Zoom.Co.UK Limited

Annual report

for the year ended 28 August 2004

Registered Number 2029103

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COMPANIES HOUSE 02/06/05

Zoom.Co.UK Limited

Annual report

for the year ended 28 August 2004

Contents

Zoom.Co.UK Limited

Directors and advisors

Directors
I Grabiner
PW Lehmann
PA Magowan

Alternate director
S Dyson

Secretary
B Hicks

Independent auditors
PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered office
Colegrave House
70 Berners Street
London
W1T 3NL

Registered number
2029103

Zoom.Co.UK Limited

Directors' report for the year ended 28 August 2004

The directors present their report together with the audited financial statements of the Company for the year ended 28 August 2004.

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 Limited. In addition, the Company acts as an intermediary for a number of companies, providing web based promotion and distribution of their products.

The Company's results for the financial year are set out in the profit and loss account on page 4. The directors are unable to recommend the payment of a dividend and hence the retained profit for the year of £340,000 (2003: £18,000) has been transferred to reserves.

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

I Grabiner	
M Maclennan	(resigned 31 August 2004)
PW Lehmann	
PA Magowan	
S Dyson	(alternate)

None of the directors had an interest in the share capital of the Company during the year, or received any remuneration in respect of his or her services to the Company.

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 28 August 2004 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.

Independent auditors
The independent auditors, PricewaterhouseCoopers LLP, 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

I Grabiner
Director
11 March 2005

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, the accounting policies and the 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 Companies Act 1985. 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 28 August 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
18 March 2005

Zoom.Co.UK Limited

Profit and loss account for the year ended 28 August 2004

	Note	2004 £'000	2003 £'000
Turnover	1	**4,260**	3,119
Cost of sales		**(2,907)**	(1,699)
Gross profit		**1,353**	1,420
Administrative expenses		**(1,265)**	(1,415)
Operating profit	2	**88**	5
Interest receivable on bank deposits		**99**	21
Profit before taxation		**187**	26
Taxation	3	**153**	(8)
Retained profit for the year	9	**340**	18

All items dealt with in arriving at the operating profit 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 28 August 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	4	**122**	83
Current assets			
Debtors (due within one year)	5	**2,388**	832
Cash at bank		**85**	62
		2,473	894
Creditors (amounts falling due within one year)	6	**(2,608)**	(1,439)
Net current liabilities		**(135)**	(545)
Total assets less current liabilities		**(13)**	(462)
Creditors (amounts falling due after one year)	7	**(6,801)**	(6,692)
Net liabilities		**(6,814)**	(7,154)
Capital and reserves			
Called up share capital	8	**400**	400
Profit and loss account - deficit	9	**(7,214)**	(7,554)
Deficit on equity shareholders' funds	9	**(6,814)**	(7,154)

The financial statements on pages 4 to 11 were approved by the board of directors on 11 March 2005 and were signed on its behalf by:

I Grabiner
Director

Zoom.Co.UK Limited

Cash flow statement for the year ended 28 August 2004

	2004 £'000	2003 £'000
Net cash inflow / (outflow) from operating activities	96	(342)
Returns on investments and servicing of finance		
Interest received	99	21
Corporation tax paid	(29)	-
Capital expenditure		
Purchase of tangible fixed assets	(143)	(55)
Increase / (decrease) in cash	23	(376)

Notes to the cash flow statement

a) Reconciliation of operating profit to cash flows from operating activities:	2004 £'000	2003 £'000
Operating profit	88	5
Depreciation charge	104	203
(Increase) / decrease in debtors	(1,541)	126
Increase / (decrease) in creditors	1,445	(676)
Net cash inflow / (outflow) from operating activities	96	(342)

b) Reconciliation of movement in net funds	At 31 August 2003 £'000	Cash flow £'000	At 28 August 2004 £'000
Cash at bank	62	23	85

Notes to the financial statements for the year ended 28 August 2004

1 Accounting policies

Accounting convention
The accounts are drawn up under the historical cost convention and in accordance with applicable accounting standards, which have been consistently applied.

Going concern
In the opinion of the directors it is appropriate to prepare the accounts on the going concern basis as the Company's shareholders have given an undertaking to provide the Company with continuing financial support for a period of at least twelve months from the date on which the accounts were signed.

Turnover
Turnover comprises the value of net revenues (after commission and value added tax) 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 rate 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 be 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

	2004 £'000	2003 £'000
This is stated after charging:		
Depreciation of owned assets	**104**	203
Auditors' remuneration	**15**	14

None of the directors received any emoluments in respect of his or her services to the Company (2003: £nil).

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

Notes to the financial statements for the year ended 28 August 2004 (continued)

3 Taxation (credit) / charge

a. Analysis of the tax (credit) / charge for the year	2004 £'000	2003 £'000
Based on the profit for the year:		
UK corporation tax (credit) / charge at 19% (2003: 30%):		
- Current year	9	12
- Prior years	(275)	-
Total current tax (note 3b)	(266)	12
Deferred tax – current year	26	(4)
Deferred tax – prior years	87	-
Total deferred tax – origination and reversal of timing differences	113	(4)
Total taxation	(153)	8

The tax assessed for the year is lower than the standard rate of corporation tax applicable to smaller companies in the United Kingdom (19%). The differences are explained below:

b. Factors affecting the tax (credit) / charge for the year	2004 £'000	2003 £'000
Profit before taxation	187	26
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2003: 30%)	35	8
Effects of:		
Adjustment in respect of prior years	(275)	-
Capital allowances in excess of depreciation	(26)	4
Current tax (credit) / charge for the year (note 3a)	(266)	12

c. Factors that may affect future tax charges

Based on current capital investment plans, the Company expects capital allowances to exceed depreciation in future years at a similar rate to the current year. The directors also expect that the Company will continue to be assessed for corporation tax at the lower rate applicable to smaller companies.

Notes to the financial statements for the year ended 28 August 2004 (continued)

4 Tangible fixed assets

	Fixtures & equipment £'000
Cost	
At 31 August 2003	1,244
Additions	143
At 28 August 2004	**1,387**
Accumulated depreciation	
At 31 August 2003	1,161
Charge for the year	104
At 28 August 2004	**1,265**
Net book value at 28 August 2004	**122**
Net book value at 30 August 2003	83

5 Debtors

	2004 £'000	2003 £'000
Trade debtors	**91**	123
Amounts due from Arcadia Group companies	**1,906**	400
Corporation tax	**128**	-
Other debtors	**-**	10
Prepayments	**263**	299
	2,388	832

Prepayments include a deferred tax asset of £31,000 (2003: £144,000) 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 28 August 2004 (continued)

6 Creditors (amounts falling due within one year)

	2004 £'000	2003 £'000
Trade creditors	**354**	165
Amounts due to Arcadia Group companies	**1,276**	498
Corporation tax	-	167
Other taxation and social security	**73**	-
Accruals	**905**	609
	2,608	1,439

7 Creditors (amounts falling due after one year)

		2004 £'000	2003 £'000
Amounts due to joint venture partners:	ANL	**3,493**	3,383
	Arcadia	**3,308**	3,309
		6,801	6,692

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 30 August 2003 and 28 August 2004	**400**	**400**

The Company is controlled jointly by Arcadia Group and Associated Newspapers Limited ('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, together with 50% of the voting rights and Board representation.

Notes to the financial statements for the year ended 28 August 2004 (continued)

9 Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	**Total 2004 £'000**	Total 2003 £'000
Retained profit for the year	-	340	**340**	18
Net change in the year	-	340	**340**	18
Opening shareholders' funds – deficit	400	(7,554)	**(7,154)**	(7,172)
Closing shareholders' funds – deficit	**400**	**(7,214)**	**(6,814)**	(7,154)

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 £1,513,000 (2003: £1,480,000). The Company also receives commission from Arcadia Group, based on sales made through its web-sites, which during the year totalled £2,376,000 (2003: £1,227,000).

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 £1,110,000 (2003: £1,193,000) covering these goods and services.

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