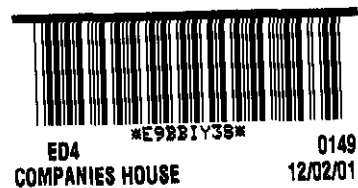


SOFTLINE DISTRIBUTION LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2000



SOFTLINE DISTRIBUTION LIMITED

COMPANY INFORMATION

Directors	K Doorley	
	S Spector	(Appointed 12 June 2000)
	P Blumenschein	(Appointed 12 June 2000)
Secretary	S Spector	
Company number	2438121	
Registered office	Holborn Hall 100 Grays Inn Road London WC1X 8BY	
Auditors	Arram Berlyn Gardner Holborn Hall 100 Grays Inn Road London WC1X 8BY	
Business address	Unit 6, First Quarter, Blenheim Road Epsom Surrey KT19 9QN	
Bankers	Barclays Bank plc 43 High Street Sutton Surrey SM1 1DR	

SOFTLINE DISTRIBUTION LIMITED

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SOFTLINE DISTRIBUTION LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2000

The directors present their report and financial statements for the period ended 30 June 2000.

Principal activities and review of the business

The principal activity of the company continued to be that of the distribution and sale of computer software in the UK.

The Directors' expect the company to achieve profitability in the next financial year.

Results and dividends

The results for the period are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Year 2000

The directors have made an assessment as to the impact of the Year 2000 problem and have not had any problems reported from 1 January 2000, although they will continue to be aware of any potential problems that may arise.

Directors

The following directors have held office since 1 March 2000:

K Doorley	
S Howard	(Resigned 12 June 2000)
S Spector	(Appointed 12 June 2000)
P Blumenschein	(Appointed 12 June 2000)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	30 June 2000	1 March 2000
K Doorley	-	-
S Spector	-	-
P Blumenschein	-	-

P Blumenschein holds 4,870,594 shares in the ultimate controlling interest, Softline AG.

Auditors

Arram Berlyn Gardner were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

SOFTLINE DISTRIBUTION LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2000

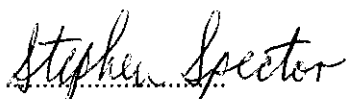
Directors' responsibilities

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



S Spector

Director

31/2/2001

SOFTLINE DISTRIBUTION LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SOFTLINE DISTRIBUTION LIMITED

We have audited the financial statements on pages 4 to 11 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 page 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 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 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arram Berlyn Gardner

Chartered Accountants
Registered Auditor

12-02-01.
.....

Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

SOFTLINE DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2000

		4 Months ended 30 June 2000 £	Year ended 29 February 2000 £
	Notes		
Turnover	2	505,060	1,859,158
Cost of sales		(405,484)	(1,393,617)
Gross profit		99,576	465,541
Administrative expenses		(113,527)	(414,477)
Operating (loss)/profit	3	(13,951)	51,064
Other interest receivable and similar income		2,411	11,641
Interest payable and similar charges	4	(10,106)	(36,396)
(Loss)/profit on ordinary activities before taxation		(21,646)	26,309
Tax on (loss)/profit on ordinary activities	5	4,022	(6,296)
(Loss)/profit on ordinary activities after taxation	11	(17,624)	20,013

The profit and loss account has been prepared on the basis that all operations are continuing operations.

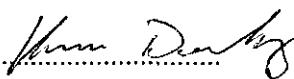
There are no recognised gains and losses other than those passing through the profit and loss account.

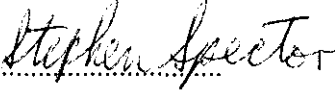
SOFTLINE DISTRIBUTION LIMITED

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	2000 £	£	2000 £	£
Fixed assets					
Tangible assets	6		17,578		18,539
Current assets					
Stocks	7	76,176		105,080	
Debtors	8	470,918		614,643	
Cash at bank and in hand		279,548		123,529	
		<u>826,642</u>		<u>843,252</u>	
Creditors: amounts falling due within one year	9	<u>(537,193)</u>		<u>(537,140)</u>	
Net current assets			<u>289,449</u>		<u>306,112</u>
Total assets less current liabilities			<u>307,027</u>		<u>324,651</u>
Capital and reserves					
Called up share capital	10		1,000		1,000
Profit and loss account	11		306,027		323,651
Shareholders' funds - equity interests	12		<u>307,027</u>		<u>324,651</u>

The financial statements were approved by the Board on 22/2001


K Doorley
Director


S Spector
Director

SOFTLINE DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2000

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that a cash flow statement has been produced in the consolidated accounts of the ultimate parent company.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% straight line
Motor vehicles	25% straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Softline AG, a company incorporated in Germany, and its results are included in the consolidated accounts of that company.

1.9 Change of presentation

Factoring charges of £17,887 in respect of the year end 29 February 2000 have been transferred from administrative expenses to interest payable and similar charges. Bank interest and charges of £3,699 in respect of 29 February 2000 have been transferred from interest payable and similar charges to administrative expenses. These changes have been made because the directors feel that this is a more appropriate treatment of the costs involved.

SOFTLINE DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2000

2 Turnover

Geographical market

	Turnover	
	2000	2000
	£	£
United Kingdom	501,789	1,795,648
EEC	3,227	60,991
Others	44	2,519
	<u>505,060</u>	<u>1,859,158</u>

3 Operating (loss)/profit

	2000	2000
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	2,650	7,681
Operating lease rentals	9,026	26,178
Auditors' remuneration	8,964	7,881
	<u>20,640</u>	<u>41,740</u>

4 Interest payable

	2000	2000
	£	£
On amounts payable to group companies	2,411	10,032
On amounts payable to factors	7,695	26,364
Other interest	2,488	8,477
	<u>12,594</u>	<u>44,873</u>

5 Taxation

	2000	2000
	£	£
U.K. current year taxation		
U.K. corporation tax at 20% (2000 - 20%)	-	6,296
Prior years		
U.K. corporation tax	(4,022)	-
	<u>(4,022)</u>	<u>6,296</u>

SOFTLINE DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2000

6 Tangible fixed assets

	£
Cost	
At 1 March 2000	59,159
Additions	1,688
Disposals	(27,256)
At 30 June 2000	33,591
Depreciation	
At 1 March 2000	40,620
On disposals	(27,256)
Charge for the period	2,649
At 30 June 2000	16,013
Net book value	
At 30 June 2000	17,578
At 29 February 2000	18,539

7 Stocks

	2000 £	2000 £
Finished goods and goods for resale	76,176	105,080

8 Debtors

	2000 £	2000 £
Trade debtors	217,945	252,319
Amounts owed by parent and fellow subsidiary undertakings	161,340	161,340
Other debtors	6,613	128,657
Prepayments and accrued income	85,020	72,327
	470,918	614,643

SOFTLINE DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2000

9	Creditors: amounts falling due within one year	2000 £	2000 £
	Bank loans and overdrafts	73,404	81,626
	Trade creditors	144,322	148,958
	Amounts owed to parent and fellow subsidiary undertakings	215,074	-
	Corporation tax	1,430	5,452
	Other taxes and social security costs	68,889	36,006
	Other creditors	-	92,657
	Accruals and deferred income	34,074	172,441
		<u>537,193</u>	<u>537,140</u>

The bank overdraft is secured by a fixed and floating charge over all the assets of the company.

10	Share capital	2000 £	2000 £
	Authorised		
	1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>

11 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 March 2000	323,651
Retained loss for the period	(17,624)
Balance at 30 June 2000	<u>306,027</u>

12	Reconciliation of movements in shareholders' funds	2000 £	2000 £
	(Loss)/Profit for the financial period	(17,624)	20,013
	Opening shareholders' funds	<u>324,651</u>	<u>304,638</u>
	Closing shareholders' funds	<u>307,027</u>	<u>324,651</u>

SOFTLINE DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2000

13 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.

14 Financial commitments

At 30 June 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000 £	2000 £
Expiry date:		
Between two and five years	18,000	18,000

15 Directors' emoluments

	2000 £	2000 £
Emoluments for qualifying services	15,833	82,605

16 Transactions with directors

The following directors had interest free loans during the period. The movement on these loans are as follows:

	Amount outstanding		Maximum
	2000	2000	in period
	£	£	£
Current account - K Doorley	1,325	-	1,325

SOFTLINE DISTRIBUTION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2000

17 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2000 Number	2000 Number
Sales and distribution	2	3
Administration	4	5
	<u>6</u>	<u>8</u>

Employment costs

	£	£
Wages and salaries	50,141	197,547
Social security costs	6,077	19,765
	<u>56,218</u>	<u>217,312</u>

18 Control

The company's ultimate parent company up until 31 May 2000 was Trueheart Limited, a company incorporated in the British Virgin Islands and which effectively controlled 100% of the voting rights of the company's issued share capital.

After this date, the ultimate parent company became Softline AG, a company incorporated in Germany.

Copies of the consolidated accounts of Softline AG can be obtained from Softline AG, Lange Straße 51, 77652 Offenburg, Germany.

19 Related party transactions

During the period the company made sales of £60,372 (29.2.00: £26,616) to a fellow subsidiary of Trueheart Limited (see note 18).

During the period the company purchased £1,961 (29.2.00: £6,147) of goods from this entity

Amounts owed to the company at the period end amount to £19,958 (29.2.00: £8,619). Amounts owed by the company at the period end amount to £120 (29.2.00: £2,053).