

Bertie Shoes Limited

Directors' Report and Accounts

Period ended 26 January 2008

Company Registration No. 3153784 (England and Wales)

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Bertie Shoes Limited

Company information

For the period ended 26 January 2008

Directors	Derek Lovelock Richard Glanville Margaret Lustman Michael Shearwood
Secretary	Jessica Wilks
Company number	3153784
Registered office	The Triangle Stanton Harcourt Industrial Estate Stanton Harcourt Witney Oxfordshire OX29 5UT
Auditor	KPMG Audit Plc 8 Salisbury Square London
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Heatons Titmuss Sainer Dechert

Bertie Shoes Limited

Directors' Report

For the period ended 26 January 2008

The directors present their annual report and the audited financial statements for the 52 week period to 26 January 2008. The comparative period is for the 52 weeks ended 27 January 2007.

Principal activities and business review

The company has ceased trading and is expected to become a dormant company.

Results and dividends

The Company's results are set out on page 8.

Directors

The Directors of the Company during the period were :

Derek Lovelock
Richard Glanville
Margaret Lustman
Michael Shearwood (appointed 23 October 2007)

Disclosure of information to auditors

The directors who held office at the date of approval of this report of the board confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Jessica Wilks

13 February 2009

Secretary

Bertie Shoes Limited

Statement of Directors' Responsibilities

For the period ended 26 January 2008

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Bertie Shoes Limited

We have audited the financial statements of Bertie Shoes Limited for the period ended 26 January 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Bertie Shoes Limited

(continued)

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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 26 January 2008 and of its result for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is dependent for its working capital on access from other Group companies to funds within facilities available to the Group, of which the Company forms a part. Note 1 includes discussion of the following material uncertainties:

- the achievability of the cash flow projections for the Group and the key assumptions therein;
- the availability to the Group of additional working capital funding from the Group's Bank before 28 March 2009; and
- the ability to restructure the Group's borrowings, or obtain further covenant waivers and rescheduled payment terms on existing loans, before 31 May 2009.

These issues, along with other matters set out in note 1, indicate the existence of material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

Date: 13 February 2009

Bertie Shoes Limited

Profit and loss account

For the period ended 26 January 2008

		For the period ended 26 January 2008	For the period ended 27 January 2007
	Note	£ m	£ m
Interest receivable		-	-
Profit on ordinary activities before taxation		-	-
Tax on profit on ordinary activities	4	-	-
Profit for the financial period		-	-

The profit and loss account has been prepared on the basis that all operations will be discontinued.

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

Bertie Shoes Limited

Balance sheet

as at 26 January 2008

		2008	2007
	Note	£m	£m
Current assets			
Debtors	5	<u>0.3</u>	<u>0.3</u>
Capital and reserves			
Called up share capital	6	1.9	1.9
Profit and loss account	7	<u>-1.6</u>	<u>-1.6</u>
Shareholders' funds - equity interests	8	<u>0.3</u>	<u>0.3</u>

These financial statements were approved by the board of directors on 13 February 2009 and signed on its behalf by:



Richard Glanville
Finance Director

Bertie Shoes Limited

Notes forming part of the financial statements

For the period ended 26 January 2008

1. Accounting policies

1.1 Basis of preparation - Going Concern

The Company is part of the Mosaic Fashions hf. group of companies (the "Group"). The Group meets its day to day working capital requirements and medium term funding requirements through banking facilities with Kaupthing Bank hf. ("Kaupthing" or the "Bank") which are repayable in stages over the period to 2015 and subject to certain quarterly financial and other covenant requirements. The treasury management function is undertaken on a Group basis rather than at an individual subsidiary level. The Company is dependent for its working capital on access from other Group companies to funds forming part of those facilities. Further, the Company has granted fixed and floating charges over all of the Company's assets and undertakings, under a debenture granted to secure the banking facilities.

On 09 October 2008, Kaupthing (which is also a shareholder of Mosaic Fashions hf) was nationalised by the Icelandic government by virtue of the Icelandic Financial Supervisory Authority assuming control of it. On 27 October 2008 the Group drew down a further £9 million on its revolving credit facility. On 05 November 2008 Kaupthing waived its rights relating to events of default arising at 31 October 2008 which arose on the breach of certain of the financial covenants. It also consented to certain interest payments, due to be made by the Group in cash in the period to 31 January 2009, being satisfied by the issue of PIK notes. In addition, the Bank agreed that an amount equal to a repayment of principal which was due to be made in cash on 31 January 2009 be capitalised and added to the outstanding principal amount. This is now repayable in full on the termination date applicable to that loan facility. Consequently, no further cash payments of principal or interest become payable to the Bank by the Group until 31 July 2009, subject to the paragraph below. The waivers and consents given were provided on the basis that the Group waived its right to make any further drawdown on its revolving credit facility.

On 29 January 2009, following the anticipation of breaches of certain financial covenants at 31 January 2009 and 30 April 2009, the Bank agreed to a further waiver of its rights in respect of the events of default arising on these breaches for the period up to 31 May 2009 or, if sooner, up to the occurrence of other defaults under the facilities. The directors of the Group have confirmed to the Company that they are not currently aware of any such other defaults which are unremedied or unwaived. The Bank has also confirmed to the directors of the Group its intention to work with the Group to restructure the debt before the expiry of this waiver, in order to enable the Group to continue to trade as a going concern. The restructuring may include the potential disposal of assets within the Group. On 15 January 2009, the directors of the Group announced that they had commenced a process to realise the value of Shoe Studio, which is part of the Group, by way of a sale of the business. This process is currently ongoing.

The Group has prepared projected cash flow information for the period ending 12 months from the approval of these financial statements (the "Projections"). The Projections are based on certain assumptions. The directors of the Group and the Company recognise in the current economic environment, risks exist regarding the achievability of the Group's forecast sales and margins and the timing of cash flows. The cash flows would also be impacted by further weakening of sterling against the dollar (as the Group's currency swap contracts with Kaupthing Singer & Friedlander Limited have been closed-out following the administration of this bank), and by changes to supplier payment terms. The directors of the Group have tested the impact of variations from these projections by assessing the adequacy of the Group's funds under a combination of different scenarios constructed to reflect downside risks to the assumptions contained within the Projections.

These Projections show that in order for the Group to meet its liabilities as they fall due, it will require additional working capital funding by 28 March 2009, and either a successful outcome to the debt restructure, referred to above, or further covenant waivers and rescheduled repayment terms to the current loans, before 31 May 2009.

Kaupthing have indicated that they are considering making available an additional working capital facility. The directors of the Group have informed the Company that discussions with the Bank about the additional working capital facility are ongoing and that, subject to the points highlighted above, they expect to have obtained the additional facility before 28 March 2009 and to have restructured facilities in place before the end of the waiver period, 31 May 2009.

The restructuring of facilities is dependent on a number of factors including the actions of the Bank, the agreements of terms suitable to all parties, the Group's financial performance, financial position, the economic environment, the level of borrowings the Group will require and conditions in the credit market, at the time of any restructuring. No binding commitment has been entered into on the part of the Bank to complete a consensual restructuring of the debt, but rather the waivers referred to above envisage ongoing discussions in relation to such a restructuring.

Bertie Shoes Limited

Notes forming part of the financial statements

For the period ended 26 January 2008

1.1 Basis of preparation - going concern (continued)

The directors of the Company have concluded that the above factors represent material uncertainties that could cast significant doubt on the ability of the Company to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, having discussed the basis of preparation and the assumptions underlying the Group's cash flow projections (of which the company forms a part), together with assessing the position of the Group's current lenders, and assuming additional working capital and restructured facilities or further waivers are put in place within the required timescales, the directors of the Company expect that the Company will be able to meet its liabilities as they fall due for the foreseeable future. It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the cashflows of the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Mosaic Fashions hf., the Company has taken advantage of the exemption contained in FRS 8 Related Party Transactions and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Mosaic Fashions hf., within which this Company is included, can be obtained from Mosaic Fashions Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire OX29 5UT.

1.3 Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

2. Operating Profit

The remuneration payable in relation of audit services of £1,000 is borne by, and included in the aggregate fees of the financial statements of Mosaic Fashions Limited, a fellow group subsidiary. In the comparative period, the remuneration payable in relation of audit services of £2,500 was borne by, and included in the aggregate fees of the financial statements of Oasis Stores Limited, a fellow group subsidiary.

3. Staff numbers and costs

The directors are the only employees of the company. The directors are remunerated by Mosaic Fashions Limited in respect of their services to the Mosaic Fashions Group as a whole and their emoluments are dealt with in the accounts of Mosaic Fashions Limited. They receive no emoluments from the Company. In the comparative period, the directors were remunerated by Oasis Stores Limited in respect of their services to the Mosaic Fashions Group as a whole and their emoluments were dealt with in the accounts of Oasis Stores Limited. They received no emoluments from the Company.

Bertie Shoes Limited

Notes forming part of the financial statements

For the period ended 26 January 2008

4. Taxation	2008	2007
	£m	£m
UK corporation tax	-	-
5. Debtors	2008	2007
	£m	£m
Amounts owed by group undertakings	0.3	0.3
6. Share capital	Company	Company
	2008	2007
	£m	£m
Authorised:		
10,000,000 ordinary shares of £1 each	10.0	10.0
Allotted, called up and fully paid:		
1,850,000 ordinary shares of £1 each	1.9	1.9
7. Reserves		Profit and Loss Account £m
At 28 January 2007		-1.6
Profit for the financial period		-
At 26 January 2008		-1.6
8. Reconciliation of movements in shareholders' funds	2008	2007
	£m	£m
Profit for the financial period	-	-
Net increase in shareholders' funds	-	-
Opening shareholders' funds	0.3	0.3
Closing shareholders' funds	0.3	0.3

9. Guarantees and other commitments

A composite debenture exists between the Company and certain trading subsidiaries of Mosaic Fashions hf. in favour of Kaupthing Bank hf. dated 28 December 2007 in the form of fixed and floating charges over the undertakings and all property and assets. See note 1.1.

10. Ultimate parent company and parent undertaking of larger group

The largest and smallest Group in which the results of the Company are consolidated is that headed by Mosaic Fashions hf., incorporated in Iceland. The consolidated accounts of Mosaic Fashions hf. are available to the public and may be obtained from Mosaic Fashions Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire OX29 5UT.