

Company Registration No. 2438121 (England and Wales)

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001



SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
COMPANY INFORMATION

Directors	P Blumenschein S Spector K Doorley
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

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
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SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2001

The directors present their report and financial statements for the year ended 30 June 2001.

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.

On 20 February 2001, the company changed its name from Softline Distribution Limited to Softline UK Limited.

Results and dividends

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

The directors' do not recommend the payment of an ordinary dividend.

Directors

The following directors have held office since 1 July 2000:

P Blumenschein
S Spector
K Doorley

Directors' interests

No director held any beneficial interest in the company during the period under review

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 UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2001

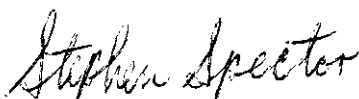
Directors' responsibilities

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.

By order of the board



S Spector

Secretary

4 October 2001

**SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF SOFTLINE UK LIMITED**

We have audited the financial statements of Softline UK Limited on pages 4 to 10 for the year ended 30 June 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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 with the company is not disclosed.

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

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 30 June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Arran Berlyn Gardner

Chartered Accountants
Registered Auditor

4-10-01.

Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2001

		2001	2000
	Notes	£	as restated £
Turnover		1,543,049	505,060
Cost of sales		(1,268,186)	(405,484)
Gross profit		<u>274,863</u>	<u>99,576</u>
Administrative expenses		(415,406)	(180,088)
Operating loss	2	<u>(140,543)</u>	<u>(80,512)</u>
Other interest receivable and similar income		904	2,411
Interest payable and similar charges	3	(16,502)	(10,106)
Loss on ordinary activities before taxation		<u>(156,141)</u>	<u>(88,207)</u>
Tax on loss on ordinary activities	4	(2,638)	4,022
Loss on ordinary activities after taxation	9	<u>(158,779)</u>	<u>(84,185)</u>

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

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2001

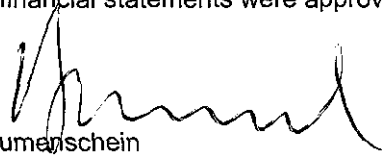
	2001 £	2000 £
Loss for the financial year	(158,779)	(84,185)
Prior year adjustment	(66,561)	-
Total gains and losses recognised since last financial statements	<u>(225,340)</u>	<u>(84,185)</u>

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
BALANCE SHEET
AS AT 30 JUNE 2001

		2001		2000 as restated	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	5		13,121		17,578
Current assets					
Stocks		115,613		76,176	
Debtors	6	453,824		404,357	
Cash at bank and in hand		116,190		279,548	
		<u>685,627</u>		<u>760,081</u>	
Creditors: amounts falling due within one year	7	<u>(617,061)</u>		<u>(537,193)</u>	
Net current assets			68,566		222,888
Total assets less current liabilities			<u>81,687</u>		<u>240,466</u>
Capital and reserves					
Called up share capital	8		1,000		1,000
Profit and loss account	9		80,687		239,466
Shareholders' funds - equity interests	10		<u>81,687</u>		<u>240,466</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 4 October 2001


P Blumenschein
Director


S Spector
Director

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001

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.

2 Operating loss	2001	2000
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	6,802	2,650
Operating lease rentals	32,959	9,026
Auditors' remuneration	10,063	8,964
Directors' emoluments	75,200	15,833
	<u> </u>	<u> </u>

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2001

3	Interest payable	2001	2000
		£	£
	On amounts payable to group companies	-	2,411
4	Taxation	2001	2000
		£	£
	Domestic current year taxation		
	Adjustment for prior years	2,638	(4,022)
5	Tangible fixed assets		£
	Cost		
	At 1 July 2000		33,591
	Additions		10,312
	Disposals		(16,342)
	At 30 June 2001		27,561
	Depreciation		
	At 1 July 2000		16,013
	On disposals		(8,375)
	Charge for the year		6,802
	At 30 June 2001		14,440
	Net book value		
	At 30 June 2001		13,121
	At 30 June 2000		17,578
6	Debtors	2001	2000
		£	£
	Trade debtors	271,117	217,945
	Amounts owed by group undertakings and undertakings in which the company has a participating interest	161,340	161,340
	Other debtors	21,367	25,072
		453,824	404,357

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2001

7 Creditors: amounts falling due within one year	2001	2000
	£	£
Bank loans and overdrafts	80,760	73,404
Trade creditors	222,001	144,322
Amounts owed to group undertakings and undertakings in which the company has a participating interest	234,001	215,074
Taxation and social security	12,197	70,319
Other creditors	68,102	34,074
	<u>617,061</u>	<u>537,193</u>

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

8 Share capital	2001	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>

9 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 2000 as previously reported	306,027
Prior year adjustment	(66,561)
Balance at 1 July 2000 as restated	<u>239,466</u>
Retained loss for the year	(158,779)
Balance at 30 June 2001	<u>80,687</u>

SOFTLINE UK LIMITED
(FORMERLY SOFTLINE DISTRIBUTION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2001

10 Reconciliation of movements in shareholders' funds	2001	2000
	£	£
Loss for the financial year	(158,779)	(84,185)
Opening shareholders' funds	240,466	324,651
Closing shareholders' funds	<u>81,687</u>	<u>240,466</u>

Opening shareholders' funds were originally £307,027 before deducting prior year adjustments of £66,561.

The prior year adjustment has arisen due to an over provision of £ 66,561 on a prepayment on marketing expenditure.

11 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.

12 Financial commitments

At 30 June 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001	2000
	£	£
Expiry date:		
Between two and five years	-	18,000

13 Control

The company's immediate controlling undertaking is Softline Distribution Limited (formerly Deltaband Limited), a company incorporated in England and Wales.

The ultimate parent company is 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.

14 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.