

REGISTERED NUMBER:
2772857
England and Wales

RAI STYLES LIMITED

DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997



LONERGAN & CO
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
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LE2 0PF

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RAI STYLES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report and the accounts for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of the company during the year under review was in the manufacture of leisurewear.

DIRECTORS

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

	<u>At 31.12.97</u>	<u>At 31.12.96</u>
J SINGH	1	1
S SINGH	1	1

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, 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 accounts 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 accounts 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.

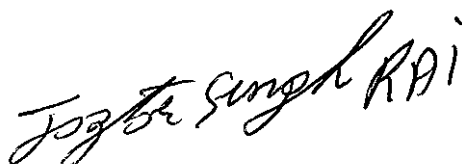
AUDITORS

The auditors, Lonergan & Co., Chartered Accountants, are deemed to be re-appointed in accordance with Section 386 of the Companies Act 1985.

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

Signed on behalf of the
Board of directors

J SINGH
Director

A handwritten signature in black ink, appearing to read 'J Singh', followed by the letters 'RAI' in a larger, bold, handwritten font.

Approved by the Board: 26 October 1998

RAI STYLES LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF RAI STYLES LIMITED

We have audited the accounts on pages 3 to 7 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, 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 accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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, except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited in respect of a small proportion of total sales invoices settled in cash, over which there was no system of control on which we could rely for the purposes of our audit.

QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the accuracy of trade creditor balances, in our opinion the accounts give a true and fair view of the state of the company's affairs at the 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies. In respect alone of the limitation of our work relating to trade creditor balances:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

In addition there was a similar qualification in respect of the year ended 31 December 1996, concerning the settlement of certain sales invoices in cash.



Lonergan & Co
Chartered Accountants
Registered Auditors
107A London Road
Leicester
LE2 0PF

26 October 1998

BALSTYLES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	<u>1997</u>	<u>1996</u>
		£	£
TURNOVER	2	1324875	1136515
Cost of sales		<u>[1015460]</u>	<u>[1007062]</u>
 GROSS PROFIT		 309415	 129453
Distribution costs		[38191]	[26469]
Administrative costs		<u>[143659]</u>	<u>[60119]</u>
 OPERATING PROFIT	3	 127565	 42865
Profit on disposal of fixed assets		-	2427
Interest payable: other		[896]	[238]
Interest received		<u>3289</u>	<u>668</u>
 PROFIT on ordinary activities before taxation		 129958	 45722
TAXATION	4	<u>[29000]</u>	<u>[10000]</u>
 RETAINED PROFIT for the financial period after taxation		 100958	 35722
RETAINED PROFIT at 1 January 1997		<u>63237</u>	<u>27515</u>
 RETAINED PROFIT at 31 December 1997		 <u>164195</u>	 <u>63237</u>

The notes on pages 5 to 7 form part of these accounts.

RAI STYLES LIMITED

BALANCE SHEET
AT 31 DECEMBER 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	5	<u>55543</u>	<u>63712</u>
CURRENT ASSETS			
Stocks		59746	26003
Debtors	6	241272	175846
Cash at bank and in hand		<u>136321</u>	<u>82787</u>
		437339	284636
CREDITORS: amounts falling due			
within one year	7	<u>[328685]</u>	<u>[285109]</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>108654</u>	<u>[473]</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>164197</u>	<u>63239</u>
CAPITAL AND RESERVES			
Called up share capital	8	2	2
Profit and loss account		<u>164195</u>	<u>63237</u>
Shareholders' funds		<u>164197</u>	<u>63239</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies, and in accordance with the Financial Reporting Standard for Smaller Entities.

Signed on behalf of the
Board of directors

J SINGH
Director

J Singh RAI

Approved by the Board: 26 October 1998

The notes on pages 5 to 7 form part of these accounts.

RAI STYLES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company net of Value Added Tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at annual rates calculated to write off the cost of fixed assets over their useful lives on the following bases:

Plant	10% on cost
Fixtures & Fittings	10% on cost
Motor Vehicles	20% on cost

1.4 Stocks

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 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

1.6 Deferred taxation

No provision has been made for the taxation deferred in respect of timing differences, since in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2 TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounted to 5% (1996, 23%).

3 OPERATING PROFIT

The operating profit is after charging:

	<u>1997</u>	<u>1996</u>
	£	£
Depreciation of tangible fixed assets		
- owned by the company	10823	9395
Directors' emoluments for directors services	83340	22700
Auditors' remuneration	5150	3650
Operating lease rentals	26550	26550

4 TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
UK CURRENT YEAR TAXATION:		
UK corporation tax at 22% - Current year	29000	800
- Prior year	-	9200
	<u>29000</u>	<u>10000</u>

BAI STYLES LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

5 TANGIBLE FIXED ASSETS

	Plant £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost:				
At 1 January 1997	60236	13897	16319	90452
Additions	1375	1279	-	2654
At 31 December 1997	<u>61611</u>	<u>15176</u>	<u>16319</u>	<u>93106</u>
Depreciation:				
At 1 January 1997	14674	4186	7880	26740
Charge for the year	6129	1430	3264	10823
At 31 December 1997	<u>20803</u>	<u>5616</u>	<u>11144</u>	<u>37563</u>
Net book values				
At 31 December 1997	<u>40808</u>	<u>9560</u>	<u>5175</u>	<u>55543</u>
At 31 December 1996	<u>45562</u>	<u>9711</u>	<u>8439</u>	<u>63712</u>

6 DEBTORS: due within one year

	<u>1997</u> £	<u>1996</u> £
Trade debtors	233285	165582
Other debtors	3041	4738
Prepayments	4946	5526
	<u>241272</u>	<u>175846</u>

7 CREDITORS: amounts falling due within one year

	<u>1997</u> £	<u>1996</u> £
Trade creditors	125417	190726
Social security and other taxes	46889	1768
Corporation tax	29800	800
Other creditors and accruals	126579	91815
	<u>328685</u>	<u>285109</u>

8 CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised		
Ordinary shares of £1 each	1000	1000
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

RAI STYLES LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

9 COMMITMENTS

At 31 December 1997 the company had the following annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	<u>1997</u>	<u>1996</u>
	£	£
Expiry date		
Between two and		
five years	26550	26550

10 RELATED PARTIES

The company occupies premises owned by Mr J Singh, a director of the company, under a six year lease. The annual rent for the property was £26550 (1996, £26550).