Company sold 1,497,251 Units, with each Unit consisting of one share of common stock and two warrants to purchase one share of common stock each. One warrant is exercisable for 24 months at a price of $1.85 per share and one warrant is exercisable for 36 months at a price of $2.50 per share. The purchase price for each Unit was $.80, with the total aggregate offering price equal to $1,200,000. The issuance of the shares and the warrants was exempt from registration requirements of the Securities Act of 1933 pursuant to Regulation S and/or Section 4(2) of such Securities Act and Regulation D promulgated thereunder based upon the representations of each of the Investors that it was an "accredited investor" (as defined under Rule 501 of Regulation D) and that it was purchasing such securities without a present view toward a distribution of the securities. In addition, there was no general advertisement conducted in connection with the sale of the securities. The offerings and sales were made to accredited investors and transfer was restricted in accordance with the requirements of the Securities Act of 1933.

In April 2004 the Company issued 44,348 shares to The Equity Group, Inc. pursuant to a consulting agreement for financial services to be rendered. This issuance was exempt from registration pursuant to Section 4(2) of the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

On May 2, 2004, the Company retained Idan Miller as Executive Vice President.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit No.	Description of Exhibit
2.1	Stock Purchase Agreement by and among Old Goat Enterprises, Inc., a Nevada corporation, Zone 4 Play, Inc., a Delaware corporation, and Shimon Citron, Pini Gershon, Yariv Citron, Natan Lerer, Dov Berger, Nachman Berger, Eyal Leshem, Akiva fratkin, Sayex Trading Company 1982, Ltd., an Israeli corporation, Azriel Zolti, Roni Shatan, Sachin Mehta, Giora Grinberg, Shachar Schalka, Gil Levy, Erez Lahav, Ira Vinitzki, Haim Tabak, Avi Abramovich, Ehud Zadokya, Rivka Shmuely, Abramovich Trust Company, an Israeli corporation, and Leah Baruch. (1)

3.1	Articles of Incorporation (2)
3.2	Certificate of Amendment to Articles of Incorporation (3)
3.2	By-Laws (2)
10.1	Joint Venture Agreement, dated June 1, 2004, by and between Zone4Play and Netfun, Ltd.
10.2	Consulting Contract by and between Zone4Play and The Equity

	Group Inc.
10.3	Director Appointment Agreement of Oded Zucker
10.4	Director Appointment Agreement of Shlomo Rothman
31.1	Certification by Shimon Citron, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Uri Levy, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Shimon Citron, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Uri Levy, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated by reference to the Company's Form 8-K/A filed with the Securities and Exchange Commission on April 5, 2004.

(2) Incorporated by reference to the Company's Registration Statement on SB-2 filed with the Securities and Exchange Commission on June 27, 2002.

(3) Incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on February 6, 2004.

(b) Reports on Form 8-K:

On April 5, 2004, the Company filed a Form 8-K reporting the issuance of a press release announcing that it had closed a $1,200,000 private placement, consisting of 1,500,000 shares of its common stock.

On April 5, 2004, the Company filed an amendment to Form 8-K that was filed on February 6, 2004. The Company reported the change in its certifying accountant and filed the following financial statements in connection with the February 2, 2004 acquisition of Zone 4 Play, Inc: Consolidated Balance Sheets of Zone 4 Play, Inc. and its Subsidiaries as of December 31, 2003 and 2002, the related consolidated Statements of Operations, Changes in Stockholders' Deficiency and Cash Flows for each of the two years then ended, and for the period from April 2001 (commencement of operations) through December 2001, and for the period from April 2001 (commencement of operations) through December 2003.

On April 16, 2004, the Company filed a Form 8-K reporting the issuance of a press release clarifying the terms of the $1,200,000 private placement that was reported in a Form 8-K filed on April 5, 2004.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, registrant has duly caused this report to be signed in its behalf by the undersigned thereunto duly authorized.

ZONE 4 PLAY, INC.

DATED: August 16, 2004 BY: /s/ Shimon Citron

Shimon Citron
President and Chief Executive Officer

DATED: August 16, 2004 BY: /s/ Uri Levy

Uri Levy
Chief Financial Officer