

Terra Plana International Limited
Directors' Report and Financial Statements
for the year ended 31st December 1999

prepared by:

Green, Hallett & Co
Chartered Accountants
Registered Auditor
16 Brook Street
Daventry
Northants
NN11 5HN



TERRA PLANA INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors:

L P Clark
C A M Bergmans
L J M Van Der Mijn

Secretary:

E D Pereira

Company Number:

3474829 (England & Wales)

Registered Office:

Abington House
12 Abington Grove
Northampton
NN1 4QX

Auditors:

Green, Hallett & Co.
Chartered Accountants
& Registered Auditor
16 Brook Street
Daventry
Northants
NN11 5HN

TERRA PLANA INTERNATIONAL LIMITED

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TERRA PLANA INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 1999

The directors present their report and the financial statements for the year ended 31st December 1999.

Small Company Exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Statement of directors responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The company's principal activity is that of marketing shoes worldwide.

Directors

The directors who served during the year and their beneficial interests in the company's issued ordinary share capital were:

	<u>Number of shares</u>	
	<u>1999</u>	<u>1998</u>
Mr L P Clark	60000	40000

Auditors

The auditors, Messrs. Green, Hallett & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report, which has been prepared taking advantage of special exemptions applicable to small companies, was approved by the board on 20th October 2000 and signed on their behalf.

E. D. Pereira

E D Pereira - Secretary

TERRA PLANA INTERNATIONAL LIMITED
AUDITORS' REPORT TO THE SHAREHOLDERS OF
TERRA PLANA INTERNATIONAL LIMITED

We have audited the financial statements on pages 3 to 7 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999), under the historical cost convention and the accounting policies set out on page 5.

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. However, the evidence available to us was limited because we were unable to carry out auditing procedures necessary to obtain adequate assurance regarding the quantities and condition of stock appearing in the balance sheet at £202123, and £250642 of the company's recorded turnover was from the United States of America, over which there was no system of control on which we could rely for the purpose of our audit to confirm that the turnover was properly recorded.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the accounts give a true or fair view of the state of the company's affairs as at 31st December 1999 and of its loss for the year then ended. In all other respects, in our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985.

In respect alone of the limitation on our work relating to stock and turnover, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit, and we are unable to determine whether proper accounting records had been maintained.

..... *Green Hallett & Co*
 Green Hallett & Co
 Chartered Accountants &
 Registered Auditor

Date *24th Oct 2000*

16 Brook Street
 Daventry
 Northants
 NN11 5HN

TERRA PLANA INTERNATIONAL LIMITED**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999**

	<u>Notes</u>		<u>1998 Comparatives</u>
<u>Turnover</u> from continuing operations	1,2	328978	158344
Cost of sales		(206184)	(88209)
<u>Gross profit</u>		122794	70135
Selling and distribution costs		(119155)	(56074)
Administrative expenses		(163230)	(92096)
<u>Operating profit/(loss)</u> from continuing operations	3	(159591)	(78035)
Interest receivable		118	655
Interest payable	4	(8648)	(2455)
<u>Profit/(loss) on ordinary activities</u> <u>before taxation</u>		(168121)	(79835)
<u>Taxation</u>	5	-	-
<u>Retained profit/(loss) for the year</u>		(168121)	(79835)
<u>Retained profit/(loss) brought forward</u>		(79835)	-
<u>Retained profit/(loss) carried forward</u>		(247956)	(79835)

There were no recognised gains or losses for 1999 or 1998 other than those included in the profit and loss account.

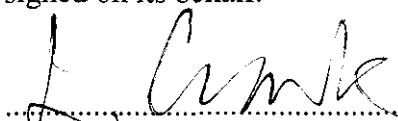
The notes on pages 3 to 7 form part of these financial statements.

TERRA PLANA INTERNATIONAL LIMITED**BALANCE SHEET AS AT 31ST DECEMBER 1999**

	<u>Notes</u>		<u>1998 Comparatives</u>
<u>Fixed assets</u>			
Intangible assets	6	44757	44757
<u>Current assets</u>			
Stock	7	202123	108616
Debtors	8	170881	109644
Cash at bank and in hand		17814	28748
		<u>390818</u>	<u>247008</u>
<u>Creditors : amounts falling due within one year</u>	9	<u>(563531)</u>	<u>(291600)</u>
<u>Net current assets/liabilities</u>		<u>(172713)</u>	<u>(44592)</u>
<u>Net assets</u>		<u>£ (127956)</u>	<u>£ 165</u>
<u>Capital and reserves</u>			
Called up share capital	10	120000	80000
Profit and loss account		<u>(247956)</u>	<u>(79835)</u>
<u>Shareholders' funds - attributable to equity interests</u>	11	<u>£ (127956)</u>	<u>£ 165</u>

The Directors have taken advantage, in the preparation of these financial statements, of special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 1999).

The financial statements were approved by the board on 20th October 2000 and signed on its behalf.



 Mr L P Clark - Director

The notes on pages 3 to 7 form part of these financial statements.

TERRA PLANA INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST DECEMBER 1999

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention. The accounts have been prepared on a going concern basis which is dependent upon the continued support of the company's directors.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

1.3 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.4 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.5 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. Turnover

In the year to 31st December 1999 the company's turnover was to the following geographical markets:-

	<u>1999</u>	<u>1998</u>
UK	17.8%	22.1%
EC	6.0%	9.0%
Non-EC	76.2%	68.9%
	<u> </u>	<u> </u>

3. Operating profit

The operating profit is stated after charging:

	<u>1999</u>	<u>1998</u>
Auditors remuneration	357	-
Directors emoluments	-	-
	<u> </u>	<u> </u>

TERRA PLANA INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST DECEMBER 1999

4. Interest payable

	<u>1999</u>	<u>1998</u>
On bank overdraft	2040	109
On other loans	6608	2346
	<u>8648</u>	<u>2455</u>

5. Taxation

	<u>1999</u>	<u>1998</u>
UK current year taxation		
UK corporation tax at current rates	-	-
	<u>-</u>	<u>-</u>

6. Intangible fixed assets

	<u>Goodwill</u>	<u>Other Intangible Assets</u>	<u>Total</u>
<u>Cost</u>			
At 31 December 1998 and as at 31 December 1999	18768	25989	44757
	<u>18768</u>	<u>25989</u>	<u>44757</u>
<u>Net book value</u>			
At 31 December 1998 and as at 31 December 1999	18768	25989	44757
	<u>18768</u>	<u>25989</u>	<u>44757</u>

7. Stock

	<u>1999</u>	<u>1998</u>
Finished goods and goods for re-sale	202123	108616
	<u>202123</u>	<u>108616</u>

8. Debtors

	<u>1999</u>	<u>1998</u>
Trade debtors	155178	96425
Other debtors	15703	13219
	<u>170881</u>	<u>109644</u>

TERRA PLANA INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST DECEMBER 1999

**9. Creditors : amounts falling due within
one year**

	<u>1999</u>	<u>1998</u>
Bank loans and overdraft	81213	1637
Trade creditors	240744	144039
Other creditors	239615	145010
Accruals	1959	914
	<u>563531</u>	<u>291600</u>

10. Called up share capital

	<u>1999</u>	<u>1998</u>
<u>Authorised:</u>		
Ordinary shares of £1 each	<u>180000</u>	<u>80000</u>
<u>Issued:</u>		
Ordinary shares of £1 each	<u>120000</u>	<u>80000</u>

During the year 40,000 ordinary shares of £1 each were issued at par.

11. Reconciliation of movement on shareholders' funds

	<u>1999</u>	<u>1998</u>
Profit/(loss) for the year	(168121)	(79835)
Add : Issue of shares	40000	80000
	<u>(128121)</u>	<u>165</u>
Net addition/(reduction) to shareholders funds	(128121)	165
Opening shareholders' funds	165	-
	<u>(127956)</u>	<u>165</u>
<u>Closing shareholders' funds</u>	<u>(127956)</u>	<u>165</u>

12. Contingent liabilities

The company had no contingent liabilities during the year ended 31st December 1999.

13. Capital commitments

At the year end the company had no capital commitments contracted for but not provided for in these financial statements.

TERRA PLANA INTERNATIONAL LIMITED**TRADING & PROFIT & LOSS ACCOUNT - YEAR ENDED 31ST DECEMBER 1999**

		<u>1998 Comparatives</u>	
<u>Turnover</u>			
Sales – U.K.		58548	35046
Sales – EC		19788	14221
Sales – Non EC		<u>250642</u>	<u>109077</u>
		328978	158344
<u>Cost of sales</u>			
Opening stock	101716		-
Purchases	306591		189925
Closing stocks	<u>(202123)</u>	<u>(206184)</u>	<u>(101716)</u>
		122794	70135
<u>Interest receivable</u>			
Bank interest received		<u>118</u>	<u>655</u>
		122912	70790
<u>Selling and distribution expenses:</u>			
Advertising and promotion	14716		24097
Shop display	1303		6274
Samples	(1733)		7675
Carriage	56390		18028
Stock adjustments	<u>48479</u>	<u>(119155)</u>	<u>(56074)</u>
		3757	14716
<u>Administrative expenses:</u>			
Staff salaries	14278		4504
Commissions payable	49812		18171
Overseas travel	9509		-
Overseas entertainment	1972		-
Entertainment	1113		793
Hotels and travel	5080		11489
Printing and stationery	1359		882
Postage	135		84
Telephone and fax	5323		561
Computer costs	-		630
General office expenses	31		-
Trade Fairs	11373		8868
Trade subscriptions	364		-
Legal and professional	9224		4258
VAT written off	2079		-
Bank charges	874		157
Management fees – U.K.	11777		14379
Management fees – U.S.A.	11841		1639
Warehousing – U.S.A.	2025		1080
Moulds and Lasts	24658		27433
Repairs and maintenance	-		262
Foreign exchange gains	<u>403</u>	<u>(163230)</u>	<u>(3094)</u>
carried forward		(159473)	(77380)

TERRA PLANA INTERNATIONAL LIMITED**TRADING & PROFIT & LOSS ACCOUNT - YEAR ENDED 31ST DECEMBER 1999 (cont'd)**

		<u>1998 Comparatives</u>	
brought forward	(159473)		(77380)
<u>Interest payable:</u>			
Bank overdraft interest payable	2040	109	
Other interest paid	<u>6608</u>	<u>2346</u>	<u>(2455)</u>
<u>Net loss for the period</u>	£ (168121)		£ (79835)