

SOFTLINE DISTRIBUTION LIMITED**REPORTS AND
FINANCIAL STATEMENTS****FOR THE YEAR ENDED
29 FEBRUARY 2000**

CLARKSON HYDE
Chartered Accountants and
Registered Auditors



Contents

Page

1 - 2	Directors' report
3	Auditors' report
4	Profit and loss account
5	Balance sheet
6 - 9	Notes to the financial statements
	For management information only
10 - 11	Detailed trading and profit and loss account

Directors

S Howard
K Doorley

Secretary and registered office

R Miller
137/143 High Street
Sutton
Surrey
SM1 1JH

Registered auditors

Clarkson Hyde
137-143 High Street
Sutton
Surrey
SM1 1JH

Bankers

Barclays Bank plc
43 High Street
Sutton
Surrey
SM1 1DR

The directors submit their report together with the audited financial statements for the year ended 29 February 2000.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity during the year was the distribution and sale of computer software in the UK.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to **£26,309** (1999: £136,849). The directors do not recommend the payment of a dividend.

EVENTS SINCE THE END OF THE YEAR

Nothing has occurred since 29 February 2000 which materially affects the company or the financial statements that should be brought to the shareholders' attention.

DIRECTORS AND THEIR INTERESTS IN THE COMPANY

No directors of the company during the year under review held any beneficial interest in the share capital of the company.

DIRECTORS' RESPONSIBILITIES

Company law requires that we prepare financial statements 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 that year.

We are responsible for:

- a) preparing these financial statements, and in our opinion, we have:
 - i) selected suitable accounting policies and applied them consistently,
 - ii) made judgements and estimates which we consider to be reasonable and prudent,
 - iii) followed applicable accounting standards, subject to any material departures disclosed and explained in the financial statements,
 - iv) used the going concern basis.
- b) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985.
- c) safeguarding the assets of the company and for taking reasonable steps for the prevention of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Clarkson Hyde as auditors will be presented to the members at the Annual General Meeting in accordance with section 384(1) of the Companies Act 1985.

This report has been prepared taking advantage of special exemptions applicable to small companies in accordance with Part II of schedule 8 to the small Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'R Miller', is written over a horizontal line.

**R Miller
Secretary**

31 May 2000

To the members of Softline Distribution Limited:

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

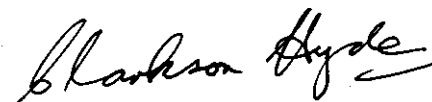
Basis of opinion

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 mis-statement, 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 29 February 2000 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 as applicable to small companies.



137-143 High Street
Sutton
Surrey
SM1 1JH

CLARKSON HYDE
Chartered Accountants and
Registered Auditors
31 May 2000

	Note	2000	1999
TURNOVER	2	1,859,158	1,767,398
Cost of sales		<u>1,393,617</u>	<u>1,294,218</u>
GROSS PROFIT		465,541	473,180
Administrative expenses		428,665	333,844
Other operating income	3	<u>(11,641)</u>	<u>(5,849)</u>
OPERATING PROFIT		48,517	145,185
Interest payable and similar charges	4	<u>22,208</u>	<u>8,336</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	26,309	136,849
Tax on profit on ordinary activities	5	<u>6,296</u>	<u>30,624</u>
RETAINED PROFIT FOR THE YEAR	11	<u>£20,013</u>	<u>£106,225</u>

There were no recognised gains or losses for the year other than in the profit and loss account.

There were no acquisitions or discontinued operations in the current or preceding year.

	Note	2000	1999
FIXED ASSETS			
Tangible assets	6	18,539	19,781
CURRENT ASSETS			
Stock	7	105,080	69,304
Debtors	8	614,643	510,108
Cash at bank and in hand		<u>123,529</u>	<u>87,323</u>
		843,252	666,735
CREDITORS - amounts falling due within one year	9	<u>537,140</u>	<u>381,878</u>
Net current assets		<u>306,112</u>	<u>284,857</u>
NET ASSETS		<u>£324,651</u>	<u>£304,638</u>
CAPITAL AND RESERVES			
Share capital	10	1,000	1,000
Profit and loss account	11	<u>323,651</u>	<u>303,638</u>
		<u>£324,651</u>	<u>£304,638</u>

Advantage is taken in the preparation of the financial statements of the special exemptions applicable to small companies conferred by Part 1 of schedule 8 to the Companies Act 1985. In the opinion of the directors the company is entitled to these exemptions as a small company in accordance with sections 246 and 247 of the Companies Act 1985.

Approved by the board on 31 May 2000


K Doorley

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The directors have taken advantage of the small company exemption, conferred by FRS1 in dispensing with a cash flow statement.

b) Stock

Stock has been valued at the lower of purchase cost or net realisable value on the first in first out basis.

c) Depreciation

Depreciation is provided so as to write off the cost of the fixed assets over their estimated useful lives, employing the following rates and methods:-

Category	Rate	Method
Motor vehicles	25%	Straight line
Office equipment	25%	Straight line

d) Deferred taxation

Provision is made for deferred taxation at expected rates of tax for the effect of all material timing differences between profits as computed for taxation purposes and profits as stated in the accounts, to the extent that a liability is expected to arise in the foreseeable future.

e) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

f) Operating leases

Rents payable under operating leases are charged to the profit and loss account as incurred.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of value added tax.

	2000	1999
Operating profit is stated after charging:		
Auditors' remuneration - In capacity as auditor	2,500	4,300
- Other services	5,381	2,630
Depreciation of owned fixed assets	7,681	11,799
Loss on disposal of owned fixed assets	-	7,838
Directors' remuneration	<u>82,605</u>	<u>40,870</u>

	2000	1999	
3. OTHER OPERATING INCOME			
Interest receivable	11,641	4,970	
Other income	-	879	
	<u>£11,641</u>	<u>£5,849</u>	
4. INTEREST PAYABLE AND SIMILAR CHARGES			
Bank overdraft interest and similar charges	3,699	3,710	
Other interest	<u>18,509</u>	<u>4,626</u>	
	<u>£22,208</u>	<u>£8,336</u>	
5. TAX ON PROFIT ON ORDINARY ACTIVITIES			
The charge is made up as follows:			
UK corporation tax charge at an effective rate of 20% (1999: 21%)	5,452	30,652	
Under/(over) provision in previous years	<u>844</u>	<u>(28)</u>	
	<u>£6,296</u>	<u>£30,624</u>	
6. FIXED ASSETS			
Tangible assets			
	Motor vehicles	Office equipment	Total
COST OR VALUATION			
At 1 March 1999	13,000	39,720	52,720
Additions	-	<u>6,439</u>	<u>6,439</u>
At 29 February 2000	<u>13,000</u>	<u>46,159</u>	<u>59,159</u>
DEPRECIATION			
At 1 March 1999	1,625	31,314	32,939
Charge for the year	<u>3,250</u>	<u>4,431</u>	<u>7,681</u>
At 29 February 2000	<u>4,875</u>	<u>35,745</u>	<u>40,620</u>
NET BOOK VALUE			
At 29 February 2000	<u>£ 8,125</u>	<u>£10,414</u>	<u>£18,539</u>
At 28 February 1999	<u>£11,375</u>	<u>£ 8,406</u>	<u>£19,781</u>

	2000	1999
7. STOCK		
Stock held for re-sale	<u>£105,080</u>	<u>£69,304</u>
8. DEBTORS		
Trade debtors	252,319	340,804
Other debtors	128,657	5,864
Amounts owed from parent company	161,340	161,340
Prepayments	<u>72,327</u>	<u>2,100</u>
	<u>£614,643</u>	<u>£510,108</u>
9. CREDITORS		
Amounts falling due within one year:		
Bank overdraft	81,626	52,917
Trade creditors	148,958	220,380
Corporation tax	5,452	30,652
Other creditors	128,663	27,115
Accruals and deferred income	<u>172,441</u>	<u>50,814</u>
	<u>£537,140</u>	<u>£381,878</u>
The bank overdraft is secured by a fixed and floating charge over all the assets of the company.		
10. SHARE CAPITAL		
Ordinary shares of £1 each:		
Authorised, issued and fully paid	<u>£1,000</u>	<u>£1,000</u>
11. PROFIT AND LOSS ACCOUNT		2000
At 1 March 1999		303,638
Profit for the year		<u>20,013</u>
At 29 February 2000		<u>£323,651</u>

12. OPERATING LEASE COMMITMENTS

After the year end the company had commitments to make payments during the next year under operating leases which expire as follows.

	Land and Buildings	
	2000	1999
Between two and five years	<u>£18,000</u>	<u>£18,000</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

There were no movements in shareholder's funds other than the profit for the financial year as shown in note 11.

14. CONTINGENT LIABILITIES

As a result of the company's overseas purchasing it has been necessary to provide Her Majesty's Customs and Excise with a guarantee. This guarantee is limited to a maximum of £20,000. The company has a separate bank account containing this sum.

15. ULTIMATE PARENT COMPANY

Softline Distribution Limited's ultimate parent company is Trueheart Limited, a company incorporated in the British Virgin Islands and which effectively controls 100% of the voting rights of the company's issued share capital.

16. RELATED PARTY TRANSACTIONS

During the year the company made sales of **£26,616** (1999: nil) and purchases of **£6,147** (1999: nil) to MacLine Limited, a company sharing common ownership.