

**R GRIGGS GROUP LIMITED AND
ITS SUBSIDIARY UNDERTAKINGS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1999

Company number: 2678750

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

FINANCIAL STATEMENTS

For the year ended 31 March 1999

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R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

FINANCIAL STATEMENTS

For the year ended 31 March 1999

Company registration number: 2678750

Registered office: Cobbs Lane
Wollaston
Wellingborough
Northants
NN29 7SW

Directors:	W M Griggs	CBE, A.C.F.I.	President
	S W Griggs	A.C.F.I.	Chairman
	C J James	M.A.	Deputy Chairman (non-executive)
	F M Duffy		Managing Director
	M G Darnell	F.M.A.A.T.	Commercial Director
	J H Duff	B.A., A.C.A.	Finance Director
	H M Johnstone		Administration Director
	W A Pearson	A.C.F.I.	Manufacturing Director
	R C Shelton	B.A.	Non-executive

Secretary: H M Johnstone

Bankers: HSBC
Tradebank Wells Fargo
Trinkaus & Burkhardt KGaA
Banque Nationale de Paris
Banque Bruxelles Lambert
Kredietbank

Solicitors: Smith Chamberlain
Martineau Johnson
Bullivant Hauser Bailey
Eversheds
Legal Strategies Group

Auditors: Grant Thornton
Registered auditors
Chartered accountants

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 1999.

Principal activities

The company acts as a management company to the group.

The group is principally engaged in manufacture, selling, distribution and marketing of footwear, distribution of clothing and related accessories, property investment and the sports and leisure industry.

Business review

In difficult trading conditions across the world the year has been one of consolidation. The group's distribution network has been expanded in the Far East and the group is well placed to exploit new opportunities when economic conditions improve.

There was a profit for the year after taxation and minority interests amounting to £7,458,642 (1998: £15,020,763). The directors recommend dividends absorbing £600,194 leaving £6,858,448 retained.

Exceptional item

During the year, the company sold its investment in an associate, Rufus Properties Limited. The loss on disposal, including the reinstatement of goodwill relating to the original acquisition, amounted to £817,519 and has been treated as an exceptional item, as disclosed in note 4 to the accounts.

Research and development

The group continues to invest in the development of its products.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company at 1 April 1998 and 31 March 1999, were as follows:

Directors	1999 and 1998		
	'A' Ordinary shares	Ordinary shares	Preference shares
Mr W M Griggs (President)	*18,707	*36,106	*2,637
Mr S W Griggs (Chairman)	*18,707	*33,176	*4,088
Mr C J James (Deputy Chairman - non-executive)	-	-	-
Mr F M Duffy (Managing Director)	-	-	-
Mr M G Darnell	-	-	-
Mr J H Duff	-	-	-
Mr H M Johnstone	-	-	-
Mr W A Pearson	-	-	-
Mr R C Shelton (Non-executive)	-	-	-

* Includes joint holdings of shares held in a non-beneficial capacity as trustee holdings.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS (CONTINUED)

Directors (continued)

No director held any interests in the equity of the subsidiary undertakings.

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the group's business, except as disclosed in note 31 to the financial statements.

Directors' responsibilities for the financial statements

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 the group and of the profit or loss of the group 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 group will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Land and buildings

During the year investment properties were revalued and the revised values were incorporated in the financial statements. The surplus of £700,000 arising from the revaluations has been transferred to reserves.

The directors are of the opinion that in aggregate the market value of land and buildings exceeds the book value of the assets.

Employee involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

This is achieved through consultations with employee representatives.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS (CONTINUED)

Charitable contributions

Donations to charitable organisations amounted to £220,744 (1998: £102,084).

Donations to political organisations amounted to £Nil (1998: £5,000).

Year 2000 Compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the group's computer systems, but also to some degree on those of our customers and suppliers.

The group has reviewed its computer systems for the impact of the Year 2000 date change.

The Year 2000 project team has reviewed and tested all in house developed systems including hardware and third party software packages. The accounting and management information system software and hardware has been upgraded and assessed as being Year 2000 compliant.

The Year 2000 issue does create risk for us from third parties with whom we deal on financial and business transactions worldwide. To address the business risk from third party non-compliance with Year 2000 standards, we have an evaluation process designed to monitor the Year 2000 status of key suppliers. However, we cannot be certain of avoiding business disruption in areas where we do not have a direct relationship; for example, in situations where suppliers upstream to our suppliers experience disruptions. Therefore, additional business continuity plans have been developed to minimise risk of business interruption from these effects.

The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD


S W Griggs
Chairman

8 October 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
R GRIGGS GROUP LIMITED**

We have audited the financial statements on pages 5 to 36 which have been prepared under the accounting policies set out on pages 5 to 7.

Respective responsibilities of directors and auditors

As described on page 2 the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

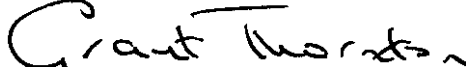
Basis of opinion

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 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 affairs of the company and the group at 31 March 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Northampton

8 October 1999

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain freehold properties are shown at their revalued amounts.

The principal accounting policies of the group have remained unchanged from the previous year apart from the adoption of Financial Reporting Standard No. 10 in respect of goodwill.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 12) drawn up to 31 March 1999. The results of the sub-group headed by Airwair Limited and the results of the group headed by R Griggs Group Limited have each been accounted for by the application of acquisition accounting principles. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

The results of the sub-group headed by Airwair Limited have been consolidated with the remainder of the group using merger accounting principles.

ASSOCIATES

Undertakings, other than subsidiary undertakings, in which the group has an investment representing at least 20% of the voting rights and over which it exerts significant influence, are treated as associates.

The group's share of profits less losses of the associates are included in the group profit and loss account.

The group balance sheet includes the investment in the associates as the group's share of net assets. Any premium paid prior to implementation of Financial Reporting Standard No 10 was written off directly against reserves on acquisition.

The company balance sheet shows the investment in the associates at cost, less amounts written off.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

INCOME FROM INVESTMENTS

Investment income comprises rent receivable in respect of investment property.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to profits in the year in which it is incurred.

DEPRECIATION

No depreciation is provided on freehold land.

Depreciation is calculated to write down the cost or valuation less estimated residual values, of freehold buildings, leasehold improvements, moulds, motor vehicles and office and computer equipment by equal annual instalments over their expected useful lives.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

DEPRECIATION (CONTINUED)

Depreciation is calculated to write down the cost less estimated residual value, of freehold buildings on which construction was completed during the year by equal annual instalments over their expected useful lives.

Depreciation on all other tangible fixed assets is calculated on the reducing balance method and aims to write down the cost of the assets over their expected useful lives.

The rates generally applicable are:

Freehold buildings	- 2% - 25%	straight line method
Leasehold improvements	- 2%	straight line method
Plant and machinery	- 15% and 25%	reducing balance method
Moulds	- 33%	straight line method
Office and computer equipment	- 20% and 33 $\frac{1}{3}$ %	straight line method
Motor vehicles	- 25%	straight line method

INVESTMENT PROPERTIES

In accordance with Statement of Standard Accounting Practice No 19, certain of the group's properties are held for long-term investment and are included in the balance sheet at their open market values. The surplus or deficit on revaluation of such properties is transferred to the investment property revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

This policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

INVESTMENTS

Investments are included at cost, less amounts written off.

INTANGIBLE FIXED ASSETS

Licences and associated costs purchased separately from a business are included at cost and amortised over their useful economic lives of 3 years.

GOODWILL

Negative goodwill arising on consolidation is initially credited to an unrealised reserve from which it is transferred to realised reserves in line with the depreciation of the assets acquired which gave rise to the goodwill in question.

The period of write back to the profit and loss account is 10 years.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

GOODWILL (CONTINUED)

As a matter of accounting policy, purchased goodwill first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10, was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill is charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Monetary assets and liabilities of overseas companies in foreign currencies that existed at the beginning of the financial year are restated at the rates of exchange ruling at the balance sheet date. The resulting exchange difference is dealt with through reserves.

Assets and liabilities at the balance sheet date of overseas companies are translated to sterling at the rates of exchange ruling at the balance sheet date. The trading results for the year of these companies are translated at the average rate for the year. The resulting exchange differences are dealt with through reserves.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSION FUNDS

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme.

LEASED ASSETS

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

	Note	£	1999 £	£	1998 £
Turnover	1		255,655,684		247,914,280
Other operating income and charges	2		239,954,550		216,992,999
Operating profit			<u>15,701,134</u>		<u>30,921,281</u>
Share of losses of associate			-		1,033
Income from other fixed asset investments	3		(238,095)		(220,000)
Amounts written off investments			-		18,000
Exceptional item	4		817,519		-
Net interest	5		3,965,419		3,106,903
Profit on ordinary activities before taxation	1		<u>11,156,291</u>		<u>28,015,345</u>
Tax on profit on ordinary activities	7		3,698,751		12,997,111
Profit on ordinary activities after taxation			<u>7,457,540</u>		<u>15,018,234</u>
Equity minority interests			(1,102)		(2,529)
Profit for the financial year	22		<u>7,458,642</u>		<u>15,020,763</u>
Dividends:	9				
Equity		600,000		1,700,000	
Non-equity		194		194	
			<u>600,194</u>		<u>1,700,194</u>
Profit retained	21		<u><u>£6,858,448</u></u>		<u><u>£13,320,569</u></u>

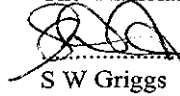
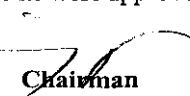
The accompanying accounting policies and notes form an integral part of these financial statements.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET AT 31 MARCH 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Intangible assets	10		475,450		-
Tangible assets	11		57,249,906		54,218,238
Investments	12				
- Interests in associate			-		46,932
- Other			1,175		893
			<u>57,726,531</u>		<u>54,266,063</u>
Current assets					
Stocks	13	85,060,699		83,330,549	
Assets held for resale		-		41,000	
Debtors	14	50,060,740		43,494,476	
Cash at bank and in hand		2,088,682		3,343,220	
			<u>137,210,121</u>	<u>130,209,245</u>	
Creditors: amounts falling due within one year	15	73,551,450		70,563,066	
Net current assets			<u>63,658,671</u>	<u>59,646,179</u>	
Total assets less current liabilities			<u>121,385,202</u>	<u>113,912,242</u>	
Creditors: amounts falling due after more than one year	16		11,435,090		13,010,219
			<u>£109,950,112</u>	<u>£100,902,023</u>	
Capital and reserves					
Called up share capital	20		82,985		82,985
Other reserves	21		6,870,111		8,137,971
Investment property revaluation reserve	21		1,290,659		601,659
Profit and loss account	21		101,700,191		92,072,515
Equity and non-equity shareholders' funds	22		<u>109,943,946</u>	<u>100,895,130</u>	
Equity minority interests			6,166		6,893
			<u>£109,950,112</u>	<u>£100,902,023</u>	

The financial statements were approved by the Board of Directors on 8 October 1999.

 S W Griggs
 Chairman

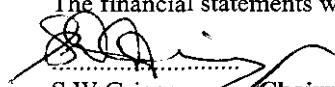
The accompanying accounting policies and notes form an integral part of these financial statements.

R GRIGGS GROUP LIMITED

BALANCE SHEET AT 31 MARCH 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Intangible assets	10		317,420		-
Tangible assets	11		13,141,547		13,553,384
Investments	12		6,094,930		8,699,286
			<u>19,553,897</u>		<u>22,252,670</u>
Current assets					
Debtors	14	27,464,818		32,732,695	
Cash at bank and in hand		20,063,202		12,901,281	
		<u>47,528,020</u>		<u>45,633,976</u>	
Creditors: amounts falling due within one year	15	22,504,598		17,036,865	
Net current assets			<u>25,023,422</u>		<u>28,597,111</u>
Total assets less current liabilities			<u>44,577,319</u>		<u>50,849,781</u>
Creditors: amounts falling due after more than one year	16	9,739,765		12,121,334	
Provisions for liabilities and charges	18	280,725		218,302	
			<u>10,020,490</u>		<u>12,339,636</u>
			<u>£34,556,829</u>		<u>£38,510,145</u>
Capital and reserves					
Called up share capital	20		82,985		82,985
Profit and loss account	21		34,473,844		38,427,160
Shareholders' funds			<u>£34,556,829</u>		<u>£38,510,145</u>
Equity shareholders' funds			34,551,785		38,505,101
Non-equity shareholders' funds			5,044		5,044
			<u>£34,556,829</u>		<u>£38,510,145</u>

The financial statements were approved by the Board of Directors on 8 October 1999.


S W Griggs Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 1999

	Note	£	1999 £	£	1998 £
Net cash inflow from operating activities	23		15,795,143		20,386,522
Returns on investments and servicing of finance					
Interest received		41,269		201,271	
Interest paid		(4,142,033)		(3,269,387)	
Investment income received		238,095		220,000	
Non-equity dividends paid		(194)		-	
Dividends paid to minority interests		(230,401)		-	
Net cash outflow from returns on investments and servicing of finance			(4,093,264)		(2,848,116)
Taxation			(9,014,868)		(16,329,233)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(13,430,503)		(14,292,101)	
Purchase of investments		(282)		(18,000)	
Purchase of intangible fixed assets		(778,719)		(233,346)	
Sale of tangible fixed assets		389,768		986,810	
Sale of current assets		41,000		-	
Sale of investments		1		-	
Net cash outflow from capital expenditure and financial investment			(13,778,735)		(13,556,637)
Acquisitions and disposals					
Purchase of subsidiary undertakings		(161,812)		(1,693,159)	
Net cash outflow from acquisitions and disposals			(161,812)		(1,693,159)
Equity dividends paid			(600,000)		(1,700,000)
Financing					
Repayments of borrowings		(4,456,700)		(1,946,860)	
Receipts from borrowings		1,940,621		7,196,922	
Net cash outflow from financing	24		(2,516,079)		5,250,062
Decrease in cash	24		<u>£(14,369,615)</u>		<u>£(10,490,561)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 1999

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1999 £	1998 £
Profit for the financial year	7,458,642	15,020,763
Unrealised surplus on revaluation of investment properties	700,000	86,000
Currency differences on foreign currency net investments	719,780	(186,578)
Total recognised gains and losses for the year	<u>£8,878,422</u>	<u>£14,920,185</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1999

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Class of business segments:

	Turnover		Turnover	
	Inter-segment		External	
	1999	1998	1999	1998
	£	£	£	£
Wholesale, manufacture, distribution and retail of footwear, clothing and related accessories	359,358,437	364,265,243	254,726,862	247,090,483
Property investment	209,610	210,010	-	-
Sports and leisure industry	-	-	928,822	823,797
	<u>£359,568,047</u>	<u>£364,475,253</u>	<u>£255,655,684</u>	<u>£247,914,280</u>
	Profit/(loss) before taxation		Net assets/(liabilities)	
	1999	1998	1999	1998
	£	£	£	£
Wholesale, manufacture, distribution and retail of footwear, clothing and related accessories	15,777,806	30,928,107	112,457,342	103,288,800
Property investment	152,324	157,779	(2,012,502)	(2,086,960)
Sports and leisure industry	(228,996)	(164,605)	(494,728)	(346,749)
Operating profit	<u>15,701,134</u>	<u>30,921,281</u>	<u>109,950,112</u>	<u>100,855,091</u>
Amounts written off investments	-	(18,000)		
Exceptional item	(817,519)	-		
Net interest	(3,965,419)	(3,106,903)		
Income from other fixed asset investments	238,095	220,000		
	<u>11,156,291</u>	<u>28,016,378</u>		
Group share of loss before taxation and net assets of associate:				
Property development	-	(1,033)	-	46,932
Group profit before taxation	<u>£11,156,291</u>	<u>£28,015,345</u>		
Group net assets			<u>£109,950,112</u>	<u>£100,902,023</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

Geographical segments:

	Turnover by origin				Turnover by destination	
	Inter-segment		External			
	1999	1998	1999	1998	1999	1998
	£	£	£	£	£	£
USA	890,710	-	157,823,541	137,821,678	161,175,613	140,669,591
UK	357,071,848	364,377,280	71,714,332	98,576,478	39,677,236	40,067,428
Europe	576,365	51,527	19,254,103	8,044,673	36,516,235	42,783,747
Canada	490,860	46,446	2,960,356	3,471,451	6,149,378	9,494,900
Far East	538,264	-	3,903,352	-	5,580,870	4,979,227
Australasia	-	-	-	-	4,102,627	6,155,707
Middle East	-	-	-	-	2,316,316	3,565,634
Other	-	-	-	-	137,409	198,046
	<u>£359,568,047</u>	<u>£364,475,253</u>	<u>£255,655,684</u>	<u>£247,914,280</u>	<u>£255,655,684</u>	<u>£247,914,280</u>

	Profit/(loss) before taxation		Net assets/(liabilities)	
	1999	1998	1999	1998
	£	£	£	£
UK	5,619,055	22,300,327	90,375,148	92,951,692
USA	13,465,851	12,114,668	24,796,611	12,293,901
Canada	(79,534)	(156,230)	(419,648)	(319,428)
Europe	(3,048,489)	(3,337,484)	(5,470,045)	(4,071,074)
Far East	(255,749)	-	668,046	-
Operating profit	<u>15,701,134</u>	<u>30,921,281</u>	<u>109,950,112</u>	<u>100,855,091</u>
Amounts written off investments	-	(18,000)		
Exceptional item	(817,519)	-		
Net interest	(3,965,419)	(3,106,903)		
Income from other fixed asset investments	238,095	220,000		
	<u>11,156,291</u>	<u>28,016,378</u>		
Group share of loss before taxation and net assets of associate:				
UK	-	(1,033)	-	46,932
Group profit before taxation	<u>£11,156,291</u>	<u>£28,015,345</u>		
Group net assets			<u>£109,950,112</u>	<u>£100,902,023</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

The profit on ordinary activities is stated after:

	1999 £	1998 £
Auditors' remuneration:		
- Audit services - UK	92,085	84,800
- USA	66,229	49,867
- Europe	30,127	40,475
- Far East	31,102	-
- Non-audit services	143,381	155,978
Hire of plant and machinery	859,713	1,238,818
Other operating lease rentals	2,101,372	1,467,044

2 OTHER OPERATING INCOME AND CHARGES

	Note	1999 £	1998 £
Change in stocks of finished goods, work-in-progress and goods for resale		(5,208,857)	(17,835,493)
Other operating income		(2,274,298)	(1,593,672)
Raw materials and consumables		100,383,037	99,292,006
Other external charges		29,935,779	31,426,938
Staff costs	6	60,808,552	59,229,756
Depreciation and amortisation	10 & 11	10,027,815	9,335,662
Other operating charges		46,282,522	37,137,802
		<u>£239,954,550</u>	<u>£216,992,999</u>

3 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	1999	1998
External rent receivable	<u>£238,095</u>	<u>£220,000</u>

4 EXCEPTIONAL ITEM

The exceptional item is represented by the loss on disposal of the group interest in its associate and comprises:

	1999 £
Proceeds	(1)
Less: Share of net assets	46,932
Goodwill reinstated on disposal of associate	770,588
Exceptional item costs	<u>£817,519</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

5 NET INTEREST

	1999	1998
	£	£
On bank loans and overdrafts	3,954,047	3,290,012
Other interest payable and similar charges	52,641	18,162
	<u>4,006,688</u>	<u>3,308,174</u>
Other interest receivable and similar income	(41,269)	(201,271)
	<u>£3,965,419</u>	<u>£3,106,903</u>

6 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1999	1998
	£	£
Wages and salaries	52,293,465	51,793,885
Social security costs	4,989,466	4,648,678
Other pension costs	3,048,237	2,568,900
Other staff costs	477,384	218,293
	<u>£60,808,552</u>	<u>£59,229,756</u>

The average number of employees of the group during the year was as follows:

	1999	1998
	Number	Number
Production	2,850	3,035
Administration	574	516
	<u>3,424</u>	<u>3,551</u>

Remuneration in respect of directors was as follows:

	1999	1998
	£	£
Emoluments	3,136,869	4,006,875
Pension contributions to money purchase pension schemes	935,876	944,741
	<u>£4,072,745</u>	<u>£4,951,616</u>

During the year 6 directors not including the highest paid director (1998: 6 directors not including the highest paid director) participated in defined benefit pension schemes and 5 directors including the highest paid director (1998: 5 directors including the highest paid director) participated in money purchase pension schemes.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

6 DIRECTORS AND EMPLOYEES (CONTINUED)

The amounts set out above include remuneration in respect of the highest paid director as follows:

	1999 £	1998 £
Emoluments	1,575,913	2,301,307
Pension contributions to money purchase pension scheme	888,701	888,701

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	1999 £	1998 £
United Kingdom corporation tax @ 31% (1998: 31%)	2,284,400	8,239,655
Tax attributable to foreign subsidiaries	1,749,762	5,698,080
	4,034,162	13,937,735
Overseas taxation	-	(2,533)
	4,034,162	13,935,202
Adjustments in respect of prior year:		
United Kingdom corporation tax	(167,020)	(886,174)
Tax attributable to foreign subsidiaries	(168,391)	(51,917)
	£3,698,751	£12,997,111

Of the tax disclosed as attributable to foreign subsidiaries, the sum of £1,749,762 (1998: £5,669,509) represents United States tax due in respect of the profits of Dr Martens Airwair USA LLC for the year. This is in compliance with United States legislation whereby tax is payable by its immediate holding company, Airwair (1996) Limited.

No deferred taxation is provided on earnings retained overseas since any remittance would not result in a tax liability, taking into consideration any related double tax relief.

8 LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a loss of £3,353,122 (1998: £527,014) which is dealt with in the financial statements of the company.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

9 DIVIDENDS

	1999	1998
	£	£
Equity dividends:		
Ordinary shares - interim dividend of £10.13 per share (1998: £28.70)	600,000	1,700,000
Non-equity dividends:		
Preference dividend of 3.85p per share (1998: 3.85p)	194	194
	<u>£600,194</u>	<u>£1,700,194</u>

10 INTANGIBLE FIXED ASSETS

	Computer software and licences
The group	
Cost	
Additions and at 31 March 1999	<u>£778,719</u>
Amortisation	
Provided in year and at 31 March 1999	<u>£303,269</u>
Net book amount at 31 March 1999	<u>£475,450</u>
The company	
Cost	
Additions and at 31 March 1999	<u>£476,130</u>
Amortisation	
Provided in year and at 31 March 1999	<u>£158,710</u>
Net book amount at 31 March 1999	<u>£317,420</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

11 TANGIBLE FIXED ASSETS

The group

	Total £	Investment property £	Land and buildings Freehold properties £	Leasehold improvements £	Moulds, plant and machinery £	Office and computer equipment £	Motor vehicles £
Cost or valuation							
At 1 April 1998	93,888,854	2,550,000	43,769,564	421,424	38,712,762	7,056,382	1,378,722
Additions	12,364,432	-	6,036,485	142,588	3,852,181	2,192,709	140,469
Revaluation	700,000	700,000	-	-	-	-	-
Effect of exchange rates	326,940	-	161,411	(11,115)	25,748	157,341	(6,445)
	<u>107,280,226</u>	<u>3,250,000</u>	<u>49,967,460</u>	<u>552,897</u>	<u>42,590,691</u>	<u>9,406,432</u>	<u>1,512,746</u>
Disposals	(1,775,299)	-	(373,112)	(280,447)	(153,469)	(633,450)	(334,821)
Transfers	5,186	-	(1,411,048)	-	-	1,416,234	-
	<u>£105,510,113</u>	<u>£3,250,000</u>	<u>£48,183,300</u>	<u>£272,450</u>	<u>£42,437,222</u>	<u>£10,189,216</u>	<u>£1,177,925</u>
At 31 March 1999							
Depreciation							
At 1 April 1998	39,670,616	-	7,232,388	308,389	25,657,974	5,438,166	1,033,699
Provided in the year	9,724,546	-	2,890,777	122,624	3,829,209	2,695,017	186,919
Effect of exchange rates	185,729	-	85,767	9,007	14,533	74,451	1,971
	<u>49,580,891</u>	<u>-</u>	<u>10,208,932</u>	<u>440,020</u>	<u>29,501,716</u>	<u>8,207,634</u>	<u>1,222,589</u>
Eliminated on disposals	(1,325,870)	-	(129,553)	(272,723)	(108,952)	(519,465)	(295,177)
Transfers	5,186	-	(1,411,048)	-	-	1,416,234	-
	<u>£48,260,207</u>	<u>£ -</u>	<u>£8,668,331</u>	<u>£167,297</u>	<u>£29,392,764</u>	<u>£9,104,403</u>	<u>£927,412</u>
At 31 March 1999							
Net book amount at 31 March 1999	<u>£57,249,906</u>	<u>£3,250,000</u>	<u>£39,514,969</u>	<u>£105,153</u>	<u>£13,044,458</u>	<u>£1,084,813</u>	<u>£250,513</u>
Net book amount at 31 March 1998	<u>£54,218,238</u>	<u>£2,550,000</u>	<u>£36,537,176</u>	<u>£113,035</u>	<u>£13,054,788</u>	<u>£1,618,216</u>	<u>£345,023</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

11 TANGIBLE FIXED ASSETS (CONTINUED)

The company	Total £	Fixtures and fittings £	Freehold land and buildings £	Motor vehicles £	Computer equipment £
Cost					
At 1 April 1998	19,272,765	1,433,306	17,254,327	369,125	216,007
Additions	2,382,280	-	2,296,306	72,788	13,186
Transfers	(34,671)	1,411,048	(1,445,719)	-	-
	<u>21,620,374</u>	<u>2,844,354</u>	<u>18,104,914</u>	<u>441,913</u>	<u>229,193</u>
Disposals	(135,191)	-	-	(135,191)	-
	<u>£21,485,183</u>	<u>£2,844,354</u>	<u>£18,104,914</u>	<u>£306,722</u>	<u>£229,193</u>
At 31 March 1999					
Depreciation					
At 1 April 1998	5,719,381	697,133	4,765,249	256,999	-
Provided in the year	2,756,624	314,284	2,292,605	73,337	76,398
	<u>8,476,005</u>	<u>1,011,417</u>	<u>7,057,854</u>	<u>330,336</u>	<u>76,398</u>
Eliminated on disposals	(132,369)	-	-	(132,369)	-
	<u>£8,343,636</u>	<u>£1,011,417</u>	<u>£7,057,854</u>	<u>£197,967</u>	<u>£76,398</u>
At 31 March 1999					
Net book amount at 31 March 1999	<u>£13,141,547</u>	<u>£1,832,937</u>	<u>£11,047,060</u>	<u>£108,755</u>	<u>£152,795</u>
Net book amount at 31 March 1998	<u>£13,553,384</u>	<u>£736,173</u>	<u>£12,489,078</u>	<u>£112,126</u>	<u>£216,007</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

11 TANGIBLE FIXED ASSETS (CONTINUED)

The gross amount of land and buildings on which depreciation is being provided is as follows:

	The group	The company
Freehold buildings	<u>£38,164,127</u>	<u>£11,461,655</u>

The figures stated above for cost or valuation include valuations as follows:

	The group	The group
	Freehold land and buildings	Freehold land and buildings
	and Investment property	and Investment property
	1999	1998
	£	£
At cost	48,098,300	43,684,564
At valuation:		
1987	85,000	85,000
1998	-	2,550,000
1999	3,250,000	-
	<u>£51,433,300</u>	<u>£46,319,564</u>

During the year the investment property was revalued by Messrs Richard Ellis St Quintin. The basis of the valuation used was open market value. The surplus arising has been transferred to the investment property revaluation reserve.

No provision has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation because, in the opinion of the directors, the assets are unlikely to be disposed of in the foreseeable future.

If land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	The group
	£
Cost	50,159,011
Accumulated depreciation	8,567,954
Net book amount at 31 March 1999	<u>£41,591,057</u>
Net book amount at 31 March 1998	<u>£38,516,497</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

12 FIXED ASSET INVESTMENTS

Total fixed asset investments comprise:

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
Interest in associate (a)	-	46,932	-	-
Other fixed asset investments (b)	1,175	893	6,094,930	8,699,286
	<u>£1,175</u>	<u>£47,825</u>	<u>£6,094,930</u>	<u>£8,699,286</u>

(a) Interest in associate

During the year, the group disposed of its 50% holding in the allotted ordinary share capital of Rufus Properties Limited, a company engaged in property development and registered in England and Wales.

	Share of net liabilities £	Unsecured loan stock and loans £	Total £
Share of net assets			
At 1 April 1998	(233,317)	1,131,615	898,298
Disposals	233,317	(1,131,615)	(898,298)
At 31 March 1999	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
Amounts written off			
At 1 April 1998	-	851,366	851,366
Disposals	-	(851,366)	(851,366)
At 31 March 1999	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
Net book amount at 31 March 1999	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
Net book amount at 31 March 1998	<u>£(233,317)</u>	<u>£280,249</u>	<u>£46,932</u>

The group's share of retained losses of the associate at 31 March 1999 is £nil (1998: £233,817).

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

12 FIXED ASSET INVESTMENTS (CONTINUED)

(b) Other fixed asset investments

The group	Investments other than loans £
Cost	
At 1 April 1998	893
Additions	282
At 31 March 1999	<u>£1,175</u>

The company	Investments other than loans	Shares in group undertakings	Total
Cost			
At 1 April 1998 and 31 March 1999	<u>£893</u>	<u>£8,698,393</u>	<u>£8,699,286</u>
Amounts written off			
Provided in the year and at 31 March 1999	<u>£ -</u>	<u>£2,604,356</u>	<u>£2,604,356</u>
Net book amount at 31 March 1999	<u>£893</u>	<u>£6,094,037</u>	<u>£6,094,930</u>
Net book amount at 31 March 1998	<u>£893</u>	<u>£8,698,393</u>	<u>£8,699,286</u>

Other fixed asset investments at net book amount include:

	The group		The company	
	1999	1998	1999	1998
Investments listed on a recognised stock exchange	<u>£1,175</u>	<u>£893</u>	<u>£893</u>	<u>£893</u>
Listed investments at market value	<u>£952</u>	<u>£530</u>	<u>£670</u>	<u>£530</u>

All of the subsidiary undertakings listed on the following pages have been consolidated in the group financial statements. All are subsidiary undertakings by virtue of control.

All companies are registered in England and Wales, except for Airwair USA Limited and Dr Martens Airwair USA LLC, which are incorporated in the United States of America, Airwair Canada Limited which is incorporated in Canada, Dr Martens Airwair GmbH and GFM Trademarks GmbH which are incorporated in Germany, Dr Martens Airwair France S.A. which is incorporated in France, Dr Martens Airwair Benelux N.V. which is incorporated in Belgium, Dr Martens Airwair Hong Kong Limited which is incorporated in Hong Kong, Dr Martens Airwair International Trading (Shanghai) Co Limited which is incorporated in China, Dr Martens Airwair Korea Limited which is incorporated in Korea, Dr Martens Airwair Japan KK which is incorporated in Japan and Dr Martens Airwair Singapore PTE Limited which is incorporated in Singapore.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

12 FIXED ASSET INVESTMENTS (CONTINUED)

Name of subsidiary undertaking	Class of share capital held	By the parent company	By the group	Nature of business
Airwair Limited	£1 ord shares	100%	-	Wholesale and distribution of footwear
Airwair (1994) Limited	£1 ord shares	-	100%	Management company
Airwair (1996) Limited	£1 ord shares	-	100%	Management company
Airwair UK Limited	£1 ord shares	-	100%	Footwear distribution
Airwair USA Limited	Capital of no par value	-	100%	Footwear distribution
Airwair Canada Limited	Class A common shares	-	100%	Footwear distribution
Dr Martens Airwair USA LLC	Capital of no par value	-	100%	Footwear distribution
Dr Martens Airwair GmbH	DM1 ord shares	-	100%	Footwear distribution
GFM Trademarks GmbH	DM1 ord shares	50%	-	Trademark registration
Dr Martens Dept. Store Limited	£1 ord shares	100%	-	Retail of clothing and footwear
Dr Martens Sports and Leisure Limited	£1 ord shares	100%	-	Sports and leisure industry
Ferrersmere Estates Limited	£1 ord shares	100%	-	Property investment
R Griggs and Co Limited	£1 ord shares	100%	-	Manufacture of footwear and related components
Dr Martens Airwair France S.A.	Ordinary	-	100%	Footwear distribution
Dr Martens Airwair Benelux N.V.	Bearer capital	-	100%	Footwear distribution
Dr Martens Airwair Hong Kong Limited	Ordinary	-	100%	Footwear distribution
Dr Martens Airwair International Trading (Shanghai) Co Limited	Ordinary	-	100%	Dormant company
Dr Martens Airwair Korea Limited	Ordinary	-	100%	Footwear retail and distribution
Dr Martens Airwair Japan KK	Ordinary	-	100%	Footwear distribution
Dr Martens Airwair Singapore PTE Limited	Ordinary	-	100%	Footwear distribution
Luther Austin and Sons Limited	£1 ord shares	100%	-	Dormant
The Desborough Shoe Company Limited	£1 ord shares	100%	-	Dormant
Dr Martens Clothing Limited	£1 ord shares	100%	-	Dormant
G B Footwear Limited	£1 ord shares	100%	-	Dormant
G E M Co (Wollaston) Limited	£1 ord shares	100%	-	Dormant

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

12 FIXED ASSET INVESTMENTS (CONTINUED)

Name of subsidiary undertaking	Class of share capital held	By the parent company	By the group	Nature of business
G & P Closers Limited	£1 ord shares	100%	-	Dormant
Impact Footwear (Wollaston) Limited	£1 ord shares	100%	-	Dormant
M & F Jinks Limited	£1 ord shares	100%	-	Dormant
Phillips Bros (Wollaston) Limited	£1 ord shares	100%	-	Dormant
John Pick and Co Limited	£1 ord shares	100%	-	Dormant
G W & R Shelton Limited	£1 ord shares	100%	-	Dormant
Sundy Shoes Limited	£1 ord shares	100%	-	Dormant
The Tower Boot Company Limited	£1 ord shares	100%	-	Dormant
Arthur Whittle & Co Limited	£1 ord shares	100%	-	Dormant
Wollaston Vulcanizing Company Limited	£1 ord shares	100%	-	Dormant
Bulldog Sports Limited	£1 ord shares	100%	-	Dormant
Dr Martens Limited	£1 ord shares	100%	-	Dormant
Ferrersmere Retail Limited	£1 ord shares	100%	-	Dormant
Kids and Co (Footwear) Limited	£1 ord shares	100%	-	Dormant
Septimus Rivett Limited	£1 ord shares	100%	-	Dormant

13 STOCKS

	The group	
	1999	1998
	£	£
Raw materials and consumables	20,362,833	23,841,540
Work-in-progress	4,328,109	4,662,740
Finished goods and goods for resale	60,369,757	54,826,269
	<u>£85,060,699</u>	<u>£83,330,549</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

14 DEBTORS

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	44,472,267	36,504,195	38,364	6,194
Amounts owed by subsidiary undertakings	-	-	26,003,581	32,173,019
Other debtors	4,451,009	5,943,883	1,159,238	496,887
Prepayments and accrued income	1,137,464	1,046,398	263,635	56,595
	<u>£50,060,740</u>	<u>£43,494,476</u>	<u>£27,464,818</u>	<u>£32,732,695</u>

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdrafts	22,886,831	8,867,542	14,614,631	6,312,101
Bank loans	5,827,591	6,916,842	3,193,500	2,387,898
Line of credit	21,273,820	23,470,039	-	-
Trade creditors	12,464,749	12,233,385	674,290	2,361,296
Amounts owed to subsidiary undertakings	-	-	657,511	433,754
Corporation tax	2,467,431	7,700,090	1,091,733	472,997
Social security and other taxes	2,910,700	6,284,985	1,133,928	3,541,675
Other creditors	1,894,569	3,543,110	716,767	1,151,527
Accruals and deferred income	3,825,759	1,547,073	422,238	375,617
	<u>£73,551,450</u>	<u>£70,563,066</u>	<u>£22,504,598</u>	<u>£17,036,865</u>

The bank loans and overdrafts are secured by multilateral guarantees given between participating companies as disclosed in note 28. The line of credit is secured over certain stocks and book debts of the relevant subsidiary undertaking.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
Unsecured loan stock	202,100	202,100	-	-
Bank loans	11,213,766	12,677,675	9,739,765	12,121,334
Other creditors	19,224	130,444	-	-
	<u>£11,435,090</u>	<u>£13,010,219</u>	<u>£9,739,765</u>	<u>£12,121,334</u>

Unsecured loan stock

The unsecured loan stock represents a loan from a director, Mr W M Griggs. The loan is subject to interest at the rate of 2% above Lloyds Bank PLC base rate and is repayable on demand after more than 12 months.

Bank loans

Remaining instalments on a bank loan of £10 million are repayable in equal quarterly instalments of £250,000 from May 1996 to February 2006. Interest payable on this loan is capped at the rate of 7.28%.

Remaining instalments on a loan of \$2.4 million are repayable in equal quarterly instalments of \$13,333 from January 1999 to January 2014. Interest payable on this loan is fixed at 7.1%.

17 BORROWINGS

Borrowings are repayable as follows:

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
Within one year:				
Bank and other borrowings	49,988,242	39,254,423	17,808,131	8,699,999
After one and within two years:				
Bank and other borrowings	3,741,630	3,553,830	3,193,501	3,072,770
After two and within five years:				
Bank borrowings	4,525,292	6,325,945	4,546,264	6,048,564
After five years				
Bank borrowings	3,148,944	3,000,000	2,000,000	3,000,000
	<u>£61,404,108</u>	<u>£52,134,198</u>	<u>£27,547,896</u>	<u>£20,821,333</u>

Bank borrowings repayable after five years comprise:

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans	<u>£3,148,944</u>	<u>£3,000,000</u>	<u>£2,000,000</u>	<u>£3,000,000</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation (note 19) £
The company	
At 1 April 1998	218,302
Provided during the year	62,423
At 31 March 1999	<u>£280,725</u>

19 DEFERRED TAXATION

Deferred taxation provided for and not provided for in the financial statements is set out below. The amounts unprovided represent contingent liabilities at the balance sheet date and are calculated using tax rates of 30% (1998: 31%) for the group.

	Amount provided		Amount unprovided	
	1999	1998	1999	1998
	£	£	£	£
The group				
Accelerated capital allowances	897,029	930,705	-	-
Other timing differences	(897,029)	(930,705)	-	-
	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>
Unrealised capital gains	<u>£ -</u>	<u>£ -</u>	<u>£387,262</u>	<u>£182,698</u>
The company				
Accelerated capital allowances	235,857	173,434	-	-
Other timing differences	44,868	44,868	-	-
	<u>£280,725</u>	<u>£218,302</u>	<u>£ -</u>	<u>£ -</u>

Of the other timing differences shown above, £966,699 (1998: £982,400) relates to timing differences in respect of Dr Martens Airwair USA LLC.

No provision has been made for taxation which would accrue if the land and buildings were disposed of at their revalued amounts. The amounts unprovided are shown above under unrealised capital gains.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

20 SHARE CAPITAL

	Authorised 1999 and 1998 £	Allotted, called up and fully paid 1999 and 1998 £
Cumulative preference shares of £1 each 3.85% plus tax credit	6,000	5,044
Ordinary shares of £1 each	975,293	59,234
A ordinary shares of £1 each	18,707	18,707
	<u>£1,000,000</u>	<u>£82,985</u>

Preference shares

The cumulative preference shares are non-equity shares which carry an entitlement to a dividend at the rate of 3.85p (net) per share per annum. They may be redeemed at £1 per share. Holders of preference shares have one vote for every share held but only on a passing of a resolution for the winding-up of the company or on a resolution affecting the rights attached to the shares. Preference shareholders have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividend.

Ordinary shares

The holders of ordinary and A ordinary shares will be entitled to dividends in such proportions as may be deemed by the directors. Apart from this, the rights attached to ordinary shares and A ordinary shares shall be equal in all respects.

21 RESERVES

The group	Capital reserve £	Capital redemption reserve £	Revaluation reserve £	Investment property revaluation reserve £	Profit and loss account £
At 1 April 1998	8,153,784	557	(16,370)	601,659	92,072,515
Retained profit for the year	-	-	-	-	6,858,448
Surplus on revaluation of assets	-	-	-	700,000	-
Transfer from revaluation reserve to profit and loss account	-	-	-	(11,000)	11,000
Release of negative goodwill	(2,038,448)	-	-	-	2,038,448
Goodwill reinstated on disposal of associate	770,588	-	-	-	-
Exchange differences	-	-	-	-	719,780
At 31 March 1999	<u>£6,885,924</u>	<u>£557</u>	<u>£(16,370)</u>	<u>£1,290,659</u>	<u>£101,700,191</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

21 RESERVES (CONTINUED)

The taxation implications of amounts included in both the investment property revaluation reserve and the revaluation reserve are explained in note 19.

The cumulative amount of negative goodwill arising from acquisitions accounted for in prior years ending before 23 December 1998 which has been written off to group reserves, net of goodwill charged or credited in the profit and loss accounts on subsequent disposal of the business to which it related is £14,269,136 (1998: £12,230,688) and £6,115,336 (1998: £8,153,784).

The cumulative amount of purchased goodwill arising from acquisitions in current and prior years which has been written off to group reserves is £3,760,498 (1998: £3,805,661).

The balance on the revaluation reserves, the capital redemption reserve and the capital reserve may not legally be distributed under section 263 of the Companies Act 1985.

The company	Profit and loss account £
At 1 April 1998	38,427,160
Transfer from reserves	(3,953,316)
At 31 March 1999	<u>£34,473,844</u>

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1999 £	1998 £
Profit for the financial year	7,458,642	15,020,763
Dividends	(600,194)	(1,700,194)
	<u>6,858,448</u>	<u>13,320,569</u>
Other recognised gains and losses:		
Surplus on revaluation of investment properties	700,000	86,000
Exchange differences	719,780	(186,578)
	<u>8,278,228</u>	<u>13,219,991</u>
Goodwill written off to reserves	-	(1,388,284)
Goodwill reinstated on disposal of associate	770,588	-
	<u>9,048,816</u>	<u>11,831,707</u>
Net increase in shareholders' funds		
Shareholders' funds at 1 April 1998	100,895,130	89,063,423
Shareholders' funds at 31 March 1999	<u>£109,943,946</u>	<u>£100,895,130</u>
Attributable to:		
Equity shareholders	109,938,902	100,890,086
Non-equity shareholders	5,044	5,044
	<u>£109,943,946</u>	<u>£100,895,130</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £	1998 £
Operating profit	15,701,134	30,921,281
Depreciation and amortisation	10,027,815	9,335,662
Loss/(profit) on sale of tangible fixed assets	59,661	(90,439)
Increase in stock	(1,730,150)	(18,760,336)
Increase in debtors	(6,782,450)	(2,778,353)
(Decrease)/increase in creditors	(871,559)	2,621,633
Effect of exchange rate movements	(609,308)	(862,926)
Net cash inflow from operating activities	<u>£15,795,143</u>	<u>£20,386,522</u>

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
Decrease in cash in the year	(14,369,615)	(10,490,561)
Cash outflow/(inflow) from financing	2,516,079	(5,250,062)
Change in net debt resulting from cash flows	<u>(11,853,536)</u>	<u>(15,740,623)</u>
Loans acquired with subsidiary	-	(411,401)
Effect of foreign exchange changes	1,329,088	662,504
Movement in net debt in the year	<u>(10,524,448)</u>	<u>(15,489,520)</u>
Net debt at 1 April 1998	(48,790,978)	(33,301,458)
Net debt at 31 March 1999	<u>£(59,315,426)</u>	<u>£(48,790,978)</u>

25 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1998 £	Cash flow £	Exchange movement £	At 31 March 1999 £
Cash at bank and in hand	3,343,220	(1,400,460)	145,922	2,088,682
Overdrafts	(8,867,542)	(14,202,356)	183,067	(22,886,831)
Line of credit	(23,470,039)	1,233,201	963,018	(21,273,820)
	<u>(28,994,361)</u>	<u>(14,369,615)</u>	<u>1,292,007</u>	<u>(42,071,969)</u>
Debt	(19,796,617)	2,516,079	37,081	(17,243,457)
	<u>£(48,790,978)</u>	<u>£(11,853,536)</u>	<u>£1,329,088</u>	<u>£(59,315,426)</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

26 ACQUISITIONS

All acquisitions have been accounted for by the acquisition method of accounting.

(a) Dr Martens Airwair Hong Kong Limited

On 4 March 1998, the group acquired 4,000,000 ordinary shares in Dr Martens Airwair Hong Kong Limited, being 100% of its nominal share capital for a consideration of £314,921 in cash.

(b) Dr Martens Airwair Japan KK

On 22 April 1998, the group acquired 55,000,000 ordinary shares in Dr Martens Airwair Japan KK, being 100% of its nominal share capital for a consideration of £247,725 in cash.

(c) Dr Martens Airwair International Trading (Shanghai) Co Limited

On 26 May 1998, the group acquired the entire capital of Dr Martens Airwair International Trading (Shanghai) Co Limited for a consideration of £122,838 in cash.

(d) Dr Martens Airwair Singapore PTE Limited

On 5 August 1998, the group acquired 160,000 ordinary shares in Dr Martens Airwair Singapore PTE Limited, being 100% of its nominal share capital for a consideration of £58,308 in cash.

(e) Dr Martens Airwair Korea Limited

On 29 August 1998, the group acquired 600,000 ordinary shares in Dr Martens Airwair Korea Limited, being 100% of its nominal share capital for a consideration of £283,185 in cash.

27 CAPITAL COMMITMENTS

	The group		The company	
	1999	1998	1999	1998
Contracted for but not provided in these financial statements	<u>£1,809,999</u>	<u>£1,852,963</u>	<u>£ -</u>	<u>£ -</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

28 CONTINGENT LIABILITIES

	The group		The company	
	1999	1998	1999	1998
	£	£	£	£
HM Customs and Excise guarantee given by the bank	1,700,000	850,000	-	-
Guarantee given to Property Lenders Trust	-	850,000	-	850,000
Guarantee given to Highways Agency	-	74,042	-	74,042
Guarantee given to Dominique Arckens	60,000	60,000	60,000	60,000
Guarantee given to Northamptonshire County Council	6,290	-	-	-
	<u>£1,766,290</u>	<u>£1,834,042</u>	<u>£60,000</u>	<u>£984,042</u>

Other contingent liabilities are as follows:

a) Unlimited multilateral guarantee

The parent undertaking, together with other group undertakings, is party to unlimited multilateral guarantees given in respect of the bank overdrafts and loans of the participating companies. As at 31 March 1999 the total of the overdrafts and loans guaranteed by the parent undertaking under this agreement amounted to £25,581,468 (1998: £11,377,129).

b) Deferred taxation

Contingent liabilities in respect of deferred taxation are as disclosed in note 19.

c) Guarantee

The parent undertaking has provided a guarantee in respect of the bank overdrafts and loans of Dr Martens Airwair USA LLC to a maximum of \$10 million (1998: \$10 million), and of Dr Martens Airwair GmbH to a maximum of DM10 million (1998: DM5 million).

The parent undertaking has provided guarantees as at 31 March 1999 and 31 March 1998 totalling 4,080,000 Ffr to Doc the Original and a guarantee of 10,956,510 Ffr to Société Nuances in respect of the acquisition of Doc the Original.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

29 PENSION COMMITMENTS

Defined Benefit Scheme

The group operates a number of pension schemes. The major scheme is a funded pension scheme providing defined benefits for UK employees and directors. The assets of the scheme are held separately from those of the group, their investment being delegated to professional investment managers.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the Partly Projected Unit method, with a control period of 20 years, and making allowance for new entrants. The most recent valuation was carried out as at 6 April 1996. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries, which were 9.5% per annum and 8.0% per annum respectively. In calculating the discounted income value of assets, equity dividends were assumed to increase in the future at 4.5% per annum. At the valuation date, the market value of the scheme's assets was approximately £10.8m and the actuarial value of assets was sufficient to cover 106% of the liabilities for pensioners, deferred pensioners and in-service members as valued on the funding method employed. The contributions of the group and employees were increased to 16.5% and 5.5% of earnings respectively, following the loss of tax credits on investment income.

The pension cost charge for the year relating to UK schemes of £2,422,921 (1998: £2,067,459) included contributions to the defined contribution scheme of £959,290 (1998: £933,466).

Defined Contribution Schemes

The group also operates two defined contribution pension schemes for the benefit of certain senior directors. The assets of the schemes are administered by trustees in funds independent from those of the group.

30 LEASING COMMITMENTS

Operating lease payments amounting to £4,546,504 (1998: £3,319,268) are due within one year. The leases to which these amounts relate expire as follows:

	1999		1998	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	578,172	183,065	457,544	39,675
Between one and five years	1,245,156	911,807	1,652,784	514,655
In five years or more	1,628,304	-	654,610	-
	<u>£3,451,632</u>	<u>£1,094,872</u>	<u>£2,764,938</u>	<u>£554,330</u>

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

31 TRANSACTIONS WITH RELATED PARTIES

a Transactions with directors

Mr W M Griggs has loaned Ferrersmere Estates Limited £202,100 (1998: £202,100). During the year loan interest of £17,880 (1998: £18,162) was paid and all of the loan is outstanding at the year end (1998: £202,100).

b Transactions with other related parties

- (i) During the year both R Griggs & Co Limited and Airwair Limited traded under normal commercial terms with John Griggs Limited, a company in which Mr W M Griggs is a director.

Transactions between R Griggs & Co Limited and John Griggs Limited were as follows:

	1999 £	1998 £
Sales	£178,443	£613,434
Plant and machinery sales	£905	£131,111
Wages recharge to John Griggs Limited	£100,712	£1,453
Purchases	£597,010	£22,210
Balances owed from John Griggs Limited	£80,828	£326,370

Transactions between Airwair Limited and John Griggs Limited were as follows:

Sales	£ -	£532
Purchases	£108,468	£ -
Balance owed to John Griggs Limited	£13,524	£ -
Balance owed from John Griggs Limited	£ -	£532

- (ii) During the year Dr Martens Dept. Store Limited, Dr Martens Sports and Leisure Limited, Airwair Limited and Airwair UK Limited traded with Rushden and Diamonds Football Club Limited, a company limited by guarantee of which Messrs W M Griggs, S W Griggs and M G Darnell are directors.

Dr Martens Dept. Store Limited made sales of £87,440 (1998: £25,190) to Rushden and Diamonds Football Club Limited.

Airwair Limited made sales of £259,887 (1998: £444,527) to Rushden and Diamonds Football Club Limited during the year. At 31 March 1999 £12,611 (1998: £321,274) was owed by the Club to Airwair Limited.

Airwair UK Limited made sales of £353,324 (1998: £nil) to Rushden and Diamonds Football Club Limited during the year. At 31 March 1999 £52,017 (1998: £nil) was owed by the Club to Airwair UK Limited.

R GRIGGS GROUP LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1999

31 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Transactions between Dr Martens Sports and Leisure Limited and Rushden and Diamonds Football Club Limited were as follows:

	1999 £	1998 £
Sales	£194,145	£369,790
Wages and salaries and overheads	£224,125	£218,368
Balances owed from Rushden and Diamonds Football Club Limited	£187,385	£77,196

Recharges of training, consultancy and overhead expenses amounting to £16,595 (1998: £nil) were made by Rushden and Diamonds Football Club Limited to Dr Martens Sports and Leisure Limited.

During the year R Griggs Group Limited received rental income of £30,000 (1998: £30,000) and made a donation of £2,000,000 (1998: £1,301,000) to Rushden and Diamonds Football Club Limited.

- (iii) Dr Martens Dept. Store Limited leases property from The W M Griggs 1989 Settlement Trust, of which Mr S W Griggs and Mrs B Y Griggs are trustees, at a cost of £408,000 per annum, with the lease term remaining being twenty two years.

All of the above transactions were at arms length.

R GRIGGS GROUP LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of R Griggs Group Limited will be held at Cobbs Lane, Wollaston, Wellingborough on 29 October 1999 at 11.15 am for the following purposes:

- 1 To receive the Report of the Directors together with the Financial Statements for the year ended 31 March 1999 and the Report of the Auditors thereon.
- 2 To re-appoint Grant Thornton as Auditors and to authorise the Directors to fix their remuneration.
- 3 To transact any other ordinary business.

Every member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote on their behalf. A proxy need not be a member of the company.

BY ORDER OF THE BOARD

.....
H M Johnstone
Company Secretary