WITT (UK) LIMITED

(Registered Number 4408889)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2004

Report of the directors
for the year ended February 28, 2004

The directors submit their report and financial statements for the year ended February 28, 2004.

1. **Directors** M L Hawker
Arnulf Lieb
Wolfgang Jess

Secretary A Lord

2. **Directors' interests**

The directors of the company are shown above. No director has held any interest in the ordinary shares of the company during the period.

Interests in the share capital of the parent companies, Grattan PLC and Josef Witt Beteiligungs-Verwaltungsgesellschaft International mbH, are detailed in those company's reports and accounts.

3. **Principal activities**

The company operates a catalogue home shopping business.

4. **Results and dividends**

The full results of the company's operations are set out on page 4. No dividend was declared or paid in the period. The loss for the period has been transferred to reserves as shown in note 8 to the financial statements.

By order of the Board
A Lord, Secretary

May 19, 2004

Statement of 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 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 the 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the independent auditors to the members of Witt (UK) Limited

We have audited the financial statements on pages 4 to 9.

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 directors and auditors

The directors are responsible for preparing the directors report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 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 as at February 28, 2004 and of the loss of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP.

May 19, 2004

KPMG LLP
Chartered Accountants
Registered Auditor

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Neville Street
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Witt (UK) Limited

Profit and loss account
for the year ended February 28, 2004

	Note	Year ended 28.2.2004 £	11 months ended 28.2.2003 £
Turnover	1	6,683,077	1,601,823
Cost of sales		(8,808,634)	(2,797,504)
Gross loss	1	(2,125,557)	(1,195,681)
Administrative expenses		(633,724)	(545,498)
Other Operating Income		109,403	-
Distribution		(773,443)	(137,546)
Loss on ordinary activities before taxation	2	(3,423,321)	(1,878,725)
Taxation	3	-	-
Loss retained for the period	8	(3,423,321)	(1,878,725)

All amounts relate to continuing activities.

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

The notes on pages 6 to 9 form part of the financial statements.

Balance sheet
February 28, 2004

	Note	28.2.2004 £	28.2.2003 £
Current assets			
Debtors	4	2,785,839	849,904
Creditors due within one year	5	(2,852,965)	(493,709)
Net (liabilities)/assets		(67,126)	356,195
Capital and reserves			
Called up share capital	7	5,234,920	2,234,920
Profit and loss account	8	(5,302,046)	(1,878,725)
Equity shareholders' funds		(67,126)	356,195

The notes on pages 6 to 9 form part of these financial statements.

The financial statements were approved by the board of directors on May 19, 2004.

M L Hawker
Director

Notes on the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, with the exception of FRS5 'Applicaton Note G', which has been adopted in these financial statements. It was not considered material to restate prior year comparatives.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The company has net liabilities at February 28, 2004. In order that the financial statements be prepared on a going concern basis, the company's immediate parent companies have indicated that they will finance the company so as to enable it to meet both its liabilities as they fall due and to carry on its business operations.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Otto (GmbH & Co KG) includes the company in its own published consolidated financial statements.

Turnover

Turnover represents the value of goods sold net of VAT and customer account related deductions.

Turnover is recognised on a net despatch basis and provision made for expected returns.

Other Operating Income

Other operating income includes interest income earned on interest bearing instalment sales.

Interest income is recognised in the profit and loss account over the period in which it is earned.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. Loss on ordinary activity before taxation

Employees

All employees were employees of the parent companies and details of their remuneration and pension arrangements are disclosed in the report of that company. A recharge of employee costs is made by each parent.

Directors' emoluments

The directors receive no payments in respect of services provided as directors of the company.

Notes on the financial statements (continued)

3. Taxation on loss on ordinary activities

	2004	2003
	£	£
Current tax	-	-

The credit of nil is lower than the standard rate of corporation tax of 30% (2003 30%) in the UK. The differences are explained below:

	2004	2003
	£	£
Loss on ordinary activities before taxation	(3,423,321)	(1,878,725)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(1,026,996)	(563,617)
Effect of:		
Depreciation in advance of capital allowances	-	59,216
Tax losses surrendered	-	7,601
Tax losses carried forward	1,026,996	496,800
Current tax	-	-

4. Debtors

	2004	2003
	£	£
Trade debtors	1,604,087	458,917
Amounts due from immediate parent companies	1,181,752	390,987
	2,785,839	849,904

5. Creditors: amounts falling due within one year

	2004	2003
	£	£
Due within one year:		
Other Taxes and Social Security	421,532	175,017
Accruals	2,431,433	318,692
	2,852,965	493,709

Notes on the financial statements (continued)

6. **Deferred taxation**

A deferred tax asset has not been recognised as it is not certain that the relevant timing differences will reverse in the foreseeable future. The full potential asset, at 30% (2003: 30%) is as follows:

	Potential asset 2004 £	Potential asset 2003 £
Accelerated capital allowances	59,216	59,216
Tax losses carried forward	1,523,012	496,800
	1,582,228	556,016

7. **Share Capital**

	Authorised, allotted, called up and fully paid			
	2004 No	2003 No	2004 £	2003 £
Ordinary shares of €1 each	7,800,000	3,400,000	5,234,920	2,234,920

8. **Reserves and Shareholders Funds**

	Profit & Loss	Share Capital £	Total £
At March 1, 2003	(1,878,725)	2,234,920	356,195
Loss for the year	(3,423,321)	-	(3,423,321)
Share Capital Issued	-	3,000,000	3,000,000
At February 28, 2004	(5,302,046)	5,234,920	(67,126)

Notes on the financial statements (continued)

9. **Ultimate parent undertaking**

The directors regard the ultimate holding company as being Otto (GmbH & Co KG), a company incorporated in Germany. The immediate parent companies are Grattan Plc, holding 25% of the shares, which is registered in England, and Josef Witt Beteiligungs-Verwaltungsgesellschaft International mbH, holding 75% of the shares, which is registered in Germany.

Josef Witt Beteiligungs-Verwaltungsgesellschaft International mbH is a 100% subsidiary of Josef Witt GmbH, registered in Germany. Josef Witt GmbH itself is a wholly owned subsidiary of Schwab Versand GmbH, within the Otto group.

The directors have taken advantage of the exemption in Financial Reporting Standard 8, paragraph 3(c), and have not disclosed transactions with parent and fellow subsidiary undertakings.