THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities. If you have sold or otherwise transferred all or part of your registered holding in the Company, please send this document together with the enclosed forms of proxy to the purchaser or transferee or stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible for transmission to the purchaser or transferee.

This document has been drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 (as amended) ("POS Regulations") and has been delivered for registration to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

The Directors and the Proposed Directors of Kazoo3D plc, whose names appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with facts and makes no omission likely to affect the import of such information.

Application will be made for the Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not Officially Listed.

A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. Further, the London Stock Exchange has not itself examined or approved the contents of this document.

Kazoo3D plc

(Incorporated and registered in England and Wales No. 3858881)

Proposed acquisition of The Zoo Media Corporation Limited
Change of name to Zoo Digital Group plc
Re-admission to the Alternative Investment Market
Results for the year ended 31 December 2000

Arthur Andersen Corporate Finance	**Rowan Dartington**
Nominated Adviser	**Broker**

Arthur Andersen Corporate Finance, a division of Arthur Andersen, which is authorised to carry on investment business by The Institute of Chartered Accountants in England and Wales, and Rowan Dartington, which is a member of the London Stock Exchange and is regulated by The Securities and Futures Authority Limited, are acting solely for the Company and no one else and will not be responsible to any person, other than the Company, for providing the protections afforded to clients of Arthur Andersen Corporate Finance and Rowan Dartington or for providing advice in connection with the arrangements described in this document or any investment in the Company. Arthur Andersen Corporate Finance and Rowan Dartington have not authorised the contents of, or any part of, this document for the purposes of regulation 13(g) of the POS Regulations. The Company and the Directors and Proposed Directors are the only persons responsible for this document, including the information or opinions contained in it. Arthur Andersen Corporate Finance's responsibilities as Nominated Adviser and Rowan Dartington's responsibilities as Broker are, respectively, owed solely to the Company and the London Stock Exchange.

Notices of extraordinary general meetings of the Company to be held at Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ at 10.30 am on 11 May 2001 and 29 May 2001 are set out at the end of this document. Shareholders are requested to complete and return the enclosed forms of proxy to the Company's registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to arrive no later than 10.30 am on 9 May 2001 and on 24 May 2001 respectively, whether or not they propose to be present at the extraordinary general meetings.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time for receipt of forms of proxy for the First EGM	10.30 am on 9 May 2001
First EGM	10.30 am on 11 May 2001
Completion of the Acquisition	11 May 2001
CREST accounts credited in respect of the New Ordinary Shares	11 May 2001
Admission effective and dealings commence in the New Ordinary Shares	11 May 2001
Share certificates dispatched by	11 May 2001
Latest time for receipt of forms of proxy for the Second EGM	10.30 am on 24 May 2001
Second EGM	10.30 am on 29 May 2001

DIRECTORS AND ADVISERS

Directors	Richard Gordon Oliver (Chairman) Stuart Antony Green John Henderson Warden Roy Abrams Christopher Henry Bruce Honeyborne
	All of Rutledge House, 78 Clarkehouse Road, Sheffield, S10 2LJ
Company Secretary	John Henderson Warden
Proposed Board	Michael John Barnes (Chairman) Ian Clifford Stewart Andrew Scrivener Robert George Deri (Company Secretary) Stuart Antony Green Christopher Henry Bruce Honeyborne
Registered Office	Rutledge House, 78 Clarkehouse Road, Sheffield, S10 2LJ
Website Addresses	*www.kazoo3d.com* *www.zoomediacorp.com*
Nominated Adviser	Arthur Andersen Corporate Finance 1 City Square Leeds LS1 2AL
Broker	Rowan Dartington & Co. Limited Colston Tower Colston Street Bristol BS1 4RD
Reporting Accountants and Auditors	Arthur Andersen 1 City Square Leeds LS1 2AL
Solicitors to the Company	DLA Princes Exchange Princes Square Leeds LS1 4BY
Financial Public Relations	Hogarth Partnership Limited The Butlers Wharf Building 36 Shad Thames London SE1 2YE
Bankers	Royal Bank of Scotland Sheffield Corporate Office PO Box 52 5 Church Street Sheffield S1 1HF
Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall bear the following meanings:

"Acquisition"	the proposed acquisition of the whole of the issued share capital of Zoo Media Corporation by Kazoo3D pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional agreement relating to the Acquisition between (1) Ian Stewart, Susan Scrivener, Stephen Bailey, ZEST and Alchemy Capital Limited, (2) the Company and (3) Arthur Andersen Corporate Finance, details of which are set out in paragraph 7 of Part VIII of this document
"Act"	the Companies Act 1985, as amended
"Admission"	the admission to trading on AIM of the entire ordinary share capital of the Company issued and to be issued pursuant to the Acquisition Agreement
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the Alternative Investment Market rules published in February 2001 by the London Stock Exchange
"AOL"	AOL (UK) Limited
"Arthur Andersen Corporate Finance"	Arthur Andersen Corporate Finance, a division of Arthur Andersen
"Board" or "Directors"	the directors of the Company whose names are set out on page 4 of this document
"City Code"	the City Code on Takeovers and Mergers
"Concert Party"	the Zoo Shareholders, together with Zoo Media Corporation Option holders, being Ian Clifford Stewart, Susan Scrivener, Stephen Bailey, Alchemy Capital Limited, ZEST, Brendan Moffet, Martin Calpin and Steve McKevitt, all of whom are deemed by the Panel to be acting in concert in relation to their holdings and potential holdings in the Company and whose details are set out in paragraph 4.10 of Part VIII of this document
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272)) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by CRESTCo Limited
"EGMs"	the First and Second EGMs
"Enlarged Group"	the Kazoo3D Group as enlarged by the Acquisition
"Enlarged Share Capital"	the total issued ordinary share capital of the Enlarged Group
"First EGM"	the extraordinary general meeting of the Company convened for 10.30 am on 11 May 2001, notice of which is set out at the end of this document
"First Resolution"	the resolution to be proposed at the First EGM *inter alia* to approve the Acquisition, to adopt the Kazoo3D EMI Scheme and to amend the Share Option Schemes
"Founding Shareholders"	the founding shareholders of the Company, being R. Gordon Oliver, Stuart Green, Mark Dalman, William Newall and Peter Kane
"Kazoo3D" or "Company"	Kazoo3D plc
"Kazoo3D EMI Scheme"	the proposed Kazoo3D plc Enterprise Management Incentive Scheme, details of which are set out in paragraph 6 of Part VIII of this document
"Kazoo3D Group" or "Group"	the Company and its wholly owned subsidiary, Kazoo3D Inc.
"Kazoo3D Inc."	the USA based subsidiary of the Company
"Kazoo Technology Group"	the Kazoo Technology Group, a division of LightWork Design prior to 1 January 2000
"LightWork Design"	LightWork Design Limited
"Loaded Magazine"	a magazine published by Emap plc

"Lock-in Agreement"	an agreement pursuant to the Acquisition for certain shareholders not to sell ordinary shares of the Enlarged Group for a certain period of time, details of which are set out in paragraph 8.1.13 of Part VIII of this document
"London Stock Exchange"	London Stock Exchange plc
"Lycos"	Lycos Europe GmbH
"Michelin"	Michelin Tyre plc
"Motorola"	Motorola Limited
"New Ordinary Shares"	the 79,830,937 new ordinary shares to be issued and credited as fully paid up pursuant to the Acquisition Agreement
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	the existing 59,392,647 issued ordinary shares of 0.2p each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Premium TV"	Premium TV Limited
"Proposed Board"	the board of the Enlarged Group
"Proposed Directors"	the directors who will comprise the Proposed Board on completion of the Acquisition, whose names are set out on page 4 of this document
"Resolutions"	the First Resolution and the Second Resolution
"Rowan Dartington"	Rowan Dartington & Co. Limited
"Rugbee.com"	Rugbee.com Limited
"Rugby League World Cup"	Rugby League World Cup 2000 Limited
"Second EGM"	the extraordinary general meeting of the Company convened for 10.30 am on 29 May 2001, notice of which is set out at the end of this document
"Second Resolution"	the resolution to be proposed at the Second EGM *inter alia* to change the name of the Company and to amend the articles of association of the Company
"Sellers' Claim"	any claim against the Company under the Acquisition Agreement
"Share Option Schemes"	the Kazoo3D share option schemes, as summarised in paragraph 5.2 of Part VIII of this document
"Shareholders"	holders of Ordinary Shares
"Sporting Life"	PA Sporting Life Limited
"UK Listing Authority"	The Financial Services Authority in its capacity as a competent authority under the Financial Services Act 1986
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America
"Yahoo!"	Yahoo UK Limited
"ZEST"	Zoo Employee Share Trust Limited
"Zoo Media Corporation" or "Zoo"	The Zoo Media Corporation Limited
"Zoo Media Corporation Directors"	the directors of Zoo Media Corporation
"Zoo Media Corporation Options"	the options granted under the Zoo Media Corporation Enterprise Management Incentive Scheme, as summarised in paragraph 5.1 of Part VIII of this document, giving a right to subscribe for 11,100 new ordinary shares in Zoo Media Corporation
"Zoo Media Corporation Shareholders" or "Zoo Shareholders"	the holders of Zoo Shares
"Zoo Shares"	the existing 95,714 issued ordinary shares of 10p each in the capital of Zoo Media Corporation

GLOSSARY OF TERMS

"3D"	three dimensional
"3D Models"	virtual 3D images and objects created by Kazoo3D in the Kazoo Format
"broadband"	a high speed method of transmitting data, voice and video
"e-commerce"	commercial activities carried out through the internet, computer systems, digital television or WAP
"FC"	football club
"HTML"	hypertext markup language; a language in which web pages may be written for view on fixed internet
"internet"	the global network of inter-connected computer systems providing an electronic medium over which to distribute and exchange information at high speed
"IP"	intellectual property; such as patents, designs and copyrights
"IPS"	internet professional services
"Java"	a programming language designed for use in the distributed environment of the internet
"Kazoo Format"	a secure, proprietary 3D format developed by Kazoo3D
"Kazoo technology"	the proprietary technology devised by Kazoo3D which allows images to be converted and securely stored in 3D format and that may be used to enhance visual communications
"Macintosh"	a type of personal computer
"meta tag"	an HTML tag that is used to give information about a web page but is not displayed in a web browser
"multimedia"	disseminating information in more than one form, including the use of text, audio, graphics, animated graphics and full-motion video
"OEM"	original equipment manufacturer; a company that purchases, combines and resells hardware and/or software products (eg computers)
"PCs"	personal computers
"Quiz Engine"	a fantasy gaming application
"Quiz Match"	a Quiz Engine with a football theme
"SMS"	short message services; also known as text messages on mobile telephones
"WAP"	wireless application protocol; enabling internet pages to be transmitted to mobile internet devices, such as mobile phones
"web merchant"	a company that operates an e-commerce website
"website"	a location on the worldwide web, comprising one or more web pages of content, identified by a unique address and managed by an individual, corporation or other organisation
"*www.kazoo3d.com*"	the website address of Kazoo3D which allows visitors to acquire 3D Models
"www.zoomediacorp.com"	the website address of Zoo Media Corporation

PART I — LETTER FROM THE CHAIRMAN OF KAZOO3D

(Incorporated and registered in England and Wales No. 3858881)

Directors:	Registered Office:
R G Oliver* (*Chairman*)	Rutledge House
S A Green	78 Clarkehouse Road
J H Warden	Sheffield
C H B Honeyborne*	S10 2LJ
R Abrams*	
*Non-Executive	25 April 2001

To the holders of Ordinary Shares and, for information only, to holders of options granted under the Share Option Schemes

Dear Shareholder

PROPOSED ACQUISITION OF THE ZOO MEDIA CORPORATION LIMITED
CHANGE OF NAME TO ZOO DIGITAL GROUP PLC
RE-ADMISSION TO AIM
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2000

Introduction

On 13 March 2001 the Board announced that, following a strategic review, it was holding intensive discussions regarding a potential acquisition that might allow Kazoo3D's technology to develop as part of a broader business model.

The Board announced yesterday that it has concluded these discussions and that the Company has conditionally agreed to acquire the whole of the issued share capital of Zoo Media Corporation, a provider of digital media solutions to the corporate sector.

Zoo Media Corporation, established in 1999 by Ian Stewart, owns and develops proprietary software applications and technology tools that seek to address the digital media marketing requirements of medium to large corporate clients. Using its technology tool set, Zoo assists its clients in the enhancement of promotions and communications between their clients and their clients' customers, business partners and employees.

Zoo Media Corporation is based in Sheffield, where it employs 42 staff across technical, editorial, sales and marketing and finance functions. Further information on Zoo Media Corporation can be found in Part III of this document.

Due to the size of Zoo relative to Kazoo3D, the Acquisition will be treated by the London Stock Exchange as a reverse takeover under the AIM Rules and is therefore conditional, *inter alia*, upon the approval of Shareholders. Prior to completion of the Acquisition, application will have been made for the Enlarged Share Capital to be admitted to trading on AIM. Such application will be subject to approval of Shareholders of the Acquisition at the First EGM to be held on 11 May 2001. Irrevocable undertakings to vote in favour of the Resolutions have been received from the Directors, LightWork Design and the Founding Shareholders in respect of their aggregate beneficial holdings of 45,333,824 Ordinary Shares, representing approximately 76.3 per cent. of the current issued share capital of Kazoo3D.

This document provides you with information on, and the reasons for, the Acquisition and contains the notices of the First and Second EGMs for the purpose of approving the Resolutions. Your attention is drawn also to the audited financial statements of Kazoo3D for the year ended 31 December 2000 which accompany this document.

The Acquisition

The consideration for the Acquisition will be satisfied through the issue of 79,830,937 New Ordinary Shares to the Zoo Shareholders. On the basis of 8.5p per share, being the closing middle-market price on 24 April 2001 (the last dealing day prior to the date of this document), the Acquisition values Zoo Media Corporation at approximately £6.8 million.

The Acquisition is conditional upon approval of Shareholders at the First EGM, the receipt of a tax clearance and the London Stock Exchange admitting the Enlarged Share Capital to trading on AIM.

Ian Stewart, the founder and principal shareholder of Zoo Media Corporation, has made a loan to Zoo Media Corporation of £757,018, which will remain in place following the Acquisition. Further details of the terms of the loan are provided in paragraph 8.2.4 of Part VIII of this document.

Certain of the Zoo Shareholders have provided and received from the Company warranties in relation to the respective business, assets and affairs of Zoo Media Corporation and the Kazoo3D Group and indemnities in relation to taxation liabilities of the respective companies. Further details of the Acquisition Agreement are provided in paragraph 7 of Part VIII of this document.

Reasons for the Acquisition

Kazoo3D has developed a proprietary 3D software platform that enhances visual communications in business and consumer markets, including website based images, interactive e-mail and electronic notices as well as digital photographs and hard-copy documents. Kazoo3D's products and services were designed for a variety of target users, including consumer, business and educational customers.

At the time of the launch of its website, *www.kazoo3d.com*, on 29 August 2000, Kazoo3D's strategy was to establish itself as a leading supplier of 3D content to the consumer digital imaging market. Kazoo3D targeted digital imaging web merchants in order to drive customer traffic to Kazoo3D's website and has a series of licence agreements in place with companies including Adobe Systems Inc., Hewlett Packard Company, eframes.com and Universal Studios Consumer Products Group. However, click through rates to Kazoo3D's website and the subsequent conversion rate of visitors to customers were extremely disappointing.

In response to this, the Board commissioned an independent market review in order to understand the underlying reasons behind the poor performance of the website, as well as the potential level of consumer interest in the Kazoo3D proposition and the effectiveness of the internet as a distribution channel to consumers for Kazoo3D products in the context of the developing digital imaging market. The Board concluded that, although there was a high level of interest in Kazoo3D's products from consumer users, the current business model was unlikely to generate the level of sales originally envisaged at the time of the Company's flotation in March last year. Accordingly, on 26 January 2001, the Board announced that it was reviewing all strategic options in relation to the Company. The Board also announced that it was taking action to minimise operating costs and overheads.

After examining a number of options, the Board concluded that it would be in the best interests of the Company and the Shareholders to acquire Zoo Media Corporation.

The Directors believe that the Acquisition will allow Shareholders to participate in a fast growing digital media business run by an experienced management team. The inclusion of the Kazoo technology within Zoo's tool set of digital applications should allow the Kazoo technology to be developed and commercialised as part of a wider and proven business model.

The Directors and Proposed Directors believe that long term competitive advantage in the digital media solutions market will be achieved through being able to offer a broad range of technologies and applications that demonstrate an ability to connect with specific affinity groups. Zoo Media Corporation has differentiated itself through the development of a proprietary suite of software tools and applications and creative content design skills targeted at specific audiences. Zoo's digital solutions are borne out of an understanding of marketing strategy, consumer segmentation and client brand values. In the six months to the end of February 2001, Zoo has generated sales of approximately £536,000 from clients which include Motorola, Premium TV, AOL, Michelin and the Rugby League World Cup.

The Board believes that the Acquisition provides a means by which Kazoo3D's assets can be utilised to accelerate the development of Zoo as well as provide a platform to develop and commercialise the Kazoo technology.

The Enlarged Group will continue to operate the e-commerce website, *www.kazoo3d.com*, but as this is unlikely to generate significant sales under existing distribution arrangements, the Company will focus on generating revenues from other sources, such as licensing agreements. Kazoo3D is currently in advanced discussions with an OEM partner to provide a significant means of distribution for a consumer product built with Kazoo technology.

Results and current trading

For the year ended 31 December 2000, Kazoo3D made a consolidated loss before taxation of £4.6 million on negligible turnover. As at 31 December 2000, the Kazoo3D Group had net assets of £6.7 million.

Since the year end, sales generated by Kazoo3D's website have continued to be weak and the Board has taken action to reduce the Company's ongoing operating costs and overheads.

Financial information relating to Kazoo3D is set out in Part V of this document and in the audited financial statements, which accompany this document.

Board changes and Proposed Directors

On completion of the Acquisition and in recognition of the new circumstances of the Enlarged Group, it is intended that I will step down as chairman and resign as director of the Company. It is also intended that John Warden and Roy Abrams will resign from the Board and I wish to thank them for their support and hard work since the Company's flotation.

On completion of the Acquisition, John Barnes will be appointed Non-Executive Chairman, Ian Stewart will become Chief Executive Officer, Andrew Scrivener will become Chief Operating Officer and Robert Deri will become Chief Financial Officer and Company Secretary. Stuart Green will move from his present position of Chief Executive Officer to Chief Technology Officer of the Enlarged Group. Christopher Honeyborne will remain as a Non-Executive Director.

Following completion of the Acquisition, the Proposed Board will therefore be constituted as follows:

John Barnes, Non-Executive Chairman, aged 51

John has 30 years of general management experience in consumer orientated businesses within Europe and the USA. John held roles with Procter & Gamble, the International Playtex Company and Pepsico. Previously he was Managing Director of Kentucky Fried Chicken (GB) Limited and of the UK rental and retail division of Thorn EMI plc. John joined the new start-up company which acquired the one Harry Ramsden's restaurant in 1988 as Executive Chairman and led its flotation on the London Stock Exchange in 1989 and eventual sale to Granada plc in November 1999. He is a Non-Executive Director of Yates Group plc, Caffe Nero plc, Arena Leisure plc and Chairman of Galaxy 105 FM Yorkshire (part of the Chrysalis Group).

Ian Stewart, Chief Executive Officer, aged 47

Ian Stewart is the Executive Chairman and majority shareholder of Zoo Media Corporation and has had responsibility for its strategic direction since founding it in October 1999. Ian founded Gremlin Interactive Limited, a developer and publisher of computer games for consumers, in 1984 and grew that company through organic growth and strategic acquisition until July 1997 when it floated on the London Stock Exchange as Gremlin Group plc. Infogrames SA acquired Gremlin Group plc for £25 million in May 1999.

Andrew Scrivener, Chief Operating Officer, aged 41

Andrew Scrivener is currently the Managing Director of Zoo Media Corporation and will become Chief Operating Officer of the Enlarged Group. Andrew was previously Technical Director at Sears plc and was responsible for retail design, surveying, engineering and procurement across 15 brands in European and Middle Eastern territories.

Robert Deri, Chief Financial Officer, aged 38

Robert Deri joined Zoo Media Corporation in March 2001 as Finance Director. He has responsibility for the financial information and systems of Zoo. Until recently he was the Group Finance Director of Grattan Plc, having joined them in 1998 and, prior to that, held senior positions at BT Mobile, Colorvision PLC and The Burton Group plc. He qualified as a Chartered Accountant with KPMG in 1987.

Dr. Stuart Antony Green, Chief Technology Officer, aged 35

Stuart Green is currently the Chief Executive Officer of Kazoo3D and was responsible for forming the Kazoo Technology Group within LightWork Design. He has eleven years' experience of team building and executive management in the software industry. He received a Ph.D in Computer Science from the University of Bristol in 1989 for his research into computer systems for advanced computer graphics.

Dr. Christopher Henry Bruce Honeyborne, Non-Executive Director, aged 60

Christopher Honeyborne spent 24 years in banking, gaining experience in a variety of roles with Lazard Brothers, Banque Paribas Group and Bank of N T Butterfield & Son. Since then, he has held a number of high-profile non-executive directorships, including Yorkshire Water plc and Gremlin Group plc. His current non-executive directorships include Birse Group plc, Bede plc, Kunick plc and BWD AIM VCT plc.

Other key personnel

Other key personnel within the Enlarged Group will be:

Brendan Moffet, Marketing Director, aged 34

Brendan comes from an advertising and marketing background and has held senior positions in a number of large advertising agencies, including Ogilvy and Mather and Young and Rubicam, working on major accounts such as Guinness and Nationwide Building Society. Before joining Zoo Media Corporation in January 2000, Brendan was Marketing Director for the music and radio division of Emap plc.

Steve McKevitt, Publishing Director, aged 34

Steve spent six years at Gremlin Group plc and was appointed Head of Communications in November 1997. He was responsible for Gremlin's worldwide marketing communications strategy, which included the establishment of a European communications network. He was appointed as Publishing Director on joining Zoo Media Corporation in October 1999.

Martin Calpin, Creative Director, aged 34

Martin ran his own publishing company before joining Gremlin Group plc in 1992. As Creative Manager he was responsible for commissioning and producing all the artwork used for packaging, point of sale and point of purchase materials across 15 territories. In 1999 he joined Zoo Media Corporation as Creative Manager, before being appointed Creative Director in 2000.

Helen Gilder, Financial Controller, aged 34

Helen joined Kazoo3D in February 2000 as Financial Controller. She was previously Finance Director of Torex Medical Limited, a company which provides computer software and services. During her time with Torex she gained considerable experience of acquisitions and mergers. Prior to this she was employed as Company Accountant at Candlelight Products Limited. Helen qualified as a Chartered Accountant in 1991.

Intentions of the Directors, Proposed Directors, Founding Shareholders, LightWork Design and Zoo Shareholders in relation to their shareholdings

Subject to completion of the Acquisition, the following persons have, subject to certain exceptions, undertaken not to sell, and to procure that their related parties do not sell, any Ordinary Shares or New Ordinary Shares held by them on Admission until after the announcement of the interim results for the Enlarged Group for the six months ending 30 June 2002 without the prior written permission of Arthur Andersen Corporate Finance and Rowan Dartington:

Stuart Green
R Gordon Oliver
Mark Dalman
William Newall
Peter Kane
LightWork Design
Ian Stewart
Susan Scrivener
Stephen Bailey

Corporate governance

The Enlarged Group will hold regular directors' meetings at which operating and financial reports will be considered. The Proposed Board will be responsible for formulating, reviewing and approving the Enlarged Group's strategy, budgets, major items of capital and development expenditure, acquisitions and senior personnel appointments.

The Proposed Board intends that, so far as it is practical, and to the extent appropriate, having regard to the size of the Company, it will comply with the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel and which is appended to the Listing Rules of the UK Listing Authority (the "Combined Code"). An Audit Committee, chaired by Christopher Honeyborne and comprised of himself and John Barnes will be established. The Remuneration Committee will be chaired by John Barnes and will also include Christopher Honeyborne and Ian Stewart.

The Audit Committee will be responsible for making recommendations to the Proposed Board on the appointment of auditors and the audit fee and will receive and review reports for management and the Enlarged Group's auditors on the financial accounts and internal control systems in use throughout the Enlarged Group. It will meet at least twice each year.

The role of the Remuneration Committee will be to review the performance of the executive directors and to set the scale and structure of their remuneration, including bonus arrangements, with due regard to the interests of the shareholders. The Remuneration Committee will also administer and establish performance targets where relevant for the Share Option Schemes and the proposed Kazoo3D EMI Scheme and determine the allocation of share options to employees. In exercising this role, the terms of reference of the Remuneration Committee will require it to comply with the Code of Best Practice published in the Combined Code.

By a resolution dated 22 March 2000, the Board adopted the AIM Model Code and resolved to take all proper and reasonable steps to ensure compliance by its directors and senior employees with the Model Code. Although no longer a requirement of the AIM Rules, the Proposed Board will continue to adhere to the Model Code.

Dividend policy

For the foreseeable future, the Proposed Directors expect that the cash resources generated by the Enlarged Group's operations will be devoted to funding the Enlarged Group's expansion. Accordingly, they do not expect that the Enlarged Group will declare a dividend in the early years of its development. Additionally, the Enlarged Group is not able to pay a dividend until it has distributable reserves. The Proposed Board will continue to review the appropriateness of its dividend policy as the Enlarged Group develops.

The City Code

Under Rule 9 of the City Code, when a person or group of persons acting in concert acquires shares in a company which is subject to the City Code, and *inter alia* such shares, when taken together with shares, if any, already held, would result in such person or group of persons holding shares carrying 30 per cent. or more of the voting rights of such company, such person or group of persons is normally required by the Panel to make a general offer to all other shareholders for the remaining shares in the capital of that company.

Rule 9 of the City Code also provides that where any person or group of persons acting in concert holds not less than 30 per cent., but not more than 50 per cent., of a company's voting rights and acquires additional shares, such person or group is required to make a general offer to all other shareholders of the company.

As vendors of Zoo, the Zoo Shareholders, together with all the holders of the Zoo Media Corporation Options are taken to be acting in concert in relation to the shares they will acquire or may potentially acquire in Kazoo3D.

Immediately upon completion of the Acquisition, the Concert Party will hold approximately 57.34 per cent. of the Enlarged Share Capital and under Rule 9 of the City Code, as a consequence of the issue of New Ordinary Shares, the issue of any new ordinary shares in Kazoo3D in satisfaction of a Sellers' Claim and any new ordinary shares issued in Kazoo3D arising from the exercise of options granted in Kazoo3D to the Zoo Media Corporation Option holders, the Concert Party would normally be required to make a general offer to all other shareholders.

Shareholders should note that the total holding of the Concert Party in the enlarged share capital of Kazoo3D could be increased by the issue of new ordinary shares in Kazoo3D to satisfy any Sellers' Claim. The maximum number of new ordinary shares in Kazoo3D that could be issued to satisfy such a claim is 5,882,352, taking the Concert Party's total potential holding to 59.07 per cent. (assuming that Kazoo3D does not issue further ordinary shares following the issue of the New Ordinary Shares).

In addition, following the Acquisition a total of up to 9,258,034 new ordinary shares in Kazoo3D could be issued to the Zoo Media Corporation Option holders taking the Concert Party's total maximum potential holding in Kazoo3D to 60.00 per cent. excluding any ordinary shares which may be issued pursuant to any Sellers' Claim and 61.52 per cent. if the maximum number of new ordinary shares are issued in Kazoo3D pursuant to the option arrangements and the maximum number of ordinary shares are issued pursuant to any Sellers' Claim.

Further details relating to the Concert Party and the ordinary shares which could be issued pursuant to any Sellers' Claim and the Zoo Media Corporation Option holders are set out in paragraph 4.10 of Part VIII of this document.

Upon completion of the Acquisition, Ian Stewart, a Concert Party member, will individually hold approximately 36.04 per cent. of the Enlarged Share Capital. Ian Stewart has an option to acquire up to a further 1,004,260 Ordinary Shares from Stephen Bailey, another Concert Party member, which would if exercised take Ian Stewart's total potential holding of the Enlarged Share Capital to approximately 36.76 per cent. (assuming the maximum acquisition of shares by Ian Stewart pursuant to the exercise of the option granted to him but that Kazoo3D do not issue any further shares following the issue of the New Ordinary Shares). This option may be exercised at any time up to the tenth day after the date of the announcement of the interim results of the Company for the six months ending 30 June 2002.

Furthermore, in satisfaction of any Sellers' Claims, Ian Stewart could be issued with a maximum of 4,965,293 new ordinary shares in the Company, taking his total potential holding of the Enlarged Share Capital, to approximately 38.69 per cent. (assuming the maximum acquisition of shares by Ian Stewart pursuant to the exercise of the option granted to him referred to above and that Kazoo3D issues the maximum number of ordinary shares pursuant to any Sellers' Claims but otherwise does not issue any further ordinary shares following the issue of the New Ordinary Shares). Under Rule 9 of the City Code, as a consequence of the issue of the New Ordinary Shares, any exercise of the option referred to above and the issue of any new ordinary shares in satisfaction of any Sellers' Claim referred to above, Ian Stewart would normally be required to make a general offer to other Shareholders.

The Panel has agreed, subject to approval by Shareholders voting on a poll in general meeting, to waive any obligation for either the members of the Concert Party or Ian Stewart individually to make a general offer to other shareholders under Rule 9 that would otherwise arise as a result of the issue of the New Ordinary Shares upon completion of the Acquisition, the issue of new ordinary shares in satisfaction of any Sellers' Claim, the issue of any new ordinary shares in Kazoo3D which may be issued to the Zoo Media Corporation Option holders and, the acquisition of shares by Ian Stewart pursuant to any exercise of the option granted to him referred to above. Accordingly, an ordinary resolution will be proposed and voted on by a poll at the First EGM, to approve the Panel waiver as described. To be passed, the resolution will require the approval of a simple majority of the votes cast by Shareholders on that poll.

Shareholders should be aware that, under Rule 9 of the City Code, when a person or group of persons acting in concert such as the Concert Party holds shares carrying 50 per cent. or more of the voting rights of a company, such persons or group of persons will normally be able to acquire additional shares in the company without there arising any obligation to make a general offer to all other shareholders for the remaining shares. Consequently individual members of the Concert Party will normally be free to purchase further ordinary shares to take their personal holdings to 29.9 per cent. without incurring an obligation to make a general offer to all other shareholders.

However, individual members of a concert party, who hold not less than 30 per cent., but not more than 50 per cent. of the company's voting rights, may not be able to acquire more of the voting rights of the company without triggering an obligation to make a general offer under Rule 9 of the City Code, or without seeking a further waiver from the Panel and approval of any waiver by independent shareholders voting on a poll in general meeting. Consequently, following completion of the Acquisition, Ian Stewart will not be able to acquire more Kazoo3D ordinary shares without incurring an obligation to make a general offer under Rule 9, other than as a result of the exercise of the option granted by Stephen Bailey, or an issue of new ordinary shares in satisfaction of any Sellers' Claim, in each case as referred to above.

Venture Capital Trusts

The Company has requested provisional assurance from the Inland Revenue that, on the basis of the facts supplied and given the change in business circumstances and the proposed transaction, the Ordinary Shares subscribed for at the time of the flotation in March 2000 will continue to be regarded as qualifying holdings for investment by Venture Capital Trusts ("VCTs"). The Company has not yet received a response from the Inland Revenue and so cannot guarantee that these shares will continue to qualify. If these shares are a qualifying holding for VCT purposes qualification will be conditional, *inter alia*, upon the Company with its enlarged activities continuing to satisfy the requirements for a qualifying company throughout the period that Ordinary Shares are held as a 'qualifying holding'.

Share option schemes

The Proposed Directors believe that it is important for the success and growth of the business to employ highly motivated staff. They believe that a valuable tool in attracting, retaining and rewarding the best workforce is to offer equity incentives. Consequently, the Proposed Board will continue to operate the Share Option Schemes and will extend membership to all employees of the Enlarged Group.

The Proposed Directors also propose to introduce the Kazoo3D EMI Scheme and approval of Shareholders is being sought to this at the First EGM.

Further details of the proposed Kazoo3D EMI Scheme are set out in paragraph 6 of Part VIII of this document.

Zoo Media Corporation has adopted two discretionary share option schemes namely the Zoo Media Corporation Limited non Inland Revenue Approved Executive Share Option Scheme and the Zoo Media Corporation Enterprise Management Incentives Scheme. Further details of these schemes are provided in paragraph 5.1 of part VIII.

In addition, holders of Zoo Media Corporation Options will be offered the right to exchange those options for equivalent options over ordinary shares under the proposed Kazoo3D EMI Scheme. The number of equivalent shares under the replacement options has been determined by reference to the effective price for each Zoo Share relative to the price of each Ordinary Share as at 24 April 2001 (the last dealing day before the publication of this document).

Change of name

The Directors believe that, in view of the change in focus of the Company's activities, it is appropriate for the Company's name to be changed. A special resolution will be proposed at the Second EGM proposing that the Company's name be changed to Zoo Digital Group plc.

Extraordinary general meetings

Two notices of extraordinary general meetings are set out at the end of this document. The meetings have been convened for 10.30 am on 11 May 2001 and 10.30 am on 29 May 2001 and both will be held at Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ.

At the First EGM, the First Resolution to be proposed as an ordinary resolution and voted on by a poll is to:

- approve the Acquisition;
- approve the waiver by the Panel of general offer obligations under Rule 9 of the City Code;
- renew the Directors' authority to allot ordinary shares pursuant to section 80 of the Act up to a maximum nominal amount of £101,921;
- amend the rules of the Kazoo3D Unapproved Employee Share Option Scheme and, subject to the approval of the Inland Revenue, to amend the rules of the Kazoo3D Employee Share Option Scheme;
- approve and adopt the Kazoo3D EMI Scheme;
- receive the report and accounts of the Company for the year ended 31 December 2000; and
- approve the reappointment of the auditors and authorise the Directors to fix their remuneration.

Shareholders should note that the Acquisition is conditional on the passing of the First Resolution at the First EGM.

Following the proposed issue of New Ordinary Shares and taking account of outstanding options under the Share Option Schemes, the Kazoo3D Cross-Over Share Option Scheme (described in paragraph 8.1.7 of Part VIII of this document), the options described in paragraph 4.4 of Part VIII of this document and the grant of equivalent options over new ordinary shares in the Company in exchange for the release of their Zoo Media Corporation Options (on the assumption that all holders of Zoo Media Corporation Options accept the proposals to convert their Zoo Media Corporation Options into equivalent options over new ordinary shares), there will remain authorised but unissued and unreserved 51,217,539 new ordinary shares in the Company representing approximately 33 per cent. of the authorised share capital of the Company. The Proposed Board believes that it is desirable to maintain such a margin of unissued share capital to preserve flexibility for the future.

At the Second EGM, the Second Resolution to be proposed as a special resolution is to:

- change the name of the Company to Zoo Digital Group plc;
- amend the articles of association of the Company to reduce the notice period for calling an extraordinary general meeting of the Company at which it is proposed to pass a special resolution from 20 clear working days to 21 clear days; and
- renew the disapplication of statutory pre-emption rights pursuant to section 95 of the Act.

Irrevocable undertakings

Irrevocable undertakings to vote in favour of the Resolutions have been received from the Directors, LightWork Design and Founding Shareholders in respect of their aggregate beneficial holdings of 45,333,824 Ordinary Shares, representing approximately 76.3 per cent. of the existing issued share capital of Kazoo3D, as set out below. These undertakings remain valid in all circumstances including in the event of an offer being made for the Company.

Shareholder	Number of Ordinary Shares undertaken to be voted in favour of the Resolutions	Percentage of Ordinary Shares
Dr. Richard Gordon Oliver	14,900,500	25.09
Dr. Stuart Antony Green	9,641,500	16.23
Roy Abrams	58,824	0.10
Lightwork Design	50,000	0.08
Dr. Mark Timothy Dalman	9,641,500	16.23
William Newall	9,641,500	16.23
Dr. Peter Michael Kane	1,400,000	2.36
	45,333,824	76.32

Action to be taken

Two forms of proxy are enclosed for use at the EGMs. Whether or not you intend to be present at the EGMs, you are requested to complete, sign, and return the forms of proxy to Kazoo3D's Registrars: Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible, but in any event, to arrive not later than 10.30 am on 9 May 2001 and on 24 May 2001 respectively. The completion and return of a form of proxy will not preclude you from attending the EGMs and voting in person should you wish to do so.

Recommendation

The Board, which has been advised by Arthur Andersen Corporate Finance, considers the Acquisition to be in the best interests of Kazoo3D and its Shareholders. In addition, the Board, which has been so advised by Arthur Andersen Corporate Finance, considers the waiver of the obligations of the Concert Party and Ian Stewart to make mandatory offers which would otherwise arise under Rule 9 of the City Code as described above to be fair and reasonable and in the best interests of the Company and Shareholders as a whole. In providing advice to the Directors, Arthur Andersen Corporate Finance has taken into account the Directors' commercial assessments.

Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the EGMs, as the Directors, LightWork Design and Founding Shareholders have irrevocably undertaken to do in respect of the 45,333,824 Ordinary Shares that they hold in aggregate, representing approximately 76.3 per cent. of the existing ordinary share capital of the Company.

Yours sincerely

R Gordon Oliver
Chairman

PART II — LETTER FROM THE CHAIRMAN OF ZOO MEDIA CORPORATION

zoo media corporation

(Incorporated and registered in England and Wales No. 3829615)

Directors:
I Stewart *(Executive Chairman)*
A Scrivener
R Deri

Registered Office:
Parkhead House
26 Carver Street
Sheffield
S1 4FS

25 April 2001

To the holders of Ordinary Shares and, for information only, to holders of options granted under the Share Option Schemes

Dear Shareholder

PROPOSED ACQUISITION OF ZOO MEDIA CORPORATION BY KAZOO3D

I am writing to outline the reasons why I believe the merger of Zoo Media Corporation and Kazoo3D will position the Enlarged Group as a key provider of digital media solutions to corporate clients.

Since inception, Zoo Media Corporation has always striven to offer its clients innovative and distinctive, tailored digital media solutions. By ensuring that we understand our clients' requirements and their target customers, we develop specific technologies and solutions that ensure that their marketing messages are conveyed through effective and appropriate distribution channels using various digital media. We have built up a high-profile client base and this is testimony to our ability to provide original and creative digital media solutions.

As the digital media market grows and develops, and corporates become increasingly aware of the various distribution channels through which they must target their customers, they will require digital media solutions from an innovative and reliable partner. Zoo aims to be this partner.

The addition of the Kazoo technology, and the technical and creative skills of its staff, will enhance Zoo's ability to provide these innovative solutions. In the first instance, the Kazoo technology will provide us with a competitive advantage by allowing us to offer a 3D aspect to our creative solutions, which we have not been able to offer previously. Furthermore, as the two businesses have similar cultures and philosophies, I am confident that further opportunities will be unlocked through the cross-fertilisation of ideas, skills, technologies and customers as the two businesses become fully integrated. I am pleased to be able to confirm that the existing employment rights, including pension rights, of all management and employees of Kazoo3D will be fully safeguarded.

I believe that the merging of the two businesses will provide Zoo with an exciting technology for enhancing its digital media solutions, give Kazoo3D an outlet for effective commercialisation of its technology and position the Enlarged Group as a key player in the rapidly changing and growing digital media market.

Once the Enlarged Group has been created and the Kazoo technology and resources have been fully integrated, our strategy will be to generate and grow revenues through:

- targeting and developing relationships with medium to large corporate clients;
- integrating the Kazoo technology into effective online applications, including mobile internet and broadband platforms;
- developing specific applications within the wireless data market as a result of Zoo's relationships with different parts of the digital supply chain;
- scaling up our existing operational structure to allow us to respond to our clients' needs quickly and effectively; and
- increasing the volume of client assignments by maintaining strong relationships with existing clients through value added end to end solutions.

We look forward to working with the Kazoo3D team.

Yours sincerely

Ian Stewart
Executive Chairman

PART III — INFORMATION ON ZOO MEDIA CORPORATION

Background

Zoo Media Corporation is a digital media developer and solutions provider. Ian Stewart established Zoo in Sheffield in October 1999, in response to the growing demand for end to end media solutions from medium to large companies. Zoo Media Corporation provides corporate clients with fast, effective and innovative solutions that address their digital media needs using multiple delivery channels, including fixed internet, mobile internet and, in the near future, broadband TV.

Zoo owns and develops a range of proprietary software applications, tools and entertainment products and utilises these to solve the communications, marketing, content and commercial issues facing corporate clients in the digital media market.

Zoo seeks to generate revenues through:

- the creation and licensing of Zoo Media Corporation owned applications and associated IP;
- receiving payment for access to Zoo Media Corporation generated content;
- the creation, hosting and maintenance of customer branded digital media content underpinned by Zoo Media Corporation's applications; and
- the development of specific applications and digital media solutions for clients.

To date, Zoo Media Corporation has been funded by an investment of approximately £2.2 million from Ian Stewart.

The Zoo Media Corporation website is located at *www.zoomediacorp.com.*

The market

Zoo Media Corporation operates within the digital media market, a sub-sector of the IPS market. Companies within the IPS sector produce internet-based solutions for clients that either allow their IT systems to be integrated with internet-based products or enhance their marketing or operations through the application of digital media.

The IPS market in the UK is forecast to grow at an annual rate of nearly 30 per cent. between 2000 and 2004 (*source:* Frost & Sullivan, 2000). As the market grows and develops, the Proposed Directors believe that corporate clients will require larger and more complete digital media solutions. The Proposed Directors believe that Zoo is well placed to take advantage of an increasing demand for the provision of end to end solutions.

The Proposed Directors believe that Zoo has an advantage over its competitors by being able to provide its clients with complete end to end solutions from a wide range of products and applications. The Proposed Directors are not aware of any competitor able to provide the range of products and services that are currently offered by Zoo.

The business

In response to the changing and growing market for digital media, Zoo provides corporate clients with fast, effective and innovative solutions in response to their digital media needs through multiple delivery channels, including fixed internet, mobile internet and, in the near future, domestic broadband TV.

Zoo offers digital solutions through four distinct and inter-related disciplines (marketing, creative, publishing and technology) that allow Zoo to provide a comprehensive end to end service. Zoo's solutions can be designed to embody in full the appearance and attributes of the client's own brand or business.

When a new client assignment is undertaken, the Zoo assignment team meets with the client to understand fully the client's strategy, target customers and key success criteria. Once an understanding has been obtained, the suitability of any or all of the following four disciplines offered by Zoo is assessed.

Marketing

Zoo seeks to become fully acquainted with the client's brand, culture, values and business strategy. Research on the client's market may also be undertaken to generate an awareness of the client in the context of its competitors. Finally, Zoo obtains an understanding of how success will be measured in order to ensure that marketing is performed in an effective and consistent way.

Solutions in digital media often require substantial investment from a client and it is therefore important that Zoo understands the client's commercial objectives. Once this understanding is obtained, Zoo Media Corporation is able to outline the most suitable approach in order to satisfy its client's commercial objectives in a cost-effective manner. Zoo assists its clients in developing solutions that are designed to realise a range of objectives, including financial return, market share and brand awareness.

Creative

Zoo Media Corporation's creative team works closely with a client's existing brands or more frequently creates material to enhance the client's offering, including the creation of new intellectual properties, giving future revenue opportunities to both Zoo and the client.

Publishing

Zoo is able to provide its customers with specialised and original content targeted directly at a customer segment by utilising the work performed for a client under the marketing discipline. The style of content varies depending upon the target audience, but it can range from focused, authoritative text through to colloquial vocabulary and visual style.

Technology

Zoo is able to offer its clients a digital media architecture that has leading edge functionality across web platforms at very high speeds. Significant investment has been made in the development of IP to provide enhanced performance and effectiveness which can be maintained by non-technical personnel and to develop functionality in broadband and mobile platforms.

Examples of IP that has been developed include:

Name	Description	Benefit
Content Management System (CMS)	A proprietary software application that is designed to make large scale, real time website management possible	Delivers cross-platform, cross-format sites simultaneously using common structure and data without requiring users to possess complex technical knowledge
Feed Management & Publication (FMP)	Takes data from a variety of digital feeds and automatically analyses and feeds this to the CMS module for rendering to the website	Enables content to be made available within seconds of editorial sign-off
Personal Content Delivery (PCD)	Allows the collection and filtering of passive information on user browsing habits	Can create a series of quick links to areas of a website specific to a user's visitation pattern
Real Time Chat (RTC)	HTML based real time chat engine that does not require additional plug-ins or Java script	Each RTC server can host up to 5,000 simultaneous users in up to 1,000 rooms that can be accessed from anywhere in the world via a PC or Macintosh with internet access
Rapid Spider Technology (RST)	Allows rapidly changing news to be delivered from anywhere on the internet to a destination browser through searching the content directly rather than the meta tags	Ensures content is current and accurate
Quiz Engine	A fantasy gaming application that asks players themed questions over the internet and ranks players in a league based upon their answers	Covertly provides a vehicle for capturing customer information and is a mechanism for passive advertising

A number of other applications are currently under development.

Clients

Zoo targets mid to large corporate clients and usually works for clients on a project by project basis.

A high-profile client base has been developed by focusing on the key digital routes in the consumer supply chain, including fixed internet (AOL, Lycos, Yahoo!), mobile internet (Motorola) and domestic broadband TV (Premium TV). Zoo Media Corporation has also recently worked for Michelin, Loaded Magazine, The Football League, The Rugby League World Cup, Sporting Life and Rugbee.com.

The following projects, completed or in production, during the last six months, are typical of the range of solutions that Zoo provides to its customers:

Motorola

Development of the SMS website, *www.xtremetxt.com*, to coincide with the launch of Motorola's V.100 mobile telephone. The website features a significant range of interactive SMS content that can be sent to other mobile phones free of charge. Zoo Media Corporation offered an integrated service across its marketing, creative and technical disciplines to deliver a website that gains popularity on a weekly basis without ongoing direct marketing expenditure.

Premium TV

Development and maintenance of a youth website for Premium TV, a wholly owned subsidiary of ntl, which manages a portfolio of investments, including Newcastle United FC, Middlesbrough FC, Glasgow Rangers FC and of the Nationwide Football League websites. Zoo Media Corporation has also developed Quiz Match, which will be posted on each football league club website to capture user data. Zoo Media Corporation has provided an integrated service to ntl across its editorial, creative, technical and marketing disciplines.

AOL

Development and maintenance of a youth website, *www.kidzunited.co.uk*, aimed at the under-twelve market. The website provides football content for the AOL kids' channel on the UK proprietary internet service. Zoo Media Corporation provides the website infrastructure and the football content.

Michelin

Michelin sponsored Cirque du Soleil's 'Quidam' UK tour which ran from December 2000 to February 2001 and Zoo Media Corporation was tasked with developing and maintaining the dedicated website located at *www.michelinquidam.com*. The site provides motion and audio clips, a tailored online user survey and support to the repositioning of the Michelin brand.

Rugby League World Cup

Development, maintenance and hosting of the Rugby League World Cup website in October 2000. Zoo Media Corporation provided commercial, editorial, creative and technical services to assist in marketing the game to a wider audience.

Infrastructure

Zoo Media Corporation operates from offices based in Carver Street, Sheffield, which provide 4,000 square feet of space under a three year lease with an annual lease commitment of £21,500. The lease was taken out by Zoo Media Corporation in May 2000.

Zoo Media Corporation currently has 42 staff, covering editorial, creative, technical and management roles.

It is envisaged that, following the Acquisition, the headquarters of Kazoo3D will be relocated to new premises where all of Kazoo3D's remaining employees and Zoo Media Corporation's employees will be based.

Financial information

The summary financial information on Zoo Media Corporation set out below has been extracted from the Accountants' Report in Part VI of this document. Shareholders should read the whole of this document and not just rely on the summarised information.

	Period ended 31 August 2000 (53 weeks) £'000	**Period ended 28 February 2001 (26 weeks) £'000**
Turnover	62	536
Operating loss	(1,737)	(373)

As at 28 February 2001, the net liabilities of Zoo Media Corporation were £708,000.

Current trading and prospects

Trading since 28 February 2001 has been in line with the expectations of the Zoo Media Corporation Directors. A number of contract negotiations are at an advanced stage and prospects for the remainder of the current financial year ending 31 August 2001 appear good.

PART IV

RISK FACTORS

The Directors and the Proposed Directors consider that the following factors should be taken into account by current and potential investors.

- Zoo Media Corporation is operating in a relatively new market and there is a risk that the growth in the digital media solutions market may be lower than expected.
- Zoo Media Corporation has to date had, and envisages that it will continue to have, a large dependence on a small number of key clients.
- There is a risk that the Enlarged Group's IP may be infringed and that any such violation may cause it to lose revenue.
- There are already a number of competitors operating in each of the four distinct disciplines offered by Zoo Media Corporation and, as barriers to entry are relatively low, the future number of competitors that may be able to offer end to end solutions could increase.
- The Enlarged Group may have difficulty in recruiting the right number and calibre of qualified staff as the business expands.
- AIM is not the same as the Official List of the London Stock Exchange and the ability of an investor to sell the Company's ordinary shares will depend on there being a willing buyer for them at an acceptable price.

PART V — ACCOUNTANTS' REPORT ON KAZOO3D

The Directors
Kazoo3D plc
Rutledge House
78 Clarkehouse Road
Sheffield
S10 2LJ

Arthur Andersen Corporate Finance
1 City Square
Leeds
LS1 2AL

ARTHUR ANDERSEN

Arthur Andersen

1 City Square
Leeds
LS1 2AL

Tel 0113 207 7000
Fax 0113 207 7001

25 April 2001

Dear Sirs

KAZOO3D PLC

On 24 April 2001 Kazoo3D plc ("Kazoo3D") entered into a conditional contract to acquire the whole of the issued share capital of The Zoo Media Corporation Limited. We report on the financial information of the Kazoo3D Group (as defined under "Basis of accounting") set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 25 April 2001 of Kazoo3D ("the AIM Admission Document").

Basis of preparation

The financial information set out below, which has been prepared on the basis set out under "Basis of accounting" in the accounting policies and in accordance with applicable United Kingdom generally accepted accounting standards, is based on the special purpose accounts of Kazoo3D for the period ended 1 January 2000 and its audited accounts for the year ended 31 December 2000, the audited accounts of LightWork Design Inc. (since renamed Kazoo3D Inc.) for the periods ended 31 May 1999 and 1 January 2000 and the results of the Kazoo Technology Group, as derived from the audited accounts of LightWork Design Limited ("LightWork Design") for the period ended 31 May 1998, the year ended 31 May 1999 and the period ended 1 January 2000 (together "the financial statements"), to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the Directors who approved their issue. The Directors and the Proposed Directors of Kazoo3D are responsible for the contents of the AIM Admission Document.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the United Kingdom by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the accounts of LightWork Design Inc. and LightWork Design and by us relating to the audit of the other financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately controlled.

We planned and performed our work 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 this financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of the Kazoo3D Group as at 31 May 1998, 31 May 1999, 1 January 2000 and 31 December 2000 and of its losses and cash flows for the periods then ended.

We consent to the inclusion of this report in the AIM Admission Document and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Accounting policies

(a) Basis of accounting

The financial information is prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting standards.

As described below the Kazoo3D Group comprises Kazoo3D plc, its subsidiary undertaking LightWork Design Inc. and the Kazoo Technology Group transferred to Kazoo3D from LightWork Design on 1 January 2000. In this respect we refer to Kazoo3D plc, LightWork Design Inc. and the Kazoo Technology Group together as "the Kazoo3D Group".

Kazoo3D was incorporated to acquire, under an agreement for the de-merger of the Kazoo Technology Group from LightWork Design, the Kazoo Technology Group and the entire issued share capital of LightWork Design Inc. with effect from 1 January 2000. Immediately following the de-merger, the shareholders of LightWork Design and Kazoo3D were identical. Accordingly, the business combination has been accounted for as a merger under merger accounting principles. Consequently although Kazoo3D was not incorporated until 14 October 1999 and the combination did not take place until 1 January 2000 the financial information is presented as though the merged business had always been part of the group.

The Kazoo Technology Group was a division of LightWork Design until 1 January 2000. Since that date charges have been levied on the Kazoo3D Group by LightWork Design for finance and systems administration, premises and other shared services. However, no such internal charges were made on the Kazoo Technology Group prior to that date and it would be inappropriate to include notional charges in respect of these services or the Kazoo3D Group's present finance structure in the profit and loss account. For this reason (1) the financing structure, interest and operating charges reflected in the financial information in this report in relation to the period prior to 1 January 2000 should not be regarded as representative of the financing structure, interest and operating charges that would have arisen had the Kazoo Technology Group operated as a separate legal entity and (2) the results presented in relation to that period are not comparable with the results for the subsequent period.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset on a straight-line basis, less estimated residual value, over its expected useful life, as follows:

Computers	33% per annum
Office equipment, fixtures and fittings	20% per annum
Leasehold improvements	20% per annum

(c) Research and development

All research and development expenditure is written off as incurred.

(d) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

(e) Turnover

Turnover represents licence fees that are paid in advance and are non-refundable. These are recognised as revenues when due, generally at the inception of the agreement.

(f) Pension costs and other post retirement benefits

For defined contributions schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

(g) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The results of overseas operations are translated at the weighted average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are dealt with through reserves. All other exchange differences are included in the profit and loss account.

(h) Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Combined profit and loss accounts

	Notes	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Turnover	2	—	406	6	1
Cost of sales		—	—	—	(275)
Gross profit/(loss)		—	406	6	(274)
Other operating expenses					
— other	3	(129)	(671)	(810)	(4,426)
— exceptional items	3	—	—	—	(317)
Operating loss	4	(129)	(265)	(804)	(5,017)
Investment income	5	—	—	—	398
Loss on ordinary activities before taxation		(129)	(265)	(804)	(4,619)
Overseas taxation		—	—	(17)	(12)
Loss on ordinary activities after taxation for the financial period	12	(129)	(265)	(821)	(4,631)

Combined balance sheets

	Notes	31 May 1998 £'000	31 May 1999 £'000	1 January 2000 £'000	31 December 2000 £'000
Fixed assets					
Tangible fixed assets	7	22	19	69	127
Current assets					
Debtors	8	—	427	74	198
Cash at bank and in hand		—	19	96	6,879
		—	446	170	7,077
Creditors:					
Amounts falling due within one year	9	(151)	(859)	(160)	(502)
Net current (liabilities)/assets		(151)	(413)	10	6,575
Total assets less current liabilities		(129)	(394)	79	6,702
Capital and reserves					
Called up share capital	11	—	—	90	119
Share premium account	12	—	—	—	11,166
Other reserve	12	—	—	1,204	1,204
Profit and loss account	12	(129)	(394)	(1,215)	(5,787)
Shareholders' funds (all equity)		(129)	(394)	79	6,702

Combined cash flow statements

	Notes	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Net cash inflow/(outflow) from operating activities	14	38	32	143	(4,346)
Returns on investments and servicing of finance	15	–	–	–	398
Taxation	15	–	–	–	(12)
Capital expenditure and financial investment	15	(38)	(13)	(66)	(452)
Cash inflow/(outflow) before financing		–	19	77	(4,412)
Financing	15	–	–	–	11,195
Increase in cash in the period	16	–	19	77	6,783

Combined statement of total recognised gains and losses

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Loss for the financial period	(129)	(265)	(821)	(4,631)
Currency gain on net overseas investment	–	–	–	59
Total gains and losses recognised during the period	(129)	(265)	(821)	(4,572)

Notes to the financial information

1. Impact of demerger agreement

With effect from 1 January 2000 Kazoo3D and LightWork Design agreed to the transfer of the Kazoo Technology Group and the LightWork Design Inc. investment to Kazoo3D in return for which the shareholders of LightWork Design received one Kazoo share of 1p each for every share that they held in LightWork Design.

The assets transferred included goodwill, Kazoo3D intellectual property rights, confidential information, contracts, the Kazoo3D products, software assets and the Kazoo3D licences. These latter assets have no attributable cost, but have been expensed in the financial information presented.

2. Segment information

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Turnover				
Geographical analysis:				
USA	—	406	6	1
Operating (loss)/profit				
Geographical analysis:				
United Kingdom	(129)	(576)	(544)	(2,606)
USA	—	311	(260)	(2,411)
	(129)	(265)	(804)	(5,017)
Net assets/(liabilities)				
Geographical analysis:				
United Kingdom	(129)	(705)	46	8,848
USA	—	311	33	(2,146)
	(129)	(394)	79	6,702

3. Other operating expenses

Other operating expenses — other comprise:

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Technology development expenses	135	594	486	717
General operating expenses	16	175	400	3,709
Government grants	(22)	(33)	—	—
	129	736	886	4,426
Other operating income comprises:				
Contract assigned to LightWork Design	—	(65)	(76)	—
	129	671	810	4,426
Other operating expenses — exceptional items comprise:				
Provision for impairment losses on fixed assets	—	—	—	317

4. Operating loss

Operating loss on ordinary activities before taxation is stated after charging.

	Notes	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Staff costs	6	135	617	504	1,357
Depreciation of owned assets		16	16	16	77
Provision for impairment losses on fixed assets		–	–	–	317
Auditors' remuneration		–	–	–	12
Operating lease rentals		–	–	–	32

Amounts payable to Arthur Andersen and their associates in the year ended 31 December 2000 in respect of non-audit services were £378,000 of which £354,000 were expenses of the share issue.

5. Investment income

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Interest receivable and similar income				
Bank interest	–	–	–	397
Other interest	–	–	–	3
	–	–	–	400
Interest payable and similar charges				
Other loans	–	–	–	(2)
	–	–	–	398

6. Employee information

Staff costs

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Staff costs comprise:				
Wages and salaries	117	540	454	1,264
Social security and other benefits	12	55	39	67
Other pension costs	6	22	11	26
	135	617	504	1,357

The average monthly number of employees is:	Number	Number	Number	Number
Product design	10	10	14	14
Sales and marketing	1	1	5	8
Administration	–	–	–	5
	11	11	19	27

Directors remuneration, interests and transactions

The total amounts for directors' remuneration and other benefits since their appointment were as follows:

	31 December 2000 £'000
Emoluments	187
Money purchase contributions to pension schemes	7
	194

Directors' emoluments

Name of director	Fees/basic salary £'000	Taxable benefits £'000	Total £'000
Executive:			
Stuart A Green	71	6	77
John H Warden	66	7	73
Non executive:			
R Gordon Oliver	9	–	9
Aggregate emoluments	146	13	159
Fees to third parties	28	–	28
Total	174	13	187

Fees to third parties comprise £14,750 paid to Hi Tech Ventures Limited and £13,400 paid to Brockhill Limited under agreements to provide the Group with the services of Mr. Roy Abrams and Dr. Christopher H B Honeyborne respectively.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

Name of director	Granted	31 December 2000	Exercise Price	Gains on exercise 2000
John H Warden	759,000	759,000	50p	–
Christopher H B Honeyborne	20,000	20,000	85p	–
Roy Abrams	40,000	40,000	85p	–
Total	819,000	819,000		–

The options granted to John H Warden are exercisable on 6 September 2001 over 40 per cent. of the shares under option, on 6 September 2002 over a further 30 per cent. of the shares under option and in full on or after 6 September 2003, lapsing no later than 5 March 2010.

The options granted to Dr. Christopher H B Honeyborne and Roy Abrams are exercisable between 22 September 2001 and 22 September 2003.

The options were granted prior to the flotation of Kazoo3D. The admission price upon flotation was 85p per share. The market price of the ordinary shares at 31 December 2000 was 27.5p and the range during the year was 27.5p to 97.5p.

Two directors are members of money purchase pension schemes. Contributions payable by Kazoo3D in respect of such directors were as follows:

Name of director	31 December 2000 (12 months) £'000
Dr. Stuart A Green	4
John H Warden	3
Total	7

Directors' interests

The directors who held office at 31 December 2000 had the following interests in the 0.2p ordinary shares of Kazoo3D:

	31 December 2000		Date of appointment	
Name of director	**Beneficial**	**Non-beneficial**	**Beneficial**	**Non-beneficial**
Dr. R Gordon Oliver	14,900,500	–	500	–
Dr. Stuart A Green	9,641,500	–	500	–
Roy Abrams	58,824	–	–	–

Dr. Stuart A Green has options to acquire 2,625,000 Ordinary Shares from each of Dr. Mark T Dalman and Mr William Newall at 50p per share.

Dr. R Gordon Oliver and D Stuart A Green are interested in a further 50,000 Ordinary Shares held by LightWork Design.

7. Tangible fixed assets

	Leasehold improvements £'000	Computers £'000	Office equipment, fixtures and fittings £'000	Total £'000
Cost				
Additions and at 31 May 1998	–	38	–	38
Additions	–	12	1	13
At 31 May 1999	–	50	1	51
Additions	–	41	25	66
At 1 January 2000	–	91	26	117
Additions	111	275	66	452
At 31 December 2000	111	366	92	569
Depreciation				
Charge for period and at 31 May 1998	–	16	–	16
Charge for year	–	16	–	16
At 31 May 1999	–	32	–	32
Charge for period	–	15	1	16
At 1 January 2000	–	47	1	48
Charge for year	22	49	6	77
Impairment losses	89	161	67	317
At 31 December 2000	111	257	74	442
Net book value				
At 31 May 1998	–	22	–	22
At 31 May 1999	–	18	1	19
At 1 January 2000	–	44	25	69
At 31 December 2000	–	109	18	127

8. Debtors

	31 May 1998 £'000	31 May 1999 £'000	1 January 2000 £'000	31 December 2000 £'000
Trade debtors	–	391	6	–
VAT	–	–	–	66
Other debtors	–	32	60	57
Prepayments and accrued income	–	4	8	75
	–	427	74	198

9. Creditors: Amounts falling due within one year

	31 May 1998 £'000	31 May 1999 £'000	1 January 2000 £'000	31 December 2000 £'000
Trade creditors	—	—	—	379
Funding by LightWork Design	151	709	—	—
Amounts due to LightWork Design	—	109	98	—
Other taxes and social security	—	—	17	29
Accruals and deferred income	—	41	45	94
	151	859	160	502

10. Derivatives and other financial instruments

The Kazoo3D Group's financial instruments, other than derivatives, comprise cash and liquid resources, and various items, such as trade debtors, trade creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Kazoo3D Group's operations.

The Kazoo3D Group also enters into derivatives transactions (principally forward foreign currency contracts). The purpose of such transactions is to manage the currency risks arising from the Kazoo3D Group's operations and its sources of finance. It is, and has been throughout the period under review, the Kazoo3D Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Kazoo3D Group's financial instruments are foreign currency risk. The Kazoo3D Group has one overseas subsidiary which operates in the USA and whose revenues and expenses are denominated exclusively in US dollars. In order to protect the Kazoo3D Group's sterling balance sheet from the movements in the US dollar/sterling exchange rate, the Kazoo3D Group enters into forward currency contracts.

The Kazoo3D Group's sterling cash deposits and US dollar deposits are placed in high interest bearing bank accounts.

11. Called up share capital

Kazoo3D was incorporated on 14 October 1999 with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each. 2 ordinary shares of £1 each were issued on incorporation.

On 3 March 2000, the authorised share capital was increased to 500,000 ordinary shares of £1 each and each of these shares and the 2 issued ordinary shares of £1 each were then subdivided into ordinary shares of 1p each.

On 3 March 2000, a further 9,054,800 ordinary shares of 1p each were issued as part of the demerger.

On 22 March 2000, it was resolved that each ordinary share of 1p in the capital of Kazoo3D be divided into 5 ordinary shares of 0.2p each with the result that the authorised share capital of Kazoo3D became £500,000 divided into 250,000,000 ordinary shares of 0.2p each and the issued share capital of Kazoo3D became £90,550 divided into 45,275,000 ordinary shares of 0.2p each.

On 30 March 2000, Kazoo3D was admitted to trading on the Alternative Investment Market through the placing of 14,117,647 ordinary shares of 0.2p each at 85p per ordinary share.

Options have been granted under the following option schemes to subscribe for ordinary shares in Kazoo3D. As at 31 December 2000, the following options were outstanding:

Scheme name	Number of shares under option	Subscription price per share	Exercise period
Kazoo3D plc employee share option scheme	408,600	50p	7 September 2001 to 6 September 2003
Kazoo3D plc unapproved employee share option scheme	2,387,400	50p	7 September 2001 to 6 September 2003
Kazoo3D plc unapproved employee share option scheme	60,000	85p	23 September 2001 to 22 September 2003
Kazoo3D plc cross-over share option scheme	1,287,000	50p	4 September 2001 to 3 September 2003
	4,143,000		

The authorised and issued share capital of Kazoo3D as at 31 December 2000 was as follows:

	Number	£'000
Authorised		
Ordinary shares of 0.2 p each	250,000,000	500
Issued		
Ordinary shares of 0.2 p each	59,392,647	119

12. Reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Loss for the period and at 31 May 1998	–	–	(129)	(129)
Loss for the year	–	–	(265)	(265)
At 31 May 1999	–	–	(394)	(394)
Arising on demerger	–	1,204	–	1,204
Loss for the period	–	–	(821)	(821)
At 1 January 2000	–	1,204	(1,215)	(11)
Share issues	11,972	–	–	11,972
Expenses of equity share issues	(806)	–	–	(806)
Currency gain on net overseas investment	–	–	59	59
Loss for the period	–	–	(4,631)	(4,631)
At 31 December 2000	11,166	1,204	(5,787)	6,583

13. Reconciliation of movement in shareholders' funds

	31 May 1998 £'000	31 May 1999 £'000	1 January 2000 £'000	31 December 2000 £'000
Opening balance	–	(129)	(394)	79
Loss on ordinary activities after taxation	(129)	(265)	(821)	(4,631)
Currency gain on net overseas investment	–	–	–	59
Arising on demerger	–	–	1,204	–
New shares issued	–	–	90	11,195
Closing balance	(129)	(394)	79	6,702

14. Reconciliation of operating loss to net cash inflow from operating activities

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Operating loss	(129)	(265)	(804)	(5,017)
Depreciation charge	16	16	16	77
Provision for impairment losses	–	–	–	317
Increase/(decrease) in debtors	–	(427)	353	(124)
Increase in creditors	151	708	578	401
Net cash inflow/(outflow) from operating activities	38	32	143	(4,346)

15. Analysis of cash flows

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Returns on investments and servicing of finance				
Interest received	–	–	–	400
Interest paid	–	–	–	(2)
Net cash inflow	–	–	–	398
Taxation				
Foreign tax paid	–	–	–	(12)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(38)	(13)	(66)	(452)
Financing				
Issue of ordinary share capital	–	–	–	11,195

16. Analysis of changes in cash and cash equivalents

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Opening balance	–	–	19	96
Net cash flows	–	19	77	6,783
Closing balance	–	19	96	6,879
Analysed as follows:				
	£'000	£'000	£'000	£'000
Cash at bank and in hand	–	19	96	6,879

17. Financial commitments

Financial commitments are as follows:

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Contracted for but not provided for	–	–	–	59

Commitments under non-cancellable operating leases are as follows:

	Period ended 31 May 1998 (4 months) £'000	Year ended 31 May 1999 (12 months) £'000	Period ended 1 January 2000 (7 months) £'000	Year ended 31 December 2000 (12 months) £'000
Expiry date				
– within one year	–	–	–	45
– between two and five years	–	–	–	202
	–	–	–	247

Included in commitments expiring between two and five years is an amount of £140,000 due within the next year in respect of a lease for land and buildings. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Other contract commitments

During the year ended 31 December 2000 the Company entered into a forward exchange contract to a total value of US$500,000 to cover anticipated US dollar payments during the first quarter of 2001. The contract will mature on 30 March 2001 if not utilised before that date.

18. Pensions

Kazoo3D does not operate a formal pension scheme but during the period made payments of contributions into certain employees' personal pension schemes at the rate of five per cent. of the relevant employee's base salary.

19. Related party transactions

In addition to the costs identified in note 3, during the period under review LightWork Design, a company connected to certain of the Directors, incurred administrative and other indirect overhead costs. Kazoo3D entered into a management services agreement dated 3 March 2000 with LightWork Design whereby Kazoo3D engaged LightWork Design to continue to provide these services at a total monthly cost of £15,100. The agreement is effective until terminated by LightWork Design giving Kazoo3D not less than six months' written notice or Kazoo3D giving LightWork Design not less than three months' written notice.

During the year ended 31 December 2000 the Company purchased goods and services in the ordinary course of business from Cool Beans Production Limited, a company of which Christopher Honeyborne is a director, at a cost of £11,000.

20. Subsequent events and going concern

On 26 January 2001 the board of Kazoo3D (the "Board") announced that it was reviewing all strategic options in response to the Group's e-commerce website, *www.kazoo3d.com*, performing significantly below management's expectations in terms of both the number of visitors to the site and revenues. The Board also announced that it was taking action to minimise operating costs and overheads.

Following that strategic review and after examining a number of options the Board concluded that it would be in the best interests of Kazoo3D and the shareholders to acquire The Zoo Media Corporation Limited ("Zoo"), a provider of digital media solutions to the corporate sector (the "Acquisition"). The Acquisition offers the opportunity for shareholders to participate in a fast growing digital media business run by an experienced management team. The inclusion of the Kazoo technology within Zoo's tool set of digital applications should allow the Kazoo technology to be developed as part of a wider and proven businesses model.

The Board announced on 24 April 2001 that it had concluded discussions regarding the Acquisition and that Kazoo3D had conditionally agreed to acquire the whole of the issued share capital of Zoo. The Acquisition is conditional upon the approval of shareholders, admission of the new ordinary shares to trading on AIM and receipt of a tax clearance.

The Directors have prepared cashflow projections, for a period of at least 12 months from the date of approval of the accounts for the year ended 31 December 2000. These projections reflect a successful approval by the shareholders of the Acquisition. Irrevocable undertakings to vote in favour of the resolution to approve the Acquisition have been received from shareholders in respect of holdings representing approximately 76.3 per cent. of the issued share capital of Kazoo3D. Based on these projections and the undertakings received in respect of the proposed Acquisition, the Directors have concluded that the Kazoo3D Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial information has been prepared on the going concern basis.

Yours faithfully

ARTHUR ANDERSEN
Chartered Accountants

PART VI — ACCOUNTANTS' REPORT ON ZOO MEDIA CORPORATION

The Directors
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25 April 2001

Dear Sirs

THE ZOO MEDIA CORPORATION LIMITED ("ZOO MEDIA CORPORATION")

On 24 April 2001 Kazoo3D plc ("Kazoo3D") entered into a conditional contract to acquire the whole of the issued share capital of Zoo Media Corporation. We report on the financial information of Zoo Media Corporation set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 25 April 2001 of Kazoo3D ("the AIM Admission Document").

Basis of preparation

The financial information set out below, which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the special purpose financial statements of Zoo Media Corporation for the period from incorporation to 31 August 2000 and the six months ended 28 February 2001 ("the financial statements"), to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the directors of Zoo Media Corporation who approved their issue.

The Directors and Proposed Directors of Kazoo3D are responsible for the contents of the AIM Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the United Kingdom by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 this financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of Zoo Media Corporation as at the dates stated and of its losses and cash flows for the periods then ended.

We consent to the inclusion of this report in the AIM Admission Document and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Accounting policies

(a) Basis of accounting

The financial information is prepared under the historical cost convention and in accordance with United Kingdom generally accepted accounting standards.

Zoo Media Corporation was incorporated on 23 August 1999 as Fantastic Sports Company Limited (company registration number 03829615). On 15 October 1999 it changed its name to On-World Limited and subsequently, on 10 December 1999 changed its name to Vox Media UK Limited. The change of name to The Zoo Media Corporation Limited took place on 13 January 2000.

For the purpose of this report the directors of Zoo Media Corporation have prepared special purpose accounts for Zoo Media Corporation for the period from incorporation to 31 August 2000 and for the six months ended 28 February 2001.

There has been no legal requirement to prepare audited accounts since incorporation. Statutory accounts for the period ended 31 August 2000 have been approved by the directors of Zoo Media Corporation but not delivered to the Registrar of Companies and no auditors' report has been made under Section 235 of the Companies Act 1995 for this financial period.

(b) Going concern

The Company incurred a loss in the financial periods ended 31 August 2000 and 28 February 2001 and had net liabilities at those dates. The Company is reliant on the continued support of one of its directors, who has provided an undertaking to provide sufficient support to enable the company to meet its debts as they fall due until the earlier of one year from the date of signing of these accounts, or the date on which adequate alternative funding is secured. As described in Note 19, an offer has been made to the shareholders for the entire issued share capital of the company.

Whilst this offer is conditional, *inter alia*, on the successful approval of the offer by the Kazoo3D plc shareholders, the directors and founding shareholders of Kazoo3D plc, who hold 76.3 per cent. of the issued share capital of that company, have irrevocably undertaken to vote in favour of the resolutions to be proposed. The directors have considered the funding to be made available through this proposed acquisition and prepared cash flow projections for a period of at least 12 months from the date of approval of these accounts. The directors have concluded that the proposed acquisition will provide adequate resources to enable the Company to continue in operational existence for the foreseeable future.

Accordingly, the financial information is presented on the going concern basis.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset, less estimated residual value, over its expected useful life, as follows:

Leasehold improvements	20% per annum on a straight line basis
Computers	33% per annum on a straight line basis
Office equipment, fixtures and fittings	25% per annum on a straight line basis
Motor vehicles	25% per annum on a reducing balance basis

(d) Research and development

All research and development expenditure is written off as incurred.

(e) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

(f) Turnover

Turnover represents amounts receivable for goods and services provided or delivered in the normal course of business, where no significant obligations remain unfulfilled, net of trade discounts, VAT and other sales related taxes.

Maintenance, hosting fees and other such income that is paid in advance and is non-refundable is recognised as revenue over the period for which the service is supplied.

(g) Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Profit and loss accounts

	Notes	Period ended 31 August 2000 (53 weeks) £'000	Period ended 28 February 2001 (26 weeks) £'000
Turnover		62	536
Staff costs		(520)	(419)
Depreciation and other amounts written off tangible fixed assets		(198)	(47)
Other external charges		(1,081)	(443)
Operating loss	1	(1,737)	(373)
Financing charges	2	(2)	(2)
Loss on ordinary activities before and after taxation for the financial period	12	(1,739)	(375)

Balance sheets

	Notes	31 August 2000 £'000	28 February 2001 £'000
Fixed assets			
Tangible fixed assets	4	254	213
Investments	5	—	—
		254	213
Current assets			
Debtors	6	86	353
Cash at bank and in hand		20	7
		106	360
Creditors: Amounts falling due within one year	7	(421)	(484)
Net current liabilities		(315)	(124)
Total assets less current liabilities		(61)	89
Creditors: Amounts falling due after one year	8	(722)	(797)
Net liabilities		(783)	(708)
Capital and reserves			
Called up share capital	11	9	9
Share premium account	12	947	1,397
Profit and loss account	12	(1,739)	(2,114)
Shareholders' funds (all equity)		(783)	(708)

Cash flow statements

	Notes	Period ended 31 August 2000 (53 weeks) £	Period ended 28 February 2001 (26 weeks) £
Net cash outflow from operating activities	14	(1,246)	(531)
Returns on investments and servicing of finance	15	(2)	(2)
Capital expenditure and financial investment	15	(317)	(7)
Net cash outflow before financing		(1,565)	(540)
Financing	15	1,585	527
Increase/(decrease) in cash in the period	16	20	(13)

Notes to the financial information

1. Operating loss

Operating loss on ordinary activities before taxation is stated after charging:

	Notes	Period ended 31 August 2000 (53 weeks) £'000	Period ended 28 February 2001 (26 weeks) £'000
Staff costs	3	520	419
Depreciation			
– owned assets		28	24
– held under finance leases		18	23
Provision for impairment losses on fixed assets		153	—
Loss on sale of fixed assets		—	1

2. Financing charges (net)

	Period ended 31 August 2000 (53 weeks) £'000	Period ended 28 February 2001 (26 weeks) £'000
Interest receivable and similar income		
Bank interest	(1)	(2)
Interest payable and similar charges		
Finance leases	3	4
	2	2

3. Employee information

	Period ended 31 August 2000 (53 weeks) £'000	Period ended 28 February 2001 (26 weeks) £'000
Staff costs		
Staff costs comprise:		
Wages and salaries	474	381
Social security and other benefits	46	38
	520	419

	Period ended 31 August 2000 (53 weeks) Number	Period ended 28 February 2001 (26 weeks) Number
The average monthly number of employees is:		
Sales and marketing	2	2
Creative and technical	7	11
Publishing	8	18
Administration	2	3
	19	34

Directors' remuneration, interests and transactions

Remuneration

The remuneration of the directors was as follows:

	31 August 2000 (53 weeks) £'000	28 February 2001 (26 weeks) £'000
Emoluments	119	51

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director.

	31 August 2000 (53 weeks) £'000	28 February 2001 (26 weeks) £'000
Emoluments	76	27

4. Tangible fixed assets

	Leasehold improve-ments £'000	Computers £'000	Office equipment, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
Additions and at 31 August 2000	159	244	43	7	453
Additions	—	4	3	—	7
Disposals	—	(1)	—	—	(1)
At 28 February 2001	159	247	46	7	459
Depreciation					
Charge for period	6	36	3	1	46
Impairment losses	153	—	—	—	153
At 31 August 2000	159	36	3	1	199
Charge for period	—	41	5	1	47
At 28 February 2001	159	77	8	2	246
Net book value					
At 31 August 2000	—	208	40	6	254
At 28 February 2001	—	170	38	5	213

5. Fixed asset investments

Own shares

The Zoo Employee Share Trust Limited is a wholly owned subsidiary of The Zoo Media Corporation Limited. It was set up so that the trustees are able to apply shares (in Zoo Media Corporation) acquired by them in or towards the satisfaction of any options, awards or other authorised transfers under any of the share schemes or other arrangements providing for the transfer or issue of shares to beneficiaries. 2,222 ordinary shares of 10p each were held at 28 February 2001 at a cost of £222.

6. Debtors

	31 August 2000 £'000	28 February 2001 £'000
Trade debtors	68	325
Other debtors	13	1
Prepayments and accrued income	5	27
	86	353

7. Creditors: Amounts falling due within one year

	31 August 2000 £'000	28 February 2001 £'000
Obligations under finance leases	42	44
Trade creditors	253	233
Other taxation and social security	61	108
Accruals and deferred income	65	99
	421	484

8. Creditors: Amounts falling due after one year

	31 August 2000 £'000	28 February 2001 £'000
Obligations under finance leases	65	40
Director's loan	657	757
	722	797

The director's loan is interest free. The terms of this agreement were formalised on 24 April 2001 so that interest will not become payable on the loan until 1 January 2002. From 1 January 2002 until 31 December 2003 interest is to accrue at 2 per cent. per annum and thereafter interest will accrue at the Royal Bank of Scotland PLC's base rate from time to time in place.

In the absence of default, the due date for repayment of the loan is 31 January 2005.

9. Finance Loans

Borrowings are repayable as follows:

	31 August 2000 £'000	28 February 2001 £'000
Between one and two years	50	40
Between two and five years	15	—
	65	40
On demand or within one year	42	44
	107	84

10. Derivatives and other financial instruments

The company's financial instruments comprise cash and liquid resources, simple borrowings and various items, such as trade debtors, trade creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The company does not enter into derivatives transactions.

11. Called-up share capital

The Zoo Media Corporation Limited was incorporated on 23 August 1999 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each. On 4 February 2000 the authorised share capital was increased to 100,000 ordinary shares of £1 each and each share was then divided into 10 ordinary shares of 10p each.

2 ordinary shares of £1 each were issued on incorporation. These were sub-divided into 20 ordinary shares at 10p each on 4 February 2000. The following further share issues for cash were made in the period to provide additional working capital.

	Number of shares of 10p each	Consideration £'000
4 February 2000	61,091	6
10 March 2000	8,889	150
27 March 2000	8,889	250
5 May 2000	8,889	550
	87,758	956
1 September 2000	2,926	300
26 January 2001	2,222	–
26 January 2001	2,788	150
	7,936	450

The authorised and issued share capital of the company was as follows:

	Number	£'000
Authorised		
Ordinary shares of 10p each		
31 August 2000	1,000,000	100
28 February 2001	1,000,000	100
Issued		
Ordinary shares of 10p each		
31 August 2000	87,778	9
28 February 2001	95,714	9

12. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
Loss for the period	–	(1,739)	(1,739)
Share issues	947	–	947
At 31 August 2000	947	(1,739)	(792)
Loss for the period	–	(375)	(375)
Share issues	450	–	450
At 28 February 2001	1,397	(2,114)	(717)

13. Reconciliation of movement in shareholders' funds

	31 August 2000 £'000	28 February 2001 £'000
Opening balance	—	(783)
Loss on ordinary activities after taxation	(1,739)	(375)
New shares issued	956	450
Closing balance	(783)	(708)

14. Reconciliation of operating loss to net cash outflow from operating activities

	Period ended 31 August 2000 (53 weeks) £'000	Period ended 28 February 2001 (26 weeks) £'000
Operating loss	(1,737)	(373)
Depreciation charge	46	47
Impairment losses	153	—
Loss on sale of fixed assets	—	1
Increase in debtors	(86)	(267)
Increase in creditors	378	61
Net cash outflow from operating activities	(1,246)	(531)

15. Analysis of cash flows

	Period ended 31 August 2000 (53 weeks) £'000	Period ended 28 February 2001 (26 weeks) £'000
Returns on investments and servicing of finance		
Interest element of finance lease rentals	(3)	(4)
Interest received	1	2
Net cash outflow	(2)	(2)
	£'000	£'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(317)	(7)
	£'000	£'000
Financing		
Issue of ordinary share capital	956	450
New unsecured loan	657	100
Capital element of finance lease rental payments	(28)	(23)
Net cash inflow	1,585	527

16. Analysis and reconciliation of net debt

	Cash at bank and in hand £'000	Unsecured loan £'000	Finance leases £'000	Net debt £'000
Cash flow	20	(657)	28	(609)
Non-cash changes	—	—	(135)	(135)
At 31 August 2000	20	(657)	(107)	(744)
Cash flow	(13)	(100)	23	(90)
At 28 February 2001	7	(757)	(84)	(834)

17. Financial commitments

The company's annual commitments under non-cancellable operating leases are as follows:

	31 August 2000 £'000	28 February 2001 £'000
Expiry date — between two and five years	33	33

18. Related party transactions

During the period ended 31 August 2000 the company retained G Stewart and Interior Options Limited, a company under G Stewart's control, for the management of the refurbishment of the leased premises occupied by the company. G Stewart is a related party to I Stewart, a director and majority shareholder of the company. The fees charged in the period were considered by the directors to be on an arms length basis and amounted to £82,825.

During the period ended 28 February 2001 the company provided services to an invoiced value of £7,464 to Versatile Delivery Systems Limited ("VDS") on what the directors consider to be an arms length basis. The company's principal shareholder and director, Ian Stewart, is also principal shareholder and director of VDS. This amount was outstanding from VDS at 28 February 2001.

As disclosed in Note 8, Ian Stewart has advanced monies by way of a loan to fund the company's development, and also guaranteed its obligations under finance leases.

Ian Stewart, a director of the company, controls the company as a result of controlling directly or indirectly the majority of its issued share capital.

19. Subsequent events

On 24 April 2001 the company's shareholders accepted an offer from Kazoo3D plc to acquire the whole of the issued and to be issued share capital of The Zoo Media Corporation Limited in exchange for shares in Kazoo3D plc. The consideration for this proposed acquisition is to be satisfied through the issue of new ordinary shares to The Zoo Media Corporation Limited's shareholders. The acquisition is conditional on approval by the shareholders of Kazoo3D plc (of whom 76.3 per cent. have provided irrevocable undertakings to accept), admission of the enlarged share capital of Kazoo3D plc to trading on AIM and receipt of a tax clearance.

Yours faithfully

ARTHUR ANDERSEN
Chartered Accountants

PART VII — UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The following is an unaudited pro forma statement of combined net assets of the Enlarged Group, illustrating the effect of the Acquisition. It has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group after the Acquisition.

	Kazoo3D (Note 1) £'000	Adjustments (Note 2a) £'000	Adjustments (Note 2b) £'000	Pro forma £'000
Fixed assets				
Goodwill	—	—	8,100	8,100
Tangible fixed assets	127	213	—	340
	127	213	8,100	8,440
Current assets				
Debtors	198	353	—	551
Cash at bank and in hand	6,879	7	(592)	6,294
	7,077	360	(592)	6,845
Creditors: amounts falling due within one year	(502)	(484)	—	(986)
Net current assets/(liabilities)	6,575	(124)	(592)	5,859
Total assets less current liabilities	6,702	89	7,508	14,299
Creditors: amounts falling due after one year	—	(797)	—	(797)
Net assets/(liabilities)	6,702	(708)	7,508	13,502

Notes:

1. Extracted from the Accountants' Report on Kazoo3D as at 31 December 2000 set out in Part V of this document.
2. The following adjustments have been made to illustrate the effect of the Acquisition on the net assets of the Enlarged Group:
   (a) The assets and liabilities of Zoo Media Corporation have been extracted from the Accountants' Report on Zoo Media Corporation as at 28 February 2001 set out in Part VI of this document.
   (b) The goodwill on the Acquisition has been calculated as follows:
   - the consideration comprises 79,830,937 New Ordinary Shares which, valued at 8.5p, being the closing mid market price on the last practicable date before the posting of this document on 25 April 2001, amounts to approximately £6.8 million;
   - no adjustments have been made to reflect the fair value of the Zoo Media Corporation's net liabilities;
   - costs of the transaction are estimated at £592,000; and
   - compared to the net liabilities acquired of £708,000, the goodwill is therefore approximately £8.1 million.
3. No account has been taken of the trading results of Kazoo3D and Zoo Media Corporation subsequent to 31 December 2000 and 28 February 2001 respectively.

PART VIII — ADDITIONAL INFORMATION

1. The Company

1.1 The Company was incorporated as a public limited company on 14 October 1999 in England and Wales under the Act with registered number 3858881 under the name Launchstrong plc. The Company changed its name to Kazoo3D plc on 6 March 2000.

1.2 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited. The Company's registered office and head office is Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ.

1.3 The principal activity of the Company is that of the provision of an e-commerce website for 3D Models for business, consumer and education markets.

1.4 The Company has a wholly owned subsidiary, Kazoo3D Inc., located in the US at Suite 230, Treat Towers, Treat Boulevard, Walnut Creek, California CA94596. Kazoo3D Inc. changed its name from LightWork Design Inc. on 29 January 2000.

2. Share capital

2.1 The following table shows the authorised and issued share capital of the Company at the date of this document and the authorised and issued share capital of the Company as it is expected to be following completion of the Acquisition:

	As at the date of this document		Following completion of the Acquisition	
Class of Share	**Authorised**	**Issued and fully paid up**	**Authorised**	**Issued and fully paid up**
Ordinary Shares – No.	250,000,000	59,392,647	250,000,000	139,223,584
Ordinary Shares – £	£500,000	£118,785	£500,000	£278,447

2.2 Pursuant to resolutions passed on 12 April 2001 it was resolved that:

2.2.1 in substitution for all existing authorities under the following section, the directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities within the meaning of that section up to an aggregate nominal amount of £39,595 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on 30 July 2002 or the date of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement;

2.2.2 in substitution for all existing authorities, the directors were generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by the resolution set out in paragraph 2.2.1 above as if section 89(1) of the Act did not apply to the allotment. This power:

2.2.2.1 expires on 30 July 2002 or the date of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement; and

2.2.2.2 is limited to:

(a) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient:

(i) to deal with equity securities representing fractional entitlements; and

(ii) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

(b) allotments of equity securities for cash otherwise than pursuant to paragraph 2.2.2.2(a) above up to an aggregate nominal amount of £5,946.

2.3 Of the 110,776,416 ordinary shares which will be authorised but unissued following completion of the Acquisition, 13,401,033 have been reserved for issue upon exercise of the options granted under the Share Option Schemes, the Kazoo Cross-Over Share Option Scheme (described in paragraph 8.1.7 of this Part VIII), the options granted to Dr. Honeyborne and Mr. Abrams and the options to be offered to the holders of Zoo Media Corporation Options in exchange for those options, leaving 97,118,383 ordinary shares unissued and uncommitted.

2.4 Save as disclosed in Part I of this document and in paragraph 4 of this Part VIII, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option and save as disclosed in this document, no shares or loan capital in the Company have been issued or are proposed to be issued fully or partly paid for cash or for consideration other than cash.

2.5 Save as disclosed in paragraph 8 of this Part VIII, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company.

2.6 There are no rights of pre-emption exercisable in respect of the New Ordinary Shares except the pre-emption rights conferred upon the members by section 89 of the Act in respect of the allotment of such shares insofar as such shares are, or are to be, paid up in cash. Such pre-emption rights will be disapplied pursuant to section 95 of the Act, as referred to in paragraph 2.2.2 of this Part VIII.

3. Memorandum and Articles of Association

3.1 The memorandum of association of the Company provides that the Company's principal object is to carry on business as a general commercial company with further powers to carry on any other trade or business which may seem to the Company and the Directors to be advantageous and to enhance directly or indirectly all or any part of the business of the Company. In addition, the memorandum permits the Company to carry on business as computer consultants, analysts, advisers, contractors, consultants, designers, manufacturers, assemblers, installers, repairers, importers, exporters, distributors and dealers and associated roles in any respect, whether engaged in the application, operation, installation, construction or other activity relating to computers, computer software, computerised information systems and computer time, generally and otherwise. The objects and powers of the Company are set out in full in Clause 4 of the Company's memorandum of association. The liability of the members of the Company is limited.

3.2 The articles of association of the Company (the "Articles") contain provisions, *inter alia*, to the following effect:

3.2.1 Voting rights

3.2.1.1 On a show of hands, every member who is present in person and entitled to vote shall have one vote, and upon a poll, every member present in person or by proxy and entitled to vote shall have one vote for every share held by him.

3.2.1.2 No member shall, unless the Directors otherwise determine, be entitled in respect of any share held by him to vote (either in person or by proxy) at any shareholders' meeting, or to exercise any other right conferred by membership in relation to such meetings of the Company, if any call or other sum presently payable by him to the Company in respect of that share or shares remains unpaid until all amounts due are paid, together with all costs, charges and expenses incurred by the Company by reason of the non-payment.

3.2.1.3 Subject to the requirements of the London Stock Exchange, if any member or other person appearing to be interested in shares held by such member has been duly served with a notice under section 212 of the Act (requiring disclosure of interests in shares) and is in default for the prescribed period in supplying to the Company the information required by such notice then (unless the Directors otherwise determine) the member shall not (for as long as the default continues), nor shall any transferee to whom any of such shares are transferred (other than pursuant to an approved transfer or pursuant to Article 75.4.3 of the Articles) be entitled to attend or vote, either personally or by proxy, at any shareholders' meeting. When, on the basis of information obtained from a member in respect of a share held by him, the Company issues a notice under section 212 of the Act to another person, it shall at the same time send a copy of the notice to the member.

3.2.2 Variation of class rights and changes in capital

Whenever the capital is divided into different classes of shares, all or any of the rights attached to any class of share may, subject to the provisions of the Act, be varied or abrogated (either whilst the Company is a going concern or during or in contemplation of a winding up) in such manner as may be provided by those rights or, in the absence of provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class. At any such separate general meeting (other than an adjourned meeting) the necessary quorum is two persons holding or representing by proxy one third in nominal value of the issued shares of the class in question.

The Company may from time to time:

3.2.2.1 increase its authorised share capital by such sum to be divided into shares of such amount, as the resolution shall prescribe;

3.2.2.2 consolidate and divide all or any of its share capital into shares of a larger amount;

3.2.2.3 cancel any shares, which have not been taken up or agreed to be taken up by any person and diminish its authorised share capital by the amount of the shares so cancelled;

3.2.2.4 sub-divide its share capital into shares of a smaller amount; and

3.2.2.5 with the sanction of a special resolution and subject to any confirmation or consent required by law, reduce its authorised and issued share capital or any capital redemption reserve fund or any share premium account or other undistributable reserve.

3.2.3 Dividends

Subject to any preferential or other special rights attached to any shares issued by the Company the profits of the Company available for dividend and which the Company shall so determine to distribute by way of dividend shall be apportioned and paid to the members entitled thereto proportionately to the amounts paid up on the shares.

The Directors may, in their absolute discretion, retain any dividend or other monies payable to a member in respect of any shares held by him over which the Company has a lien and may apply the same towards satisfaction of the monies payable to the Company in respect of those shares. The Directors may also retain dividend payments until a person either dealing with the transmission of shares is entitled to become a member or until a person is entitled to transfer those shares and has transferred the same.

Any dividend unclaimed after a period of 12 years from the date for payment thereof shall be forfeited, shall cease to remain owing by and shall revert to the Company.

3.2.4 Distribution of assets on winding-up

If the Company is wound-up, the liquidator may, with the authority of an extraordinary resolution and subject to the Act, divide among the members in specie or in kind the whole or any part of the assets of the Company and may determine how such division shall be carried out as between different classes of members (if any).

3.2.5 Transfer

A transfer of shares shall be effected by transfer in writing in the usual or a common form or in any other form approved by the Directors. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members in respect thereof.

The Directors may, (subject to the restrictions on voting in particular circumstances contained in the Articles and the requirements of the London Stock Exchange) in their absolute discretion and without giving reason refuse to register the transfer of a certificated share:

3.2.5.1 which is not fully paid up; or

3.2.5.2 over which the Company has a lien; or

(If that share has been admitted to trading on AIM or to the Official List of the London Stock Exchange, the Directors may not refuse to register the transfer if this would disturb the market in those shares.)

3.2.5.3 (on a renunciation of a renounceable letter of allotment) unless it is in respect of only one class of share, in favour of a single transferee or renouncee or not more than four joint transferees or renouncees, is duly stamped and is delivered for registration to the transfer office or such other place as the Directors may decide accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

Save as aforesaid, the Articles of Association contain no restrictions as to the free transferability of fully paid shares.

3.2.6 Directors

3.2.6.1 No shareholding qualification is required of a Director.

3.2.6.2 The Directors may from time to time appoint any other person to be a director either to fill a vacancy or as an additional director. A Director so appointed shall hold office until the conclusion of business at the next Annual General Meeting following next after his appointment when he shall retire but shall then be eligible for re-election at that meeting.

3.2.6.3 The ordinary remuneration of the Directors for their services in that capacity (excluding amounts payable under any other provision of the Articles or payable to them as remuneration under the terms of their respective service agreements with the Company or any subsidiaries of the Company) shall be determined by the remuneration committee of the board of directors but shall not exceed £50,000 per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the Company, such sum (unless provided otherwise by ordinary resolution) shall be divided among such Directors in such proportion as they may agree or, in default of agreement, equally. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses properly incurred by them in and about the performance of their duties as directors, including their expenses of travelling to and from meetings of the Directors or any committee thereof.

3.2.6.4 The Directors may grant such reasonable extra remuneration to any director who performs services which in the board's opinion, are outside the scope of the director's ordinary duties which may be payable in addition to or in substitution for his ordinary remuneration (if any) as a director and may be payable by way of salary, commission or other means as the directors shall determine.

3.2.6.5 The Directors may from time to time appoint one or more of their body to be the holder of any executive office on such terms and for such period as they may determine.

3.2.6.6 The Directors may confer upon a director holding an executive office any of the powers exercisable by directors upon such terms and conditions and with such restrictions as they think fit.

3.2.6.7 Any Director may be party to or interested in any contract or arrangement to which the Company is a party. He may also hold or be remunerated in respect of any office or position (other than auditor) under or in the Company or any other company in which the Company is in any way interested. He may also retain for his own absolute use and benefit all profits, benefits and advantages which he may derive as a result.

3.2.6.8 A Director may hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and unless otherwise agreed shall not be liable to account to the Company for any remuneration or other benefits receivable by him as Director or other officer or by virtue of his interest in such other company.

3.2.6.9 A Director who to his knowledge is in any way (directly or indirectly) interested in a contract, arrangement, transaction or proposal with the Company should declare the nature of his interest at the meeting of the board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or in any case at the first meeting of the board after he knows that he is or has become interested.

3.2.6.10 Each Director shall retire at the first Annual General Meeting following his appointment, and if re-elected, shall retire before (or at) the third Annual General Meeting following his re-election. Any retiring Director shall be eligible for re-election (whether at the meeting at which he retires or otherwise).

3.2.7 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future, including uncalled capital, and to issue debentures and other securities but shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers exercisable by the Company in relation to its subsidiary undertakings so as to ensure (in so far as they can) that the aggregate principal amount for the time being remaining undischarged of all monies borrowed by the Group (as defined in the Articles), and for the time being owing to persons outside the Group, less the aggregate amount of investments, shall not without the previous sanction of an ordinary resolution exceed a sum equal to three times the aggregate of:

3.2.7.1 the amount paid up on the allotted share capital of the Company; and

3.2.7.2 the amounts standing to the credit of the consolidated reserves of the Company (including the profit and loss account and any share premium or capital redemption reserve);

after the deductions, exclusions and adjustments as provided in the Articles.

3.2.8 Untraced shareholders

Subject to the notice and advertising requirements set out in the Articles, the Company may sell any member's shares in the Company, or any shares to which a person is entitled, by transmission if, during the period of not less than 12 years prior to such notice, at least three dividends in respect of the shares in question have become payable, all warrants, cheques or money orders in respect of such shares have remained uncashed and no indication has been received by the Company of the whereabouts or existence of such member or person entitled by transmission. The Company will account to such member or person (without interest) on the basis set out in the Articles.

4. Interests of the Directors, the Proposed Directors and other interests

4.1 With the exception of Dr. Green and Dr. Honeyborne, each of the Proposed Directors has entered into a conditional agreement with the Company dated 23 April 2001. Dr. Green entered into an executive service agreement and Dr. Honeyborne entered into a consultancy agreement on 8 March 2000. The principal terms of these are as follows:

Proposed Director	**Position**	**Salary/Fees (£ per annum)**	**Duration**
Michael John Barnes	Non-Executive Chairman	15,000	2 years
Ian Clifford Stewart	Chief Executive Officer	85,000	12 months
Robert George Deri	Chief Financial Officer	85,000	12 months
Andrew Scrivener	Chief Operating Officer	85,000	12 months
Dr. Stuart Antony Green	Chief Technology Officer	85,000	12 months
Dr. Christopher Henry Bruce Honeyborne	Non-Executive	12,000	12 months

The service agreements with the executive Proposed Directors allow for pension contributions of five per cent. of gross salary to be made by the Company, although currently there is no pension scheme in place. They also provide for membership of the Company's medical care scheme for the Proposed Director, his spouse and dependants, when introduced. Other than Stuart Green who is entitled to a fully expensed company car (excluding personal fuel costs), the Proposed Directors will receive no other material benefits, save as disclosed herein, or otherwise approved by a majority of the Company's non-executive directors.

The Proposed Directors' service agreements contain certain restrictive covenants in favour of the Company. The Proposed Directors cannot without the permission of the Board be actively engaged in any other business during their employment. Mr. Stewart, Mr. Deri, Mr. Scrivener and Dr. Green have each undertaken for a period of 12 months following termination of their employment, (*inter alia*) that they shall not be involved with any other business which carries on the same type of business as the Company in any place where the Company carried on business at that time and further that they will not solicit any other Proposed Director or employee of the Company or solicit or have business dealings with, customers of the Company.

A consultancy agreement between the Company, Brockhill Limited and Dr. Honeyborne allows Dr. Honeyborne to act through Brockhill Limited to provide his services as a non-executive Director. The agreement contains restrictions in favour of the Company preventing Dr. Honeyborne from being directly or indirectly engaged in a business which is wholly or partly in competition with the Company during the term of his appointment. In addition to the basic annual fee of £12,000, the consultancy agreement provides that in the event that Dr. Honeyborne's services are required for more than one day per month, an additional fee shall be payable at a daily rate of £800. In the event that Dr. Honeyborne is removed from the Board within three months following a takeover of the Company, Brockhill Limited will also be entitled to a payment equivalent to one quarter of the basic annual fee described above.

The non-executive directors will receive no other material benefits, save as disclosed herein or otherwise approved by a majority of the Board.

The aggregate remuneration payable and benefits in kind to be granted to the Directors in respect of the financial period ended 31 December 2000 was £194,000. It is estimated that the aggregate of the remuneration, including salaries, fees, compensation payments and benefits in kind, granted to the Directors and the Proposed Directors during the financial year ending on 31 December 2001, based on the arrangements in force at the date of this document, will be approximately £393,000.

Dr. R. Gordon Oliver will resign as a non-executive director of the Company with effect from completion of the Acquisition. No compensation is payable by the Company in respect of such resignation.

Mr. John Warden's employment as Finance Director of the Company will terminate by reason of redundancy with effect from completion of the Acquisition, and he will resign as a director with effect from that date. Under the terms of a compromise agreement between Mr. Warden and the Company dated 22 April 2001, the Company has agreed to pay financial compensation totalling £55,900 to Mr. Warden being compensation in respect of his loss of office. The Company has also agreed to release Mr. Warden from the six month post termination restrictive covenants contained in his service agreement. Mr. Warden has agreed to accept the terms of the compromise agreement in full and final settlement of all claims he may have against the Company.

Mr. Roy Abrams will resign as a non-executive director of the Company with effect from completion of the Acquisition. The agreement between the Company, Hi Tech Ventures Limited and Mr. Abrams through which Mr. Abrams services are provided will also terminate on that date. The Company has agreed to pay £3,000 (representing three months' fees) to Hi Tech Ventures Limited in accordance with the termination provisions contained in that agreement.

Save as disclosed above there have been no amendments to the service or consultancy contracts between the Company and any of the Directors in the last six months.

4.2 Save as set out in this paragraph 4 of this Part VIII there are no existing or proposed, service or consultancy contracts between the Company and any of the Directors or the Proposed Directors.

4.3 The interests (all of which are beneficial) of the Directors and Proposed Directors and their families (including the interests of persons connected with them within the meaning of section 346 of the Act) in the share capital of the Company before and immediately following the Acquisition and which have been notified or would have to be notified under section 324 or 328 of the Act, or are required to be entered in the Register of Directors' interests maintained pursuant to section 325 of the Act will be as follows:

Directors and Proposed Directors	**Number of ordinary shares (before completion of the Acquisition)**	**Per cent. of issued ordinary share capital (before completion of the Acquisition)**	**Number of ordinary shares (after completion of the Acquisition)**	**Per cent. of issued ordinary share capital (after completion of the Acquisition)**	**Number of ordinary shares under option**
Michael John Barnes	Nil	Nil	Nil	Nil	Nil
Ian Clifford Stewart(1)(4)	Nil	Nil	50,176,038	36.04	Nil
Robert George Deri	Nil	Nil	Nil	Nil	Nil
Andrew Scrivener(2)(3)(4)	Nil	Nil	9,267,208	6.66	Nil
Dr. Stuart Antony Green(5)(6)	9,641,500	16.23	9,641,500	6.93	Nil
Dr. Christopher Henry Bruce Honeyborne	Nil	Nil	Nil	Nil	20,000
Dr. Richard Gordon Oliver(6)	14,900,500	25.09	14,900,500	10.70	Nil
Roy Abrams	58,824	0.10	58,824	0.04	Nil
John Henderson Warden	Nil	Nil	Nil	Nil	Nil

(1) Mr. Stewart has the right to acquire 1,004,260 Ordinary Shares from Mr. Stephen Bailey at 3p per share.

(2) Mr. Scrivener's interest is in shares legally and beneficially owned by his wife.

(3) Mr. Scrivener's wife has the right to acquire 2,694,004 Ordinary Shares from Mr. Stephen Bailey at 3p per share.

(4) Mr. Stewart and Mr. Scrivener's wife as a result of a Sellers' Claim could be issued with a maximum of 4,965,293 and 917,059 additional New Ordinary Shares respectively.

(5) Dr. Green has an option to acquire 2,625,000 Ordinary Shares from each of Mr. Dalman and Mr. Newall two of the Founding Shareholders, at 50p per share.

(6) Dr. Oliver and Dr. Green are interested in a further 50,000 Ordinary Shares held by LightWork Design. LightWork Design is connected to Dr. Oliver and Dr. Green. LightWork Design acquired these Ordinary Shares from Tecnolinc Limited of Japan at a price of 54p per Ordinary Share on 5 October 2000.

It is intended that options to acquire new ordinary shares in the Company will be granted to Messrs Barnes, Honeyborne and Deri within a period of 12 months following the Acquisition.

Except for the interests disclosed above none of the Directors, the Proposed Directors or the members of their immediate families owned, controlled, or was interested, directly or indirectly in any securities of the Company as at 24 April 2001 (being the latest practicable date prior to publication of this document) nor has any such person dealt for value therein during the 12 month period preceding the date of publication of this document.

No subsidiary of the Company, or any pension fund of the Company or its subsidiaries, or any bank, stockbroker, financial or other professional adviser of the Company or its subsidiary, or any persons controlling, controlled by, or under the same control as such bank, stockbroker, or other professional adviser (other than an exempt market maker), or any person who has an arrangement of the kind referred to below, with the Company or with an associate of the Company, nor any person whose investments are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, owned, controlled or was interested, directly or indirectly in any securities of the Company as at 24 April 2001 nor has any such person dealt for value therein during the 12 month period preceding the date of publication of this document.

Neither Ian Stewart nor any person acting in concert with him, nor any person who has an arrangement of the kind referred to below nor Zoo Media Corporation, owned or controlled or was interested directly or indirectly, in any securities of the Company as at 24 April 2001 and no such person has dealt for value therein during the 12 month period preceding the date of publication of this document.

Save as may be disclosed herein, no agreement, arrangement or understanding (including any compensation arrangement) exists between Ian Stewart nor any person acting in concert with him and any of the directors, recent directors, shareholders or recent shareholders of Kazoo3D, having any connection with or dependence on, or which is conditional upon, the outcome of the Acquisition.

Save as disclosed above, there is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Kazoo3D Ordinary Shares to be acquired and held by the Zoo Media Corporation Shareholders will be transferred to any other person.

Neither the Directors nor any person acting in concert with any of them, nor any person who has an arrangement of the kind referred to below owned, nor Kazoo3D, controlled or was interested directly or indirectly, in any securities of Zoo Media Corporation as at 24 April 2001 and no such person has dealt for value therein during the 12 month period preceding the date of publication of this document.

No member of the Concert Party controlled or was interested, directly or indirectly, in any securities of Kazoo3D as at 24 April 2001 (the last dealing day prior to the date of this document) and no such person has dealt for value therein during the 12 month period preceding the date of publication of this document.

Save as disclosed above none of the persons or companies who have irrevocably undertaken to vote in favour of the Resolution has dealt for value in any securities of Kazoo3D during the 12 month period preceding the date of publication of this document.

In this paragraph:

(1) an "arrangement" includes any indemnity or option arrangement, and any agreement or understanding formal or informal of whatever nature relating to the share capital of the relevant company which may be an inducement to deal or refrain from dealing:

(2) references to a "bank" do not apply to a bank whose sole relationship with the Company, its subsidiary or an associate of the Company is the provision of normal commercial banking services; and

(3) references to an "associate" of the Company are to:

(i) the Company's subsidiary, its associated companies and companies of which any such subsidiaries or associate companies are associated companies;

(ii) banks, financial and other professional advisers (including stockbrokers) to the Company or any company covered in (i) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;

(iii) the Directors (together with their close relatives and related trusts) of the Company or any company covered in (i);

(iv) the pension funds of the Company or any company covered in (i) above: and

(v) ownership or control of 20 per cent. or more of the equity share capital is regarded as the test of associated company status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings gives *de facto* control.

4.4 Mr. Warden has been granted options under the Share Option Schemes on 6 March 2000 to subscribe for 759,000 Ordinary Shares at 50p per share exercisable on 6 September 2001 over 40 per cent. of the shares under option, on 6 September 2002 over a further 30 per cent. of the shares under option and in full on or after 6 September 2003, lapsing no later than 5 March 2010. These options will lapse following his resignation and under the terms of a compromise agreement. Mr. Abrams and Dr. Honeyborne have been granted options to subscribe for 40,000 and 20,000 ordinary shares respectively, exercisable at 85p per share between 22 September 2001 and 22 September 2003. Mr. Abrams' option lapses following his resignation unless the board otherwise determines at a future date.

4.5 Other than a directorship of the Company, the directorships held over the previous five years by the Directors and Proposed Directors are as follows:

Director/Proposed Director	**Current**	**Previous**
Michael John Barnes	Arena Leisure plc	Bluelane Limited
	Galaxy 105 FM Limited	DJH Leisure Limited
	Marketing Judo Limited	Harry Ramdens Restaurants Limited
	Widebarn Limited	Harry Ramsdens plc
	Yates Group plc	Just Caught PTY
	Caffe Nero plc	Kitevale Limited
		Treats plc
		YFM Limited
Ian Clifford Stewart	The Zoo Media Corporation Limited	Stewart Holdings Limited
	Zoo Employee Share Trust Limited	Gremlin Holdings Limited
	VDS Limited	Gremlin Group plc

Director/Proposed Director	Current	Previous
Robert George Deri	The Zoo Media Corporation Limited	A.E. Allitt Limited Agency One Limited Blurb Direct Limited Bon Prix Limited Colorvision PLC Colorvision Limited Colorvision (D.B.) Limited Colorvision (S.A.L.) Limited Colorvision (D.W.) Limited Colorvision (A.D.) Limited Colorvision (G.M.) Limited Colorvision (D.B.) Limited Colorvision (B.P.) Limited Colorvision (B.S.) Limited Colorvision (D.H.) Limited Colorvision (D.L.) Limited Colorvision (G.J.) Limited Colorvision (H.C.) Limited Colorvision (J.B.) Limited Colorvision (J.A.B.) Limited Colorvision (J.E.B.) Limited Colorvision (J.W.) Limited Colorvision (K.B.) Limited Colorvision (K.M.A.) Limited Colorvision (K.S.) Limited Colorvision (L.T.) Limited Colorvision (M.B.) Limited Colorvision (M.J.) Limited Colorvision (N.B.) Limited Colorvision (N.C.) Limited Colorvision (P.C.) Limited Colorvision (P.G.) Limited Colorvision (P.M.D.) Limited Colorvision (R.B.) Limited Colorvision (R.M.) Limited Colorvision (R.O.) Limited Colorvision (R.R.) Limited Colorvision (S.C.A.) Limited Colorvision (S.G.L.) Limited Colorvision (S.R.) Limited Colorvision (T.O.) Limited Colorvision Travel Services Limited Colorvision (N.T.M.) Limited Colorvision (Radio & TV Sales) Limited Crystalgirl Limited Direct Consumer Electronics Limited Direct Vision Limited Eddie Bauer Limited Eddie Bauer (UK) Limited Grattan Public Limited Company Grattan Home Shopping Limited Grattan International Limited Grattan (Leicester) Limited Grattan Logistics Limited Hopes Mail Order Limited Icepoint Limited Iceprice Limited Kaleidoscope Limited Kolortron Limited Learoyd & Calverley Limited Look Again Limited Otto Versand (UK) Limited Parcelnet Limited Pricepoint (Television Supplies) Limited Pricepoint (UK) Limited Rainbow Home Shopping Limited Scoops (Bradford) Limited Scotcade Limited Scotmail Limited Skyphone Limited StreetsofLondon (Fashion) Limited You and Yours Limited

Director/Proposed Director	Current	Previous
Andrew Scrivener	The Zoo Media Corporation Limited	Sears Group Properties Limited
Dr. Stuart Antony Green	LightWork Design Limited Kazoo3D Inc.	Launchstrong Limited
Dr. Christopher Henry Bruce Honeyborne	Aerosol Products Limited Bede plc Birse Group plc Brockhill Limited BWD Aim VCT plc Cameron Richard & Smith (Holdings) Limited Cool Beans Production Limited Kunick plc ukphonebook.com Limited	Cartier Limited Finotel plc Gremlin Group plc Rose & Growth VCT Limited Yorkshire Water plc
Dr. Richard Gordon Oliver	LightWork Design Limited Kazoo3D Inc.	Launchstrong Limited
Roy Abrams	Hi Tech Ventures Limited	LightWork Design Limited
John Henderson Warden	Mylnhurst Limited Kazoo3D Inc.	DBS Financial Management PLC DBS Management plc

4.6 Save as disclosed in this paragraph 4 of this Part VIII, no Director has any interest in any transaction which is, or was, unusual in its nature and conditions or which is, or was, significant to the Company and which was effected by the Company at any time and which remains, in any respect, outstanding or unperformed.

4.7 No Director has or had any interest, direct or indirect, in any assets which have been acquired, disposed of by, or leased to the Company or which are proposed to be acquired, disposed of by, or leased to the Company.

4.8 The Company is aware of the following interests held directly or indirectly, in three per cent. or more of the issued ordinary share capital of the Company as at 24 April 2001 (being the last practicable date prior to the publication of this document) and following completion of the Acquisition:

	As at 20 April 2001		On completion of the Acquisition	
Shareholder	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of enlarged issued share capital
The Equitable Life Assurance Society	2,352,941	3.96	2,352,941	1.69
AMVESCAP PLC	2,352,941	3.96	2,352,941	1.69
Dr. Richard Gordon Oliver	14,900,500	25.09	14,900,500	10.70
Dr. Stuart Antony Green	9,641,500	16.23	9,641,500	6.93
Mark Timothy Dalman	9,641,500	16.23	9,641,500	6.93
William Newall	9,641,500	16.23	9,641,500	6.93
Ian Stewart	Nil	Nil	50,176,038	36.04
Susan Scrivener	Nil	Nil	9,267,208	6.66
Stephen Bailey	Nil	Nil	9,267,208	6.66
Alchemy Capital Limited	Nil	Nil	9,267,208	6.66

4.9 No outstanding loans have been granted to, and no guarantees have been provided for, the benefit of the Directors by the Company.

4.10 The names of the Concert Party and their holdings as they would be immediately following the Acquisition ("Post Acquisition"), their maximum holdings as they would be in the event of a maximum Sellers' Claim ("Post Claim") and their maximum holdings as they would be if the proposed options to subscribe for ordinary shares in Kazoo3D are granted to and exercised by the current Zoo Media Corporation Option holders ("Post Options") are as follows (the holdings are the cumulative holdings, assuming no issue of new ordinary shares to anyone outside the Concert Party):

	Post Acquisition		**Post Claim**		**Post Options**	
	Number of Ordinary Shares	**Percentage of Enlarged Share Capital**	**Number of Ordinary Shares**	**Percentage of Enlarged Share Capital**	**Number of Ordinary Shares**	**Percentage of Enlarged Share Capital**
Ian Clifford Stewart(1)	50,176,038	36.04	55,141,331	38.00	55,141,331	35.72
Susan Scrivener(2)	9,267,208	6.66	10,184,267	7.02	10,184,267	6.60
Stephen Bailey	9,267,208	6.66	9,267,208	6.39	9,267,208	6.00
Alchemy Capital Limited	9,267,208	6.66	9,267,208	6.39	9,267,208	6.00
ZEST(3)	1,853,275	1.33	1,853,275	1.28	1,853,275	1.20
Brendan Moffett	Nil	Nil	Nil	Nil	2,752,388	1.78
Martin Calpin	Nil	Nil	Nil	Nil	3,252,823	2.11
Steve McKevitt	Nil	Nil	Nil	Nil	3,252,823	2.11
Total Concert Party	79,830,937	57.34	85,713,289	59.07	94,971,323	61.52

(1) Ian Clifford Stewart has an option to acquire up to 1,004,260 ordinary shares from Stephen Bailey at a price of 3 pence each, taking his maximum holding of the enlarged share capital Post Acquisition, Post Claim and assuming the exercise of his option to 38.69 per cent. and his cumulative holding Post Option to 36.38 per cent.

(2) Susan Scrivener has an option to acquire up to 2,694,004 ordinary shares from Stephen Bailey at a price of 3 pence each, taking her maximum holding of the enlarged share capital Post Acquisition, Post Claim and assuming the exercise of her option to 8.88 per cent. and her cumulative holding Post Option to 8.34 per cent.

(3) No options have been granted over the shares to be held by ZEST following the Acquisition.

Kazoo3D is entitled to satisfy any Sellers' Claim at its option either in cash and/or by the issue of such number of new ordinary shares at an issue price of the average middle market quotation of such shares for the five dealing days immediately prior to the date of settlement of such claim, as is equal to the value of such claim. The total liability for Sellers' Claims is capped at £500,000 and the minimum average middle market quotation is set at 8.5p. Consequently, the maximum number of new ordinary shares that could potentially be issued by Kazoo3D in satisfaction of any Sellers' Claims is 5,882,352, taking the Concert Party's total potential holding of the Enlarged Share Capital to approximately 59.07 per cent. (assuming that Kazoo3D does not issue further ordinary shares following the issue of the New Ordinary Shares other than pursuant to any Sellers' Claim).

Further details of the Sellers' Claim as referred to above are set out in paragraph 7.6 of this Part VIII.

If the Acquisition completes, proposals will be put to the holders of Zoo Media Corporation Options allowing the optionholders to release their rights over those options in consideration of the grant of similar rights over ordinary shares in Kazoo3D. These options can be exercised from the date of the Acquisition.

Up to 9,258,034 new ordinary shares in Kazoo3D could be issued under the grant of options over ordinary shares in Kazoo3D, which, if exercised in full, would take the Concert Party's total holding of the Enlarged Share Capital to approximately 60 per cent. on the assumption that the Company does not issue further ordinary shares following the issue of New Ordinary Shares except for pursuant to such option arrangements and 61.52 per cent. if the maximum number of new ordinary shares are issued in Kazoo3D pursuant to such option arrangements and the maximum number of new ordinary shares are issued pursuant to any Sellers' Claim.

Further details of the Zoo Media Corporation Options and the proposals as referred to above are set out in paragraph 5.1.4 of this Part VIII.

The names and addresses of the persons for which a Rule 9 waiver has been requested:

Ian Stewart(4) Osborn House Padley Hill Grindle Ford Derby S32 2HQ	Susan Scrivener(5) 1 Chatsworth Road Dore Sheffield S17 3QG	Martin Calpin(6) 15 Birch Close Sheffield S21 1FW
Alchemy Capital Limited Rue du Pommier 12 Neuchatel Switzerland 2000	Zoo Employee Share Trust Limited Knowle House 4 Norfolk Park Road Sheffield S2 3QE	Steve McKevitt(6) 88 Edgedale Road Sheffield S7 2BR
Stephen Bailey Little Batch Cottage 2 Thryft House Ringinglow Road Sheffield S11 7TA	Brendan Moffett (6) 40 Cardoness Road Sheffield S10 5RU	

(4) Further details on Ian Stewart are set out in the Board changes and Proposed Directors section of Part I of this document.

(5) Susan Scrivener is the wife of Andrew Scrivener. Further details on Andrew Scrivener are set out in the Board changes and Proposed Directors section of Part I of this document.

(6) Further details on Brendan Moffett, Martin Calpin and Steve McKevitt are set out in the Other key personnel section of Part I of this document.

Zoo Employee Share Trust Limited is a wholly owned subsidiary of Zoo. The principal objects of the company are to administer the employees' interests in shares in Zoo and to act as trustees, holding Zoo shares on behalf of its employees. On 26 January 2001 Zoo gifted £1,000 to ZEST. Part of these funds were used to subscribe for shares in Zoo. On 26 January 2001 ZEST formally requested that Zoo issue 2,222 ordinary shares of 10p each to ZEST for the sum of £222.20. The balance of funds is held in cash.

Stephen Bailey was a founder director of Zoo. From 1988 to 1999 he was Operations Director of Gremlin Group plc. Mr. Bailey left to join Zoo Media Corporation in October 1999. Mr. Bailey resigned from his role with Zoo in December 2000.

Alchemy Capital Limited is a company duly incorporated under the laws of the British Virgin Islands (registered number 201546). It is owned by a private investment trust having an interest in start-up media and technology companies, and is managed by a Swiss-based fiduciary and corporate administration company. None of the beneficiaries of the investment trust is a Director or Proposed Director, nor do any of the beneficiaries of the investment trust have any other beneficial interest in either Kazoo3D or Zoo.

4.11 No Director or Proposed Director has, save as disclosed in paragraph 4.12, 4.13 and 4.14 of this Part VIII:

4.11.1 any unspent convictions in respect of indictable offences;

4.11.2 had a bankruptcy order made against him, entered into an individual voluntary arrangement or owned any asset the subject of a receivership;

4.11.3 been a director of a company or partner in a partnership which has, or the assets of which have, been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or owned any asset the subject of a receivership, voluntary arrangement or entered into any composition or arrangement with its creditors while he was a director of that company or partner in that partnership or within the 12 months after he ceased to be a director of that company or partner in that partnership; or

4.11.4 been publicly criticised by any statutory or regulatory authority, or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4.12 Dr. Honeyborne was a director of Lynne Stern Associates Limited on 28 January 1992 when that company was placed into creditors' voluntary liquidation. Dr. Honeyborne was a director of William Comyns and Sons

Limited and Comyns of London Limited until 23 December 1992, when he resigned as a director. On 26 January 1993, those companies were placed into creditors' voluntary liquidation.

4.13 Although not required to do so under the AIM Rules, Mr. Scrivener has disclosed that he was the subject of legal proceedings issued in 1998 in relation to his previous employment with Sears Group plc. The charges were dropped and civil proceedings were settled between the parties. At no stage was Mr. Scrivener publicly criticised by any statutory or regulatory authority, or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4.14 Robert Deri was a director of Colorvision PLC and its subsidiary undertakings on 31 July 1996 when those companies were placed in administrative receivership.

5. Share Schemes

5.1 Zoo Media Corporation Schemes

Zoo Media Corporation has adopted two discretionary share option schemes — the Zoo Media Corporation Limited non Inland Revenue Approved Executive Share Option Scheme ("The Zoo Unapproved Scheme") and the Zoo Media Corporation Limited Enterprise Management Incentives Scheme ("The Zoo EMI Scheme")

There are no options outstanding under the Zoo Unapproved Schemes and it is not intended that any further options will be granted under that scheme if the Acquisition is completed.

Options over 11,100 ordinary shares of Zoo Media Corporation were granted on 29 December 2000 under the Zoo EMI Scheme.

It is not intended that any further options will be granted under the Zoo EMI Scheme if the Acquisition completes. The following are the principal terms of the options outstanding:

5.1.1 the exercise price in each case is 10p per ordinary share of Zoo Media Corporation;

5.1.2 in the event that an optionholder ceases to be an employee of any member of the Zoo Media Corporation group of companies prior to exercise of the option:

5.1.2.1 if by reason of death, his personal representatives may exercise the option within the period of 12 months after his death (but no later than ten years from the date of grant);

5.1.2.2 if by reason of injury or disability, retirement at his contractual retirement age or on the disposal by the Zoo Media Corporation of the company or business to which his employment relates, then any option may be exercised within the period of three months after such event;

5.1.2.3 for any other reason not mentioned at paragraphs 5.1.2.1 and 5.1.2.2 above, the option shall lapse on cessation of employment unless the directors of Zoo Media Corporation permit it to be exercised within the period of three months after cessation.

5.1.3 the options are exercisable on a sale or flotation of Zoo Media Corporation. As a result of the Acquisition, the options will become exercisable on the date when the Acquisition is completed and will remain exercisable for the period of six months thereafter, at the end of which they will lapse to the extent not exercised;

5.1.4 under the terms of the Zoo EMI Scheme, an acquiring company may agree with optionholders that in consideration of the optionholder releasing his rights in respect of any option granted under the Zoo EMI Scheme, the acquiring company may grant rights over shares of the acquiring company where the requirements of the Enterprise Management Incentives legislation are met in relation to the new option.

If the Acquisition completes, proposals will be put to the Zoo Media Corporation Option holders allowing the option holders to release their rights over those options in consideration of the grant of similar rights over ordinary shares in Kazoo3D. The new options will be granted under the new Kazoo3D EMI Scheme (as described in paragraph 6 of this Part VIII) and the new options will therefore be granted on the terms of the new Kazoo3D EMI Scheme save that:

5.1.4.1 the exercise price per new option will be adjusted to take account of the difference between the nominal value and market value of the Kazoo3D ordinary shares and Zoo Media Corporation ordinary shares, but in aggregate the exercise price of each option will remain the same (save that a small element will be paid by the trustees of the Zoo Employee Share Trust under the arrangements described at paragraph 7.8 of this Part VIII);

5.1.4.2 the new options can be exercised from the date of the Acquisition; and

5.1.4.3 the provisions which apply on cessation of employment will be the same as are set out at paragraph 5.1.2 above.

5.2 The Share Option Schemes

The Company has two discretionary share option schemes—the Kazoo Employee Share Option Scheme, which is an Inland Revenue approved scheme ("the Approved Scheme") and the Kazoo Unapproved Employee Share Option Scheme, which is unapproved ("the Unapproved Scheme"). The following paragraphs summarise the Share Option Schemes:

5.2.1 Constitution

Both of the Share Option Schemes are administered by the Board or a duly authorised committee. The Approved Scheme was formally approved by the Inland Revenue on 3 March 2000.

5.2.2 Eligibility

The Board may select any executive director or employee of the Company or any subsidiaries controlled by the Company ("Group Company") to participate in the Unapproved Scheme, and any Director required to work at least 25 hours a week (excluding meal breaks) or employee of any Group Company in the case of the Approved Scheme.

5.2.3 Grant of options

Generally options may be granted under the Share Option Schemes to eligible employees within the period of 42 days following:

5.2.3.1 the day immediately following the date on which the Company announces its final and interim results in any year;

5.2.3.2 the date on which an eligible employee commences employment;

5.2.3.3 any other time when the Board resolves that exceptional circumstances exist to justify the grant of options; and

5.2.3.4 (in respect of options granted under the Approved Scheme) any day on which any change affecting company share option schemes approved by the Inland Revenue is proposed or made.

Options granted under the Share Option Schemes are not transferable and may only be exercised by the persons to whom they were granted or their personal representative(s).

No payment is required for the grant of an option.

No options may be granted under the Share Option Schemes more than 10 years following the date of adoption by the Company in the case of the Unapproved Scheme and the date of Inland Revenue approval in the case of the Approved Scheme.

5.2.4 Option price

Options, which are granted by deed, entitle the holders to acquire fully paid ordinary shares at a price determined by the Board at the date of grant. The option price for options under the Share Option Schemes must not be less than the greater of:

5.2.4.1 the market value of such ordinary shares at the date of grant; and

5.2.4.2 if subscribed, their nominal value.

The option price for options granted under the Approved Scheme must be agreed with the Inland Revenue in advance.

5.2.5 Limits on individual participation

The aggregate market values (as at their dates of grant) of ordinary shares held by any one person under all unexercised options granted under the Approved Scheme or any other discretionary share option scheme (other than an SAYE scheme) approved by the Inland Revenue and adopted by or affecting the Company cannot exceed £30,000 (or such other amount specified in the legislation from time to time).

5.2.6 Limits on issue of new ordinary shares

The maximum number of shares that may be issued or issuable pursuant to options granted under the Share Option Schemes and pursuant to any other rights acquired under any other employees' share schemes shall not exceed 10 per cent. of the issued ordinary shares from time to time. Options granted prior to Admission are excluded from this limit. At the First EGM it is proposed to amend this limit to exclude any options granted in exchange for the release of any option to acquire shares in any company that is acquired by Kazoo3D.

5.2.7 Exercise of options

An option will generally only be exercisable after such period and to such extent as the Board may determine at the time of grant. An option will lapse if not exercised ten years after its grant.

At grant, the Board may make the exercise of options conditional on the satisfaction of specified performance criteria. The Board must impose performance criteria on the exercise of any option granted to an executive Director of the Company under the Unapproved Scheme unless the remuneration committee reasonably believes it would be contrary to the commercial best interests of the Company.

Under the Unapproved Scheme, the participants must generally indemnify the Group in respect of any tax and/or primary national insurance contributions which may arise on exercise.

5.2.8 Cessation of employment

If a participant ceases to be employed by the Group the option will usually lapse. Under the Approved Scheme where employment ceases due to ill health, injury, disability, death, redundancy or retirement at contractual retirement age an option may be exercised during a specified period. The Board also has discretion to allow exercise following cessation of employment in other circumstances. Under the Unapproved Scheme, an option may be exercised within the year following the participant's death and otherwise during a specified period in the Board's discretion following cessation of employment.

5.2.9 Takeover or reconstruction

In the event of a change in control of the Company as a result of a takeover or reconstruction then options may be exercised in full or (as an alternative to the exercise of options) participants may, if the acquiring company agrees, release their options in exchange for options over shares in the acquiring company. Any options not exercised within the relevant periods in such circumstances shall lapse.

5.2.10 Reorganisation of share capital

In the event of a capitalisation or rights issue or the sub-division, consolidation or reduction of the Company's ordinary share capital, the option price of shares under option and/or the number of such shares may be adjusted subject to, in the case of the Approved Scheme, the prior agreement of the Inland Revenue.

5.2.11 Amendments

The Board may amend the rules of the Share Option Schemes. However:

5.2.11.1 amendments to the advantage of participants or eligible employees shall require the prior consent of the Company in a general meeting, except for minor amendments to benefit the administration of the Share Option Schemes, to take into account changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Group; and

5.2.11.2 amendments to the disadvantage of participants shall require the consent of participants having a right to acquire 75 per cent. of the shares in the Company, which are under option.

The Board may, subject to the following, make amendments which are considered necessary to take account of or mitigate or comply with relevant overseas taxation, securities or exchange control laws, provided that the terms of options granted to such participants are not overall more favourable than the terms of options granted to other participants.

No alteration may be made to the Share Option Schemes which would result in the relevant scheme ceasing to be an employees' share scheme as defined in Section 743 of the Act.

In the case of the Approved Scheme, no amendment shall be effective without prior Inland Revenue approval.

5.2.12 Close company

If the Company is "close", participation will not be permitted under the Approved Scheme to any person who has (or has had in the preceding 12 months) alone or with "connected persons" an interest in 10 per cent. or more of the ordinary share capital of the Company.

6. New Kazoo3D EMI Scheme

The Directors propose to introduce the Kazoo3D EMI Scheme. Approval of the Company's shareholders is being sought at the First EGM. Options granted under the Kazoo3D EMI Scheme are intended to qualify as enterprise management incentive options under Schedule 14 to the Finance Act 2000 ("Schedule 14"). The following paragraphs summarise the principal features of the Kazoo3D EMI Scheme:

6.1 Constitution

The Kazoo3D EMI Scheme will be administered by the Board or a duly authorised committee.

6.2 Eligibility

The Board may select any executive director or employee of the Company or any qualifying subsidiary ("Group Company") to participate in the Kazoo3D EMI Scheme provided they are required to work at least 25 hours a week or, if less, at least 75 per cent. of their working time for any Group Company.

6.3 Grant of options

Generally options may be granted under the Kazoo3D EMI Scheme to eligible employees or directors within the period of 42 days following:

(a) the adoption of the Kazoo3D EMI Scheme;

(b) the day immediately following the day on which the Company announces its final or interim results in any year;

(c) the date on which an eligible employee commences employment with the Group;

(d) any other time when the Board resolves that exceptional circumstances exist; and

(e) any day on which any change affecting options granted under Schedule 14 is proposed or made.

Options granted under the Kazoo3D EMI Scheme are not transferable and may only be exercised by the persons to whom they were granted or in the case of death, their personal representative(s).

No payment is required for the grant of an option. The grant of options will be evidenced by an option agreement executed by the eligible employee and the grantor of the option.

No options may be granted under the Kazoo3D EMI Scheme more than 10 years after its adoption by the Company.

Options may be granted over issued or unissued ordinary shares.

6.4 Option price

Options will entitle the holders to acquire fully paid ordinary shares in Kazoo3D at a price determined by the Board at the date of grant. The option price for options granted under the Kazoo3D EMI Scheme must not be less than the greater of:

6.4.1 the market value of such ordinary share at the date of grant; and

6.4.2 their nominal value

except where the option is granted in exchange for the release of any option to acquire shares in a company that is acquired by Kazoo3D.

6.5 Limits on individual participation

To qualify under Schedule 14 the aggregate market values (as at their dates of grant) of all ordinary shares held by any one person under all unexercised options granted under the Kazoo3D EMI Scheme, under any other option which qualifies under Schedule 14 and under options which are approved under Schedule 9 to the Income and Corporation Taxes Act 1988 (other than a sharesave scheme) in each case granted by reason of employment with the Company or any member of the same group, cannot exceed £100,000 (or such other amount specified in the legislation from time to time). Any option granted in excess of this limit will not qualify under Schedule 14 and will not qualify for tax approved status.

An individual who has been granted qualifying options by any member of the Group under Schedule 14 with a total value of £100,000 may not be granted further qualifying options (for the purposes of Schedule 14) within three years of the last grant of a qualifying option.

6.6 Scheme limits

The maximum number of shares that may be issued or issuable pursuant to options granted under the Kazoo3D EMI Scheme and pursuant to any other rights acquired under any other employees' share schemes of the Company (or any member of its group) shall not exceed 10 per cent. of the issued ordinary shares from time to time. Options granted prior to Admission, options which have lapsed or been released and options granted in exchange for any option over shares in a company acquired by the Company are excluded from this limit.

Not more than 15 participants may hold unexercised options under the Kazoo3D EMI Scheme at any one time. Following the enactment of the Finance Bill 2001 it is expected that this limit will be removed and the aggregate market values (at their dates of grant) of ordinary shares that may be acquired on the exercise of options granted under the Kazoo3D EMI Scheme and any other options granted by a group member under Schedule 14 cannot exceed £3,000,000.

6.7 Exercise of options

An option will generally only be exercisable after such period (which will be three years from the date of grant unless the grantor determines otherwise) and to such extent as the Board may determine at the time of grant and will lapse if not exercised 10 years after its grant. Options may be exercised within 40 days of a disqualifying event (being an event which results in the option ceasing to be a qualifying option for the purposes of Schedule 14) and will lapse at the expiry of that period unless the Board determines otherwise within one month of the disqualifying event.

At grant, the Board may make the exercise of options conditional on the satisfaction of specified performance criteria. The Board must impose performance criteria on the exercise of any option granted to an executive Director of the Company unless the remuneration committee reasonably believes it would be contrary to the commercial best interests of the Company or where the option is granted in exchange for the release of any option to acquire shares in a company where such company is acquired by Kazoo3D.

Participants must generally indemnify the group in respect of any tax and/or national insurance contributions which may arise on exercise.

6.8 Cessation of employment

If a participant ceases to be employed by, or an officer of, any group member the option will usually lapse. An option may be exercised within one year of the death of the participant and otherwise during a specified period in the grantor's discretion following cessation of employment and will lapse at the expiry of such period. Where an option is granted in exchange for the release of any option to acquire shares in a company acquired by Kazoo3D, the option can be exercised following cessation of office or employment if the original option could have been exercised.

6.9 Takeover or reconstruction

In the event of a change in control of the Company as a result of takeover or reconstruction then options may be exercised in full within specified periods (and if not so exercised subscriptions will lapse) or (as an alternative to the exercise of options) participants may, if the acquiring company, agrees, release their options in exchange for options over shares in the acquiring company.

6.10 Reorganisation of share capital

In the event of a capitalisation or rights issue or the sub-division, consolidation or reduction of the Company's ordinary share capital, the option price of shares under option and/or the number of shares may be adjusted.

6.11 Amendments

The Board may amend the rules of the Kazoo3D EMI Scheme. However:

6.11.1 amendments to the advantage of participants or eligible employees shall require the prior consent of the Company in a general meeting, except for minor amendments to benefit the administration of the Kazoo3D EMI Scheme, to take into account changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any group member;

6.11.2 amendments to the disadvantage of a participant shall require the consent in writing of that participant;

6.11.3 whilst options granted under the Kazoo3D EMI Scheme are to qualify under Schedule 14, no amendment may be made which would result in Schedule 14 no longer applying.

6.12 Close company

Participation will not be permitted under the Kazoo3D EMI Scheme to any person who has alone or with "associates" an interest in, broadly, 30 per cent. of the Company.

7. Acquisition Agreement

The main terms of the Acquisition Agreement are as follows:

7.1 completion of the Acquisition Agreement is conditional upon the receipt of a tax clearance, the passing of the First Resolution and upon the admission of the Enlarged Share Capital to trading on AIM becoming effective;

7.2 it contains separate but reciprocal warranties in relation to such matters as accounts, information technology, intellectual property, contracts, employees and tax and separate but reciprocal tax deeds of covenant which have been given by certain of the Zoo Media Corporation Shareholders to the Company and, in part, to Arthur Andersen Corporate Finance and by the Company to certain of the Zoo Media Corporation Shareholders;

7.3 the aggregate liability of the Company in respect of all claims under the Acquisition Agreement is limited to £500,000;

7.4 the aggregate liability of the Zoo Media Corporation Shareholders in respect of all claims under the Acquisition Agreement is limited to £3,000,000 in respect of Ian Stewart and £1,000,000 in respect of Susan Scrivener but is otherwise unlimited;

7.5 no claims may be brought by one party against the other unless and until the aggregate cumulative liability of such party's claims exceeds £100,000, having taken account only of those individual claims which exceed £5,000;

7.6 claims made against the Company may be settled at the election of the Company either in cash and/or by the issue of up to an additional 4,965,293 New Ordinary Shares to Ian Stewart and up to an additional 917,059 New Ordinary Shares to Susan Scrivener;

7.7 any claims brought by the Company for breach or non-fulfilment of any provisions of the Acquisition Agreement or of the Lock-In Agreement (details of which are set out in paragraph 8.1.13 of this Part VIII) shall be handled solely and exclusively by a duly appointed committee of the Proposed Board of the Company and such committee shall comprise only the non-executive directors of the Company from time to time which, for the avoidance of doubt, shall not include any parties to the Acquisition Agreement or Andrew Scrivener;

7.8 holders of the Zoo Media Corporation Options will be offered new options ("Replacement Options") over ordinary shares of 0.2 pence each in the capital of the Company under the Kazoo3D EMI Scheme if approved at the First EGM in exchange for the release of their Zoo Media Corporation Options. If such optionholders exercise the Replacement Options, ZEST shall pay to the Company a sum equal to the amount by which the aggregate exercise price of such Replacement Options is less than the nominal value of the shares to be issued at that time unless that sum is paid to the Company by the holders of the Replacement Options personally; and

7.9 each of the parties to the Acquisition Agreement has covenanted with the other party not to do certain acts or things or to procure that no such acts or things will be done in respect of the Company or Zoo Media Corporation (as appropriate) in the period from the date of the Acquisition Agreement until completion of the Acquisition.

8. Material contracts

8.1 The following contracts, not being contracts in the ordinary course of business carried on or intended to be carried on by the Company, have been entered into by the Company since its incorporation which are or may be material:

8.1.1 the rules of the Share Option Schemes described in paragraph 5 of this Part VII;

8.1.2 an agreement between (1) LightWork Design and (2) the Company dated 3 March 2000 whereby the Kazoo3D business and the entire issued share capital of Kazoo3D Inc. (the "Kazoo3D Inc. Shares") were demerged from LightWork Design ("Demerger Agreement"). This was effected by transferring the Kazoo3D business and the Kazoo3D Inc. Shares to the shareholders of LightWork Design by way of a distribution in specie, who then directed LightWork Design to transfer the Kazoo3D business and the Kazoo3D Inc. Shares to Kazoo3D. In return, the shareholders of LightWork Design received one share in Kazoo3D for every share they held in LightWork Design. Under the terms of the Demerger Agreement, the assets (comprising the goodwill, the equipment, the contracts, the Kazoo3D intellectual property rights, the Kazoo3D Inc. Shares, the cash, the confidential information, the Kazoo3D products, the Kazoo3D licences and the software assets) were transferred at market value as between a willing vendor and a willing purchaser with effect from 1 January 2000. Excluded from the Demerger were the debts, creditors and liabilities of the Kazoo3D business, prior to 1 January 2000 (the "Effective Date"), the business assets of LightWork Design and the statutory books of LightWork Design. All of the employees of the Kazoo3D business transferred to Kazoo3D on Demerger under the Transfer of Undertakings (Protection of Employment) Regulations 1981. Under the terms of the Demerger Agreement, LightWork Design gave Kazoo3D a number of warranties in relation to intellectual property rights and information technology and a number of indemnities in respect of claims made by third parties in respect of defective products arising prior to the Effective Date and from any costs, claims, demands and expenses incurred by Kazoo3D in respect of the non-performance or negligent performance by LightWork Design of contracts prior to the Effective Date. Reciprocal indemnities were granted by Kazoo3D in respect of such matters post the Effective Date. LightWork Design and Kazoo3D also entered into deeds of covenant, a management services agreement, assignments of intellectual property rights, a software licence agreement and a property licence (see paragraphs 8.1.3 to 8.1.6 of this Part VIII);

8.1.3 separate but reciprocal and identical deeds of covenant between (1) LightWork Design and (2) the Company dated 3 March 2000 which restrict either party from competing with each other. Under the terms of the deeds of covenant, Kazoo3D and LightWork Design are prohibited from competing with each other, from soliciting any customers or suppliers of the other, from soliciting or employing employees of the other, from using any of the other's trademarks or names, logos, marks or devices confusingly similar to the other's trademark or from divulging any of the other's confidential information. The covenants are of five years' duration and have no geographic restriction;

8.1.4 an assignment of intellectual property rights between (1) LightWork Design and (2) the Company dated 3 March 2000 whereby LightWork Design assigned to Kazoo3D its right, title and interest in the intellectual property rights to certain products and software assets of LightWork Design used in the Kazoo3D business. Under separate assignments, it assigned to Kazoo3D its right, title and interest in the Kazoo3D trademarks and patents;

8.1.5 a perpetual licence of the intellectual property rights contained in the LightWorks Application Development System between (1) LightWork Design and (2) the Company dated 3 March 2000, but with effect from 1 January 2000, which permits Kazoo3D to use the proprietary information of LightWork Design in the development of Kazoo3D's Application Programs ("Licence Agreement"). In circumstances where the maintenance agreement is terminated, the Licence Agreement permits Kazoo3D to maintain the software or obtain the services of a third party to maintain the software. Under the terms of the Licence Agreement, LightWork Design granted warranties to Kazoo3D which include warranties as to title, absence of any encumbrances and non-infringement of third party intellectual property rights. LightWork Design also warranted for a period of ninety days from the date of the Licence Agreement that the media on which the licensed software is supplied and stored will be free from all defects. The Licence Agreement expressly excludes any liability against LightWork Design for any loss or damage arising from or in connection with the Licence Agreement or the use of the licensed software or its development, modification or maintenance. It also expressly excludes any liability for any indirect or consequential loss, loss of business, loss of profit, loss of reputation, goodwill or loss of data. LightWork Design has agreed to indemnify Kazoo3D against all costs, claims, demands and expenses arising directly or indirectly from any claims that Kazoo3D's use or possession of the licensed software caused a breach of any third party intellectual property rights;

8.1.6 a property licence between (1) LightWork Design and (2) the Company dated 3 March 2000 pursuant to which the Company occupies Rooms 109, 111, 112, 113 and 216 at Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ (the "Property") and to use eight car parking spaces at Rutledge House ("Property Licence"). Under the terms of the Property Licence, Kazoo3D pays a monthly licence fee of £5,100 to LightWork Design. The Property Licence may be terminated by LightWork Design on six months' notice in writing or by Kazoo3D on three months' notice in writing. LightWork Design may also terminate the Property Licence immediately if Kazoo3D enters into liquidation, has an administration order made against it or if it breaches any of its obligations under the Property Licence. Kazoo3D is prohibited from installing any equipment or services at the Property without LightWork Design's prior written approval, may not make any alterations to the Property, may not impede or interfere with LightWork Design's right of possession and control of accommodation and may not interfere with the conduct of LightWork Design's business or of the other occupiers of Rutledge House;

8.1.7 the Kazoo Cross-Over Share Option Scheme (the "Cross-Over Scheme"). Options over 1,572,500 Ordinary Shares were granted under the Cross-Over Scheme to 43 employees of LightWork Design on 3 March 2000. No further options can be granted under the Cross-Over Scheme. Generally options granted lapse if the optionholder leaves employment with LightWork Design. Options granted under the Cross-Over Scheme cannot generally be exercised until 3 September 2001 and then only over 40 per cent. of the shares under option, 70 per cent. after 3 September 2002 and in full after 3 September 2003. Options can be exercised following a take-over or reconstruction of the Company. Options can be adjusted following a variation in the share capital of the Company. The Cross-Over Scheme is administered by the Board or a duly authorised committee;

8.1.8 an agreement dated 23 March 2000 made between (1) the Shareholders (as defined therein), (2) the Directors (as defined therein), (3) the Company, (4) Charterhouse Securities Limited and (5) Arthur Andersen Corporate Finance pursuant to which Charterhouse Securities agreed, conditionally, *inter alia* upon the admission to trading on AIM of the entire ordinary share capital of the Company, to use its reasonable endeavours to procure subscribers for 14,117,647 new ordinary shares proposed to be issued by the Company ("the Placing Shares") at the price of 85p per new ordinary share and if subscribers were not obtained for all or any of the Placing Shares at such price, to subscribe as principal at such price for all of those Placing Shares in respect of which subscribers had not been obtained. The agreement contained warranties and indemnities given to Arthur Andersen Corporate Finance and Charterhouse Securities by the Company and the Directors and Shareholders (both as defined therein). With the exception of certain warranties relating to tax matters and certain indemnities relating to the content of the prospectus issued by the Company on 23 March 2000 the warranties and indemnities contained in the agreement will expire six months after the date of publication of the first full year audited report and accounts of the Company;

8.1.9 by an agreement ("the Relationship Agreement") between (1) the Company, (2) Dr. Richard Gordon Oliver and (3) Dr. Stuart Antony Green, dated 22 March 2000, Dr. Oliver and Dr. Green agreed conditionally on admission of the Company's ordinary share capital to AIM in March 2000 that:

8.1.9.1 any transaction between themselves and the Company and/or any of its subsidiaries shall be considered on behalf of the Company by a committee of the Board only, comprising some or all of the directors of the Company from time to time excluding Dr. Oliver and Dr. Green and any party connected with them ("Independent Directors") and that neither Dr. Oliver nor Dr. Green nor any party connected with them shall participate in or seek to influence the consideration of such matter by that committee in any way;

8.1.9.2 neither they nor any party connected with them will exercise the voting rights attaching to their shares at any general meeting of the Shareholders in respect of any resolution which relates to a transaction with either of them or any party connected with either of them or in which either of them has a material interest;

8.1.9.3 neither of them shall exercise the voting rights attaching to their shares in support of a resolution to appoint any person as an additional director of the Company if, following that person's appointment, the majority of the directors of the Company would not be Independent Directors unless that person's appointment is recommended by the Independent Directors;

8.1.9.4 neither of them, nor any party connected with them, will acquire any interest in any competing business without the Company's consent; and

8.1.9.5 neither of them, nor any person connected with them will sell, transfer or otherwise dispose of any interest in any of his shares in the Company which would reduce his holding without giving 14 days' notice of his intention to effect such a transaction.

The Relationship Agreement shall lapse when Dr. Oliver and Dr. Green's respective interests (including those of parties connected with them) cease together to hold or be able to control the exercise of 10 per cent. or more of the voting rights of the Ordinary Shares provided that if Dr. Oliver and Dr. Green and the parties connected with either of them are together able to control the appointment of directors who are able to exercise the majority of votes at board meetings of the Company, the Relationship Agreement shall continue until such control is no longer exercisable; and

8.1.10 an agreement between (1) LightWork Design and (2) the Company, dated 22 March 2000, whereby LightWork Design is required to provide maintenance and support for the LightWorks Application Development System ("LADS") software provided to Kazoo3D under the terms of the Licence Agreement referred to in paragraph 8.1.5 of this Part VIII. The agreement requires LightWork Design to provide telephone, fax or email support for the LADS, to remedy any defects in the LADS and to provide copies of any LightWork Design modifications to the LADS. Kazoo3D are required to pay an annual maintenance and support fee of £30,000 as amended by reference to changes in the retail price index. The agreement will continue unless either party gives the other six months' written notice or a specified termination event occurs;

8.1.11 a perpetual licence of the intellectual property rights contained in the Company's patent and the Company's application programs between (1) LightWork Design and (2) the Company dated 24 April 2001 which permits LightWork Design to use the proprietary information of the Company in the development of LightWork application programs ("LightWork Licence Agreement"). Under the terms of the LightWork Licence Agreement, the Company granted warranties to LightWork which include warranties as to title, absence of encumbrances and non-infringement of third party intellectual property rights. The Company also warranted for a period of 90 days from the date of the LightWork Licence Agreement that the media on which the licensed software is supplied and stored will be free from all defects. Each party is obliged to share any improvement it identifies in respect of the patent with the other. The LightWork Licence Agreement expressly excludes any liability against the Company for any loss or damage arising from or in connection with the LightWork Licence Agreement or the use of the licensed software or its development or modification. It also expressly excludes any liability for any indirect or consequential loss, loss of business, loss of profit, loss of reputation, goodwill or loss of data. The Company has agreed to indemnify LightWork against all costs, claims, demands and expenses arising directly or indirectly from any claims that LightWork's use or possession of the licensed software caused a breach of any third party intellectual property rights;

8.1.12 the Acquisition Agreement, details of which are set out in paragraph 7 of this Part VIII;

8.1.13 an agreement dated 24 April 2001 made between (1) certain Shareholders and Zoo Shareholders and their related parties (the "Covenantors") (2) the Company, (3) Arthur Andersen Corporate Finance and (4) Rowan Dartington pursuant to which the Covenantors granted undertakings conditional upon completion of the Acquisition, to each of the other parties to the agreement, *inter alia*, not to dispose and to procure that their related parties do not dispose of their holdings of ordinary shares in Kazoo3D during the period from the date of Admission up to and including the date of announcement of the interim results of the Company for the half year ending on 30 June 2002 without the consent of Arthur Andersen Corporate Finance and Rowan Dartington. Subject always to the AIM Rules, this undertaking does not apply to options granted to the Covenantors prior to the date of the agreement (details of which are set out in paragraph 4 of this Part VIII); and

8.1.14 John Warden's compromise agreement, details of which are set out in paragraph 4 of this Part VIII.

8.2 The following contracts, not being contracts in the ordinary course of business carried on or intended to be carried on by Zoo Media Corporation, have been entered into by Zoo Media Corporation since its incorporation which are or may be material:

8.2.1 an assignment of intellectual property rights between (1) Idiom Design Limited ("Idiom") and (2) Zoo Media Corporation dated 14 September 2000 whereby Idiom assigned to Zoo Media Corporation its right, title and interest in all its intellectual property rights;

8.2.2 the rules of the Zoo EMI Scheme described in paragraph 5.1 of this Part VIII;

8.2.3 the ZEST Deed;

8.2.4 Ian Stewart has made available to Zoo Media Corporation the sum of £757,018. This agreement has been formalised in a loan agreement dated 24 April 2001. In the absence of default, the due date for repayment of the loan is 31 January 2005. Interest will not become payable on the loan until 1 January 2002. From 1 January 2002 until 31 December 2003 interest accrues at two per cent. per annum. Thereafter interest will accumulate at the Royal Bank of Scotland's base rate from time to time in place; and

8.2.5 an agreement dated 21 March 2001 between Idiom and Zoo Media Corporation which outlines the terms of an agency agreement whereby Idiom carried on the business of website and digital application development as agents for Zoo Media Corporation. The agreement further acknowledges that as from the 31 January 2000 Idiom ceased to carry on the business as agents for Zoo Media Corporation and further ceased to have any interest in the business, assets or contracts of the Zoo Media Corporation.

9. Taxation

The following information is based on law and practice currently in force in the UK and is subject to change in the relevant legislation, its application and its practice. It is intended only as a general guide for UK resident investors who hold their shares as an investment. In considering their tax position, potential investors should consult their professional advisers.

9.1 EIS and VCT

The Company has requested provisional assurance from the Inland Revenue that, on the basis of the facts supplied and given the change in business circumstances and the proposed transaction, the original Ordinary Shares subscribed for at the time of the flotation in March 2000 will continue to be regarded as qualifying investments under the Enterprise Investment Scheme ("EIS") and should be regarded as a qualifying holding for investment by Venture Capital Trusts ("VCTs"). The Company has not yet received a response from the Revenue and so cannot guarantee that these shares will continue to qualify for EIS or VCT purposes.

If these shares continue to be a qualifying investment for EIS relief and a qualifying holding for VCT purposes it will be conditional, *inter alia*, upon the Company with its enlarged activities continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making his investment, for EIS purposes, and, for VCT purposes, throughout the period that the Ordinary Shares are held as a qualifying holding.

Investors considering taking advantage of any of the reliefs under the EIS or available to VCTs should seek individual advice in order that they may fully understand how the rules apply in their individual circumstances and the circumstances in which relief claimed may subsequently be withdrawn.

9.2 Dividends

Under current UK taxation legislation no tax will be withheld at source from dividends paid by the Company.

A UK resident individual shareholder who receives a dividend will be entitled to a tax credit equal to ten per cent. of the gross dividend. A UK resident individual will be taxable on the aggregate of the dividend received plus the tax credit (i.e. the gross dividend). The tax credit will discharge his or her liability to lower rate income tax. A higher rate tax payer will be able to offset the tax credit against their liability to tax and will have a further liability to income tax at 22.5 per cent. of the gross dividend. A UK resident shareholder will generally not be able to claim any repayment of the tax credit attaching to a dividend.

A UK resident corporate shareholder will not normally be liable to UK Corporation Tax on any dividend received.

A non-UK resident shareholder is not generally entitled to a tax credit in respect of any dividend received. However, such a person may be entitled to reclaim from the Inland Revenue a proportion of the tax credit in relation to their dividends, depending on the provisions of any double taxation treaty which exists between the UK and their country of residence. Persons who are not resident in the UK should consult their own tax advisers on the double taxation provisions (if any) applying between their country of residence and the UK to determine the tax liabilities on dividends received.

9.3 Stamp duty and stamp duty reserve tax

The Company has been advised that any transfer of Ordinary Shares will generally be subject to *ad valorem* stamp duty on the instrument of transfer (or, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer by the seventh day of the month following the entering into of such agreement, stamp duty reserve tax) usually at the rate of 50p per £100 or part thereof on the value of consideration for the relevant transfer.

The statements above summarise the current position and are intended as a general guide only.

9.4 Close company status

The Company is, at the date of this document, a close company as defined by the Income and Corporation Taxes Act 1988. The status of the Company on completion of the Acquisition will depend on the identity of the shareholders, and their respective shareholdings, at that time.

10. Working capital

The Directors and the Proposed Directors are of the opinion, having made due and careful enquiry, that, after taking into account the effects of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the 12 months following Admission.

11. Litigation

11.1 Neither the Company nor Kazoo3D Inc. is engaged in any legal or arbitration proceedings and, so far as the Directors are aware, there are no legal or arbitration proceedings, active, pending or threatened against, or being brought by the Company or Kazoo3D Inc. which is having or may have a significant effect on the financial position of the Company or Kazoo3D Inc.

11.2 Zoo Media Corporation is not engaged in any legal or arbitration proceedings, and, so far as the Zoo Media Corporation Directors are aware, there are no legal or arbitration proceedings, active, pending or threatened against, or being brought by it which are having or may have a significant effect on its financial position.

12. Market quotations

The following table shows the closing middle market quotations for Kazoo3D as derived from the Daily Official List on the first dealing day in each month from November 2000 to April 2001 and for the last dealing day prior to the publication of this document.

3 November 2000	28.5p
1 December 2000	27.5p
2 January 2001	27.5p
1 February 2001	12.0p
1 March 2001	9.5p
2 April 2001	8.5p
24 April 2001	8.5p

13. General

13.1 The accounting reference date of the Company is 31 December.

13.2 Arthur Andersen, Chartered Accountants, has given and not withdrawn its written consent to the inclusion herein of its Accountants' reports set out in Parts V and VI of this document and the references thereto, and to its name in the form and context in which they are included, and accept responsibility for the contents of those reports for the purposes of paragraph 45(8)(b) of Schedule 1 of the POS Regulations.

13.3 Rowan Dartington has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

13.4 Arthur Andersen Corporate Finance has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

13.5 Motorola, AOL, Premium TV, Michelin and Rugby League World Cup have each given and not withdrawn their written consents to the issue of this document with the inclusion and references to their respective names in the form and context in which the references appear.

13.6 Each of the Directors, namely Dr. Oliver, Dr. Green, Mr. Warden, Mr. Abrams and Dr. Honeyborne is, or may be deemed to be, a promoter of the Company.

13.7 The Company's auditors are Arthur Andersen of 1 City Square, Leeds LS1 2AL.

13.8 The financial information in relation to the Company set out in Part V of this document and elsewhere in this document does not comprise statutory financial statements as referred to in Section 240 of the Act. The basis of preparation of this financial information is set out in the Basis of preparation paragraph of Part V of this document.

13.9 There are no arrangements in force for the waiver of future dividends.

13.10 There are no specified dates on which entitlements to dividends or interest payable by the Company arise.

13.11 The expenses of the Acquisition and Admission are estimated at £592,000 excluding VAT, and are payable by the Company.

13.12 The business address of each of the Directors is Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ, and of the Zoo Media Corporation Directors is Parkhead House, 26 Carver Street, Sheffield S1 4FS.

13.13 Neither the Company, Kazoo3D Inc. nor Zoo has any dependence on any patents or other IP rights, licences, or particular contracts save as disclosed in paragraph 8 of this Part VIII which are of fundamental importance.

13.14 Copies of this document will be available during normal business hours on any weekday (except Saturdays and public holidays) from the Company's registered office and at the offices of Arthur Andersen Corporate Finance, 1 City Square, Leeds LS1 2AL and Rowan Dartington & Co. Limited, Colston Tower, Colston Street, Bristol BS1 4RD until the date falling 14 days from the date of Admission.

14. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of DLA at 3 Noble Street, London EC2V 7EE and Princes Exchange, Princes Square, Leeds LS1 4BY during normal business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this document:

14.1 the memorandum and articles of association of the Company and of Zoo Media Corporation;

14.2 the material contracts referred to in paragraph 8 of this Part VIII;

14.3 the service agreements, terms of appointment and consultancy agreement referred to in paragraph 4 of this Part VIII;

14.4 the rules of the Share Option Schemes and the options referred to in paragraph 4.4 of this Part VIII and in the notes to the table in paragraph 4.3 of this Part VIII and the proposed new Kazoo3D EMI Scheme;

14.5 the reports of Arthur Andersen set out in Part V and Part VI of this document;

14.6 the pro forma statement of net assets set out in Part VII of this document;

14.7 the written consents from Arthur Andersen, Rowan Dartington, Arthur Andersen Corporate Finance, Motorola, AOL, Premium TV, Michelin and Rugby League World Cup referred to in paragraphs 13.2 to 13.5 of this Part VIII;

14.8 this document, the notices of extraordinary general meeting and the forms of proxy;

14.9 the report and accounts of the Company for the year ended 31 December 2000;

14.10 the special purpose accounts of Zoo Media Corporation for the periods from 23 August 1999 to 31 August 2000 and from 1 September 2000 to 28 February 2001;

14.11 irrevocable undertakings to vote in favour of the Resolutions from the Directors, LightWork Design and Founding Shareholders; and

14.12 the trust deed establishing the ZEST and the rules of the Zoo EMI Scheme.

Dated 25 April 2001

Kazoo3D plc

(Incorporated and registered in England and Wales No. 3858881)

NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the First Extraordinary General Meeting of Kazoo3D plc (the "Company") will be held at Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ on 11 May 2001 at 10.30 am to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution being voted on by a poll regardless of whether or not any request is received by the shareholders of the Company it be so voted:

ORDINARY RESOLUTION

THAT

1. the merger of the Company with The Zoo Media Corporation Limited ("Zoo Media Corporation") pursuant to and on the terms and conditions of a conditional agreement dated 24 April 2001 and made between (1) Ian Stewart, Susan Scrivener, Stephen Bailey, Zoo Employee Share Trust Limited and Alchemy Capital Limited, (2) the Company and (3) Arthur Andersen Corporate Finance ("Acquisition Agreement"), a summary of which is contained in paragraph 7 of Part VIII of the circular and AIM admission document of the Company dated 25 April 2001 ("Document"), of which this notice forms part, be and is hereby approved (subject to such non-material variations as the directors of the Company shall, in their discretion think fit) and that the directors be and are hereby authorised to take all steps which they may consider necessary or desirable to implement the Acquisition Agreement in accordance with its terms;
2. the waiver by the Panel on Takeovers and Mergers of any obligation which might otherwise fall on the Concert Party (as that expression is defined in the circular and AIM admission document of the Company dated 25 April 2001 ("Document"), of which this notice forms part) to make a general offer pursuant to Rule 9 of The City Code on Takeovers and Mergers ("City Code") as a result of any of the following:
   - (i) the allotment and issue to the shareholders of The Zoo Media Corporation Limited, being members of the Concert Party as defined in the Document, of 79,830,937 ordinary shares of 0.2p each in the share capital of the Company in consideration for the acquisition of the whole of the issued share capital of The Zoo Media Corporation Limited ("Acquisition") by the Company from them;
   - (ii) the allotment and issue to Ian Stewart and Susan Scrivener, being members of the Concert Party, of up to an aggregate 5,882,352 ordinary shares of 0.2 p each in the share capital of the Company in satisfaction of potential liabilities owed to them by the Company pursuant to future claims under the Acquisition Agreement; and
   - (iii) the allotment and issue to Messrs Calpin, McKevitt and Moffett, being members of the Concert Party, of in aggregate up to 9,258,034 ordinary shares of 0.2p each in the share capital of the Company pursuant to the rollover of their options under the Zoo Media Corporation Limited Enterprise Management Incentive Schemes into new options in the proposed Kazoo3D Enterprise Management Incentive Schemes and the exercise of those replacement options;

   which could result in the aggregate holding of the Concert Party increasing to 94,971,323 ordinary shares of 0.2p each in the share capital of the Company representing approximately 61.52 per cent. of the issued share capital of the Company be and is approved;
3. the waiver by the Panel on Takeovers and Mergers of any obligation which might otherwise fall on Ian Stewart to make a general offer pursuant to Rule 9 of the City Code as a result of any of the following:
   - (i) the allotment and issue to Ian Stewart of 50,176,038 ordinary shares of 0.2p each in the share capital of the Company in consideration for the acquisition by the Company of Ian Stewart's shares in The Zoo Media Corporation Limited;
   - (ii) the allotment and issue to Ian Stewart of up to 4,965,293 ordinary shares of 0.2p each in the share capital of the Company in satisfaction of potential liabilities owed to Ian Stewart by the Company pursuant to future claims under the Acquisition Agreement; and
   - (iii) the transfer to Ian Stewart of up to 1,004,260 ordinary shares of 0.2p each in the Company by way of the exercise of an option to purchase such shares from Stephen Bailey;

   which could result in the aggregate holding of Ian Stewart increasing to 56,145,591 ordinary shares of 0.2p each in the share capital of the Company representing approximately 38.69 per cent. of the issued share capital of the Company be and is approved;
4. in substitution for all existing authorities under the following section, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities within the meaning of that section in connection with the Acquisition (as defined in the Document of which this notice forms part) and otherwise to such persons at such times and on such terms as the directors think proper up to an aggregate nominal amount of £101,921 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on 30 July 2002 or the date of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement;
5. the rules of the Kazoo3D Unapproved Employee Share Option Scheme be amended by the addition of the following sub-rule 3.2.3 to the existing rule 3.2:

   "*Any Shares where the right to acquire such Shares is granted as consideration for the release of rights to acquire Shares in any company which is subsequently acquired by the Company.*";
6. the rules of the Kazoo3D Employee Share Option Scheme be amended by the addition of the following sub-rules 3.2.3 to the existing rule 3.2:

"*Any Shares where the right to acquire such Shares is granted as consideration for the release of rights to acquire Shares in any company which is subsequently acquired by the Company.*"

and the amendment be submitted to the Inland Revenue for formal approval under Schedule 9 to the Income and Corporation Taxes Act 1988;

7. the draft rules of the Kazoo3D plc Enterprise Management Incentive Scheme (the "Kazoo3D EMI Scheme"), a copy of which is to be produced to the meeting and marked "A" for the purposes of identification and the principal terms of which are summarised in paragraph 6 of Part VIII of the Document be and are hereby approved and adopted and that the directors be generally authorised to make such changes as may be necessary to ensure that options granted under the Kazoo3D EMI Scheme qualify under Schedule 14 to the Finance Act 2000 and to take such other steps as are necessary to carry the Kazoo3D EMI Scheme into effect;
8. to receive the report and accounts of the Company for the year ended 31 December 2000; and
9. to reappoint Arthur Andersen as auditors of the Company and to authorise the Directors to fix their remuneration.

By order of the board
John H Warden
Secretary

25 April 2001

Registered office:
Rutledge House
78 Clarkehouse Road
Sheffield S10 2LJ

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

To be valid a proxy form must be deposited at Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting.

Kazoo3D plc

(Incorporated and registered in England and Wales No. 3858881)

NOTICE OF SECOND EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Second Extraordinary General Meeting of Kazoo3D plc (the "Company") will be held at Rutledge House, 78 Clarkehouse Road, Sheffield S10 2LJ on 29 May 2001 at 10.30 am to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT

1. the name of the Company be changed to Zoo Digital Group plc;
2. the articles of association of the Company be amended by the deletion of article 54.1 and the insertion of a new article 54.1 as follows:

   "54.1 An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution or (except as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by not less than 21 clear days' notice in writing and any other extraordinary general meeting by not less than 14 clear days' notice in writing.";
3. in substitution for all existing authorities, the directors be generally empowered pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the ordinary resolution passed at the Extraordinary General Meeting of the Company held on 11 May 2001, as if section 89(1) of the Act did not apply to the allotment. This power:

   3.1 expires on 30 July 2002 or the date of the next annual general meeting of the Company after the passing of this resolution, whichever is the earlier, but the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement; and

   3.2 is limited to:

   3.2.1 allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they deem necessary or expedient:

   3.2.1.1 to deal with equity securities representing fractional entitlements; and

   3.2.1.2 to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and

   3.2.2 allotment of equity securities for cash otherwise than pursuant to paragraph 3.2.1 up to an aggregate nominal amount of £13,922.

By order of the board
John H Warden
Secretary

25 April 2001

Registered office:
Rutledge House
78 Clarkehouse Road
Sheffield
S10 2LJ

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

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