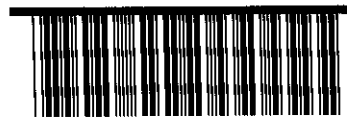


2029103

Zoom.Co.UK Limited
Annual Report
for the year ended 26 August 2000

Registered Number 12029103



HLE
COMPANIES HOUSE

H3GZ31UX

0263
26/06/01

Zoom.Co.UK Limited

Annual Report

for the year ended 26 August 2000

Contents

Directors and advisors.....	1
Directors' report	2-3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements.....	8-12

Zoom.Co.UK Limited

Directors and advisors

Directors

K Beatty
RM Klein
M MacLennan
RJ Maney

Secretary

RJ Stevenson

Auditors

PricewaterhouseCoopers
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

Registered Office

Colegrave House
70 Berners Street
London
W1T 3NL

Registered Number

12029103

Zoom.Co.UK Limited

Directors' report for the year ended 26 August 2000

The directors present their report together with the audited financial statements of the Company for the year ended 26 August 2000.

Activities and results

The principal activity of the Company is that of an e.commerce and Internet service provider. It also provides an Internet design and production service to Arcadia Group plc and Dial Home Shopping Limited.

The directors consider the results to be acceptable. The results of the Company for the financial year are set out in the profit and loss account on page 5. The directors are unable to recommend the payment of a dividend and the loss of £4,263,000 (1999: £553,000) has been deducted from reserves.

Directors and directors' interests

The following served as directors during the year:

K Beatty
R M Klein
M MacLennan
R J Maney

None of the directors had an interest in the share capital of the company or received any remuneration in respect of their services to the Company.

Supplier payment policy

The Company's policy concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the Company's standard payment terms, and in either case to pay in accordance with its contractual or other legal obligations. The Company's trade creditors are paid by Arcadia Group plc in accordance with their payment terms. Arcadia's trade creditors figure at 26th August 2000 was equivalent to 25 days purchases (1999: 27 days), based on average daily amounts invoiced by suppliers during the year. A copy of the Company's standard payment terms may be obtained from the registered office during normal working hours.

Directors' report for the year ended 26 August 2000 (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 26 August 2000 and that applicable accounting standards have been followed.

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

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



**K Beatty
Director**

18 October 2000

Auditors' report to the members of Zoom.Co.UK Limited

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 26 August 2000 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Leeds

18 October 2000

Zoom.Co.UK Limited

Profit and Loss Account for the year ended 26 August 2000

	Note	2000 £'000	1999 £'000
Turnover	1	2,349	441
Cost of sales		(6,782)	(1,061)
Gross loss		(4,433)	(620)
Administrative expenses		(1,608)	-
Loss before taxation	2	(6,041)	(620)
Taxation	3	1,778	67
Retained loss for the year	9	(4,263)	(553)

All items dealt with in arriving at the loss before taxation in 2000 and 1999 relate to continuing operations.

The only recognised gains and losses for the year are those dealt with in the profit and loss account above.

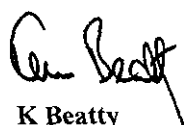
There is no difference between the results disclosed above and the results on an unmodified historical cost basis.

Zoom.Co.UK Limited

Balance Sheet as at 26 August 2000

	Note	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	4	455	-
Current assets			
Debtors (due within one year)	5	3,638	508
Cash at bank		480	-
		4,118	508
Creditors (amounts falling due within one year)	6	(2,163)	-
Net current assets		1,955	508
Total assets less current liabilities		2,410	508
Creditors (amounts falling due after one year)	7	(6,826)	(661)
Net liabilities		(4,416)	(153)
Capital and reserves			
Called up share capital	8	400	400
Profit and loss account	9	(4,816)	(553)
Deficit on equity shareholders' funds	9	(4,416)	(153)

The financial statements on pages 5 to 12 were approved by the board of directors on 18 October 2000 and were signed on its behalf by:



K Beatty
Director

Zoom.Co.UK Limited

Cash Flow Statement for the year ended 26 August 2000

	Note	2000 £'000	1999 £'000
Net cash outflow from operating activities	10 (a)	(5,760)	(400)
Capital expenditure			
Purchase of tangible fixed assets		(586)	-
Net cash outflow before financing		(6,346)	(400)
Financing			
Issue of ordinary share capital		-	400
Joint Venture partners fundings:			
ANL		3,413	-
Arcadia		3,413	-
		6,826	400
Increase in cash	10 (b)	480	-

Zoom.Co.UK Limited

Notes to the financial statements for the year ended 26 August 2000

1 Accounting policies

Accounting convention

The accounts are drawn up under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The financial statements have been drawn up on a going concern basis as the Company's shareholders, Arcadia Group and ANL, have indicated their willingness to continue to provide financial support.

Turnover

Turnover comprises the value of net revenues (after commission) from Internet advertising and sponsorship, sales commission from goods ordered via the Zoom website and revenues from Internet design and production services.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful lives. Tangible fixed assets are depreciated at the following rates on a straight line basis from the date on which they are brought into use:

Fixtures and equipment	50%
------------------------	-----

Deferred taxation

Provision is made for deferred taxation arising from the allocation of income and expenditure for tax purposes to years different from those used for accounting purposes, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2 Loss before taxation

	2000 £'000	1999 £'000
This is stated after charging:		
Depreciation of owned assets	131	-
Auditors' remuneration	18	-

None of the directors received any emoluments for their services to the company.

The company does not have any employees. Services are provided by the two joint venture partners and the costs of people involved in the Zoom business are included in the charges detailed in note 11, Related Party Disclosures.

In 1999 auditors' remuneration was borne by another Arcadia Group company.

Zoom.Co.UK Limited

Notes to the financial statements for the year ended 26 August 2000 (continued)

3 Taxation credit

	2000 £'000	1999 £'000
Based on the loss for the year:		
UK corporation tax credit at 30% (1999: 30.58%)	1,768	67
Deferred tax	10	-
	1,778	67

4 Tangible fixed assets

	Fixtures & equipment £'000
Cost	
At 29 August 1999	-
Additions	586
At 26 August 2000	586
Accumulated depreciation	
At 29 August 1999	-
Charge for the year	131
At 26 August 2000	131
Net book value at 26 August 2000	455
Net book value at 28 August 1999	-

**Notes to the financial statements for the year ended 26 August 2000
(continued)**

5 Debtors

	2000 £'000	1999 £'000
Trade debtors	388	-
Other debtors	379	441
Prepayments	231	-
Consortium relief receivable	1,768	-
Amounts due by Arcadia Group companies	872	67
	3,638	508

Prepayments include a deferred tax asset of £10,000 (1999: nil).

6 Creditors (amounts falling due within one year)

	2000 £'000	1999 £'000
Trade creditors	92	-
Other taxation and social security	862	-
Amounts due to Arcadia Group companies	1,209	-
	2,163	-

7 Creditors (amounts falling due after one year)

	2000 £'000	1999 £'000
Amounts due to joint venture partners: ANL	3,413	-
Arcadia	3,413	661
	6,826	661

The amount due is interest free and has no fixed repayment term. The directors have however received assurances that repayment of the above loans will not be sought during the next year.

**Notes to the financial statements for the year ended 26 August 2000
(continued)**

8 Called up share capital

	Authorised £'000	Allotted and fully paid £'000
"A" Ordinary shares of £1 each	200	200
"B" Ordinary shares of £1 each	200	200
At 26 August 2000 and 28 August 1999	400	400

The company is controlled jointly by Arcadia Group and ANL. Arcadia Group holds the "A" ordinary shares and ANL holds the "B" ordinary shares.

The "A" ordinary shares entitle the holder to 50% of the rights to dividends and distributions of income and capital and 50% of the voting rights and Board representation. The "B" ordinary shares entitle the holder to 50% of the rights to dividends and distributions of income and capital and 50% of the voting rights and Board representation.

9 Reconciliation of movements in shareholders' funds and statement of movements in reserves

	Share capital £'000	Profit and loss account £'000	Total 2000 £'000	Total 1999 £'000
Loss for the financial year	-	(4,263)	(4,263)	(553)
Issue of share capital	-	-	-	400
Net change in the year	-	(4,263)	(4,263)	(153)
Opening shareholders' funds – deficit	400	(553)	(153)	-
Closing shareholders' funds – deficit	400	(4,816)	(4,416)	(153)

**Notes to the financial statements for the year ended 26 August 2000
(continued)**

10 Notes to the cash flow statement

	2000 £'000	1999 £'000	
a) Reconciliation of operating loss to cash flow from operating activities:			
Operating loss	(6,041)	(620)	
Depreciation charge	131	-	
Increase in debtors	(1,352)	(441)	
Increase in creditors	1,502	661	
Net cash flow from operating activities	(5,760)	(400)	
b) Reconciliation of movement in net funds			
	As at 29 August 1999 £'000	Cash flow £'000	At 26 August 2000 £'000
Cash at bank	-	480	480

11 Related party disclosures

On 26th July 1999, the Company's shareholders, Arcadia Group and ANL, entered into an arrangement for the creation of a jointly operated Internet company. The agreement may be terminated at any time by written agreement of the shareholders and shall terminate automatically without notice on the date that all of the shares are owned by one shareholder. Zoom became a joint venture company under this arrangement.

Each party agrees and undertakes to the other to use its respective reasonable endeavours to promote the interests of the Company in connection with the carrying on of the business.

Under this agreement the Company hosts and maintains web-sites relating to Arcadia Group stores and Arcadia Group brands. During the year the Company made sales to Arcadia Group covering these services of £910,000 (1999: £400,000). Arcadia Group provides management, administrative, advertising and operational support, including the secondment of staff, to the Company. During the year, the Company made purchases of £6,390,000 (1999: £122,000) covering these goods and services.

ANL supplies advertising and promotional expertise. During the year Zoom made net purchases from ANL covering these services amounting to £2,000,000 (1999: £nil).

An ISP Partnership agreement exists between Dial Home Shopping Limited, a company jointly controlled by Arcadia Group, and the Company. Under this agreement Dial pays a commission based upon sales made through the Company's web-sites. The Company also provides a service relating to catalogue production. During the year the Company made sales to Dial in respect of these services amounting to £550,000 (1999: £30,000). At the year end the amount owing to the Company by Dial was £147,000 (1999: £nil).