

**Registered no: 2579692**

SoftBrands Europe Limited  
(Formerly Fourth Shift Europe Limited)  
Annual report  
for the year ended 31 December 2002



**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Annual report**  
**for the year ended 31 December 2002**

	Pages
Directors and advisers	1
Directors' report	2-4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-19

# **SoftBrands Europe Limited (formerly Fourth Shift Europe Limited)**

## **Directors and advisers**

### **Directors**

B.J. Crowe  
P.J.C. Francis  
M.D. Knight  
D.G. Latzke

### **Secretary**

P.J.C. Francis

### **Registered Office**

Fourth Shift House  
11 Worton House  
Reading  
Berkshire  
RG2 0LX

### **Auditors**

PricewaterhouseCoopers LLP  
Harman House  
1 George Street  
Uxbridge  
Middlesex  
UB8 1QQ

# **SoftBrands Europe Limited** **(formerly Fourth Shift Europe Limited)**

## **Directors' report for the year ended 31 December 2002**

The directors present their report and the audited financial statements for the period ended 31 December 2002.

### **Principal activities**

The principal activity of the company continues to be hardware and software distribution and support to the manufacturing and hospitality sectors.

Fourth Shift Europe Limited changed its name to SoftBrands Europe Limited on 1 March 2002

### **Review of business and future developments**

During the year the existing business made a loss of £838,000 (2001: loss of £749,000). The acquired business of Meta Systems Hospitality (UK) Limited and Meta Systems (Holdings) Plc made a loss of £327,000 after restructuring charges of £97,000 and goodwill amortisation of £240,000.

Following the year end further restructuring has occurred in these businesses to improve profitability.

### **Results and dividends**

The loss for the period is £1,165,000 (2001: £749,000). The directors do not recommend a payment of a dividend.

### **Directors and their interests**

The directors who held office during the period are given below:

M.D. Knight	
P.J.C. Francis (Company Secretary)	
D.G. Latzke	
B.J. Crowe	Appointed on 28 February 2002
M.J. Preston	Appointed on 28 February 2002 and resigned 12 May 2003
R.A. Fisher	Appointed on 28 February 2002 and resigned 31 July 2003
D.J. Meek	Appointed on 28 February 2002 and resigned 3 September 2003

The director has no interests in the shares of the Company and has no rights (granted or exercised) to subscribe for shares and debentures.

Since 31 December 2002, the following director was appointed

P.S. Rudenko	Appointed on 28 February 2003
--------------	-------------------------------

### **Research and development**

£245,000 (2001: £367,000) was spent on the continued development of various core software products.

# **SoftBrands Europe Limited** **(formerly Fourth Shift Europe Limited)**

## **Directors' report for the year ended 31 December 2002 (continued)**

### **Significant post balance sheet event**

On the 23<sup>rd</sup> of September 2003 SoftBrands Europe Limited formally transferred its investment in Fourth Shift MENA LLC to its immediate parent company SoftBrands International Limited. The initial investment made by the company was £392,000 (delivered in various cash advances) to set up and incorporate the company. Of this investment £50,000 (LE 300,000) is the declared Capital of the company and the balance is allocated paid in capital (used to fund the set up). SoftBrands Europe Limited has recovered the cost of this investment in full by transferring it at cost to SoftBrands International Inc.

### **Auditors**

Arthur Andersens resigned as auditors and on 18 April 2002, and the board appointed PricewaterhouseCoopers as auditors. Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

### **By order of the Board**



P.J.C. Francis  
Director

2 July 2004

# **SoftBrands Europe Limited**

## **(formerly Fourth Shift Europe Limited)**

### **Statement of directors' responsibilities**

UK 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make adjustments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or 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 Group and 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 Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of SoftBrands Europe Limited (formerly Fourth Shift Europe Limited)**

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts 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 and group have 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 is not disclosed.


### **Basis of audit 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 at 31 December 2002 and of its loss for the year then ended have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
West London

2 July 2004

**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Profit and loss account**  
**for the year ended 31 December 2002**

	Note	2002 £'000	2001 £'000
Turnover	2	12,952	5,667
Cost of sales		(8,653)	(3,036)
<b>Gross Profit</b>		<b>4,299</b>	<b>2,631</b>
Administrative expenses		(5,480)	(3,402)
<b>Operating loss</b>	<b>3</b>	<b>(1,181)</b>	<b>(771)</b>
Interest receivable and similar income		22	35
Interest payable and similar income		(6)	(13)
<b>Loss on ordinary activities before taxation</b>		<b>(1,165)</b>	<b>(749)</b>
Taxation	6	-	-
<b>Loss for the financial year</b>	<b>17</b>	<b>(1,165)</b>	<b>(749)</b>

All business activities of the company arose from continuing operations.

The company has no recognised gains or losses other than those included in the loss above and therefore no separate statement of total recognised gains and loss has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historic cost equivalents.

The notes on pages 8 to 19 form part of these financial statements.




**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Balance sheet as at 31 December 2002**

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Intangible assets	7	1,920	2,400
Tangible assets	8	454	675
Investment	9	392	400
		<b>2,766</b>	<b>3,475</b>
<b>Current assets</b>			
Stocks	10	154	149
Debtors	11	4,662	4,252
Cash at bank and in hand		873	1,563
		<b>5,689</b>	<b>5,964</b>
<b>Creditors – Amounts falling due within one year</b>	12	<b>(10,244)</b>	<b>(10,156)</b>
<b>Net current liabilities</b>		<b>(4,555)</b>	<b>(4,192)</b>
<b>Total assets less current liabilities</b>		<b>(1,789)</b>	<b>(717)</b>
<b>Creditors- Amount falling due after more than one year</b>	13	<b>-</b>	<b>(10)</b>
<b>Provision for liabilities and charges</b>	14	<b>(448)</b>	<b>(345)</b>
<b>Net liabilities</b>		<b>(2,237)</b>	<b>(1,072)</b>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Capital redemption reserve	16	25	25
Profit and loss account	16	(2,362)	(1,197)
<b>Equity shareholders' deficit</b>	17	<b>(2,237)</b>	<b>(1,072)</b>

The financial statements on pages 6 to 19 were approved by the Board of Directors on 2 July 2004 and were signed on its behalf by:

  
P.J.C. Francis  
Director

The notes on pages 8 to 19 form part of these financial statements.

# **SoftBrands Europe Limited (formerly Fourth Shift Europe Limited)**

## **Notes to the financial statements for the year ended 31 December 2002**

### **1 Principal accounting policies**

The accounts have been prepared under the historic cost convention, the accounting policies set out below and in accordance with applicable accounting standards. The accounting policies are the same as those used last year, except for the adoption of FRS 18 "Accounting Policies" and FRS 19 "Deferred tax" FRS 19 "Deferred taxation", which is effective for the first time this year.

FRS 19 requires that full provision is made for deferred taxation on all timing differences and replaces the previous policy, which permitted partial provision only. The adoption of this standard represents a change in accounting policy although this did not necessitate a prior year adjustment. The adoption of FRS 19 had no material impact on the accounts

The adoption of FRS 18 required no change in the accounting policies of the company

#### **Basis of accounting**

The financial statements are prepared under the historic cost convention, in accordance with applicable accounting standards and accounting policies set out below, applied consistently. The accounting policies have been reviewed by the board of directors in accordance with Financial Reporting Standard ("FRS") 18 "Accounting policies". No changes have been made as a result of this review.

#### **Basis of preparation**

The directors have received written confirmation from the ultimate parent company, SoftBrands Inc, that it intends to provide such financial support to the Company as is necessary for the foreseeable future and at least for the next 12 months from the approval of the financial statements, to enable it to continue in operation without any significant curtailment and to meet its liabilities as they fall due.

Accordingly they consider it appropriate for the financial statements to be prepared on a going concern basis.

#### **Basis of consolidation**

The financial statements contain information about SoftBrands Europe Limited as an individual company and do not contain consolidated information as the parent of a group. The Company is exempt from the obligation to prepare and deliver group financial statements under Section 248 of the Companies Act 1985.

#### **Intangible fixed assets**

Intangible assets represent purchased goodwill arising on the acquisition of businesses (see note 7). Purchased goodwill is capitalised and amortised on a straight-line basis over its useful economic life of 5 years. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition, and in other periods if event or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Tangible fixed assets**

Depreciation is provided so as to write off the cost of fixed assets to their estimated residual value over their expected useful lives. The principal annual depreciation rates and methods of calculation are as follows:

Leasehold Improvements	-over the lease term
Fixtures, fittings and equipment	-20-33% per annum on cost
Computer Equipment	-33-50% per annum on cost

# **SoftBrands Europe Limited** **(formerly Fourth Shift Europe Limited)**

## **Notes to the financial statements** **for the year ended 31 December 2002 (continued)**

### **1 Principal accounting policies (continued)**

#### **Investments**

In the company's financial statements, investments in subsidiary undertakings are stated at cost less provision for impairment value, if any.

#### **Stocks**

Stocks comprise principally goods held for resale and engineering spares. Goods for resale are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal. Engineering spares are valued at cost and are depreciated over a three-year period.

#### **Deferred taxation**

The company has adopted FRS 19 "Deferred Taxation" for the first time this year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where the transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured using the average tax rate that is expected to apply in the period in which the timing differences are expected to reverse. An asset is recognised where it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

#### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate 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 the profit and loss account

#### **Turnover**

The company recognises revenue from the sale of software and hardware systems at the time of installation of the system, provided no significant obligations remain and collection of the resulting receivable is deemed probable. Revenue from add-on hardware sales is recognised when the hardware is shipped to the customer. Revenue related to service contracts is recognised rateably over the lives of the contracts. Consulting and specialised software development revenue is recognised in accordance with the terms of the contract.

The directors have considered the appropriateness of the company's income recognition policy in light of the consensus within the UK software industry which, they believe, in the absence of any formal UK guidance, has moved towards the adoption of the American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, "Software Revenue Recognition", and accordingly the financial statements have been prepared on this basis.

#### **Operating leases**

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

# **SoftBrands Europe Limited** **(formerly Fourth Shift Europe Limited)**

## **Notes to the financial statements** **for the year ended 31 December 2002 (continued)**

### **1 Principal accounting policies (continued)**

#### **Leased and hire purchase assets**

Assets acquired under finance leases and hire purchase agreements are capitalised and depreciated over the period of the lease. The deemed capital element of future payments is included under creditors. Interest calculated on the straight-line basis is included in interest payable

#### **Development expenditure**

Expenditure on the development of computer software is written off as it is incurred.

#### **Pension costs**

The company contributes to employees' personal pension schemes at a rate of 3% of salary for the qualifying members, rising to 5% based on services and level within the company. The pension cost are charged in the financial statements are charged to the profit and loss as they are incurred and represent the contributions payable by the company during the year under a defined contribution pension scheme

#### **Cash flow statement and related party disclosures**

The company is a wholly-owned subsidiary of a group headed by SoftBrands Inc, a company registered in United States of America and is included in the consolidated financial statements of SoftBrands Inc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms FRS1 (revised 1996).

#### **Related party transactions**

The company has taken advantage of the exemption under section 3(c) from the provisions of FRS 8, "Related Party Disclosures", which requires the disclosure of the details of material transactions between the reporting entity and any related parties, on the grounds that it is a wholly owned subsidiary of a group headed by SoftBrands Inc, a company registered in United States of America.

### **2 Turnover**

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business. An analysis of turnover by geographical market and turnover and profit by activity has been omitted on the grounds that such information would be prejudicial to the company's market position.

**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Notes to the financial statements**  
**for the year ended 31 December 2002 (continued)**

**3 Operating loss**

	2002 £'000	2001 £'000
<b>Operating loss is stated after charging:</b>		
Amortisation of goodwill	480	-
Depreciation of tangible fixed assets:		
- owned assets	252	154
- assets held under finance lease and hire purchase contracts	29	47
Operating lease charges:		
- plant and machinery	220	94
- others	606	661
Research and development expenditure	245	367
Bad debts written off	159	128
Reorganisation charges- severance pay	97	107
Auditors remuneration		
-audit fees	22	30
-other	17	10

**4 Employee costs and numbers information**

The average monthly number of employees (including executive directors) during the period was made up as follows:

	2002 Number	2001 Number
<b>By activity</b>		
Consultancy	53	19
Support	47	10
Sales and marketing	23	13
Development	3	2
Administration	29	13
<b>Total</b>	<b>155</b>	<b>57</b>

The costs associated with these employees were as follows:

	2002 £'000	2001 £'000
Wages and salaries	4,928	2,583
Social security costs	562	295
Pension costs	128	58
<b>Total staff costs</b>	<b>5,618</b>	<b>2,936</b>

# SoftBrands Europe Limited (formerly Fourth Shift Europe Limited)

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 5 Directors' remuneration, interest and transactions

#### Remuneration

The remuneration of the directors was as follows:

	2002 £'000	2001 £'000
Directors emoluments	599	266
Company contribution to money purchase pension schemes	29	8
	<b>628</b>	<b>274</b>
	2002 £'000	2001 £'000
Highest paid director:		
Directors emoluments	139	97
Company contribution to money purchase pension schemes	5	3
	<b>144</b>	<b>100</b>

The number of directors who were members of the pension schemes to which the company paid contributions was 6 (2001:4).

During the year, no directors (2001:2) exercised options over share of Fourth Shift Manufacturing (USA) Inc (now known as SoftBrands Manufacturing Inc).

### 6 Taxation

There is no UK corporation tax charge (2001: nil) in the current year due to tax losses arising in the current period.

	2002 £'000	2001 £'000
<b>Current tax</b>		
Loss on ordinary activities	(1,165)	(749)
UK Corporation tax at 30% (2001: 30%)	(350)	(225)
Less:		
Permanent differences	166	21
Deferred tax not provided in the year	184	204
Tax on loss on ordinary activities	-	-
<b>Deferred tax asset not provided:</b>		
Depreciation in excess of capital allowances	124	106
Other timing differences	1,434	1,312
	<b>1,558</b>	<b>1,418</b>

The potential deferred tax has not been recognised in these financial statements on the basis that the transfer of economic benefit is uncertain.

**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Notes to the financial statements**  
**for the year ended 31 December 2002 (continued)**

**7 Intangible assets**

	Goodwill £'000
<b>Cost</b>	
As at 1 January 2002	2,40
Additions	
<b>At 31 December 2002</b>	<b>2,40</b>
<b>Amortisation</b>	
As at 1 January 2002	
Charge for the year	48
<b>At 31 December 2002</b>	<b>48</b>
<b>Net book value</b>	
<b>At 31 December 2002</b>	<b>1,92</b>
At 1 January 2002	2,40

On 31 December 2001, the company acquired certain assets and liabilities of AremisSoft Hospitality (UK) Limited, (now known as Meta Systems Hospitality (UK) Limited) and AremisSoft (UK) plc (now known as Meta Systems (Holdings) plc), which were previously UK subsidiaries of the ultimate parent company. The acquisitions resulted in a purchased goodwill of £2,402,000. Purchased goodwill is capitalised and amortised on a straight-line basis over its estimated useful life of 5 years.

**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Notes to the financial statements**  
**for the year ended 31 December 2002 (continued)**

**8 Tangible assets**

	<b>Leasehold Improvements</b>	<b>Fixtures, fittings and equipment</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>				
At 1 January 2002	570	528	1,121	2,219
Additions	-	8	52	60
Disposals	-	(103)	(210)	(313)
<b>At 31 December 2001</b>	<b>570</b>	<b>433</b>	<b>963</b>	<b>1,966</b>
<b>Depreciation</b>				
At 1 January 2002	371	384	789	1,544
Charge for the period	45	49	187	281
Disposals	-	(103)	(210)	(313)
<b>At 31 December 2002</b>	<b>416</b>	<b>330</b>	<b>766</b>	<b>1,512</b>
<b>Net book amount</b>				
<b>At 31 December 2002</b>	<b>154</b>	<b>103</b>	<b>197</b>	<b>454</b>
At 31 December 2001	199	144	332	675

The net book value of fixed assets includes an amount of £6,605 (2001: £36,208) in respect of assets held under finance lease and hire purchase contracts.



**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Notes to the financial statements**  
**for the year ended 31 December 2002 (continued)**

**9 Investment in subsidiary company**

	2002 £'000
<b>Cost of investment in subsidiary undertakings:</b>	
At 1 January 2002	400
Transfer to parent	(8)
<b>At 31 December 2002</b>	<b>392</b>
<b>Provisions:</b>	
At 1 January 2002 and at 31 December 2002	-
<b>Net book value</b>	
<b>At 31 December 2002</b>	<b>392</b>
At 31 December 2001	400

The company's principal subsidiary undertaking is as follow:

	Country of incorporation	Principal activity	Class/% of shares held	Capital and reserves as at 31 December 2002 £'000	(Loss) as at 31 December 2002 £'000
Fourth Shift Middle East & North Africa LLC	Egypt	Software distribution and sales.	Ordinary 99%	(426)	(387)

**10 Stocks**

	2002 £'000	2001 £'000
Goods for resale	59	93
Engineering parts	95	56
	<b>154</b>	<b>149</b>

**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Notes to the financial statements**  
**for the year ended 31 December 2002 (continued)**

**11 Debtors**

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Trade debtors	3,475	3,640
Amounts owed by group undertakings	794	157
Prepayments and accrued income	393	455
	<b>4,662</b>	<b>4,252</b>

**12 Creditor- Amounts falling due within one year**

	2002 £'000	2001 £'000
Trade creditors	536	833
Amounts owed to parent undertaking	4,034	1,998
Other taxes and social security	555	602
Accruals	1,031	1,158
Deferred income	4,080	5,529
Obligations under finance leases	8	36
	<b>10,244</b>	<b>10,156</b>

**13 Creditor- Amounts falling due after more than one year**

	2002 £'000	2001 £'000
Obligations under finance leases due within 2 to 5 years	-	10

**14 Provision for liabilities and charges**

	£'000
At 1 January 2002	345
Charge to the profit and loss account	179
Utilised during the year	(76)
<b>At 31 December 2002</b>	<b>448</b>

The above relates to the provision for rental and rates for the part of the building that is expected to remain vacant. The provision is expected to be utilised over remaining rental lease of 3.5 years.

# SoftBrands Europe Limited (formerly Fourth Shift Europe Limited)

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 15 Called up share capital

	2002 £'000	2001 £'000
<b>Authorised</b>		
75,000 'A' ordinary shares of £1 each	75	75
25,000 'B' ordinary shares of £1 each	25	25
25,000 'C' ordinary shares of £1 each	25	25
14,000 'D' ordinary shares of £1 each	14	14
	<b>139</b>	<b>139</b>
<b>Allotted, called-up and fully-paid</b>		
75,000 'A' ordinary shares of £1 each	75	75
25,000 'B' ordinary shares of £1 each	25	25
	<b>100</b>	<b>100</b>

All shares rank pari passu in all respects as if they constituted one class of share other than in respect of the distribution of intangible assets. On a return of capital on liquidation or otherwise, any intangible assets owned by the company remaining after payment of liabilities are distributed in specie to the holders of the A shares. All other remaining assets are distributed pari passu.

### 16 Reserves

Of total reserves shown in the company's balance sheet, the following amounts are regarded as distributable or otherwise:

	2002 £'000	2001 £'000
<b>Distributable</b>		
- profit and loss account	(2,362)	(1,197)
<b>Non-distributable</b>		
- capital redemption reserve	25	25
<b>Total reserves</b>	<b>(2,337)</b>	<b>(1,172)</b>

	Capital Redemption Reserve £'000	Profit and loss account £'000	Total £'000
As at 1 January 2002	25	(1,197)	(1,172)
Loss for the year	-	(1,165)	(1,165)
<b>As at 31 December 2002</b>	<b>25</b>	<b>(2,362)</b>	<b>(2,337)</b>

# SoftBrands Europe Limited (formerly Fourth Shift Europe Limited)

## Notes to the financial statements for the year ended 31 December 2002 (continued)

### 17 Reconciliation of movements in shareholders' deficit

	2002 £'000	2001 £'000
Loss for the period	(1,165)	(749)
Opening shareholders' deficit	(1,072)	(323)
Closing shareholders' deficit	(2,237)	(1,072)

### 18 Guarantees and other financial commitments

#### a) Lease commitments

The minimum annual rentals under the foregoing leases are as follows:

	Land and building £'000	Motor vehicles £'000	Others £'000
2002			
Operating leases which expire			
- within 1 year	4	15	1
- in 2-5 years	590	103	39
	<b>594</b>	<b>118</b>	<b>40</b>
2001			
Operating leases which expire			
- within 1 year	9	64	-
- in 2-5 years	569	136	27
	<b>578</b>	<b>200</b>	<b>27</b>

#### b) Guarantees

In late November 2002 the ultimate holding company, SoftBrands Inc, secured \$20 million of long term financing. Security for this financing includes a fixed and floating charge on all the assets of SoftBrands Europe Limited. In addition the company guarantees payment and fulfillment of all obligations in regard to this financing.

### 19 Pension commitments

The company operates defined contribution schemes. During the year £128,000 (2001; £58,000) was charged to the profit and loss accounts and there were no outstanding contributions at the balance sheet date (2001; £20,000).

**SoftBrands Europe Limited**  
**(formerly Fourth Shift Europe Limited)**

**Notes to the financial statements**  
**for the year ended 31 December 2002 (continued)**

**20 Ultimate parent undertaking and controlling party**

The immediate parent undertaking is SoftBrands International Inc, incorporated in the United States of America. The ultimate parent undertaking and the largest group for which consolidated financial statements are available is SoftBrands Inc, incorporated in the United States of America. Copies of the group financial statements of SoftBrands Inc are available from its registered office at Two Meridian Crossings, Minneapolis, USA, MN 55423-3962.

The ultimate controlling party is SoftBrands Inc.