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VANITY CLOTHING LIMITED
DIRECTORS' RESPONSIBILITIES & ACCOUNTANTS' REPORT

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 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; and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 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.

Accountants' Report to the Members of the Unaudited Accounts of Vanity Clothing Limited

We report on the enclosed accounts for the year ended 31st December 1998.

Respective Responsibilities of Directors and Reporting Accountants

As described above, the company's directors are responsible for the preparation of the accounts and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of Opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the accounts with the accounting records kept by the company, and making such limited enquiries of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion:

- (a) the accounts are in the agreement with the accounting records kept by the company under section 221 of the Companies Act 1985;
- (b) having regard only to, and on the basis of, the information contained in those accounting records:



- i) the accounts have been drawn up in a manner consistent with the provisions specified in section 249(6) of the Act; and
- ii) the company satisfied the requirements for exemption from an audit of the accounts for the period specified in section 249(A) (4) of the Act and did not, at any time within that period, fall within any of the categories of company not entitled to the exemption specified in section 249N (1) (a) – (f).

A handwritten signature in dark ink, appearing to be 'Rickwood & Co', written in a cursive, flowing style.

RICKWOOD & CO
REPORTING ACCOUNTANTS

September 1998

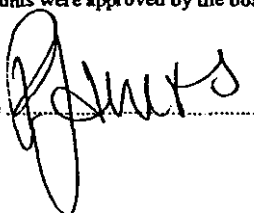
VANITY CLOTHING LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1998

	Note	1998 £	1997 £
Fixed Assets			
Tangible Assets	3	3,225	5,725
Current Assets			
Stock & Work in Progress		21,097	8,369
Debtors	4	6,000	6,000
Cash at bank in hand		-	6,418
		<u>27,097</u>	<u>20,787</u>
Current Liabilities -- Creditor Falling Due Within One Year	5	<u>16,089</u>	<u>(11,332)</u>
Net Current Assets/(Liabilities)		<u>11,008</u>	<u>9,455</u>
Total Assets Less Current Liabilities		<u>14,233</u>	<u>15,180</u>
Creditors Falling Due After More Than One Year (inc./ loans)	6	<u>(2,903)</u>	<u>(2,903)</u>
Net Assets/(Liabilities)		<u>11,330</u>	<u>12,277</u>
Capital and Reserves			
Call-up Share Capital	7	100	100
Profit and Loss Account	8	<u>11,230</u>	<u>12,177</u>
		<u>11,330</u>	<u>12,277</u>

In approving these financial statements as directors of the company we hereby confirm that for the year in question the company was entitled to the exemption conferred by section 249A(1) of the Companies Act 1985. We further confirm that no notice has been deposited at the registered office of the company pursuant to section 249(B) requesting that an audit be conducted for the year ending 31st December 1997. We acknowledge our preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit/loss for the year then ended and which otherwise comply with the provisions of the Companies Act relating to accounts, so far as applicable to the company. In preparing these accounts the directors have taken advantage of the exemptions applicable to small companies conferred by Section A of Part iii of Schedule 8 to the Companies Act 1985 and have done so on the basis that, in their opinion, the company satisfies the criteria for exemption as a small company.

The accounts were approved by the board of directors on 8th September 1998

Signature





VANITY CLOTHING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1998

	Note	<u>1998</u>	<u>1997</u>
Turnover	2	207,694	232,379
Net operating expenses		<u>208,641</u>	<u>(232,670)</u>
Operating Profit/(Loss)		(947)	(291)
Investment Income		<u>-</u>	<u>-</u>
Profit/(Loss) Before Interest Payable		(947)	(291)
Interest Payable		<u>-</u>	<u>-</u>
Profit/(Loss) Before Taxation		(947)	(291)
Taxation		<u>-</u>	<u>-</u>
Profit/(Loss) on Ordinary Activities After Taxation		<u>(947)</u>	<u>(291)</u>

There were no recognised gains and losses in the period other than the profit/loss for the period.

VANITY CLOTHING LIMITED
NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of Accounting

The financial statements have been prepared on the historical cost basis of accounting.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less related depreciation.

Depreciation is calculated so that plant, equipment, vehicles etc. are written off on the following basis and rates:-

Furniture and equipment	25% straight line
Motor vehicle	25% straight line

Stocks

No stocks of goods were held for resale. Stocks are stated in the balance sheet at cost.

2. Turnover

Turnover represents the amounts invoiced less returns, excluding value added tax, in respect of the services to customers during the year.

3. Tangible Fixed Assets

		Fixtures & Fittings	Motor Vehicle	TOTAL 1998	TOTAL 1997
Balance B/F	1/1/9	4,975	750	5,725	8,225
Depreciation	31/12/9	1,750	750	2,500	2,500
WDV	31/12/9	3,225	-	3,225	5,725

4. Debtors

<i>Amounts falling due within one year:</i>	<u>1998</u>	<u>1997</u>
Deposit on shop premises	6,000	6,000

5. Creditors

<i>Amounts falling due within one year</i>	<u>1998</u>	<u>1997</u>
Bank Loan/Overdraft	2,680	-
Trade and other creditors	13,409	11,332
	<u>16,089</u>	<u>11,332</u>

6.	Amounts Falling Due After More than One Year:		
		1998	1997
	Directors Loan Account	<u>2,903</u>	<u>2,903</u>
7.	Called-up Share Capital		
	<i>Authorised</i>		
	100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
	<i>Allotted, called-up & fully paid:</i>		
	100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
8.	Reserves		
	Profit/(Loss) for the year	<u>(947)</u>	<u>(291)</u>