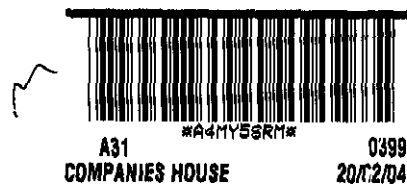


SOFTLINE UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003



SOFTLINE UK LIMITED

COMPANY INFORMATION

Directors	Dr D M W Lux K Doorley
Secretary	O Hutt
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 2003

The directors present their report and financial statements for the year ended 30 June 2003.

Principal activities

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.

Directors

The following directors have held office since 1 July 2002:

K Doorley	
S G Spector	(Resigned 10 October 2002)
P Blumenschein	(Resigned 31 March 2003)
D M W Lux	(Appointed 31 March 2003)

Directors' interests

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

	Ordinary shares of £ 1 each	
	30 June 2003	1 July 2002
K Doorley	-	-
D M W Lux	-	-

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

Auditors

Aram 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 2003

Directors' responsibilities

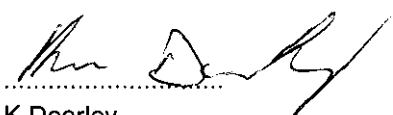
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



K Doorley

Director

13/02/04

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 2003. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 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.

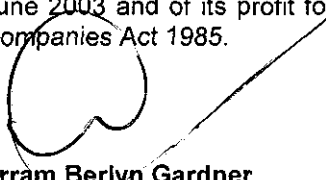
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Arram Berlyn Gardner

Chartered Accountants
Registered Auditor

13/02/04
.....

Holborn Hall
100 Grays Inn Road
London
WC1X 8BY

SOFTLINE UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	2003 £	2002 £
Turnover		2,274,820	1,862,920
Cost of sales		(1,757,592)	(1,491,871)
Gross profit		517,228	371,049
Administrative expenses		(366,396)	(303,433)
Operating profit	2	150,832	67,616
Other interest receivable and similar income		636	1,033
Interest payable and similar charges		(22,530)	(17,652)
Profit on ordinary activities before taxation		128,938	50,997
Tax on profit on ordinary activities	3	(191)	3,755
Profit on ordinary activities after taxation	8	128,747	54,752

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.

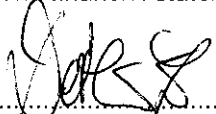
SOFTLINE UK LIMITED

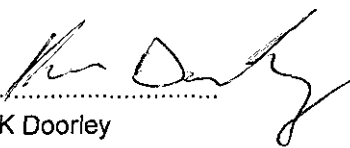
BALANCE SHEET AS AT 30 JUNE 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	4		19,389		11,669
Current assets					
Stocks		168,701		96,141	
Debtors	5	560,219		477,317	
Cash at bank and in hand		109,663		66,987	
		<u>838,583</u>		<u>640,445</u>	
Creditors: amounts falling due within one year	6	<u>(592,786)</u>		<u>(515,675)</u>	
Net current assets			<u>245,797</u>		<u>124,770</u>
Total assets less current liabilities			<u>265,186</u>		<u>136,439</u>
Capital and reserves					
Called up share capital	7		1,000		1,000
Profit and loss account	8		264,186		135,439
Shareholders' funds - equity interests	9		<u>265,186</u>		<u>136,439</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 13/02/04


D M W Lux
Director


K Doorley
Director

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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
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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

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no liability would have been recognised as the conditions for recognition would not have been satisfied.

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.

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

2	Operating profit	2003	2002
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	5,973	6,477
	Operating lease rentals	8,338	15,996
	Auditors' remuneration	6,704	6,106
	Directors' emoluments	70,000	70,250
		<u> </u>	<u> </u>
3	Taxation	2003	2002
		£	£
	Domestic current year tax		
	U.K. corporation tax	191	301
	Adjustment for prior years	-	(4,056)
		<u> </u>	<u> </u>
	Current tax charge	191	(3,755)
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	128,938	50,997
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2002: 30.00%)	38,681	15,299
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	3,647	2,607
	Depreciation add back	1,792	1,943
	Capital allowances	(2,137)	(1,479)
	Tax losses utilised	(41,792)	(18,069)
	Adjustments to previous periods	-	(4,056)
		<u> </u>	<u> </u>
		(38,490)	(19,054)
		<u> </u>	<u> </u>
	Current tax charge	191	(3,755)
		<u> </u>	<u> </u>

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

4 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 July 2002	32,585
Additions	13,693
At 30 June 2003	46,278
Depreciation	
At 1 July 2002	20,916
Charge for the year	5,973
At 30 June 2003	26,889
Net book value	
At 30 June 2003	19,389
At 30 June 2002	11,669

5 Debtors	2003 £	2002 £
Trade debtors	374,786	222,948
Amounts owed by group undertakings and undertakings in which the company has a participating interest	161,340	161,340
Other debtors	24,093	93,029
	560,219	477,317

Included in other debtors is an amount due from Mac Direct Limited in relation to expenses paid on their behalf, £3,996 (2001:£nil)

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

6	Creditors: amounts falling due within one year	2003 £	2002 £
	Bank loans and overdrafts	24,007	3,004
	Trade creditors	105,870	91,835
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	373,940	305,026
	Taxation and social security	18,975	40,894
	Other creditors	69,994	74,916
		<u>592,786</u>	<u>515,675</u>

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

7	Share capital	2003 £	2002 £
	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 2002	135,439
	Retained profit for the year	<u>128,747</u>
	Balance at 30 June 2003	<u>264,186</u>

9	Reconciliation of movements in shareholders' funds	2003 £	2002 £
	Profit for the financial year	128,747	54,752
	Opening shareholders' funds	<u>136,439</u>	<u>81,687</u>
	Closing shareholders' funds	<u>265,186</u>	<u>136,439</u>

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

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 Financial commitments

At 30 June 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Expiry date:		
Within one year	1,731	-
Between two and five years	13,943	16,798
	<u>15,674</u>	<u>16,798</u>

12 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.

13 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.