

Company Registration No. 2438121 (England and Wales)

SOFTLINE UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

SOFTLINE UK 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

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SOFTLINE UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2002

The directors present their report and financial statements for the year ended 30 June 2002.

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 continue to be profitable for the foreseeable future.

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 2001:

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

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

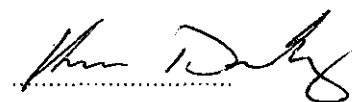
Directors' responsibilities

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



K Doorley

Director

05/12/02

SOFTLINE UK 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 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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.

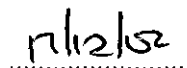
Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arran Berlyn Gardner

Chartered Accountants
Registered Auditor



Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

SOFTLINE UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 £	2001 £
Turnover		1,862,920	1,543,049
Cost of sales		(1,491,871)	(1,268,186)
Gross profit		371,049	274,863
Administrative expenses		(303,433)	(415,406)
Operating profit/(loss)	2	67,616	(140,543)
Other interest receivable and similar income		1,033	904
Interest payable and similar charges		(17,652)	(16,502)
Profit/(loss) on ordinary activities before taxation		50,997	(156,141)
Tax on profit/(loss) on ordinary activities	3	3,755	(2,638)
Profit/(loss) on ordinary activities after taxation	8	54,752	(158,779)

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

SOFTLINE UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 2002

	2002 £	2001 £
Profit/(loss) for the financial year	54,752	(158,779)
Prior year adjustment	-	(66,561)
Total gains and losses recognised since last financial statements	<u>54,752</u>	<u>(225,340)</u>

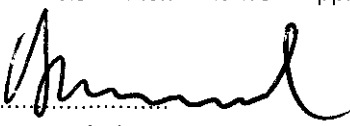
SOFTLINE UK LIMITED

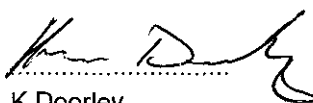
BALANCE SHEET AS AT 30 JUNE 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	4		11,669		13,121
Current assets					
Stocks		96,141		115,613	
Debtors	5	477,317		453,824	
Cash at bank and in hand		66,987		116,190	
		<u>640,445</u>		<u>685,627</u>	
Creditors: amounts falling due within one year	6	<u>(515,675)</u>		<u>(617,061)</u>	
Net current assets			124,770		68,566
Total assets less current liabilities			<u>136,439</u>		<u>81,687</u>
Capital and reserves					
Called up share capital	7		1,000		1,000
Profit and loss account	8		135,439		80,687
Shareholders' funds - equity interests	9		<u>136,439</u>		<u>81,687</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 05/12/02


P Blumenschein
Director


K Doorley
Director

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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 profit/(loss)

	2002 £	2001 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	6,477	6,802
Operating lease rentals	15,996	32,959
Auditors' remuneration	6,106	10,063
Directors' emoluments	70,250	75,200

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

3	Taxation	2002 £	2001 £
	Domestic current year tax		
	U.K. corporation tax	301	-
	Adjustment for prior years	(4,056)	2,638
	Current tax charge	<u>(3,755)</u>	<u>2,638</u>
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	<u>50,997</u>	<u>(156,141)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001 : 0.00%)	<u>15,299</u>	<u>-</u>
	Effects of:		
	Non deductible expenses	2,607	-
	Depreciation	1,943	-
	Capital allowances	(1,479)	-
	Tax losses utilised	(18,069)	-
	Adjustments to previous periods	(4,056)	2,638
		<u>(19,054)</u>	<u>2,638</u>
	Current tax charge	<u>(3,755)</u>	<u>2,638</u>
4	Tangible fixed assets		£
	Cost		
	At 1 July 2001		27,560
	Additions		5,025
	At 30 June 2002		<u>32,585</u>
	Depreciation		
	At 1 July 2001		14,439
	Charge for the year		6,477
	At 30 June 2002		<u>20,916</u>
	Net book value		
	At 30 June 2002		<u>11,669</u>
	At 30 June 2001		<u>13,121</u>

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

5 Debtors	2002 £	2001 £
Trade debtors	222,948	271,117
Amounts owed by group undertakings and undertakings in which the company has a participating interest	161,340	161,340
Other debtors	93,029	21,367
	<u>477,317</u>	<u>453,824</u>

6 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loans and overdrafts	3,004	80,760
Trade creditors	91,835	222,001
Amounts owed to group undertakings and undertakings in which the company has a participating interest	305,026	234,001
Taxation and social security	40,894	12,197
Other creditors	74,916	68,102
	<u>515,675</u>	<u>617,061</u>

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

7 Share capital	2002 £	2001 £
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>

8 Statement of movements on profit and loss account	Profit and loss account £
Balance at 1 July 2001	80,687
Retained profit for the year	<u>54,752</u>
Balance at 30 June 2002	<u>135,439</u>

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2002

9	Reconciliation of movements in shareholders' funds	2002 £	2001 £
	Profit/(Loss) for the financial year	54,752	(158,779)
	Opening shareholders' funds	81,687	240,466
	Closing shareholders' funds	<u>136,439</u>	<u>81,687</u>

10 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.

11 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.

12 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.