



AIRWAIR (1994) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2002

AIRWAIR (1994) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2002

Company registration number: 2874123

Registered office: Nene Park
Station Road
Irthlingborough
Northants
NN9 5QG

Directors: Mr S W Griggs (Chairman)
Mr C Morton

Secretary: Mr W N G Johnson

Bankers: HSBC Bank plc

Auditors: Grant Thornton
Registered auditors
Chartered accountants

AIRWAIR (1994) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2002

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AIRWAIR (1994) LIMITED

REPORT OF THE DIRECTORS

For the year ended 31 March 2002

The directors present their report together with financial statements for the year ended 31 March 2002.

Principal activity

The company principally operates as an intermediate investment holding company.

Business review

There was a loss for the year after taxation amounting to £485,755 (2001: £610,085). The directors cannot recommend payment of a dividend.

The tax disclosed in note 5 to the financial statements is attributable to the foreign subsidiary, which is a single member LLC in the USA, for the sum of £562 (2001: £nil) represents United States of America tax due in respect of Airwair USA Limited for the year. This is in compliance with United States of America legislation whereby tax is payable by the holding company.

Directors

The present membership of the Board is set out below. All directors served throughout the year apart from Mr C Morton who was appointed to the Board on 4 April 2002.

Mr S W Griggs (Chairman)
Mr C Morton

Mr F M Duffy and Mr J H Duff resigned from the Board on 4 April 2002.

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

No director had, during or at the end of the year, a material interest in any contract which was significant in relation to the company's business except as disclosed in note 14 to the financial statements.

Directors' responsibilities for the financial statements

United Kingdom 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

For the year ended 31 March 2002

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

19 July 2002

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

We have audited the financial statements of Airwair (1994) Limited for the year ended 31 March 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

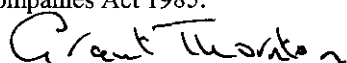
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Northampton

23 July 2002

AIRWAIR (1994) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The financial statements have been prepared on a going concern basis. This may not be appropriate as the company is reliant on the continued financial support of other group companies and the bank.

At 31 March 2002 the company owed the bank £12,810,399. Other group companies have provided a cross guarantee for the company's bank borrowings and are willing to continue their financial support of the company. The directors therefore consider that future liabilities will be met as they fall due and consider it appropriate to prepare the financial statements on a going concern basis.

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.

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.

INCOME FROM INVESTMENTS

Investment income comprises dividends declared during the accounting period on unlisted investments.

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

For the year ended 31 March 2002

	Note	2002 £	2001 £
Other operating income and charges	2	<u>7,045</u>	<u>-</u>
Operating profit		7,045	-
Income from other fixed asset investments	3	-	264,240
Amounts written off investments	6	<u>477,311</u>	<u>875,406</u>
Loss on ordinary activities before taxation	1	(470,266)	(611,166)
Tax on loss on ordinary activities	5	15,489	(1,081)
Loss for the financial year	10	<u>(485,755)</u>	<u>(610,085)</u>

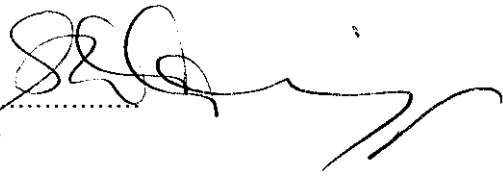
There were no recognised gains or losses other than the loss for the financial year.

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

AIRWAIR (1994) LIMITED**BALANCE SHEET AT 31 MARCH 2002**

	Note	£	2002 £	£	2001 £
Fixed assets					
Investments	6		589,565		1,066,876
Current assets					
Debtors	7	116,805		381,044	
Creditors: amounts falling due within one year	8	<u>(12,928,147)</u>		<u>(13,183,942)</u>	
Net current liabilities			(12,811,342)		(12,802,898)
Total assets less current liabilities			<u>(12,221,777)</u>		<u>(11,736,022)</u>
Capital and reserves					
Called up share capital	9		1,000		1,000
Profit and loss account	10		(12,222,777)		(11,737,022)
Shareholders' funds	11		<u>(12,221,777)</u>		<u>(11,736,022)</u>

The financial statements were approved by the Board of Directors on 19 July 2002


S W Griggs
Chairman

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 2002

1 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is attributable to the activities of an investment holding company.

2 OTHER OPERATING INCOME AND CHARGES

	2002 £	2001 £
Other operating income and charges - exchange differences	<u>7,045</u>	<u>-</u>

3 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	2002 £	2001 £
From investments in other companies	<u>-</u>	<u>264,240</u>

4 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.

The average number of employees of the company (including directors) during the year was 3 (2001: 3).

5 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge/(credit) represents:

	2002 £	2001 £
Group relief	1,421	-
Tax attributable to foreign subsidiary	<u>562</u>	<u>-</u>
	1,983	-
Adjustment in respect of prior year:		
Corporation tax	(58)	(2,120)
Group relief	-	1,039
Tax attributable to foreign subsidiary	<u>13,564</u>	<u>-</u>
Tax on loss on ordinary activities	<u>15,489</u>	<u>(1,081)</u>

The tax disclosed as attributable to the foreign subsidiary, which is a single member LLC in the USA, represents United States of America tax paid in respect of Airwair USA Limited for the year. This is in compliance with United States of America legislation whereby tax is payable by the holding company.

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**

For the year ended 31 March 2002

5 TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)**Factors affecting the tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	<u>(470,266)</u>	<u>(611,166)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(141,080)	(183,350)
Effects of:		
Tax rate adjustment	(710)	-
Expenses not deductible for tax purposes	143,211	262,622
Tax attributable to foreign subsidiary	562	-
Adjustment for double taxation relief on dividend received	-	(79,272)
Adjustment for prior years	13,506	(1,081)
Current tax charge for the year	<u>15,489</u>	<u>(1,081)</u>

6 FIXED ASSET INVESTMENTS

	Investments other than loans £	Shares in group undertakings £	Total £
Cost			
At 1 April 2001 and at 31 March 2002	<u>339</u>	<u>12,233,807</u>	<u>12,234,146</u>
Amounts written off			
At 1 April 2001	-	11,167,270	11,167,270
Provided in the year	-	477,311	477,311
At 31 March 2002	<u>-</u>	<u>11,644,581</u>	<u>11,644,581</u>
Net book amount at 31 March 2002	<u>339</u>	<u>589,226</u>	<u>589,565</u>
Net book amount at 31 March 2001	<u>339</u>	<u>1,066,537</u>	<u>1,066,876</u>

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

For the year ended 31 March 2002

6 FIXED ASSET INVESTMENTS (CONTINUED)

At 31 March 2002 the company held more than 20% 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 distribution
Airwair Canada Limited	Canada	Class A common	100%	Footwear distribution
Dr Martens Airwair GmbH	Germany	Ordinary	100%	Footwear distribution
Dr Martens Airwair France S.A.	France	Ordinary	100%	Footwear distribution
Dr Martens Airwair Benelux N.V.	Belgium	Bearer capital	100%	Footwear distribution
Dr Martens Airwair Korea Limited	Korea	Ordinary	100%	Footwear retail and distribution
Dr Martens Airwair Japan KK	Japan	Ordinary	100%	Footwear distribution
Dr Martens Airwair International Trading (Shanghai) Co Limited	China	Ordinary	100%	Dormant company
Dr Martens Airwair Singapore PTE Limited	Singapore	Ordinary	100%	Footwear distribution
Dr Martens Airwair Hong Kong Limited	Hong Kong	Ordinary	100%	Footwear distribution

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

For the year ended 31 March 2002

6 FIXED ASSET INVESTMENTS (CONTINUED)

The capital and reserves and result for the year of subsidiary undertakings at 31 March 2002 were as follows:

	Aggregate of capital and reserves		Profit/(loss) for financial year	
	2002	2001	2002	2001
	£	£	£	£
Airwair USA Limited	-	-	-	-
Airwair Canada Limited	(14,822)	(117,873)	102,546	(561)
Dr Martens Airwair GmbH	(2,055,960)	(1,791,785)	(284,199)	(904,583)
Dr Martens Airwair France S.A.	(377,213)	(304,980)	(76,916)	(416,924)
Dr Martens Airwair Benelux N.V.	(1,281,147)	(1,109,263)	(188,700)	(777,051)
Dr Martens Airwair Korea Limited	1,133,476	616,637	522,536	178,164
Dr Martens Airwair Japan KK	333,354	683,080	(311,474)	16,067
Dr Martens Airwair International Trading (Shanghai) Co Limited	-	-	-	-
Dr Martens Airwair Singapore PTE Limited	110,030	138,713	(25,831)	21,718
Dr Martens Airwair Hong Kong Limited	(131,216)	321,356	(449,349)	(103,700)

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.

7 DEBTORS

	2002	2001
	£	£
Amounts owed by group undertakings	115,766	380,005
Other debtors	1,039	1,039
	<u>116,805</u>	<u>381,044</u>

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

For the year ended 31 March 2002

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	12,810,399	13,067,138
Amounts owed to group undertakings	117,748	116,804
	<u>12,928,147</u>	<u>13,183,942</u>

The bank overdraft is secured by an unlimited cross guarantee given by R Griggs Group Limited.

9 SHARE CAPITAL

	2002 and 2001 £
Authorised, allotted, called up and fully paid 1,000 ordinary shares of £1 each	<u>1,000</u>

10 RESERVES

	Profit and loss account £
At 1 April 2001	(11,737,022)
Loss for the year	(485,755)
At 31 March 2002	<u>(12,222,777)</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Loss for the financial year and net decrease in shareholders' funds	(485,755)	(610,085)
Shareholders' funds at 1 April 2001	(11,736,022)	(11,125,937)
Shareholders' funds at 31 March 2002	<u>(12,221,777)</u>	<u>(11,736,022)</u>

AIRWAIR (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

12 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2002 or 31 March 2001.

13 CONTINGENT LIABILITIES

The company, together with other group undertakings, is party to unlimited multilateral guarantees given in respect of the bank borrowings of the participating companies. As at 31 March 2002 the total of the overdrafts and loans guaranteed by the company under this agreement amounted to £15,704,802 (2001: £8,684,583).

14 TRANSACTIONS WITH RELATED PARTIES

Transactions with group undertakings

As a wholly owned subsidiary of R Griggs Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by R Griggs Group Limited.

15 CONTROLLING RELATED PARTY

Airwair Limited is the company's controlling related party by virtue of 100% ownership of the company's ordinary share capital.

The ultimate controlling related party of this company is R Griggs Group Limited as a result of ownership of 100% of the ordinary share capital of Airwair Limited.

The largest group of undertakings for which group accounts have been drawn up is that headed by R Griggs Group Limited. Copies of the group accounts can be obtained from Nene Park, Station Road, Irthlingborough, Northants, NN9 5QG.