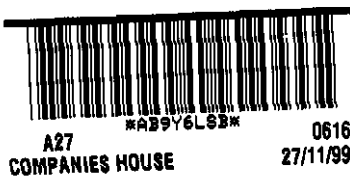


Terra Plana International Limited
Directors' Report and Financial Statements
for the period 2nd December 1997 to
31st December 1998



prepared by:
Mitchell Hallett Limited
Accountants
16 Brook Street
Daventry
Northants
NN11 5HN

TERRA PLANA INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors:

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

Secretary:

Mr E D Pereira

Company Number:

3474829 (England & Wales)

Registered Office:

Abington House
12 Abington Grove
Northampton
NN1 4QX

Auditors:

Green, Hallett & Co
16 Brook Street
Daventry
Northants
NN11 5HN

TERRA PLANA INTERNATIONAL LIMITED

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TERRA PLANA INTERNATIONAL LIMITED
DIRECTORS' REPORT FOR THE PERIOD
2ND DECEMBER 1997 TO 31ST DECEMBER 1998

The directors present their report and the financial statements for the period 2nd December 1997 to 31st December 1998.

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 worldwide marketing of shoes.
The company commenced trading on 1st April 1998.

Directors

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

	<u>Number of shares</u>
	1998
Mr L P Clark	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 18th October 1999 and signed on their behalf.

E. D. Pereira

Mr 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 8 which have been prepared 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. 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 31st December 1998 and of its loss for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

Green Hallett Co.

 Green, Hallett & Co
 Chartered Accountants &
 Registered Auditor

Date *22nd November 1999*

16 Brook Street
 Daventry
 Northants
 NN11 5HN

TERRA PLANA INTERNATIONAL LIMITED

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER 1998

	<u>Notes</u>	
<u>Turnover</u> from acquisitions	1,2	158344
Cost of sales		(88209)
<u>Gross profit</u>		<u>70135</u>
Selling and distribution costs		(56074)
Administrative expenses		(92096)
<u>Operating loss</u> from acquisitions	3	(78035)
Interest receivable		655
Interest payable	4	(2455)
<u>Loss on ordinary activities before taxation</u>		(79835)
<u>Taxation</u>	5	-
<u>Loss on ordinary activities after taxation</u>		(79835)
Dividends		-
<u>Loss for the period</u>		<u>(79835)</u>

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

The notes on pages 5 to 8 form part of these financial statements.

TERRA PLANA INTERNATIONAL LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1998

	<u>Notes</u>	
<u>Fixed assets</u>		
Intangible assets	1,5	44757
 <u>Current assets</u>		
Stock	6	108616
Debtors	7	109644
Cash at bank and in hand		28748
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
		247008
 <u>Creditors</u> : amounts falling		
due within one year	8	(291600)
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
<u>Net current liabilities</u>		(44592)
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
<u>Net assets</u>		£ 165
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
<u>Capital and reserves</u>		
Called up share capital	9	80000
Profit and loss account		(79835)
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>
<u>Shareholders' funds - attributable to equity interests</u>	10	£ 165
		<hr style="width: 50%; margin-left: auto; margin-right: 0;"/>

The Directors have taken advantage, in the preparation of these financial statements, of special exemptions applicable to small companies on the grounds that the company qualifies as a small company by virtue of Section 247 of the Companies Act 1985. The financial statements were approved by the board on18 01 99..... and signed on its behalf.



 Mr L V Clark - Director

The notes on pages 5 to 8 form part of these financial statements.

TERRA PLANA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

2ND DECEMBER 1997 TO 31ST DECEMBER 1998

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and include the results of the company's operations which are described in the directors' report and all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

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 Intangible fixed assets and depreciation

Intangible fixed assets are stated at their purchase price.

1.4 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.

1.5 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.

1.6 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 period to 31st December 1998 22.13% of the company's turnover was to markets within the United Kingdom. 77.87% of the company's turnover is attributable to geographical markets outside the United Kingdom.

TERRA PLANA INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
2ND DECEMBER 1997 TO 31ST DECEMBER 1998

3. Operating loss

The operating loss is stated after charging:

	<u>1998</u>
Directors emoluments	-
	<u> </u>

No director received any emoluments.

4. Interest payable

	<u>1998</u>
On bank overdraft	109
Other interest paid	2346
	<u> </u>
	<u>2455</u>

5. Taxation

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

6. Intangible fixed assets

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

7. Stock

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

TERRA PLANA INTERNATIONAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
2ND DECEMBER 1997 TO 31ST DECEMBER 1998

8. Debtors

	<u>1998</u>
Trade debtors	96425
Other debtors	13219
	<hr/>
	109644
	<hr/>

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

	<u>1998</u>
Bank loans and overdraft	1637
Trade creditors	144039
Other creditors	145924
	<hr/>
	291600
	<hr/>

10. Called up share capital

	<u>1998</u>
<u>Authorised:</u>	
Ordinary shares of £1 each	80000
	<hr/>
<u>Issued:</u>	
Ordinary shares of £1 each	80000
	<hr/>

During the year 80,000 Ordinary Shares of £1 each were issued fully paid for cash at par.

11. Reconciliation of movement on shareholders' funds

	<u>1998</u>
Loss for the period	(79835)
<u>Add</u> : Issue of shares	80000
	<hr/>
Net addition to shareholders funds	165
Opening shareholders' funds	-
	<hr/>
<u>Closing shareholders' funds</u>	165
	<hr/>

TERRA PLANA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

2ND DECEMBER 1997 TO 31ST DECEMBER 1998

12. Contingent liabilities

The company had no contingent liabilities during the period ended 31st December 1998.

13. Capital commitments

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