


THE ZOO GROUP LIMITED
REPORT AND ACCOUNTS

31 DECEMBER 2003

Company Registration Number 3808091



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THE ZOO GROUP LIMITED

ACCOUNTS

PERIOD 1 OCTOBER 2003 TO 31 DECEMBER 2003

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THE ZOO GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Board of directors	N C Bacon I W Noble K E Rowland C O'Connell
Company secretary	K E Rowland
Registered office	The Blue House Clifton Down Clifton Bristol BS8 3HT
Auditors	Baker Tilly Chartered Accountants Registered Auditors 1 Georges Square Bristol BS1 6BP
Solicitors	Burges Salmon Narrow Quay House Prince Street Bristol BS1 4AG

THE ZOO GROUP LIMITED

DIRECTORS' REPORT

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

The directors present their report and the consolidated accounts for the period from 1 October 2003 to 31 December 2003.

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.

During the period the Directors decided to change the financial year end to December. This is consistent with most of the major marketing services groups. We also find that the majority of our clients are now budgeting on a calendar year basis.

The group has continued to make significant progress during the period with all the key indicators of performance moving in the right direction.

Group sales were up by 15.6%, on a comparable twelve month period, whilst profit before interest and exceptional items grew for the seventh year in succession showing a 20% increase on 2002.

Whilst many in the sector have been battling with recession, our constant focus on new business development and cost control has borne fruit yet again.

At the same time, the group has continued its policy of building cash and net assets on the balance sheet to provide a secure foundation for the business and to fund future investment and acquisition.

During 2003 the Directors have been actively considering proposals from a number of external investors with a view to broadening share ownership and creating new career opportunities for our people. This corporate activity has seen the group incur significant expenditure on professional fees.

We anticipate that 2004 will be another year of further growth and excitement.

RESULTS AND DIVIDENDS

The trading results for the period and the group's financial position at the end of the period are shown in the attached accounts. The directors have not recommended a dividend this period.

	31 Dec 2003 £	30 Sept 2003 £
Dividends proposed on ordinary shares	-	-

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

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

	At 31 December 2003		At 1 October 2003	
	Deferred 1p shares	Founder 10p shares	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 ZOO GROUP LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY *(continued)*

The rights attached to the different classes of shares are shown in note 17 to the accounts.

During October 2001, I W Noble was granted an option over 50,220 founder shares at an exercise price of 10p each. R J Fuke and R 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 17 to the accounts.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and the group at the end of the period and of the profit or loss of the group for the period 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 period, the group donated £nil to charitable causes (30 September 2003 - £220).

AUDITORS

Baker Tilly continued to act as auditors to the group during the period.

Signed on behalf of the directors



N Bacon
Director

Approved by the directors on

23/12/04

THE ZOO GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

We have audited the accounts on pages 5 to 19.

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 required to state to them in an auditors' 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

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

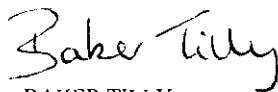
BASIS OF OPINION

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 31 December 2003 and of the profit of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY
Chartered Accountants
Registered Auditors
Bristol

23 December 2004

THE ZOO GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

		Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
TURNOVER	2	1,043,521	5,541,142
Cost of sales		(597,329)	(3,081,474)
GROSS PROFIT		446,192	2,459,668
Administrative expenses		(610,334)	(2,016,812)
OPERATING (LOSS)/PROFIT	3	(164,142)	442,856
Interest receivable and similar income		6,642	24,145
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(157,500)	467,001
Tax on (loss) / profit on ordinary activities	6	(9,113)	(60,842)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(166,613)	406,159

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 9 to 19 form part of these accounts.

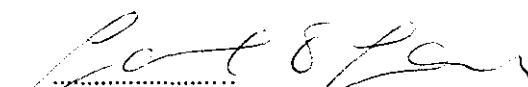
THE ZOO GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2003

	Note	31 Dec 2003 £	£	30 Sept 2003 £	£
FIXED ASSETS					
Intangible assets	7		-		-
Tangible assets	8		147,429		177,126
			<u>147,429</u>		<u>177,126</u>
CURRENT ASSETS					
Stocks	10	53,243		57,909	
Debtors	11	653,635		765,190	
Investments	12	7,341		9,580	
Cash at bank and in hand		927,557		923,758	
		<u>1,641,776</u>		<u>1,756,437</u>	
CREDITORS: Amounts falling due within one year	13	<u>(1,049,574)</u>		<u>(1,027,319)</u>	
NET CURRENT ASSETS			592,202		729,118
NET ASSETS			<u>739,631</u>		<u>906,244</u>
CAPITAL AND RESERVES					
Called-up share capital	17		45,205		45,205
Profit and loss account	18		694,426		861,039
SHAREHOLDERS' FUNDS (including non-equity interests)	19		<u>739,631</u>		<u>906,244</u>

These accounts were approved by the directors on the 23/12/04 and are signed on their behalf by:



 N C Bacon



 C O'Connell

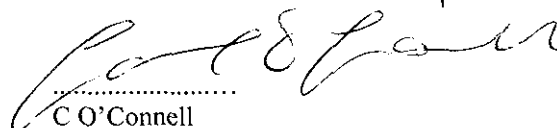
The notes on pages 9 to 19 form part of these accounts.

THE ZOO GROUP LIMITED
COMPANY BALANCE SHEET
31 DECEMBER 2003

	Note	31 Dec 2003		30 Sept 2003	
		£	£	£	£
FIXED ASSETS					
Investments	9		45,204		45,204
CURRENT ASSETS					
Debtors	11	157,442		161,682	
Investments	12	7,341		9,580	
		<u>164,783</u>		<u>171,262</u>	
CREDITORS: Amounts falling due within one year	13	<u>(22,580)</u>		<u>(26,270)</u>	
NET CURRENT ASSETS			<u>142,203</u>		<u>144,992</u>
NET ASSETS			<u>187,407</u>		<u>190,196</u>
CAPITAL AND RESERVES					
Called-up share capital	17		45,205		45,205
Profit and loss account	18		<u>142,202</u>		<u>144,991</u>
SHAREHOLDERS' FUNDS (including non-equity interests)	19		<u>187,407</u>		<u>190,196</u>

These accounts were approved by the directors on the 23/12/04 and are signed on their behalf by:


 N C Bacon


 C O'Connell

The notes on pages 9 to 19 form part of these accounts.

THE ZOO GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

	31 Dec 2003	30 Sept 2003
	£	£
NET CASH		
(OUTFLOW)/INFLOW FROM		
OPERATING ACTIVITIES	(13,527)	447,387
RETURNS ON INVESTMENTS AND		
SERVICING OF FINANCE		
Interest received	5,467	24,193
Non equity dividend paid	-	(13,920)
NET CASH INFLOW FROM		
RETURNS ON INVESTMENTS		
AND SERVICING OF FINANCE	5,467	10,273
TAXATION		
Corporation tax paid	-	(90,992)
CAPITAL EXPENDITURE & FINANCIAL INVESTMENT		
Payments to acquire tangible assets	(231)	(77,900)
Receipts from sale of tangible assets	12,090	22,800
NET CASH		
INFLOW/(OUTFLOW) FROM		
CAPITAL EXPENDITURE &		
FINANCIAL INVESTMENT	11,859	(55,100)
EQUITY DIVIDENDS		
Equity dividends paid	-	(125,280)
INCREASE IN CASH	<u>3,799</u>	<u>186,288</u>

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

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	31 Dec 2003 £	30 Sept 2003 £
Operating (loss)/profit	(164,142)	442,856
Depreciation	18,048	93,731
Movements in investment market value	2,239	(4,580)
Profit on disposal of fixed assets	(210)	(1,992)
Decrease in work in progress	4,666	80,363
Decrease in debtors	112,730	299,507
Increase/(Decrease) in creditors	13,142	(462,498)
Net cash (outflow)/inflow from operating activities	(13,527)	447,387

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Dec 2003 £	£	30 Sept 2003 £	£
Increase in cash in the period	3,799		186,288	
Change in net funds		3,799		186,288
Opening net funds		923,758		737,470
Closing net funds		927,557		923,758

ANALYSIS OF CHANGES IN NET FUNDS

	At 31 Dec 2003 £	Cash flows £	At 1 Oct 2003 £
Net cash:			
Cash in hand and at bank	927,557	3,799	923,758
Overdrafts	-	-	-
NET FUNDS	927,557	3,799	923,758

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of the listed investment, and in accordance with applicable accounting standards.

Consolidation

The consolidated accounts incorporate the accounts of the company and each of its subsidiaries for the period ended 31 December 2003 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

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

Listed investments are held at market value. Movements in market value are taken through the profit and loss account to the extent that they do not represent an increase over historic cost. As these investments are not held for continuing use within the business and it remains the intention of the investors to sell in the foreseeable future, these have been re-classified as current in nature.

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 that asset as follows:

Furniture and Fittings	- 20% straight line
Motor Vehicles	- 20% straight line
Office Equipment	- 25% to 50% 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.

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

1. ACCOUNTING POLICIES *(continued)*

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.

Pensions

The group has set up a stakeholder pension scheme. No contributions were made by the group during the period.

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.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are converted to sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and (loss)/profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
United Kingdom	1,043,521	5,540,404
Overseas	-	738
	<u>1,043,521</u>	<u>5,541,142</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
Depreciation	18,048	93,731
Movements in listed investment market value	2,239	(4,580)
(Profit)/Loss on disposal of fixed assets	(210)	(1,992)
Auditors' remuneration		
- as auditors	6,000	5,250
Operating lease costs:		
- land and buildings	20,010	83,508
- plant and equipment	6,887	10,297
Net loss on foreign currency translation	-	22

4. PARTICULARS OF EMPLOYEES

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

	Period from 1 Oct 2003 to 31 Dec 2003 No.	Year to 30 Sept 2003 No.
Number of management staff	9	9
Number of creative staff	9	9
Number of account handling staff	17	25
	<u>35</u>	<u>43</u>

The aggregate payroll costs of the above were:

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
Wages and salaries	388,363	1,335,954
Social security costs	37,462	144,109
	<u>425,825</u>	<u>1,480,063</u>

THE ZOO GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS****PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003****5. DIRECTORS' EMOLUMENTS**

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

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
Emoluments receivable	<u>154,403</u>	<u>546,489</u>

Emoluments of highest paid director:

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
Total emoluments	<u>30,045</u>	<u>105,088</u>

No directors were accruing benefits under company pension schemes (30 September 2003 ~ nil).

6. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
Current tax:		
UK Corporation tax based on the results for the period at 19% (2003 - 30%)	9,113	50,933
Under provision in prior year	-	9,909
Total current tax	<u>9,113</u>	<u>60,842</u>
Tax on (loss) / profit on ordinary activities	<u>9,113</u>	<u>60,842</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

6. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the (loss) / profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 19% (2003 - 20%).

	Period from 1 Oct 2003 to 31 Dec 2003 £	Year to 30 Sept 2003 £
(Loss) / profit on ordinary activities before taxation	(157,500)	467,001
(Loss) / profit on ordinary activities by rate of tax	(29,925)	88,730
Expenses not deductible / income not taxable for tax purposes	499	(580)
Depreciation for the period in excess of capital allowances	2,027	4,097
Other timing differences	(730)	(3,534)
Losses	(37,780)	(37,780)
Adjustment in respect of previous years	-	9,909
Total current tax (note 6(a))	9,113	60,842

7. INTANGIBLE FIXED ASSETS - GROUP

	Total £
COST	
At 1 October 2003 and 31 December 2003	(140,712)
AMORTISATION	
At 1 October 2003 and 31 December 2003	(140,712)
NET BOOK VALUE	
At 1 October 2003 and 31 December 2003	-

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

8. TANGIBLE FIXED ASSETS - GROUP

	Furniture & Fittings £	Motor Vehicles £	Office Equipment £	Total £
COST				
At 1 October 2003	103,552	217,166	243,670	564,388
Additions	231	-	-	231
Disposals	-	(27,086)	(90)	(27,176)
At 31 December 2003	<u>103,783</u>	<u>190,080</u>	<u>243,580</u>	<u>537,443</u>
DEPRECIATION				
At 1 October 2003	83,033	87,248	216,981	387,262
Charge for the period	2,542	9,630	5,876	18,048
On disposals	-	(15,296)	-	(15,296)
At 31 December 2003	<u>85,575</u>	<u>81,582</u>	<u>222,857</u>	<u>390,014</u>
NET BOOK VALUE				
At 31 December 2003	<u>18,208</u>	<u>108,498</u>	<u>20,723</u>	<u>147,429</u>
At 1 October 2003	<u>20,519</u>	<u>129,918</u>	<u>26,689</u>	<u>177,126</u>

9. INVESTMENTS - COMPANY

	Unlisted shares in group undertakings £
COST	
At 1 October 2003 and 31 December 2003	<u>45,204</u>

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

<u>Company</u>	<u>Country of incorporation</u>	<u>%age holding</u>	<u>Nature of business</u>
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.

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

10. STOCKS - GROUP

	31 Dec 2003 £	30 Sept 2003 £
Work in progress	<u>53,243</u>	<u>57,909</u>

11. DEBTORS

	Group 31 Dec 2003 £	Company 31 Dec 2003 £	Group 30 Sept 2003 £	Company 30 Sept 2003 £
Trade debtors	593,259	-	707,711	-
Amounts owed by group undertakings	-	157,442	-	161,682
Prepayments and accrued income	60,376	-	57,479	-
	<u>653,635</u>	<u>157,442</u>	<u>765,190</u>	<u>161,682</u>

12. INVESTMENTS

	Group 31 Dec 2003 £	Company 31 Dec 2003 £	Group 30 Sept 2003 £	Company 30 Sept 2003 £
Listed investments	<u>7,341</u>	<u>7,341</u>	<u>9,580</u>	<u>9,580</u>

Listed investments represent a holding of 41,650 (30 September 2003 - 41,650) ordinary shares in Ultimate Finance Group plc. These investments are carried at their open market value at the period end date.

13. CREDITORS: Amounts falling due within one year

	Group 31 Dec 2003 £	Company 31 Dec 2003 £	Group 30 Sept 2003 £	Company 30 Sept 2003 £
Trade creditors	512,532	-	612,927	-
Corporation tax	60,046	18,724	50,933	18,853
Taxation and social security	133,213	3,856	134,139	7,417
Other creditors	12,537	-	12,052	-
Accruals and deferred income	331,246	-	217,268	-
Proposed dividend	-	-	-	-
	<u>1,049,574</u>	<u>22,580</u>	<u>1,027,319</u>	<u>26,270</u>

THE ZOO GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS****PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003****14. DEFERRED TAXATION**

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

	Group 31 Dec 2003 £	Company 31 Dec 2003 £	Group 30 Sept 2003 £	Company 30 Sept 2003 £
Excess of taxation allowances over depreciation on fixed assets	10,202	-	8,259	-
Other timing differences	-	-	-	-
	<u>10,202</u>	<u>-</u>	<u>8,259</u>	<u>-</u>

15. COMMITMENTS UNDER OPERATING LEASES - GROUP

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below.

	31 Dec 2003		30 Sept 2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	-	-	-
Within 1 to 2 years	-	8,923	-	10,629
Within 2 to 5 years	-	5,004	-	7,504
	<u>-</u>	<u>13,927</u>	<u>-</u>	<u>18,133</u>

16. CONTINGENCIES

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

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003

17. SHARE CAPITAL

Authorised share capital:

	31 Dec 2003 £	30 Sept 2003 £
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:

	31 Dec 2003 £	30 Sept 2003 £
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:

- Permission being given for the shares of The Zoo Group Limited to be admitted for trading on the Alternative Investment Market;
- The listing of shares in the company on the London Stock Exchange;
- The business of the company being sold; or
- 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).

18. PROFIT AND LOSS ACCOUNT

	Group 31 Dec 2003 £	Company 31 Dec 2003 £	Group 30 Sept 2003 £	Company 30 Sept 2003 £
At 1 October	861,039	144,991	454,880	58,388
(Loss)/Profit after tax for the period	<u>(166,613)</u>	<u>(2,789)</u>	<u>406,159</u>	<u>86,603</u>
At 31 December / 30 September	<u>694,426</u>	<u>142,202</u>	<u>861,039</u>	<u>144,991</u>

THE ZOO GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS****PERIOD FROM 1 OCTOBER 2003 TO 31 DECEMBER 2003****19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****EQUITY SHAREHOLDERS' FUNDS**

	Group 31 Dec 2003 £	Company 31 Dec 2003 £	Group 30 Sept 2003 £	Company 30 Sept 2003 £
(Loss)/Profit for the financial period	(166,613)	(2,789)	406,159	86,603
Net additions to funds	(166,613)	(2,789)	406,159	86,603
Opening shareholders' equity funds	906,243	190,195	500,084	103,592
Closing shareholders' equity funds	<u>739,630</u>	<u>187,406</u>	<u>906,243</u>	<u>190,195</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening shareholders' non-equity funds	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Closing shareholders' non-equity funds	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

TOTAL SHAREHOLDERS' FUNDS	<u>739,631</u>	<u>187,407</u>	<u>906,244</u>	<u>190,196</u>
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20. ULTIMATE CONTROLLING PARTY

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

21. RELATED PARTY TRANSACTIONS

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