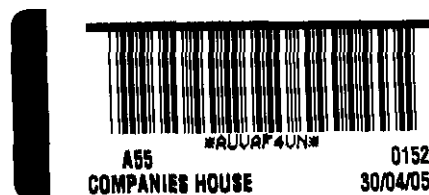


THE ZOO GROUP LIMITED
REPORT AND ACCOUNTS

31 DECEMBER 2004

Company Registration Number 3808091



THE ZOO GROUP LIMITED
ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

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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

C O'Connell

Registered office

The Blue House
Clifton Down
Clifton
Bristol
BS8 3HT

Auditors

Tomlinson Harris
Chartered Accountants
Registered Auditors
Prospect House
5 May Lane
Dursley
Gloucestershire
GL11 4JH

Solicitors

Burges Salmon
Narrow Quay House
Prince Street
Bristol
BS1 4AG

THE ZOO GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2004

The directors present their report and the consolidated accounts for the year ended 31 December 2004.

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.

Despite a number of distractions during the year the underlying performance of the group companies has been excellent with turnover increasing 22% and group income up by 18%.

The economy continues to work in our favour with low inflation, low interest rates and increased levels of client activity. Levels of new business are at an all time high and the prospects for 2005 are excellent.

The shareholders are committed to broadening share ownership during 2005. In preparation for this it was agreed that the company would buy-out Kate Rowland's shares. This transaction was completed on 1 February 2005.

In addition to the share buy-back the accounts for 2004 reflect the setting up of Executive Pension Plans for the founder shareholders and a general restructuring of the balance sheet to reduce cash surpluses.

The Group's purpose is to resource and encourage growth in our operating companies and to help develop fulfilling career opportunities for our senior managers and shareholders.

We expect 2005 to be an exciting and stimulating year.

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 not recommended a dividend this year.

	31 Dec 2004	31 Dec 2003
	£	£
Dividends proposed on ordinary shares	-	-

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 31 December 2004		At 1 January 2004	
	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 (resigned 7 January 2005)	-	50,220	-	50,220

THE ZOO GROUP LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

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.

In January 2005, following the restructuring of the company's share capital, the company repurchased 50,212 founder shares from K E Rowland and N Rowland for £76,230, and agreed to purchase their holding of the newly designated special shares for £76,230.

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.

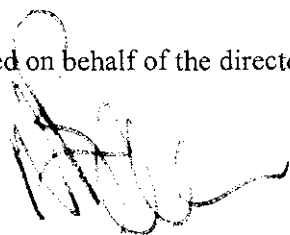
DONATIONS

During the year, the group donated £70 to charitable causes (31 December 2003 - £nil).

AUDITORS

Tomlinson Harris were appointed as auditors during the year.

Signed on behalf of the directors



N C Bacon
Director

Approved by the directors on 27.4.5

THE ZOO GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2004

We have audited the financial statements of The Zoo Group Limited 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 shareholders, 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 shareholders 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 shareholders 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 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

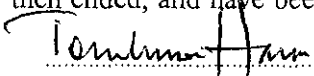
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements 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 31 December 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Prospect House
5 May Lane
Dursley
Gloucestershire GL11 4JH


TOMLINSON HARRIS
Chartered Accountants
& Registered Auditors

28 April 2005

THE ZOO GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

	Note	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
TURNOVER	2	6,445,629	1,043,521
Cost of sales		(3,696,139)	(597,329)
GROSS PROFIT		2,749,490	446,192
Administrative expenses		(2,824,734)	(610,334)
OPERATING LOSS	3	(75,244)	(164,142)
Interest receivable and similar income		49,953	6,642
Interest payable and similar charges		(287)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(25,578)	(157,500)
Tax on loss on ordinary activities	6	9,536	(9,113)
RETAINED LOSS FOR THE FINANCIAL YEAR		<u>(16,042)</u>	<u>(166,613)</u>

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

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

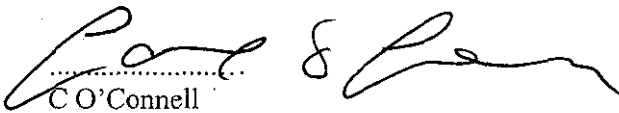
The notes on pages 10 to 19 form part of these accounts.

THE ZOO GROUP LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2004

	Note	31 Dec 2004 £	£	31 Dec 2003 £	£
FIXED ASSETS					
Intangible assets	7		-		-
Tangible assets	8		122,054		147,429
			<u>122,054</u>		<u>147,429</u>
CURRENT ASSETS					
Stocks	10	60,525		53,243	
Debtors	11	1,082,496		653,635	
Investments	12	-		7,341	
Cash at bank and in hand		555,618		927,557	
		<u>1,698,639</u>		<u>1,641,776</u>	
CREDITORS: Amounts falling due within one year	13	<u>(1,097,104)</u>		<u>(1,049,574)</u>	
NET CURRENT ASSETS			<u>601,535</u>		<u>592,202</u>
NET ASSETS			<u>723,589</u>		<u>739,631</u>
CAPITAL AND RESERVES					
Called-up equity share capital	17		45,205		45,205
Profit and loss account	18		<u>678,384</u>		<u>694,426</u>
SHAREHOLDERS' FUNDS (including non-equity interests)	19		<u>723,589</u>		<u>739,631</u>

These accounts were approved by the directors on the 27.4.05 and are signed on their behalf by:


 N C Bacon


 C O'Connell

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

THE ZOO GROUP LIMITED
COMPANY BALANCE SHEET
31 DECEMBER 2004

	Note	31 Dec 2004 £	31 Dec 2003 £
FIXED ASSETS			
Investments	9	45,404	45,404
CURRENT ASSETS			
Debtors	11	174,728	157,242
Investments	12	-	7,341
		<u>174,728</u>	<u>164,583</u>
CREDITORS: Amounts falling due within one year	13	<u>(30,231)</u>	<u>(22,580)</u>
NET CURRENT ASSETS		144,497	142,003
NET ASSETS		<u>189,901</u>	<u>187,407</u>
CAPITAL AND RESERVES			
Called-up equity share capital	17	45,205	45,205
Profit and loss account	18	<u>144,696</u>	<u>142,202</u>
SHAREHOLDERS' FUNDS (including non-equity interests)	19	<u>189,901</u>	<u>187,407</u>

These accounts were approved by the directors on the 27.4.05 and are signed on their behalf by:

N C Bacon

C O'Connell

As disclosed in note 22, the comparative figures have been restated.

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

THE ZOO GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2004

	31 Dec 2004	31 Dec 2003
	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(135,174)	(13,527)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	50,636	5,467
Interest paid	(287)	-
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	50,349	5,467
TAXATION		
Corporation tax paid	(54,884)	-
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(57,461)	(231)
Receipts from sale of fixed assets	17,890	12,090
Receipts from sale of investments	7,341	-
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE	(32,230)	11,859
EQUITY DIVIDENDS		
Equity dividends paid	-	-
(DECREASE)/INCREASE IN CASH	(371,939)	3,799

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

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31 Dec 2004 £	31 Dec 2003 £
Operating loss	(75,244)	(164,142)
Depreciation	66,915	18,048
Movements in investment market value	-	2,239
Profit on disposal of fixed assets	(1,969)	(210)
(Increase)/Decrease in work in progress	(7,282)	4,666
(Increase)/Decrease in debtors	(417,472)	112,730
Increase in creditors	99,878	13,142
Net cash outflow from operating activities	(335,174)	(13,527)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Dec 2004 £	£	31 Dec 2003 £	£
(Decrease)/increase in cash in the year	(371,939)		3,799	
Change in net funds		(371,939)		3,799
Opening net funds		927,557		923,758
Closing net funds		555,618		927,557

ANALYSIS OF CHANGES IN NET FUNDS

	At 31 Dec 2004 £	Cash flows £	At 1 Jan 2004 £
Net cash:			
Cash in hand and at bank	555,618	(371,939)	927,557
Overdrafts	-	-	-
NET FUNDS	555,618	(371,939)	927,557

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

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

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 31 December 2004 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 year, exclusive of Value Added Tax.

Investments

Unlisted 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 year of 20 years. Negative goodwill arising on consolidation is written off over a year 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
YEAR ENDED 31 DECEMBER 2004

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 year. Contributions made to personal pension schemes and executive pension schemes are charged to the profit and loss account in the year that they become payable.

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 before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
United Kingdom	6,445,629	1,043,521
Overseas	-	-
	<u>6,445,629</u>	<u>1,043,521</u>

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

3. OPERATING (LOSS)/PROFIT

Operating loss is stated after charging/(crediting):

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
Depreciation	66,915	18,048
Movements in listed investment market value	-	2,239
Profit on disposal of fixed assets	(1,969)	(210)
Auditors' remuneration		
- as auditors	6,250	6,000
Operating lease costs:		
- land and buildings	107,527	20,010
- plant and equipment	20,230	6,887
Net profit on foreign currency translation	(191)	-

4. PARTICULARS OF EMPLOYEES

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

	Year to 31 Dec 2004 No.	Period from 1 Oct 2003 to 31 Dec 2003 No.
Number of management staff	10	9
Number of creative staff	9	9
Number of account handling staff	23	17
	<u>42</u>	<u>35</u>

The aggregate payroll costs of the above were:

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
Wages and salaries	1,441,521	388,363
Personal pension contributions	539,000	-
Social security costs	178,632	37,462
	<u>2,159,153</u>	<u>425,825</u>

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

5. DIRECTORS' EMOLUMENTS

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

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
Emoluments receivable	463,104	154,403
Personal pension contributions	307,000	-
	<u>770,104</u>	<u>154,403</u>

Emoluments of highest paid director:

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
Total emoluments	99,551	30,045
Personal pension contributions	210,000	-
	<u>309,551</u>	<u>30,045</u>

No directors were accruing benefits under company pension schemes (2003 - nil). During the year executive and personal pension contributions were paid on behalf of the three directors (2003 - nil).

6. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
Current tax:		
UK Corporation tax based on the results for the year at nil (2003 - 19%)	(10,000)	9,113
Under provision in prior year	464	-
Total current tax	<u>9,536</u>	<u>9,113</u>
Tax on loss on ordinary activities	<u>9,536</u>	<u>9,113</u>

THE ZOO GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2004

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting current tax charge

	Year to 31 Dec 2004 £	Period from 1 Oct 2003 to 31 Dec 2003 £
Loss on ordinary activities before taxation	(25,578)	(157,500)
Loss on ordinary activities by rate of tax	-	(29,925)
Expenses not deductible/income not taxable for tax purposes	-	499
Depreciation for the year in excess of capital allowances	-	2,027
Other timing differences	-	(730)
Losses	-	(37,780)
Provision for tax refundable	(10,000)	-
Adjustment in respect of previous years	464	-
Total current tax (note 6(a))	(9,536)	9,113

7. INTANGIBLE FIXED ASSETS - GROUP

	Total £
COST	
At 1 January 2004 and 31 December 2004	140,712
AMORTISATION	
At 1 January 2004 and 31 December 2004	140,712
NET BOOK VALUE	
At 1 January 2004 and 31 December 2004	-

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

8. TANGIBLE FIXED ASSETS - GROUP

	Furniture & Fittings £	Motor Vehicles £	Office Equipment £	Total £
COST				
At 1 January 2004	103,783	190,080	243,580	537,443
Additions	189	-	57,272	57,461
Disposals	-	(55,860)	-	(55,860)
At 31 December 2004	<u>103,972</u>	<u>134,220</u>	<u>300,852</u>	<u>539,044</u>
DEPRECIATION				
At 1 January 2004	85,575	81,582	222,857	390,014
Charge for the year	9,916	34,029	22,970	66,915
On disposals	-	(39,939)	-	(39,939)
At 31 December 2004	<u>95,491</u>	<u>75,672</u>	<u>245,827</u>	<u>416,990</u>
NET BOOK VALUE				
At 31 December 2004	<u>8,481</u>	<u>58,548</u>	<u>55,025</u>	<u>122,054</u>
At 1 January 2004	<u>18,208</u>	<u>108,498</u>	<u>20,723</u>	<u>147,429</u>

9. INVESTMENTS - COMPANY

	Unlisted shares in group undertakings £
COST	
At 1 January 2004 and 31 December 2004	<u>45,404</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
BCLO Public Relations Limited	England	100	Public relations consultancy

As disclosed in note 22, the comparative figures have been restated.

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

10. STOCKS - GROUP

	31 Dec 2004 £	31 Dec 2003 £
Work in progress	<u>60,525</u>	<u>53,243</u>

11. DEBTORS

	Group 31 Dec 2004 £	Company 31 Dec 2004 £	Group 31 Dec 2003 £	Company 31 Dec 2003 £
Trade debtors	1,012,496	-	593,259	-
Amounts owed by group undertakings	-	174,728	-	157,242
Corporation tax	12,072	-	-	-
Prepayments and accrued income	57,928	-	60,376	-
	<u>1,082,496</u>	<u>174,728</u>	<u>653,635</u>	<u>157,242</u>

12. INVESTMENTS

	Group 31 Dec 2004 £	Company 31 Dec 2004 £	Group 31 Dec 2003 £	Company 31 Dec 2003 £
Listed investments	<u>-</u>	<u>-</u>	<u>7,341</u>	<u>7,341</u>

13. CREDITORS: Amounts falling due within one year

	Group 31 Dec 2004 £	Company 31 Dec 2004 £	Group 31 Dec 2003 £	Company 31 Dec 2003 £
Trade creditors	615,690	-	512,532	-
Amounts owed to group undertakings	-	-	-	-
Corporation tax	7,698	3,769	60,046	18,724
Taxation and social security	158,252	20,922	133,213	3,856
Other creditors	2,495	-	12,537	-
Accruals and deferred income	312,969	5,540	331,246	-
	<u>1,097,104</u>	<u>30,231</u>	<u>1,049,574</u>	<u>22,580</u>

THE ZOO GROUP LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS****YEAR ENDED 31 DECEMBER 2004**

14. 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 31 Dec 2004 £	Company 31 Dec 2004 £	Group 31 Dec 2003 £	Company 31 Dec 2003 £
Excess of taxation allowances over depreciation on fixed assets	1,290	-	10,202	-
Other timing differences	-	-	-	-
	<u>1,290</u>	<u>-</u>	<u>10,202</u>	<u>-</u>

15. COMMITMENTS UNDER OPERATING LEASES - GROUP

At 31 December 2004 the group had annual commitments under non-cancellable operating leases as set out below.

	31 Dec 2004		31 Dec 2003	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	54,194	-	-	-
Within 1 to 2 years	-	-	-	8,923
Within 2 to 5 years	-	24,017	-	5,004
	<u>54,194</u>	<u>24,017</u>	<u>-</u>	<u>13,927</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
YEAR ENDED 31 DECEMBER 2004

17. SHARE CAPITAL

Authorised share capital:

	31 Dec 2004 £	31 Dec 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 2004 £	31 Dec 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 2004 £	Company 31 Dec 2004 £	Group 31 Dec 2003 £	Company 31 Dec 2003 £
At 1 January 2004	694,426	142,202	861,039	144,991
(Loss)/profit after tax for the year	<u>(16,042)</u>	<u>2,494</u>	<u>(166,613)</u>	<u>(2,789)</u>
At 31 December 2004	<u>678,384</u>	<u>144,696</u>	<u>694,426</u>	<u>142,202</u>

THE ZOO GROUP LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2004

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	Group 31 Dec 2004 £	Company 31 Dec 2004 £	Group 31 Dec 2003 £	Company 31 Dec 2003 £
Loss for the financial year	(16,042)	2,494	(166,613)	(2,789)
Net reduction in funds	(16,042)	2,494	(166,613)	(2,789)
Opening shareholders' equity funds	739,630	187,406	906,243	190,195
Closing shareholders' equity funds	<u>723,588</u>	<u>189,900</u>	<u>739,630</u>	<u>187,406</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>723,589</u>	<u>189,901</u>	<u>739,631</u>	<u>187,407</u>

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 year for which disclosure is required by Financial Reporting Standard 8, "Related Party Transactions".

22. PRIOR PERIOD ADJUSTMENT

The comparative figures have been restated to include the investment held in BCLO Public Relations Limited. This investment was previously disclosed as being held by BCLO Limited.

The prior period adjustment has no impact on the group's reserves.