Zoom.Co.UK Limited

Annual report

for the year ended 31 August 2002

Registered Number 2029103

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Zoom.Co.UK Limited

Annual report

for the year ended 31 August 2002

Contents

Directors and advisors..1

Directors' report..2 - 3

Independent 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
PW Lehmann
M Maclennan
PA Magowan
CA Wilson

Secretary
RJ Stevenson

Auditors
PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered Office
Colegrave House
70 Berners Street
London
W1T 3NL

Registered Number
12029103

Directors' report for the year ended 31 August 2002

The directors present their report together with the audited financial statements of the Company for the year ended 31 August 2002.

Principal activities, business developments and results
The Company's principal activity is the provision of internet design and production services to one of its shareholders, Arcadia Group plc. In addition, the Company acts as an intermediary for a number of companies, providing web based promotion and distribution of their products.

On 5 October 2001, the Company sold its internet dial-up services business at a profit of £785,000.

The Company's results 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 hence the retained loss for the year of £20,000 (2001: £2,736,000) has been deducted from reserves.

Post balance sheet events
Subsequent to the year end Arcadia Group plc, one of the Company's joint venture partners, was acquired by Taveta Investments Limited and re-registered as a private company.

Directors and directors' interests
The following served as directors during the year:

M Maclennan	
PW Lehmann	(appointed 24 September 2001)
PA Magowan	(appointed 15 March 2002)
CA Wilson	(appointed 15 March 2002)

None of the directors had an interest in the share capital of the Company during the year, 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 31 August 2002 was equivalent to 32 days' purchases (2001: 32 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 31 August 2002 (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 31 August 2002 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board

PA Magowan
Director
27 March 2003

Independent auditors' report to the members of Zoom.Co.UK Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 31 August 2002 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 LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
27 March 2003

Profit and loss account for the year ended 31 August 2002

	Note	2002 £'000	2001 £'000
Turnover	1	**2,415**	2,787
Cost of sales		**(1,432)**	(4,540)
Gross profit / (loss)		**983**	(1,753)
Administrative expenses		**(1,765)**	(2,180)
Exceptional other operating income	2	**785**	-
Operating profit / (loss)	2	**3**	(3,933)
Taxation (charge) / credit	3	**(23)**	1,197
Retained loss for the year	9	**(20)**	(2,736)

All items dealt with in arriving at the operating profit / loss relate to continuing operations.

The only recognised gains and losses 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 31 August 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	4	**231**	374
Current assets			
Debtors (due within one year)	5	**3,833**	4,131
Cash at bank		**438**	191
		4,271	4,322
Creditors (amounts falling due within one year)	6	**(1,948)**	(2,122)
Net current assets		**2,323**	2,200
Total assets less current liabilities		**2,554**	2,574
Creditors (amounts falling due after one year)	7	**(9,726)**	(9,726)
Net liabilities		**(7,172)**	(7,152)
Capital and reserves			
Called up share capital	8	**400**	400
Profit and loss account - deficit	9	**(7,572)**	(7,552)
Deficit on equity shareholders' funds	9	**(7,172)**	(7,152)

The financial statements on pages 5 to 12 were approved by the board of directors on 27 March 2003 and were signed on its behalf by:

PA Magowan
Director

Zoom.Co.UK Limited

Cash flow statement for the year ended 31 August 2002

	Note	2002 £'000	2001 £'000
Net cash inflow / (outflow) from operating activities		**490**	(2,829)
Capital expenditure			
Purchase of tangible fixed assets		**(243)**	(360)
Net cash inflow / (outflow) before financing		**247**	(3,189)
Financing			
Joint venture partners funding:			
Associated Newspapers		-	1,450
Arcadia Group		-	1,450
		-	2,900
Increase / (decrease) in cash		**247**	(289)

Notes to the cash flow statement

a) Reconciliation of operating profit / (loss) to cash flows from operating activities:	**2002 £'000**	2001 £'000
Operating loss before exceptional items	**(782)**	(3,933)
Depreciation charge	**386**	441
Decrease in debtors	**275**	704
Decrease in creditors	**(174)**	(41)
Net cash outflow before exceptional items	**(295)**	(2,829)
Net cash inflow from exceptional items (note 2)	**785**	-
Net cash inflow / (outflow) from operating activities	**490**	(2,829)

b) Reconciliation of movement in net funds	At 25 August 2001 £'000	Cash flow £'000	**At 31 August 2002 £'000**
Cash at bank	191	247	**438**

Notes to the financial statements for the year ended 31 August 2002

1 Accounting policies

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

Changes in accounting policies
The Company has adopted FRS 19 ' Deferred tax' for the first time in these financial statements. Whilst the adoption of FRS 19 has had no impact on the Company's results and financial position for the current or prior years, the new accounting standard does require additional disclosures. These are provided in note 3 to the financial statements.

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
Deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will suitable taxable profits from which the future reversal of the underlying tax differences can be deducted. Deferred tax assets and liabilities are not discounted.

2 Operating profit / (loss)

	2002 £'000	2001 £'000
This is stated after charging / (crediting):		
Depreciation of owned assets	**386**	441
Exceptional other operating income (refer below)	**(785)**	-
Auditors' remuneration	**13**	13

Exceptional other operating income results from the sale of the Company's internet dial-up business. The tax charge attributable to the exceptional item is £236,000.

None of the directors received any emoluments in respect of their services to the Company (2001:£nil).

The Company does not have any employees. The two joint venture partners provide services for which the related employment costs are included within the charges detailed in note 10, Related Party Disclosures.

Notes to the financial statements for the year ended 31 August 2002 (continued)

3 Taxation charge / (credit)

a. Analysis of tax charge / (credit) for the year	2002 £'000	2001 £'000
Based on the profit / (loss) for the year:		
UK corporation tax charge / (credit) at 30% (2001: 30%)		
Current year (note 3b)	48	(1,092)
Deferred tax – current year	(47)	(105)
Deferred tax – prior year	22	-
Total deferred tax – origination and reversal of timing differences	(25)	(105)
Total taxation	23	(1,197)

The tax assessed for the year is higher than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

b. Factors affecting the tax charge / (credit) for the year	2002 £'000	2001 £'000
Profit / (loss) before taxation	3	(3,933)
Profit / (loss) before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	1	(1,180)
Effects of:		
Depreciation in excess of capital allowances	47	88
Current tax charge for the year (note 3a)	48	(1,092)

c. Factors that may affect future tax charges
Based on current capital investment plans, the Company expects depreciation to exceed capital allowances in future years at a similar rate to the current year.

Notes to the financial statements for the year ended 31 August 2002 (continued)

4 Tangible fixed assets

	Fixtures & equipment £'000
Cost	
At 26 August 2001	946
Additions	243
At 31 August 2002	**1,189**
Accumulated depreciation	
At 26 August 2001	572
Charge for the year	386
At 31 August 2002	**958**
Net book value at 31 August 2002	**231**
Net book value at 25 August 2001	374

5 Debtors

	2002 £'000	2001 £'000
Trade debtors	**131**	208
Prepayments	376	325
Consortium relief receivable	**2,879**	2,927
Amounts due from Arcadia Group companies	**447**	671
	3,833	4,131

Prepayments include a deferred tax asset of £140,000 (2001: £115,000) in respect of accelerated capital allowances. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods when timing differences reverse, based on tax rates at the balance sheet date. There is no unrecognised deferred tax.

Notes to the financial statements for the year ended 31 August 2002 (continued)

6 Creditors (amounts falling due within one year)

	2002 £'000	2001 £'000
Trade creditors	**98**	178
Other taxation and social security	**194**	184
Accruals	**654**	573
Amounts due to Arcadia Group companies	**1,002**	1,187
	1,948	2,122

7 Creditors (amounts falling due after one year)

	2002 £'000	2001 £'000
Amounts due to joint venture partners: ANL	**4,863**	4,863
Arcadia	**4,863**	4,863
	9,726	9,726

The above amounts are interest free and have no fixed repayment terms. The directors have however received assurances that repayment of the above loans will not be sought during the twelve months from the date of signing these financial statements.

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 31 August 2002 and 25 August 2001	**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" and "B" ordinary shares entitle the respective holders to 50% of the rights to dividends and distributions of income and capital and 50% of the voting rights and Board representation.

Notes to the financial statements for the year ended 31 August 2002 (continued)

9 Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	**Total 2002 £'000**	Total 2001 £'000
Retained loss for the year	-	(20)	**(20)**	(2,736)
Net change in the year	-	(20)	**(20)**	(2,736)
Opening shareholders' funds – deficit	400	(7,552)	**(7,152)**	(4,416)
Closing shareholders' funds – deficit	**400**	**(7,572)**	**(7,172)**	(7,152)

10 Related party disclosures

On 26 July 1999, the Company's shareholders, Arcadia Group and ANL, entered into an arrangement for the creation of a jointly operated Internet company. This 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 reasonable endeavours to promote the interests of the Company in connection with the carrying on of the business.

Under the agreement, the Company hosts and maintains web-sites relating to Arcadia Group's stores and brands as well as providing catalogue design and production services. During the year, the Company made sales to Arcadia Group covering these services of £1,388,000 (2001: £1,435,000). The Company also receives commission from Arcadia Group, based on sales made through its web-sites, which during the year totalled £851,000 (2001: £759,000).

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 £1,295,000 (2001: £1,367,000) covering these goods and services.

During 2001, the Company paid ANL £500,000 for providing advertising and promotional expertise.

The amounts owed by the Company to ANL and companies within the Arcadia Group are disclosed elsewhere within these financial statements.