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COMPANY NUMBER:
2536708 (ENGLAND & WALES)

ACUTE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1998

THE SOUTHILL PARTNERSHIP
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
SOUTHILL
CORNBURY PARK
CHARLBURY
OXFORDSHIRE
OX7 3EW



ACUTE LIMITED

COMPANY INFORMATION

Company Number: 2536708 (England & Wales)

Directors: Amanda Lismer
Peter Lismer

Secretary: Peter Lismer

Registered Office: 39 High Street
Burford
Oxfordshire
OX18 4QE

Auditors: The Southill Partnership
Chartered Accountants
Registered Auditors
Southill
Cornbury Park
Charlbury
Oxfordshire
OX7 3EW

Bankers: Barclays Bank Plc
Oxford City Office
High Street
Oxford
OX1 3HS

ACUTE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 30TH SEPTEMBER 1998

The directors present their report and the financial statements for the year ended 30th September 1998.

Principal activities

The principal activity of the company in the year under review was the design, manufacture and marketing of children's fashions and ladies and gentlemen's hairdressing.

Review of business

The directors are disappointed with the loss for the year, but are looking forward to a profitable year in 1999. The directors are aware that the company is reliant upon theirs and the bank's continuing support. At the date of signing this report, that support is ongoing and the company continues to trade.

Fixed assets

Changes in fixed assets during the year are set out in the notes to the financial statements.

Results and dividends

The directors do not recommend the payment of a dividend.

Directors' interests

The directors of the company during the year and their interests in the share capital of the company as recorded in the register of directors' interests were as follows:

	1998 No.	1997 of shares
Amanda Lismer	1	1
Peter Lismer	1	1

ACUTE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

Responsibilities of the directors

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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

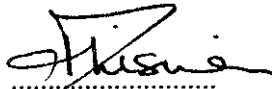
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

The auditors, The Southill Partnership, are deemed to be re-appointed in accordance with Section 386 of the Companies Act 1985.

On behalf of the board



P. Lismer

Date: 23/6/99

39 High Street
Burford
Oxfordshire
OX18 4QE

REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF
ACUTE LIMITED
FOR THE YEAR ENDED 30TH SEPTEMBER 1998

We have audited the financial statements on the pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described in the directors' report 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 financial statements and to report our opinion to you.

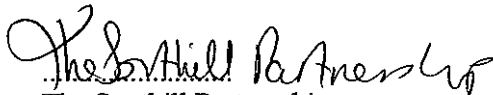
Basis of opinion

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 misstatements, 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 at 30th September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



The Southill Partnership
Chartered Accountants
Registered Auditors
Southill
Cornbury Park
Charlbury
Oxfordshire
OX7 3EW

Date: 24/6/99

ACUTE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1998

	Note	1998 £	1997 £
Turnover	2	57,467	57,073
Cost of sales		16,672	14,714
Gross profit		40,795	42,359
Administrative expenses		38,885	44,234
Operating profit/(loss)	3	1,910	(1,875)
Other interest receivable & similar income		14	1
Interest payable	5	(1,471)	(1,439)
Profit/(Loss) on ordinary activities before taxation		453	(3,313)
Tax on profit on ordinary activities	6	(616)	232
Retained loss for the year		£ (163)	£(3,081)

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during 1998 therefore turnover and operating profit/(loss) derive entirely from continued operations.

The company has no recognised gains or losses other than the profit for the financial year.

The annexed notes form part of these financial statements.

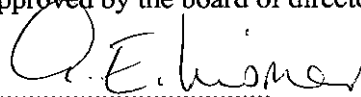
ACUTE LIMITED

BALANCE SHEET

AS AT 30TH SEPTEMBER 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Intangible assets	7		2,400		3,600
Tangible assets	8		2,831		4,833
			<u>5,231</u>		<u>8,433</u>
Current assets					
Stocks	9	17,395		19,620	
Debtors	10	1,521		983	
Cash at bank and in hand		93		1,975	
		<u>19,009</u>		<u>22,578</u>	
Creditors					
Amounts falling due within one year	11	17,275		12,469	
Net current assets			<u>1,734</u>		<u>10,109</u>
Total assets less current liabilities			<u>6,965</u>		<u>18,542</u>
Creditors					
Amounts falling due after more than one year	12		(13,713)		(25,127)
Net liabilities			<u>£ (6,748)</u>		<u>£ (6,585)</u>
Capital and reserves					
Called up share capital	13		2		2
Profit and loss account	14		(6,750)		(6,587)
Shareholders' funds	15		<u>£ (6,748)</u>		<u>£ (6,585)</u>

Approved by the board of directors on 23/6/99 (date) and signed on its behalf.


.....
Amanda Lismer

The annexed notes form part of these financial statements.

ACUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

1. Accounting policies

The financial statements are prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors' report and which is continuing.

Turnover

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

Depreciation and diminution in value of assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	- The period of the lease
Fixtures and fittings	- 3 to 10 years on cost

Stocks

Stocks 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.

Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent it is considered that a net liability may crystallise.

Leasing

Rentals payable under operating leases are charged to the profit and loss account as incurred.

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is being written off in equal annual instalments over its estimated economic life.

Cashflow statement

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a cashflow statement for the year.

ACUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

2. Turnover

The turnover and profit before taxation for the year is attributable to the principal activity of the company which is as described in the directors' report.

3. Operating profit

	1998 £	1997 £
This is stated after charging:		
Auditors' remuneration	250	220
Depreciation and amortisation of owned assets	3,414	3,454
	<u> </u>	<u> </u>

4. Staff costs

The average number of persons employed by the company, including directors, during the year was as follows:

	1998	1997
Staff and management	5	5
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	1998 £	1997 £
Wages and salaries	22,299	21,778
	<u> </u>	<u> </u>
	£22,299	£21,778
	<u> </u>	<u> </u>

5. Interest payable

	1998 £	1997 £
Interest payable - bank loans and overdraft and other loans repayable within five years	1,471	1,439
	<u> </u>	<u> </u>

ACUTE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1998

6. Taxation on profit on ordinary activities

	1998 £	1997 £
Current year:		
United Kingdom Corporation Tax	616	(232)
	<u>£ 616</u>	<u>£(232)</u>

Corporation Tax has been charged/(credited) at 21% (1997 22.5%).

7. Intangible fixed assets

	Goodwill £
Cost:	
At 1st October 1997	11,999
At 30th September 1998	<u>11,999</u>
Amortisation:	
At 1st October 1997	8,399
Charge for the year	1,200
At 30th September 1998	<u>9,599</u>
Net book value:	
At 30th September 1998	<u>£ 2,400</u>
At 30th September 1997	<u>£ 3,600</u>

ACUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

8. Tangible fixed assets

	Land and Buildings £	Fixtures and Fittings £	Total £
Cost:			
At 1st October 1997	9,429	9,239	18,668
Additions	-	213	213
Disposals	-	(659)	(659)
At 30th September 1998	9,429	8,793	18,222
Depreciation:			
At 1st October 1997	6,600	7,235	13,835
Charge for the year	943	1,271	2,214
On disposals	-	(658)	(658)
At 30th September 1998	7,543	7,848	15,391
Net book value:			
At 30th September 1998	£ 1,886	£ 945	£ 2,831
At 30th September 1997	£ 2,829	£ 2,004	£ 4,833

9. Stocks

	1998 £	1997 £
Goods for resale	17,395	19,620

10. Debtors

	1998 £	1997 £
Due within one year:		
Trade debtors	-	686
Other debtors	190	15
Taxation	-	232
Prepayments	1,331	50
	£1,521	£ 983

ACUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

11. Creditors - amounts falling due within one year

	1998	1997
	£	£
Bank loans and overdraft	3,327	1,041
Trade creditors	6,648	7,047
Corporation tax	616	-
Other taxes and social security	1,983	1,935
Directors' current accounts	2,013	-
Accruals and deferred income	2,688	2,446
	<u>£17,275</u>	<u>£12,469</u>

12. Creditors - amounts falling due after more than one year

	1998	1997
	£	£
Bank loan accounts	13,713	14,852
Directors' current accounts	-	10,275
	<u>£13,713</u>	<u>£25,127</u>

13. Share capital

	1998	1997
Authorised		
Ordinary shares of £1 each	100	100
	<u>£</u>	<u>£</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	2	2
	<u>£</u>	<u>£</u>

14. Profit and loss account

	1998
	£
Balance at 1st October 1997	(6,587)
Loss suffered for the year	(163)
	<u>£(6,750)</u>

ACUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 1998

15. Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
Loss for the financial year	(163)	(3,081)
Shareholders' funds at 1st October 1997	(6,585)	(3,504)
Shareholders' funds at 30th September 1998	<u>£(6,748)</u>	<u>£(6,585)</u>

16. Transactions with directors and officers

The company is controlled by the directors as disclosed in the directors' report. As at the balance sheet date the directors' own investment in the company is as stated in note 11 above. The directors have also entered into personal guarantees to support bank borrowings.