Zoom.Co.UK Limited
(formerly Customlook Limited)

Directors' Report and Accounts
Registered Number 2029103
28th August 1999

Zoom.Co.UK Limited
Directors' Report for the year ended 28th August 1999

The directors present their annual report together with the audited accounts of the Company for the year ended 28th August 1999.

Incorporation, change of name, activities and results

The Company was incorporated on 18th June 1986 as Customlook Limited. On 23rd April 1999 the Company changed its name to Zoom.Co.UK Limited (Zoom).

The Company commenced trading on 14th June 1999. 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 the Arcadia Group and Dial Home Shopping Limited.

On 26th July 1999 the Company's shareholder, Arcadia Group plc (Arcadia) sold 50% of its interest in the Company to Associated Newspapers Limited (ANL). Zoom became a joint venture company under this arrangement.

The directors consider the results, in this first period of trading, 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 do not recommend the payment of a dividend and the loss of £553,000 has been transferred from reserves.

Directors and directors' interests

The following served as directors at any time from the start of the period to the date of this report:

K Beatty	(Appointed 26th July 1999)
R M Klein	(Appointed 26th July 1999)
M Maclennan	(Appointed 26th July 1999)
R J Maney	(Appointed 26th July 1999)
D N Brown	(Resigned 26th July 1999)
A A Goldman	(Resigned 26th July 1999)
I P Jackman	(Resigned 26th July 1999)
D M Shapland	(Appointed 20th July 1999, resigned 26th July 1999)

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

Year 2000

The Arcadia Group, of which the Company is an associate, has substantially completed all the steps identified as necessary to achieve millennium compliance for all critical business systems and equipment containing embedded chips. The comprehensive review of strategic suppliers has also been completed with the aim of ensuring that there will be no significant risks to the supply of merchandise through the millennium period. The focus of activity is now on continuous end-to-end testing of the Group's systems and completion of any remedial work, together with the completion of appropriate contingency planning.

While all reasonable steps have been taken to address the Year 2000 issue, there can be no absolute assurance that some disruption to the business will not occur or that additional costs will not be incurred.

Economic and Monetary Union (Euro)

The Company is an associate of Arcadia Group plc, which is making preparation for the introduction of the Euro on behalf of the whole group, including the Company. Should the UK adopt the Euro in the future, the impact on all of the Group's business would be significant. All systems would be affected and all of them would have to be made Euro-compatible. Group contingency planning for the necessary investment in systems and training are in place. The Group's planning is consistent with the United Kingdom Government's National Changeover Plan.

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 28th August 1999 was equivalent to 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.

Zoom.Co.UK Limited
Directors' Report for the year ended 28th August 1999 (continued)

Directors' responsibilities

The directors set out below their responsibilities in connection with the accounts.

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing those accounts, the directors are required to:

* select suitable accounting policies and then apply them consistently;
* make judgements and estimates that are reasonable and prudent;
* state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
* prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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 forthcoming Annual General Meeting.

On behalf of the Board

Director

19th October 1999

Registered Office:

Colegrave House
70 Berners Street
London W1T 3NL

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

We have audited the accounts on pages 5 to 11 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 and Financial Statements. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and Financial Statements 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 accounts, 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 accounts give a true and fair view of the state of the Company's at 28th August 1999 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

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Benson House
33 Wellington Street
Leeds
LS1 4JP

19th October 1999

Zoom.Co.UK Limited
Profit and Loss Account
For the financial year ended 28th August 1999

	Notes	1999 £'000	1998 £'000
Turnover	1	**441**	-
Cost of sales		**(1,061)**	-
Loss before taxation	2	**(620)**	-
Taxation	3	**(67)**	-
Transfer from reserves	6	**(553)**	-

Statement of total recognised gains and losses

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

Note of historical cost profits and losses

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

Zoom.Co.UK Limited
Balance Sheet - 28th August 1999

	Notes	1999 £'000	1998 £'000
Current assets			
Debtors – Other debtors		**441**	-
– Taxation recoverable		**67**	-
		508	-
Creditors (amounts falling due after one year)	4	**(661)**	-
Net liabilities		**(153)**	-
Capital and reserves			
Called up share capital	5	**400**	-
Profit and loss account	6	**(553)**	-
Shareholders' funds - deficit		**(153)**	-

Approved by the Board on 19th October 1999

Director

Zoom.Co.UK Limited
Cash Flow Statement
For the financial year ended 28th August 1999

	Notes	1999 £'000	1998 £'000
Cash flows from operating activities	7	**(400)**	-
Financing			
Issue of ordinary share capital		**400**	-
Increase in cash		**-**	-

Zoom.Co.UK Limited
Notes to the Accounts - 28th August 1999

1 Accounting policies

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

(b) 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.

(c) 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

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 as detailed in note 8, Related Party Disclosures.

Auditors' remuneration has been borne by another Arcadia Group company.

3 Taxation

	1999	1998
	£'000	£'000
Based on the loss for the year:		
UK corporation tax at 30.58% (1998: 31%)	**(67)**	-

The taxation credit is £123,000 lower than expected due to tax losses arising during the year on which no credit has been recognised.

At 28th August 1999 the Company had no potential liability for deferred taxation (29th August 1998: £nil).

4 Creditors (amounts falling due after one year)

	1999 £'000	1998 £'000
Amounts due to Arcadia Group	**661**	-

The loan is interest free with no fixed repayment terms.

5 Called up share capital

	Authorised	Allotted and fully paid
Ordinary shares of £1 each	£100	£2
At 29th August 1998	£100	£2

On 25th July 1999 the shares were split and re-designated into "A" and "B" ordinary shares and 399,998 shares were issued at the nominal value for cash.

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

The Company is controlled jointly by Arcadia and ANL. Arcadia hold the "A" ordinary shares and ANL hold 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.

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

	Share capital £'000	Profit and loss account £'000	**Total 1999 £'000**
Loss for the financial year	-	(553)	**(553)**
Shares issued during year	400	-	**400**
Net change in the year	400	(553)	**(153)**
Opening shareholders' funds	-	-	-
Closing shareholders' funds - deficit	400	(553)	**(153)**

7 Cash flow

Reconciliation of operating loss to cash flow from operating activities:	**1999 £'000**	1998 £'000
Operating loss	**(620)**	-
Increase in debtors	**(441)**	-
Increase in creditors	**661**	-
Cash flow from operating activities	**(400)**	-

8 Related party disclosures

On 26th July 1999, the Company's shareholders, Arcadia 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 stores and Arcadia brands. During the year the Company made sales to Arcadia covering these services of £400,000. Arcadia provides management, administrative, advertising and operational support, including the secondment of staff to the Company. During the year, the Company had purchases of £122,000 covering these goods and services. At the year end there was a balance due to Arcadia Group of £281,000.

ANL will supply advertising and promotional expertise. During the year Zoom made net purchases from ANL covering these services amounting to £nil.

An ISP Partnership agreement exists between Dial Home Shopping Limited and the Company. Under this agreement Dial pays a commission based upon sales made through the Company's web-sites. During the year the Company made sales to Dial in respect of this agreement amounting to £30,000. At the year end the amount owing to the Company by Dial was £nil.