

Company Registration No. 2438121 (England and Wales)

SOFTLINE UK LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004



SOFTLINE UK LIMITED

COMPANY INFORMATION

Directors	K Doorley L O Schneider (Appointed 1 March 2004)
Secretary	S R Clark
Company number	2438121
Registered office	30 City Road London EC1Y 2AB
Auditors	Arram Berlyn Gardner 30 City Road London EC1Y 2AB
Business address	Unit 18 Gatwick Metro Horley Surrey RH6 9GA

SOFTLINE UK LIMITED

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SOFTLINE UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report and financial statements for the year ended 30 June 2004.

Principal activities

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

The Director expects the company to continue to be profitable for the foreseeable future.

Directors

The following directors have held office since 1 July 2003:

K Doorley	
D M W Lux	(Resigned 9 February 2004)
L O Schneider	(Appointed 1 March 2004)

Directors' interests

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

	Ordinary shares of £ 1 each	
	30 June 2004	1 July 2003
K Doorley	-	-
L O Schneider	-	-

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 2004

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.

By order of the board



.....
S R Clark

Secretary

6/4/05

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 5 to 11 for the year ended 30 June 2004. 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.

SOFTLINE UK LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF SOFTLINE UK LIMITED

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arram Berlyn Gardner

21/4/05

Chartered Accountants
Registered Auditor

30 City Road
London
EC1Y 2AB

SOFTLINE UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 £	2003 £
Turnover		2,670,958	2,274,820
Cost of sales		(2,064,562)	(1,757,592)
Gross profit		606,396	517,228
Administrative expenses		(582,221)	(366,396)
Operating profit	2	24,175	150,832
Other interest receivable and similar income	3	722	636
Interest payable and similar charges	4	(29,208)	(22,530)
(Loss)/profit on ordinary activities before taxation		(4,311)	128,938
Tax on (loss)/profit on ordinary activities	5	-	(191)
(Loss)/profit on ordinary activities after taxation	10	(4,311)	128,747

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.

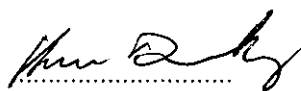
SOFTLINE UK LIMITED

BALANCE SHEET AS AT 30 JUNE 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	6		36,120		19,389
Current assets					
Stocks		132,470		168,701	
Debtors	7	463,739		560,219	
Cash at bank and in hand		212,672		109,663	
		<u>808,881</u>		<u>838,583</u>	
Creditors: amounts falling due within one year	8	<u>(584,126)</u>		<u>(592,786)</u>	
Net current assets			224,755		245,797
Total assets less current liabilities			<u>260,875</u>		<u>265,186</u>
Capital and reserves					
Called up share capital	9		1,000		1,000
Profit and loss account	10		259,875		264,186
Shareholders' funds - equity interests	11		<u>260,875</u>		<u>265,186</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 6/4/05



K Doorley
Director



L O Schneider
Director

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

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 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

2	Operating profit	2004	2003
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	11,636	5,973
	Operating lease rentals	19,597	8,338
	Auditors' remuneration	11,032	6,704
	Directors' emoluments	87,000	70,000
	and after crediting:		
	Profit on foreign exchange transactions	(8,567)	-
		<u><u> </u></u>	<u><u> </u></u>
3	Investment income	2004	2003
		£	£
	Bank interest	722	636
		<u><u> </u></u>	<u><u> </u></u>
4	Interest payable	2004	2003
		£	£
	Included in interest payable is the following amount:		
	On amounts payable to group companies	11,573	-
		<u><u> </u></u>	<u><u> </u></u>

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

5	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	-	191
	Current tax charge	-	191
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(4,311)	128,938
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 30.00%)	(819)	38,681
	Effects of:		
	Non deductible expenses	2,388	3,647
	Depreciation add back	2,211	1,792
	Capital allowances	(2,362)	(2,137)
	Tax losses utilised	(1,418)	(41,792)
		819	(38,490)
	Current tax charge	-	191
6	Tangible fixed assets		Plant and machinery etc £
	Cost		
	At 1 July 2003		46,278
	Additions		28,366
	At 30 June 2004		74,644
	Depreciation		
	At 1 July 2003		26,888
	Charge for the year		11,636
	At 30 June 2004		38,524
	Net book value		
	At 30 June 2004		36,120
	At 30 June 2003		19,389

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

7 Debtors	2004 £	2003 £
Trade debtors	278,904	374,786
Amounts owed by group undertakings and undertakings in which the company has a participating interest	161,340	161,340
Other debtors	23,495	24,093
	<u>463,739</u>	<u>560,219</u>

8 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	-	24,007
Trade creditors	92,130	105,870
Amounts owed to group undertakings and undertakings in which the company has a participating interest	428,492	373,940
Taxation and social security	10,832	18,975
Other creditors	52,672	69,994
	<u>584,126</u>	<u>592,786</u>

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

9 Share capital	2004 £	2003 £
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>

10 Statement of movements on profit and loss account	Profit and loss account £
Balance at 1 July 2003	264,186
Retained loss for the year	<u>(4,311)</u>
Balance at 30 June 2004	<u>259,875</u>

SOFTLINE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2004

11 Reconciliation of movements in shareholders' funds	2004 £	2003 £
(Loss)/Profit for the financial year	(4,311)	128,747
Opening shareholders' funds	265,186	136,439
Closing shareholders' funds	260,875	265,186

12 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 £30,000. The company has a separate bank account containing this sum.

13 Financial commitments

At 30 June 2004 the company was committed to making the following payments under non-cancellable operating leases in the year 30 June 2005:

	Land and buildings		Other	
	2004 £	2003 £	2004 £	2003 £
Operating leases which expire:				
Within one year	-	-	4,592	1,731
Between two and five years	24,000	-	10,126	13,943
	24,000	-	14,718	15,674

14 Control

The company's immediate controlling undertaking is Softline Distribution 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.

15 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.