

SIERRA HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD 1 JUNE 2001 TO 26 JANUARY 2002

COMPANY INFORMATION

Directors	D. Lovelock R. Glanville J. Woolf M. Clarke G. Whaley J. Bennett	
Secretary	R. Glanville	
Company number	4226585	
Registered Office	Sierra Holdings Limited Broadwalk House 5 Appold Street London EC2A 2HA	
Auditors	KPMG Audit Plc	
Bankers	Bank of Scotland Threadneedle Street London	Girobank Booth Merseyside
Solicitors	Ashurst Morris Crisp Benwin Leighton Paisner S J Benwin Titmuss Sainer Dechert	



Directors' Report

The directors present their report and the audited financial statements for the period from 1 June 2001 to 28 January 2002. There are no comparative figures.

Principal Activities and Business Review

The Company was incorporated on 1 June 2001 and was formerly known as Webelectro Limited. The Company changed its name to Sierra Holdings Limited on 10 July 2001 and during the year acquired, through its subsidiary undertaking Sierra Acquisitions Plc (now Sierra Acquisitions Limited). The principal activities of the Group are the origination and production of exclusive ladies clothing and fashion accessories under the 'Oasis' and 'Coast' names for sale through its own retail outlets in the United Kingdom, Ireland and Germany and to franchisees for sale through outlets in Europe, Taiwan, Japan and the Middle East.

Proposed Dividend

The directors do not recommend payment of a dividend.

Directors and Directors Interests

The following directors have held office during the year :

Instant Companies Limited (Appointed 1 June 2001, Resigned 25 June 2001) *

* Director of Webelectro Limited

Katharine Lowe (Appointed 1 June 2001 , Resigned 9 July 2001)

Mark Withey (Appointed 1 June 2001 , Resigned 9 July 2001)

The following were appointed directors of the Company on 9 July 2001 :

D. Lovelock, R.Glanville, J Woolf, M.Clarke, G.Whiley and J.Bennett

The directors who held office at the end of the financial year had the following interests in the ordinary shares of Group companies according to the register of directors' interests.

	Company	Class of share	Interest at end of year
D. Lovelock	Sierra Holdings Limited	B Ordinary Shares of £1 each	38,250
R. Glanville	Sierra Holdings Limited	B Ordinary Shares of £1 each	19,125
J. Woolf	Sierra Holdings Limited	B Ordinary Shares of £1 each	16,575
J. Bennett	Sierra Holdings Limited	B Ordinary Shares of £1 each	5,100
G. Whiley	Sierra Holdings Limited	A Ordinary Shares of £1 each	1,387
M. Clarke	Sierra Holdings Limited	A Ordinary Shares of £1 each	3,083

Details of these shares are disclosed in note 18.

Employees

Considerable importance is placed on communication, involvement and motivation of the employees and management of the Company. Two way communication ensures that employees are kept informed of the performance of the Company and of any key initiatives or projects, through regular briefings and bulletins.

The Company is committed to the continuing development of its employees and the implementation of policies (our Guiding Principles), that enable them to contribute to the performance and long term effectiveness of the organisation. Every opportunity is taken to re-enforce our values throughout the business.

Equality of opportunity is encouraged irrespective of sex, marital status, colour, race, ethnic origin, nationality, religion, age or disability. The same opportunities are offered to disabled people as to all others in respect of recruitment and career advancement. Employees who become disabled will, wherever possible, be retained, rehabilitated and retrained.

Political and Charitable Contributions

The Company made no charitable donations or political contributions during this period.

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

Richard Glanville

Secretary



22/04/2002

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 Group and of the profit or loss 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Sierra Holdings Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 group is not disclosed.

Basis of audit 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 group'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 affairs of the company and the group as at 26 January 2002 and of the profit of the group for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

22 April 2002

SIERRA HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 1 JUNE 2001 TO 26th JANUARY, 2002

		2002
	Note	£m
Turnover	2	73.4
Cost of sales		-36.5
Gross profit		36.9
Distribution costs		-22.3
Administrative expenses - before exceptional item		-9.5
- exceptional item		-0.9
Operating profit - before exceptional item	3	5.1
- exceptional item		-0.9
		4.2
Interest receivable and similar income		0.2
Interest payable and similar charges	7	-2.0
Profit on ordinary activities before taxation		
- before exceptional item		3.3
- exceptional item		-0.9
		2.4
Tax on profit on ordinary activities	8	-1.4
Profit for the financial period and profit on ordinary activities after taxation		1.0
Dividends		
Retained profit for the year.	19	1.0

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There were no recognised gains or losses during the current and previous period.

All the results of the year relate to acquisitions during the year.

SIERRA HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET AS AT 26th JANUARY, 2002

		2002
	Note	£m
Fixed assets		
Intangible fixed assets	10	20.4
Tangible fixed assets	11	22.6
Total fixed assets		43.0
Current assets		
Stocks	12	13.0
Debtors	13	7.4
Cash at bank and in hand		16.9
		<u>37.3</u>
Creditors : amounts falling due within one year	14	-22.3
Net current assets		15.0
Total assets less current liabilities		58.0
Creditors : amounts falling due after more than one year	15	-55.3
Provisions for liabilities and charges	16	-0.4
		<u>2.3</u>
Net assets		2.3
Capital and reserves		
Called up share capital	17	1.0
Share premium account	18	0.3
Profit and loss account	19	1.0
		<u>2.3</u>
Shareholders' funds - equity interests	21	2.3

These financial statements were approved by the board of directors on 22nd April 2002 and signed on its behalf by:

Derek Lovelock
Chief Executive

Richard Stanville
Finance Director

SIERRA HOLDINGS LIMITED

COMPANY BALANCE SHEET AS AT 26th JANUARY, 2002

	Note	2002 £m
Investments		1.3
Current assets		
Debtors	13	0.1
Cash at bank and in hand		0.1

		0.2
Creditors : amounts falling due within one year	14	-0.2

Net current assets		nil
		=====
Net assets		1.3
		=====
Capital and reserves		
Called up share capital	17	1.0
Share premium account	18	0.3
Profit and loss account		
		=====
Shareholders' funds - equity interests	21	1.3
		=====

These financial statements were approved by the board of directors on 22nd April, 2002 and signed on its behalf by:

Derek Lovelock
Chief Executive

Richard Glanville
Finance Director

SIERRA HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 1 JUNE 2001 TO 26 JANUARY 2002

	2002 £m
Cash flow from operating activities (note 22)	13.1
Return on investment and servicing of finance (note 23)	-0.3
Taxation	-1.0
Capital expenditure and financial investment (note 23)	-2.2
Acquisitions and disposals (note 23)	-32.9
Cash outflow before management of liquid resources and financing	-23.3
Financing (note 23)	40.2
Increase in cash in the period	16.9

Reconciliation of net cash flow to movement in net debt

Increase in cash in the period	16.9
Cash inflow from increase in debt	-38.9
Change in net debt arising from cashflows	-22.0
Loan notes issued as settlement for acquisition	-19.2
Movement in net debt during the period	-41.2
Net debt at the start of the period	nil
Net debt at the end of the period	-41.2

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 JANUARY 2002**

1 Accounting policies

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.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 28 January 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The Group has no associates or joint ventures and is not party to any joint arrangements which are not entities.

Under section 230(4) of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

1.3 Turnover

Turnover represents the net value of goods sold, services provided or royalties received. Turnover excludes value added tax.

1.4 Intangible fixed assets and amortisation

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds fair value of such net assets. For purchased goodwill arising on acquisitions, goodwill is capitalised and amortised through the profit and loss account over a period of 20 years unless the directors consider it has a materially different useful life.

1.5 Fixed assets and depreciation

Tangible fixed assets are depreciated to their estimated residual value over their expected useful lives as follows:

On a straight line basis:

Short leasehold property	Over the period of the lease
Fixtures and Fittings	Over five to ten years
Computer hardware and software	Over three to five years

On reducing balance basis

Motor vehicles	At a rate of 25% per annum
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1.6 Operating leases

Operating leases rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

1.7 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction where no forward cover exists. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value.

1.9 Post-retirement benefits

The Group provides access to a stakeholder pension for all employees. In addition, contributions are made to specific employees' personal pension plans.

1.10 Taxation

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

1.11 Dividend

There will be no dividend payable for the period to 28 January 2002.

2. Turnover and operating profit

Turnover arises from the sales by the Company to third parties net of discounts and value added tax and royalty income.

	2002 £m
Geographical Analysis	
Turnover	
United Kingdom:	62.1
Ireland	6.2
Germany	2.2
Rest of Europe, Middle and Far East	2.9
- overseas licensing	
	=====
	73.4
	=====

Turnover by country of destination is not materially different from turnover by country of operation.

Turnover arises entirely from fashion retailing and may also be analysed as follows:

Turnover	
European retailing:	70.5
Overseas licensing	2.9
	=====
	73.4
	=====
Net profit before unallocated net expenses:	
European retailing	11.7
Overseas licensing	0.5
	12.2
Unallocated net expenses	-8.0
	=====
Operating profit	4.2
	=====

The Company operates principally within the UK; the directors consider that the level of net assets held overseas is immaterial.

3. Operating profit is stated after charging the following amounts:

	2002 £000's
Depreciation of tangible fixed assets	2,924
Amortisation of goodwill	420
Loss on disposal of tangible fixed assets	297
Auditors & their associates remuneration	
Auditing	36
Other services	23
Operating lease rentals - Property	8,743

4. Remuneration of directors

	2002 £000's
Directors' emoluments	256
Company contributions to personal pension schemes	42
	=====
Total	298
	=====

Remuneration of the highest paid director was £120,000, including pension contributions of £32,000.

Directors had interests in the shares of Oasis Stores Plc which was acquired by the group during the year, interests are disclosed in the accounts of Oasis Stores Limited.

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year was 2,778.

The aggregate payroll costs of these persons were as follows :

	£m
Wages and salaries	10.8
Social security costs	0.8
Pension costs	0.1
	=====
	11.7
	=====

6. Exceptional item

During the year, £0.9m of costs were incurred by Oasis Stores Limited as a result of the acquisition by Sierra Acquisitions Limited.

7. Interest payable and similar charges

2002

	£m
On bank loans and overdrafts	0.5
On all other loans	1.5
	=====
	2.0
	=====

8. Taxation

2002

	£m
Analysis of charge in period	
UK corporation tax:	
- current year at 30%	1.6
- relief for overseas taxation	-0.3
Overseas taxation	0.3
Deferred taxation	-0.1
Prior period	-0.1
	=====
	1.4
	=====

9. Fixed Asset Investments - Company

The Group has the following principal subsidiary undertakings which are registered in England and Wales and which are all 100% owned. The directors are of the opinion that the investment in the subsidiary undertakings is not worth less than the current book value.

Name	Equity owned by the Company	Country of principal operations	Principal activity
Oasis Stores Limited	100%	Great Britain	Retail
Sierra Acquisitions Limited	100% *	Great Britain	Holding

All of the above noted subsidiary undertakings are included in the Group consolidation. The consolidated accounts are available to the public and may be obtained at Oasis Stores Limited, 13 - 16 Lakeside, Stanton Harcourt, Witney, Oxfordshire OX29 5TR.

Shareholdings marked * are directly owned by Sierra Holdings Ltd the rest are held through subsidiary undertakings.

10. Intangible Fixed Assets - Group

Goodwill	2002 £m
At acquisition	20.8
Additions	
Amortisation	-0.4
At 26th January, 2002	20.4

11. Tangible Fixed Assets - Group

Cost	Short leasehold property £m	Fixtures & fittings £m	Computer hardware & software £m	Motor vehicles £m	Total £m
At acquisition	5.1	37.2	8.5	0.3	51.1
Additions	0.6	1.1	0.4	0.1	2.2
Disposals		-0.7	-0.1	-0.1	-0.9
At 26th January, 2002	5.7	37.6	8.8	0.3	52.4
Depreciation					
At acquisition	1.8	20.6	5.0	0.1	27.5
Charge for the period	0.2	2.2	0.5		2.9
Disposals		-0.6			-0.6
At 26th January, 2002	2.0	22.2	5.5	0.1	29.8
Net Book Value At 26th January, 2002	3.7	15.4	3.3	0.2	22.6

12. Stocks and Work in Progress - Group

	2002 £m
Goods for resale	10.1
Goods for resale in transit	1.0
Raw materials	1.9
	13.0

13. Debtors

	Group 2002 £m	Company 2002 £m
Trade debtors	2.3	
Amounts owed by Group undertakings		0.1
Other taxation and social security	0.2	
Other debtors	0.3	
Prepayments & accrued income	4.6	
	7.4	0.1

14. Creditors: amounts falling due within one year

	Group 2002 £m	Company 2002 £m
Trade creditors	3.7	
Other creditors	0.6	0.1
Corporation tax	1.3	
Other taxation and social security	3.8	0.1
Accruals and deferred income	9.7	
Vendor Loan Notes	3.2	
	=====	=====
	22.3	0.2
	=====	=====

15. Creditors : amounts falling due after more than one year - Group

	2002 £m
Bank Loan	8.8
Unsecured Loan Notes	30.1
Vendor Loan Notes	16.0
Deferred income	0.4
	=====
	55.3
	=====

Analysis of debt :

2002
£m

Debt can be analysed as falling due :

In one year or less, or on demand	3.2
Between one and two years	3.5
Between two and five years	15.5
In five years or more	35.9
	=====
	58.1
	=====

Loans other than from banks:

£30.1 million 8% Unsecured Loan Notes 2001/2008

£19.2 million @ LIBOR less 1% Vendor Loan Notes 2001/2005

16. Provision for liabilities and charges - Group

2002
£m

The potential liability for deferred taxation provided in full in the accounts is:

Accelerated capital allowances:	
- as at beginning of period	0.5
- credit to Profit and Loss Account	-0.1
	=====
- as at 28th January, 2002	0.4
	=====

17. Share capital

2002 2002
Group Company
£000's £000's

Authorised:

872,500 A Ordinary Shares of £1 each	873	873
127,500 B Ordinary Shares of £1 each	127	127
	=====	=====
	1000	1000
	=====	=====

Allotted, called up and fully paid :

872,500 A Ordinary Shares of £1 each	873	873
111,563 B Ordinary Shares of £1 each	112	112
	=====	=====
	985	985
	=====	=====

18. Share Premium

	2002 Group £000's	2002 Company £000's
At beginning of period	nil	nil
Premium on share issues, less expenses	334	334
At end of period	334	334

The shares rank equally with 2 exceptions:

A class shareholders have additional rights of the running of the group;

B class shareholders are entitled to a variable percentage of the equity of the group based on their performance over a 3 year period.

19. Statement of movements on reserves - Group

	2002 £m
	Profit and Loss Account
At beginning of period	
Retained profit for the year	1.0
At 28th January, 2002	1.0

20. Commitments - Group

	2002 £m
Capital commitments at the end of the financial year for which no provision has been made, are as follows:	
Contracted	0.3
	Land and Buildings
Annual commitments under non-cancellable operating leases are as follows:	
Operating leases which expire:	
Within one year	0.5
Between two and five years	1.7
Over five years	13.9
	16.1

21. Reconciliation of Movements in Shareholders Funds

	2002 Group £m	2002 Company £m
Profit for the financial period	1.0	
Dividends	1.0	
New share capital subscribed	1.3	1.3
Net increase in shareholders' funds	2.3	1.3
Opening shareholders' funds		
Closing shareholders' funds	2.3	1.3

22. Reconciliation of Operating profit to Operating cash flows

	2002 £m
Operating profit	4.2
Depreciation charges	3.3
Decrease in stocks	3.4
Increase in debtors	-2.1
Increase in creditors	4.3
	=====
Net cash inflow from operating activities	13.1
	=====

23. Analysis of cash flows

	2002 £m
Return on Investments and servicing of finance	
Interest paid	-0.3
	=====
Capital expenditure and financial investment	
Purchase of tangible fixed assets	-2.2
	=====
Acquisitions and disposals	
Purchase of subsidiary undertaking excluding cash	-36.4
Cash acquired with subsidiary	3.5
	=====
Net cash flow for acquisitions and disposals	-32.9
	=====
Financing	
Loans	38.9
Issue of ordinary share capital	1.3
	=====
Net cash flow from financing	40.2
	=====

24. Analysis of net debt

	At beginning of period £m	Cash flow £m	Other non cash changes £m	At end of period £m
Cash in hand, at bank		16.9		16.9
Debt due after one year		-38.9	-16.0	-54.9
Debt due within one year			-3.2	-3.2
		=====	=====	=====
Total		-22.0	-19.2	-41.2
		=====	=====	=====

25. Purchase of Subsidiary Undertakings

	2002 £m
Net assets acquired	
Intangible Fixed Assets	0.2
Tangible Fixed assets	23.7
Stock	15.3
Debtors	5.0
Cash	3.4
Creditors	-12.6
	=====
	35.0
Goodwill	20.6
	=====
	55.6
	=====
Satisfied by:	
Cash	36.4
Loan Notes	19.2
	=====
	55.6
	=====

At the date of acquisition the net book value of assets acquired reflected their fair value.