

AIRWAIR (1994) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 1997
Company number: 2874123



AIRWAIR (1994) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 1997

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AIRWAIR (1994) LIMITED

REPORT OF THE DIRECTORS

The Directors present their report together with financial statements for the year ended 31 March 1997.

Principal activity

The company principally operates as an intermediate investment holding company.

Business review

There was a profit for the year after taxation amounting to £1,529,153 (1996: loss £596,539). The directors do not recommend payment of a dividend and the profit has been retained.

During the year the company exercised its option to purchase the remaining 40% of one of its subsidiary undertakings, Airwair USA Limited, as referred to in note 7 to the financial statements.

The company also purchased 100% of the share capital of Classic Comfort Schuh GmbH, which has subsequently changed its name to Dr Martens Airwair GmbH, as referred to in note 13 to the financial statements.

Directors

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

The interests of the directors, who are all directors of the parent undertaking, are disclosed in that company's financial statements.

Mr S W Griggs (Chairman)
Mr R C Shelton
Mr M G Darnell

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

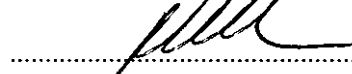
AIRWAIR (1994) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Auditors

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

ON BEHALF OF THE BOARD



R C Shelton
Director

Registered Office:

Cobbs Lane
Wollaston
Wellingborough
Northants
NN29 7SW

2 October 1997

**REPORT OF THE AUDITORS TO THE MEMBERS OF
AIRWAIR (1994) LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 1 the company's 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.

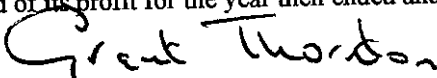
Basis of opinion

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 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 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Northampton

2 October 1997

AIRWAIR (1994) LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 March 1997

BASIS OF PREPARATION

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

The company is exempt from preparing consolidated financial statements on the grounds that it is an intermediate holding company under section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking.

TURNOVER

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

INCOME FROM INVESTMENTS

Investment income comprises dividends declared during the accounting period.

INVESTMENTS

Investments are included at cost, less amounts written off.

FOREIGN CURRENCIES

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.

AIRWAIR (1994) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 1997

	Note	1997 £	1996 £
Turnover	1	34,989	33,272
Other operating income and charges	2	158,415	(25,938)
Operating (loss)/profit		<u>(123,426)</u>	<u>59,210</u>
Income from other fixed asset investments	3	905,512	810,071
Net interest	4	9,303	45,106
Profit on ordinary activities before taxation	1	<u>791,389</u>	<u>914,387</u>
Tax on profit on ordinary activities	6	(737,764)	1,510,926
Profit retained/(transfer from reserves)	11	<u><u>£1,529,153</u></u>	<u><u>£(596,539)</u></u>


There were no recognised gains or losses other than the profit for the financial year.

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

AIRWAIR (1994) LIMITED**BALANCE SHEET AT 31 MARCH 1997**

	Note	£	1997 £	£	1996 £
Fixed assets					
Investments	7		3,249,877		818,341
Current assets					
Debtors	8	2,719,549		923,183	
Creditors: amounts falling due within one year	9	5,030,116		2,331,367	
Net current liabilities			(2,310,567)		(1,408,184)
			<u>£939,310</u>		<u>£(589,843)</u>
Capital and reserves					
Called up share capital	10		1,000		1,000
Profit and loss account	11		938,310		(590,843)
Shareholders' funds	12		<u>£939,310</u>		<u>£(589,843)</u>

The financial statements were approved by the Board of Directors on 2 October 1997


.....
R C Shelton

Director

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

AIRWAIR (1994) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 1997

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before taxation are attributable to the provision of management services.

An analysis of turnover by geographical market is given below:

	1997	1996
Canada	<u>£34,989</u>	<u>£33,272</u>

The profit on ordinary activities is stated after:

	1997	1996
Auditors' remuneration	<u>£(1,200)</u>	<u>£1,200</u>

2 OTHER OPERATING INCOME AND CHARGES

	1997 £	1996 £
Other operating income	-	(27,138)
Other operating charges	158,415	1,200
	<u>£158,415</u>	<u>£(25,938)</u>

3 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	1997	1996
From shares in group undertakings	<u>£905,512</u>	<u>£810,071</u>

4 NET INTEREST

	1997	1996
Interest receivable from group undertakings	<u>£9,303</u>	<u>£45,106</u>

AIRWAIR (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

5 DIRECTORS AND EMPLOYEES

There was no remuneration in respect of directors during the year. All staff costs were borne by the ultimate parent undertaking, R Griggs Group Limited.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	1997 £	1996 £
United Kingdom corporation tax @ 24% (1996: 27%)	2,333	8,725
Tax attributable to foreign subsidiary	(571,453)	469,675
Deferred tax	(142,861)	-
	<u>(711,981)</u>	<u>478,400</u>
Adjustment in respect of prior year:		
Tax attributable to foreign subsidiary	(25,783)	1,032,526
	<u>£(737,764)</u>	<u>£1,510,926</u>

The tax charge has been reduced by the taxation losses of £571,453 in relation to the results of its subsidiary undertaking, Airwair USA Limited, for the year ended 31 March 1997.

Under United States of America tax legislation Airwair (1994) Limited has borne the tax liabilities of Airwair USA Limited.

Timing differences amounting to £142,861 arising on reversing events in the tax computation of Airwair USA Limited have also been credited to the tax charge in the year. These timing differences are recoverable against future trade profits, or tax paid in prior years.

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.

AIRWAIR (1994) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 March 1997

7 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 April 1996	818,341
Additions	2,431,536
At 31 March 1997	<u>£3,249,877</u>

At 31 March 1997 the company held more than 10% of the allotted share capital of the following undertakings:

	Country of incorporation	Class of share capital held	Proportion held	Nature of business
Airwair USA Limited	United States of America	Ordinary	100%	Footwear retail and distribution
Airwair Canada Limited	Canada	Class A common	100%	Footwear retail and distribution
Dr Martens Airwair GmbH	Germany	Ordinary	100%	Footwear retail and distribution

Capital and reserves of subsidiary undertakings:

	Share capital	Reserves	Result for the year
Airwair Canada Limited	<u>£400,981</u>	<u>£(384,552)</u>	<u>£(265,171)</u>
Airwair USA Limited	<u>£662,910</u>	<u>£(516,815)</u>	<u>£(694,747)</u>
Dr Martens Airwair GmbH	<u>£19,180</u>	<u>£77,009</u>	<u>£(63,411)</u>

AIRWAIR (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1997

7 FIXED ASSET INVESTMENTS (CONTINUED)

The company owned 60% of the shareholding in Airwair USA Limited at 1 April 1996. The shareholder agreement under which Airwair USA Limited was incorporated contained an option for Airwair (1994) Limited to purchase or assume all tangible assets, accounts receivable and property leases from Airwair USA Limited. The company expressed its wish to purchase or assume tangible assets, stock and unexpired terms of leases with effect from 1 May 1996. Therefore the subsidiary has been treated as a 100% subsidiary from this date. Airwair (1994) Limited was obligated to pay the minority shareholder 40% of the net profit before tax reported on the twelve months to the date of effective acquisition of the remaining shareholding. A net loss was reported for that period and hence, no provision was made in the accounts of Airwair (1994) Limited for a payment to the minority shareholder.

The minority shareholder has, however, commenced litigation against the company, the outcome of which is not known, and any potential contingent loss cannot be quantified.

The directors are of the opinion that they have followed the shareholder agreement correctly and that no sum is due to the minority shareholder.

The company is an intermediate holding company under section 228 of the Companies Act 1985 and its results and those of its subsidiaries, are incorporated in the consolidated financial statements of R Griggs Group Limited.

8 DEBTORS

	1997 £	1996 £
Amounts owed by group undertakings	1,701,119	923,183
Other debtors	875,569	-
Prepayments and accrued income	142,861	-
	<u>£2,719,549</u>	<u>£923,183</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank overdraft	4,348,655	649,093
Amounts owed to group undertakings	343,620	1,202,674
Corporation tax	2,333	8,725
Social security and other taxes	-	469,675
Other creditors	335,508	-
Accruals and deferred income	-	1,200
	<u>£5,030,116</u>	<u>£2,331,367</u>

10 SHARE CAPITAL

	1997 and 1996
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 each	<u>£1,000</u>

AIRWAIR (1994) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 March 1997

11 RESERVES

	Profit and loss account £
At 1 April 1996	(590,843)
Profit retained	1,529,153
At 31 March 1997	<u>£938,310</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit/(loss) for the financial year and net increase/(decrease) in shareholders' funds	1,529,153	(596,539)
Shareholders' funds at 1 April 1996	(589,843)	6,696
Shareholders' funds at 31 March 1997	<u>£939,310</u>	<u>£(589,843)</u>

13 ACQUISITIONS

On 1 January 1997, the company acquired 50,000 of the ordinary shares of DM1 in Classic Comfort Schuh GmbH, which has subsequently changed its name to Dr Martens Airwair GmbH, being 100% of its nominal share capital for a consideration of £2,431,536 in cash. Goodwill arising on the acquisition of Dr Martens Airwair GmbH has been written off to reserves. The purchase of Dr Martens Airwair GmbH has been accounted for by the acquisition method of accounting.

The profit after taxation for the year ended 31 December 1996 was £141,610.

AIRWAIR (1994) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 March 1997

13 ACQUISITIONS (CONTINUED)

The assets and liabilities of Dr Martens Airwair GmbH acquired were as follows:

	Fair value £
Tangible fixed assets	169,482
Current assets	
Stock	1,181,025
Debtors	1,168,479
Cash at bank and in hand	606,978
	<u>2,956,482</u>
Creditors	
Trade creditors	664,053
Other creditors	2,295,068
	<u>2,959,121</u>
Net assets	<u>166,843</u>
Purchased goodwill written off to reserves	2,264,693
Total consideration	<u><u>£2,431,536</u></u>

The subsidiary undertaking acquired during the year made the following contributions to, and utilisations of, group cash flow:

	1997 £
Net cash outflow from operating activities	(1,282,659)
Taxation	(249,973)
Financing	(399)
	<u><u>£(1,533,031)</u></u>

Analysis of the net outflow of cash in respect of the purchase of the subsidiary undertaking:

	1997 £
Cash at bank and in hand acquired	606,978
Cash consideration	(2,431,536)
	<u><u>£(1,824,558)</u></u>

AIRWAIR (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 1997

14 CAPITAL COMMITMENTS

The company had no commitments at 31 March 1997 or 31 March 1996.

15 CONTINGENT LIABILITIES

The company, together with other group undertakings, is party to unlimited multilateral guarantees given in respect of the bank overdrafts of the participating companies. As at 31 March 1997 the total amount of overdrafts and loans guaranteed by the company under this agreement amounted to £10,271,940 (1996: £29,531,411).

16 CONTROLLING RELATED PARTY

The ultimate parent undertaking and controlling related party of this company is R Griggs Group Limited, which is registered in England and Wales.

The largest group of undertakings for which group accounts have been drawn up is that headed by R Griggs Group Limited.

17 RELATED PARTY TRANSACTIONS

Transactions with group undertakings

The company has taken advantage of exemptions conferred to it as a subsidiary undertaking by Financial Reporting Standard Number 8 - Related Party Transactions. The company is therefore not required to disclose transactions with fellow group undertakings.