

ZIPMODES LIMITED

Report and Financial Statements

31 December 2004



REPORT AND FINANCIAL STATEMENTS 2004

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REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P W Collins
M J Stevens
V B Vaghela

SECRETARY

D J Lanchester

REGISTERED OFFICE

8/9 Northumberland Street
London
WC2N 5DA

BANKERS

The Royal Bank of Scotland plc
Corporate Banking
2nd Floor, Keel Row House
1 Sandgate
Quayside
Newcastle Upon Tyne
NE1 2NG

SOLICITORS

Jones Day
21 Tudor Street
London
EC4T 0DJ

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

Company's principal activities are those of an intermediate holding company.

RESULTS AND DIVIDENDS

The profit for the year ended 31 December 2004 amounted to £56,422,052 (2003: period from 19 May 2003 to 31 December 2003 loss - £1,558,472). The Company paid a dividend during the year of £54,863,580 (2003: £nil).

BUSINESS REVIEW AND FUTURE PROSPECTS

The Company, having disposed of its investments during the year, ceased to trade with effect from 31 December 2004. The directors do not currently have any further plans for the Company to trade.

DIRECTORS AND THEIR INTERESTS

The following served as directors throughout the year and since the year-end except as noted:

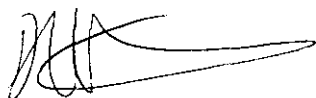
P W Collins	Appointed 20 June 2005
M J Stevens	Appointed 20 June 2005
V B Vaghela	Appointed 20 June 2005
M L Jones	Resigned 24 June 2005
I R Watson	Resigned 24 June 2005

None of the directors held any beneficial interests in shares in the Company or any other group company, except for the immediate parent company, at any time during the year. M L Jones and I R Watson are also directors of the immediate parent company, as at 31 December 2004, Ashtenne Holdings PLC. The interests of M L Jones and I R Watson in the shares of the immediate parent company are dealt with in the directors' report of that company.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D J Lanchester
Secretary

10 August 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, 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; and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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' REPORT TO THE MEMBERS OF ZIPMODES LIMITED

We have audited the financial statements of Zipmodes Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

10 August 2005

ZIPMODES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2004

		Year ended 31 December 2004 £	Period from 19 May 2003 to 31 December 2003 £
	Note		
Administrative expenses	2	(2,741)	(215)
OPERATING LOSS		(2,741)	(215)
Income from shares in group undertakings	3	201,844,912	-
Loss on sale of investment in subsidiary undertaking held for resale	4	(1,089,030)	-
Amounts written off fixed asset investments	7	(143,579,999)	-
Net interest payable	5	(751,090)	(1,558,257)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		56,422,052	(1,558,472)
Equity dividend paid		(54,863,580)	-
Retained profit/(loss) for the financial period	13	<u>1,558,472</u>	<u>(1,558,472)</u>

All activities derive from operations that are discontinued.

There are no recognised gains or losses for the current or preceding financial period other than as stated in the profit and loss account and accordingly no statement of total recognised gains and losses is presented.

ZIPMODES LIMITED

BALANCE SHEET 31 December 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	7	-	168,700,984
CURRENT ASSETS			
Debtors	8	1	504,401
Investment in subsidiary undertaking held for resale	9	-	16,209,671
Cash at bank and in hand		-	13,616,716
		1	30,330,788
CREDITORS: amounts falling due within one year			
Borrowings	10	-	(2,820,000)
Other	11	-	(152,370,243)
NET CURRENT ASSETS/(LIABILITIES)		1	(124,859,455)
TOTAL ASSETS LESS CURRENT LIABILITIES		1	43,841,529
CREDITORS: amounts falling due after more than one year			
Borrowings	10	-	(45,400,000)
NET ASSETS/(LIABILITIES)		1	(1,558,471)
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	-	(1,558,472)
EQUITY SHAREHOLDER'S FUNDS/(DEFICIT)	14	1	(1,558,471)

These financial statements were approved by the Board of Directors on 10 August 2005

Signed on behalf of the Board of Directors

P W Collins



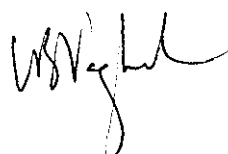
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) DIRECTORS

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V B Vaghela



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NOTES TO THE ACCOUNTS

Year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have all been applied on a consistent basis in the current and preceding financial period.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

Investments in subsidiary undertakings are recorded at cost less provision for impairment.

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 substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on the current rates and law, except that no provision is made for taxation that may arise on the future disposal of the Group's properties. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Group accounts

The Company is exempt from the obligation to prepare consolidated accounts by virtue of S228 of the Companies Act 1985 in that at 31 December 2004 it was a wholly owned subsidiary of its ultimate parent and controlling undertaking which itself prepared group accounts to that date that are publicly available as described in note 15. These financial statements are therefore entity financial statements and are not consolidated financial statements.

Cash flow statement

As described in note 15, the Company's ultimate parent undertaking at 31 December 2004 prepared financial statements to that date that are publicly available. Those financial statements include a consolidated cash flow statement. For this reason the exemption requirements of FRS 1 (revised) "Cash Flow Statements" are met and the Company has therefore not prepared a cash flow statement.

2. ADMINISTRATIVE EXPENSES

Directors' emoluments and audit fees were paid by a fellow subsidiary undertaking, Ashtenne Limited, during the current and previous financial period. It is not practicable to apportion these costs throughout the Ashtenne Holdings PLC group of companies.

The Company had no employees during the current or the previous financial period. All management is undertaken by a fellow subsidiary undertaking with costs being recharged as appropriate.

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 31 December 2004 £	Period from 19 May 2004 to 31 December 2004 £
Dividends received from shares in subsidiary undertakings	201,844,912	-

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

4. LOSS ON SALE OF INVESTMENT IN SUBSIDIARY UNDERTAKING HELD FOR RESALE

The loss on sale of investment in subsidiary undertaking held for resale arises from the sale of In Shops Limited a wholly owned subsidiary.

5. NET INTEREST PAYABLE

	Year ended 31 December 2004 £	Period from 19 May 2004 to 31 December 2004 £
Interest payable and similar charges:		
Bank loan interest	(870,758)	(1,660,419)
Other interest	(820)	-
	<u>(871,578)</u>	<u>(1,660,419)</u>
Less interest receivable and similar income	120,488	102,162
	<u><u>(751,090)</u></u>	<u><u>(1,558,257)</u></u>

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

There is no charge for corporation tax in the current or preceding financial period.

Factors affecting the tax charge for the period

The differences between the current tax charge and the amount calculated by applying the standard rate of UK corporation tax to the loss on ordinary activities before tax are as follows:

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>56,422,052</u>	<u>(1,558,472)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2003: 30%)	16,926,616	(467,542)
Effect of:		
Expenses not deductible for tax purposes	43,400,709	-
Non-taxable income	(60,553,474)	-
Group relief not paid for	<u>226,149</u>	<u>467,542</u>
Current tax charge	<u><u>-</u></u>	<u><u>-</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

7. FIXED ASSET INVESTMENTS

	2004 £
Subsidiary undertaking	
Cost and net book value:	
At 1 January 2004	168,700,984
Additions	(7,900)
Amounts written off	(143,579,999)
Disposals	(25,113,085)
	<hr/>
At 31 December 2004	-

On 16 April 2004 the Company disposed of its investment in In Shops Limited. The principal activity of In Shops Limited was that of an intermediate holding company. On 31 December 2004 the company disposed of its investment in Birkby Limited. The principal activities of Birkby Limited comprised those of an intermediate holding company, together with the sale and purchase of properties.

8. DEBTORS

	2004 £	2003 £
Amounts owed by group undertaking	1	-
Other debtors	-	164,109
Prepayments and accrued income	-	340,292
	<hr/>	<hr/>
	1	504,401

9. INVESTMENT IN SUBSIDIARY UNDERTAKING HELD FOR RESALE

	2004 £	2003 £
Investment in In Shops Limited	-	16,209,671

The investment represented shares, at cost, in the Company's wholly owned subsidiary undertaking, In Shops Limited, which is incorporated in Great Britain and registered in England and Wales. The principal activities of In Shops Limited are those of an intermediate holding company. The entire investment in In Shops Limited was disposed on 16 March 2004.

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

10. BORROWINGS

	2004 £	2003 £
Bank loan	-	48,220,000
Due within one year	-	2,820,000
Due after more than one year	-	45,400,000
	-	48,220,000
Analysis of bank loan by repayment year:		
Within one year	-	2,820,000
In more than two years but less than five years	-	45,400,000
	-	48,220,000

11. CREDITORS - OTHER

	2004 £	2003 £
Amounts due to group undertaking	-	150,086,225
Other creditors	-	2,224,018
Accruals and deferred income	-	60,000
	-	152,370,243

12. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
1 ordinary share of £1	1	1

NOTES TO THE ACCOUNTS
Year ended 31 December 2004

13. STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £
At 1 January 2004	(1,558,472)
Retained profit for the financial year	1,558,472
At 31 December 2004	<u>-</u>

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS/(DEFICIT)

	Year ended 31 December 2004 £	Period from 19 May 2004 to 31 December 2004 £
Profit/(loss) for the financial period	56,422,052	(1,558,472)
Dividend	(54,863,580)	-
	<u>1,558,472</u>	<u>(1,558,472)</u>
Issue of ordinary shares	-	1
	<u>1,558,472</u>	<u>(1,558,471)</u>
Net reduction in/(addition to) equity shareholder's deficit	(1,558,471)	-
Opening equity shareholder's deficit	<u>1</u>	<u>(1,558,471)</u>
Closing equity shareholder's funds/(deficit)	<u>1</u>	<u>(1,558,471)</u>

15. ULTIMATE PARENT AND CONTROLLING UNDERTAKING

Until 17 May 2005 the ultimate parent and controlling undertaking was Ashtenne Holdings PLC, a company incorporated in Great Britain and registered in England and Wales. At 31 December 2004 the largest and smallest group in which the results of the Company were consolidated was that headed by Ashtenne Holdings PLC. Copies of the group financial statements are publicly available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

From 17 May 2005 the ultimate parent undertaking became Industrial Funds Limited, a company incorporated in Great Britain and registered in England and Wales.

The immediate parent undertaking is Donewith Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of their financial statements are publicly available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

16. RELATED PARTY TRANSACTIONS

The Company meets the exemption requirements of FRS 8 "Related Party Disclosures", in that 90% or more of its voting rights were controlled within the Ashtenne Holdings PLC group of companies throughout the financial year. The Company has therefore not separately disclosed transactions with other group undertakings and investees of the group qualifying as related parties.