

DIRECTORS' REPORT AND ACCOUNTS

THE COSMETIC SHOP LIMITED

(Registered Number 3348613)

30 March 2002



The Cosmetic Shop Limited

Directors' Report for the fifty two weeks ended 30 March 2002

The directors present their report and audited accounts of the Company for the fifty two weeks ended 30 March 2002.

Review of the business

The Company was incorporated on 10 April 1997. It has not yet traded.

Directors and their interests

The directors holding office during the year were:

P Newton
J P Seigal
C Lamont

P Newton, J P Seigal and C Lamont are directors of the ultimate parent undertaking, Merchant Retail Group plc and their interests in the share capital and debentures of group companies are disclosed in the financial statements of that company.

Apart from share option schemes and a long term incentive plan in the ultimate parent undertaking, Merchant Retail Group plc, the Company is not party to any arrangements whereby directors or their families may acquire interests in the Company or any other group company. Save as aforesaid, and apart from service contracts, none of the directors had or has a material contract of significance with the Company or any other group company.

As permitted by s310(3)(a) of the Companies Act 1985, the Company maintains Directors' and Officers' Liability insurance which provides insurance cover against liabilities which Directors and other officers of the Company, may incur personally as a consequence of claims made against them alleging breach of duty or other unlawful acts or omissions in their capacity as Directors and officers.

Company Secretary

The secretary who served during the year was:

C Lamont

Auditors

PricewaterhouseCoopers are willing to continue in office and a resolution for their re-appointment as auditors at a remuneration to be fixed by the directors will be proposed at the Annual General Meeting. Special notice of this resolution has been given to the company in accordance with section 388(3) of the Companies Act 1985.

By order of the Board



C Lamont
Secretary

28 May 2002

Registered office

Cypress House
The Gateway Centre
Coronation Road
Cressex Business Park
High Wycombe
Bucks. HP12 3SU

The Cosmetic Shop Limited

Directors' responsibilities in respect of the financial statements

The following statement is made for the purpose of clarifying the respective responsibilities of the Directors in the preparation of the financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the Company's state of affairs as at the end of the financial year and profit and loss for the year then ended. The Directors consider that in preparing the financial statements, the Company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been complied with. The financial statements have been prepared on a going concern basis.

The Directors are also responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of The Cosmetic Shop Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

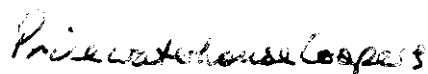
Basis of audit opinion

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 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 at 30 March 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Leeds

28 May 2002

The Cosmetic Shop Limited

Profit and Loss Account for the fifty two weeks ended 30 March 2002

The Company has not traded during the year or in the prior year and consequently has made neither a profit nor a loss in either period.

The Cosmetic Shop Limited
Balance sheet as at 30 March 2002

		2002	2001
	Notes	£	£
CURRENT ASSETS			
Debtors - amounts owed by parent undertaking		2	2
NET ASSETS		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	3	2	2
EQUITY SHAREHOLDERS' FUNDS		<u>2</u>	<u>2</u>

C Lamont



Directors

P Newton



Approved by the Board on 28 May 2002

The Cosmetic Shop Limited

Notes to the accounts - 30 March 2002

1 ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Related party transactions

The Company is a wholly owned subsidiary of Merchant Retail Group plc and is included in the consolidated financial statements of Merchant Retail Group plc, which are publicly available. The Company is therefore exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Group.

2 ACTIVITIES

The Company was incorporated on 10 April 1997. It has not yet traded.

None of the directors received any emoluments in respect of their services during the year.

Auditors' remuneration has been borne by the Company's parent undertaking.

3 CALLED UP SHARE CAPITAL

	Authorised	Allotted and Fully Paid	Authorised	Allotted and Fully Paid
	2002	2002	2001	2001
	£	£	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>2</u>	<u>1,000</u>	<u>2</u>

4 EXEMPTION FROM PREPARING CASH FLOW STATEMENT

A Cash Flow Statement has not been prepared, as the Company's parent company, Merchant Retail Group plc, has prepared a consolidated cash flow statement in accordance with the revised Financial Reporting Standard 1.

5 ULTIMATE HOLDING COMPANY

The Company's parent undertaking and controlling party is Merchant Retail Group plc which is registered in England and which prepares group accounts. A copy of these accounts can be obtained from the registered office at:

Cypress House
The Gateway Centre
Coronation Road
Cressex Business Park
High Wycombe
Bucks. HP12 3SU