

THE ZOO GROUP LIMITED
REPORT AND ACCOUNTS
30 SEPTEMBER 2002



Company Registration Number 3808091

THE ZOO GROUP LIMITED

ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

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THE ZOO GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

N C Bacon
I W Noble
C O'Connell
K E Rowland

COMPANY SECRETARY

K E Rowland

REGISTERED OFFICE

The Blue House
Clifton Down
Clifton
Bristol
BS8 3HT

AUDITORS

Solomon Hare LLP
Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

SOLICITORS

Burges Salmon
Narrow Quay House
Prince Street
Bristol
BS1 4AG

THE ZOO GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2002

The directors present their report and the consolidated accounts for the year ended 30 September 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Group companies are active in five key areas of marketing communications: advertising, design, direct marketing, media buying and public relations.

The directors are pleased with the performance of the business during the year. The figures show another year of significant growth and leave the company in a strong position to exploit the growing market for integrated marketing communications services in the UK.

RESULTS AND DIVIDENDS

The trading results for the year, and the group's financial position at the end of the year are shown in the attached accounts.

The directors have recommended the following dividends:

	2002	2001
	£	£
Dividends proposed on ordinary shares	139,200	96,000

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	At 30 September 2002		At 1 October 2001	
	Deferred 1p Shares	Founder 10p	Deferred 1p Shares	Founder 10p Shares
N C Bacon	-	351,600	-	351,600
I W Noble	100	-	100	-
C O'Connell	-	50,220	-	50,220
K E Rowland	-	50,220	-	50,220

The rights attached to the different classes of shares are shown in note 18 to the accounts.

During October 2001 Ian Noble was granted an option over 50,220 founder shares at an exercise price of 10p each. Roberta Fuke and Richard Kramer, directors of a subsidiary company, were granted options over 5,287 ordinary shares each at an exercise price of £1. Further details are contained in note 18 to the accounts.

THE ZOO GROUP LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2002

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group at the end of the year and of the profit or loss of the group for the year then ended.

In preparing those accounts, the directors are required to select suitable accounting policies, as described on pages 10 to 11, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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

DONATIONS

During the year, the group made the following donations:

	2002	2001
	£	£
Charitable	<u>1,100</u>	<u>230</u>

AUDITORS

On 1 October 2002, Solomon Hare, the company's auditor, transferred its entire business to Solomon Hare LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors consented to treating the appointment of Solomon Hare as extending to Solomon Hare LLP with effect from 1 October 2002.

Signed by order of the directors



K E Rowland
Company Secretary

Approved by the directors on 6 March 2003

THE ZOO GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 30 SEPTEMBER 2002

We have audited the accounts on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

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 requested 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 THE DIRECTORS AND THE AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

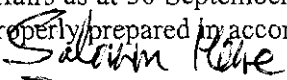
BASIS OF AUDIT OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the group's and the company's affairs as at 30 September 2002 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


SOLOMON HARE LLP

Registered Auditors
Chartered Accountants
Oakfield House
Oakfield Grove
Clifton
Bristol BS8 2BN

6 March 2003

THE ZOO GROUP LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 2002**

	Note	2002 £	2001 £
TURNOVER	2	4,794,239	4,544,524
Cost of sales		(2,569,311)	(2,427,790)
GROSS PROFIT		2,224,928	2,116,734
Administrative expenses		(1,865,668)	(1,853,809)
Other operating income	4	8,969	27,136
OPERATING PROFIT	3	368,229	290,061
Interest receivable		20,303	18,582
Interest payable		(562)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		387,970	308,643
Taxation	7	(89,519)	(67,587)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		298,451	241,056
Dividends (including non-equity)	8	(139,200)	(96,000)
RETAINED PROFIT		<u>159,251</u>	<u>145,056</u>

The group has no recognised gains or losses other than the results for the period as set out above.

All of the activities of the group are classed as continuing.


The notes on pages 10 to 19 form part of these accounts.

THE ZOO GROUP LIMITED
CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Intangible assets	9	-	(37,132)
Tangible assets	10	213,765	220,854
Investments	11	5,000	-
		<u>218,765</u>	<u>183,722</u>
CURRENT ASSETS			
Stocks	12	138,272	169,988
Debtors	13	1,064,745	840,069
Cash at bank and in hand		738,642	764,784
		<u>1,941,659</u>	<u>1,774,841</u>
CREDITORS: Amounts falling due within one year	14	<u>(1,660,339)</u>	<u>(1,617,729)</u>
NET CURRENT ASSETS		<u>281,320</u>	<u>157,112</u>
NET ASSETS		<u>500,085</u>	<u>340,834</u>
CAPITAL AND RESERVES			
Called-up equity share capital	18	45,205	45,205
Profit and loss account	20	454,880	295,629
SHAREHOLDERS' FUNDS (including non equity interests)	19	<u>500,085</u>	<u>340,834</u>

These accounts were approved by the directors on 6 March 2003 and are signed on their behalf by:


T W Noble
Director


K E Rowland
Director

The notes on pages 10 to 19 form part of these accounts.

THE ZOO GROUP LIMITED

BALANCE SHEET

30 SEPTEMBER 2002

	Note	2002 £	£	2001 £	£
FIXED ASSETS					
Investments	11		50,204		45,204
CURRENT ASSETS					
Debtors	13	252,930		213,874	
CREDITORS: Amounts falling due within one year	14	(199,541)		(142,118)	
NET CURRENT ASSETS			53,389		71,756
NET ASSETS			103,593		116,960
CAPITAL AND RESERVES					
Called-up equity share capital	18		45,205		45,205
Profit and loss account	20		58,388		71,755
SHAREHOLDERS' FUNDS (including non equity interests)	19		103,593		116,960

These accounts were approved by the directors on 6 March 2003, and are signed on their behalf by:

.....
N C Bacon

The notes on pages 10 to 19 form part of these accounts.

THE ZOO GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2002

	2002		2001	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		218,741		592,939
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	20,303		18,582	
Interest paid	(562)		-	
Non-equity dividend paid	(9,600)		-	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		10,141		18,582
TAXATION				
Corporation tax paid		(76,197)		(41,681)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(95,998)		(169,997)	
Receipts from sale of fixed assets	12,395		18,885	
Payments to acquire fixed asset investments	(9,996)		-	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(93,599)		(151,112)
EQUITY DIVIDENDS				
Equity dividends paid		(86,400)		-
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(27,314)		418,728
FINANCING				
Issue of new shares	-	-	1	1
(DECREASE)/INCREASE IN CASH		(27,314)		418,729

The notes on pages 10 to 19 form part of these accounts.

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	368,229	290,061
Amortisation of goodwill	(37,132)	(46,904)
Depreciation	89,945	75,984
Impairment against investment	4,996	-
Loss on disposal of fixed assets	747	320
Decrease/(Increase) in stocks	31,716	(105,630)
Increase in debtors	(224,676)	(122,859)
(Decrease)/Increase in creditors	(15,084)	501,967
Net cash inflow from operating activities	218,741	592,939

RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET FUNDS

	2002 £	2001 £
(Decrease)/Increase in cash in the period	(27,314)	418,729
Change in net funds	(27,314)	418,729
Net funds at 1 October 2001	764,784	346,055
Net funds at 30 September 2002	737,470	764,784

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Oct 2001 £	Cash flows £	At 30 Sept 2002 £
Net cash:			
Cash in hand and at bank	764,784	(26,142)	738,642
Overdrafts	-	(1,172)	(1,172)
NET FUNDS	764,784	(27,314)	737,470

The notes on pages 10 to 19 form part of these accounts.

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the year ended 30 September 2002 and exclude all intra-group transactions. No profit and loss account is presented by the parent company as allowed by the Companies Act 1985. The acquisition method of accounting is used.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

Goodwill

Purchased goodwill representing the difference between the fair values of the consideration and the underlying assets and liabilities acquired is capitalised and depreciated on a straight line basis over its useful economic life, not exceeding 20 years. The economic life is reviewed annually. Goodwill which is generated by the activities of the group is not recognised as an asset in the balance sheet and the associated costs are written off to the profit and loss account when they are incurred.

Positive goodwill relating to purchased goodwill is amortised over a period of 20 years. Negative goodwill arising on consolidation is written off over a period of three years.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

Office equipment	-	25% to 50% straight line
Furniture and fittings	-	20% straight line
Motor vehicles	-	20% straight line

Work in progress

Work in progress is stated at the lower of cost and net realisable value. No profit on work in progress is taken until the contract is invoiced. Provisions for losses on contracts are recognised immediately.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred taxation balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide for deferred taxation only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

This change in policy has had no effect on the results of the current or preceding period.

Foreign currencies

Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and profit before tax are all attributable to the one principal activity of the group. An analysis of turnover is given below:

	2002 £	2001 £
United Kingdom	4,756,079	4,196,900
Overseas	38,160	347,624
	<u>4,794,239</u>	<u>4,544,524</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Amortisation	(37,132)	(46,904)
Depreciation	89,945	75,984
Impairment against listed investment	4,996	-
Auditors remuneration - audit services	5,650	4,700
Loss on disposal of fixed assets	747	320
Loss on foreign currency translation	963	776
Operating lease costs:		
-Land and buildings	80,600	79,190
-Other	14,029	1,760
	<u>14,029</u>	<u>1,760</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

4. OTHER OPERATING INCOME

	2002	2001
	£	£
Rent receivable	-	27,136
Other	8,969	-
	<u>8,969</u>	<u>27,136</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial period amounted to:

	2002	2001
	No.	No.
Number of management staff	23	38
Number of creative staff	12	7
	<u>35</u>	<u>45</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	1,236,822	1,320,176
Social security costs	132,629	125,485
	<u>1,369,451</u>	<u>1,445,661</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2002	2001
	£	£
Emoluments receivable	<u>228,403</u>	<u>241,746</u>

Emoluments of highest paid director:

	2002	2001
	£	£
Total emoluments	<u>91,932</u>	<u>83,269</u>

No directors were accruing benefits under company pension schemes (2001 – nil).

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of current year tax charge

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 20% (2001 – 20%)	83,424	67,587
Over/under provision in prior year	6,095	-
Total current tax	<u>89,519</u>	<u>67,587</u>
Tax on profit on ordinary activities	<u>89,519</u>	<u>67,587</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20% (2001 – 20%).

	2002 £	2001 £
Profit on ordinary activities before taxation	425,280	308,643
Profit on ordinary activities by rate of tax	85,056	61,729
Expenses not deductible for tax purposes	295	3,112
Depreciation for the year in excess of capital allowances	(755)	1,234
Creation/(utilisation) of general provisions	(1,172)	1,512
Adjustment in respect of previous periods	6,095	-
Total current tax (note 7(a))	<u>89,519</u>	<u>67,587</u>

8. DIVIDENDS

The following dividends have been proposed in respect of the period:

	2002 £	2001 £
Dividends proposed on equity shares	125,280	86,400
Dividends proposed on non equity shares	13,920	9,600
	<u>139,200</u>	<u>96,000</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

9. INTANGIBLE FIXED ASSETS - GROUP

	Total £
COST	
At 1 October 2001 and 30 September 2002	<u>(140,712)</u>
AMORTISATION	
At 1 October 2001	(103,580)
Credit for the period	<u>(37,132)</u>
At 30 September 2002	<u>(140,712)</u>
NET BOOK VALUE	
At 30 September 2002	-
At 30 September 2001	<u>(37,132)</u>

10. TANGIBLE FIXED ASSETS - GROUP

	Motor vehicles £	Office Equipment £	Furniture & fittings £	Total £
COST				
At 1 October 2001	204,834	195,633	91,690	492,157
Additions	49,001	36,462	10,535	95,998
Disposals	(28,837)	(10,808)	-	(39,645)
At 30 September 2002	<u>224,998</u>	<u>221,287</u>	<u>102,225</u>	<u>548,510</u>
DEPRECIATION				
At 1 October 2001	63,022	144,868	63,413	271,303
Charge for the year	41,715	38,847	9,383	89,945
On disposals	(23,640)	(2,863)	-	(26,503)
At 30 September 2002	<u>81,097</u>	<u>180,852</u>	<u>72,796</u>	<u>334,745</u>
NET BOOK VALUE				
At 30 September 2002	<u>143,901</u>	<u>40,435</u>	<u>29,429</u>	<u>213,765</u>
At 30 September 2001	<u>141,812</u>	<u>50,765</u>	<u>28,277</u>	<u>220,854</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

11. INVESTMENTS - GROUP

	Listed £
COST	
At 1 October 2001	-
Additions	9,996
At 30 September 2002	<u>9,996</u>
AMORTISATION	
Impairment provision made in the year	4,996
At 30 September 2002	<u>4,996</u>
NET BOOK VALUE	
At 30 September 2002	<u>5,000</u>
At 30 September 2001	<u>-</u>

The directors consider the carrying value to be a fair approximation of market value.

11. INVESTMENTS - COMPANY

	Unlisted Shares in group undertakings £	Listed £	Total £
COST			
At 1 October 2001	45,204	-	45,204
Additions	-	9,996	9,996
At 30 September 2002	<u>45,204</u>	<u>9,996</u>	<u>55,200</u>
AMORTISATION			
Impairment provision made in year	-	5,000	5,000
At 30 September 2002	<u>-</u>	<u>5,000</u>	<u>5,000</u>
NET BOOK VALUE			
At 30 September 2002	<u>45,204</u>	<u>5,000</u>	<u>50,204</u>
At 30 September 2001	<u>45,204</u>	<u>-</u>	<u>45,204</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

11. INVESTMENTS – COMPANY *(continued)*

The directors consider the carrying value of the listed investments to be a fair approximation of market value.

The company's investments in the ordinary share capital of unlisted companies at the balance sheet date included the following:

Company	Country of incorporation	% Holding	Nature of business
BCLO Limited	England	100	Advertising & media sales

At the balance sheet date, BCLO Limited owned 100% of the share capital of BCLO Public Relations Limited, a company incorporated in England, in the business of public relations consultancy.

All of the above subsidiary undertakings have been included in the consolidated accounts from the date of acquisition.

12. STOCKS – GROUP

	2002 £	2001 £
Work in progress	138,272	169,988

13. DEBTORS

Amounts receivable within one year:

	Group 2002 £	Company 2002 £	Group 2001 £	Company 2001 £
Trade debtors	1,031,355	-	797,250	-
Amounts owed by group undertakings	-	252,930	-	213,874
Other debtors	-	-	610	-
Prepayments and accrued income	33,390	-	42,209	-
	<u>1,064,745</u>	<u>252,930</u>	<u>840,069</u>	<u>213,874</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

14. CREDITORS: Amounts falling due within one year

	Group 2002 £	Company 2002 £	Group 2001 £	Company 2001 £
Bank overdraft	1,172	-	-	-
Trade creditors	686,145	-	579,335	-
Taxation and social security	164,958	8,633	124,121	6,163
Other creditors	37,359	-	139,143	-
Corporation tax	81,082	49,708	67,760	39,955
Accruals and deferred income	550,423	2,000	611,370	-
Proposed dividend	139,200	139,200	96,000	96,000
	<u>1,660,339</u>	<u>199,541</u>	<u>1,617,729</u>	<u>142,118</u>

The bank has a fixed charge over the book debts of the subsidiary and a floating charge over all other assets dated 6 January 1995.

15. COMMITMENTS UNDER OPERATING LEASES - GROUP

At 30 September 2002 the group had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2002 £	Other 2002 £	Land & Buildings 2001 £	Other 2001 £
Operating leases which expire:				
Within 2 to 5 years	<u>79,201</u>	<u>18,133</u>	<u>79,190</u>	<u>1,760</u>

16. CONTINGENCIES

The group companies have given an unlimited multilateral guarantee dated 4 July 2000 in respect of all group members.

17. DEFERRED TAXATION

No provision has been made in the accounts and the amounts of deferred tax assets unprovided at the end of the year are as follows:

	Group 2002 £	Company 2002 £	Group 2001 £	Company 2001 £
Excess of taxation allowances over depreciation on fixed assets	(3,086)	-	(599)	-
Other timing differences	<u>6,771</u>	<u>-</u>	<u>4,781</u>	<u>-</u>
	<u>3,685</u>	<u>-</u>	<u>4,182</u>	<u>-</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

18. SHARE CAPITAL

Authorised share capital:

	2002 £	2001 £
502,260 Founder Shares of 10p each	50,226	50,226
497,730 Ordinary Shares of 10p each	49,773	49,773
100 Deferred Shares of 1p each	1	1
	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2002 £	2001 £
452,040 founder shares of 10p each	45,204	45,204
100 deferred shares of 1p each	1	1
	<u>45,205</u>	<u>45,205</u>

The founder shares carry one vote per share whereas the ordinary and the deferred shares have no voting rights. In all other respects the founder and ordinary shares rank pari passu. The deferred shares only have a right to a dividend as the directors from time to time determine.

During October 2001 the company set up an Enterprise Management Incentive Scheme. Options have been granted over 10,574 ordinary shares at an exercise price of £1 each and 50,220 founder shares at an exercise price of 10p each. The options may be exercised when the first of the following events occur:

- The listing of shares in the company on the London Stock Exchange
- Permission being given for the shares of The Zoo Group Limited to be admitted for trading on the Alternative Investment Market
- The business of the company being sold
- Another company, which is not associated with any of the existing shareholders, acquiring control of the company (other than pursuant to a reconstruction of the company).

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	Group 2002 £	Company 2002 £	Group 2001 £	Company 2001 £
Profit for the financial period	298,451	125,833	241,056	116,829
Dividends	(139,200)	(139,200)	(96,000)	(96,000)
Net additions to funds	159,251	(13,367)	145,056	20,829
Opening shareholders' equity funds	340,833	116,959	195,777	96,130
Closing shareholders' funds	<u>500,084</u>	<u>103,592</u>	<u>340,833</u>	<u>116,959</u>

NON-EQUITY SHAREHOLDERS FUNDS

Opening shareholders' non-equity funds	1	1	-	-
New non-equity share capital subscribed	-	-	1	1
Closing shareholders' non-equity funds	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
TOTAL SHAREHOLDERS' FUNDS	<u>500,085</u>	<u>103,593</u>	<u>340,834</u>	<u>116,960</u>

20. PROFIT AND LOSS ACCOUNT

	Group 2002 £	Company 2002 £	Group 2001 £	Company 2001 £
At 1 October 2001	295,629	71,755	150,573	50,926
Profit after tax for the period	298,451	125,833	241,056	116,829
Dividends	(139,200)	(139,200)	(96,000)	(96,000)
At 30 September 2002	<u>454,880</u>	<u>58,388</u>	<u>295,629</u>	<u>71,755</u>

21. ULTIMATE CONTROLLING PARTY

The company is controlled by its main shareholder and director N C Bacon.

22. RELATED PARTY TRANSACTIONS

No related party transaction occurred in the year for which disclosure is required by Financial Reporting Standard 8, "Related Party Transactions".