

COMPANY NO: 2849316

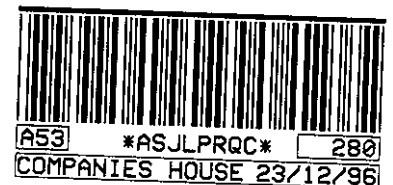
**REGISTRAR'S
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AVD COSMETICS LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 30th JUNE, 1996

FSPG
CHARTERED ACCOUNTANTS
21 BEDFORD SQUARE
LONDON WC1B 3HH



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AVD COSMETICS LIMITED**AUDITORS' REPORT TO THE DIRECTORS OF AVD COSMETICS LIMITED****PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 3 to 7 together with the financial statements of AVD Cosmetics Limited prepared under section 226 of the Companies Act 1985 for the year ended 30th June, 1996.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors's statement on page 3 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Part III of Schedule 8 to that Act, in respect of the year ended 30th June, 1996 and the abbreviated accounts on pages 3 to 7 have been properly prepared in accordance with that Schedule.

OTHER INFORMATION

On 19th December, 1996 we reported, as auditors of AVD Cosmetics Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 30th June, 1996, and our audit report was as follows:

"We have audited the financial statements on pages 4 to 12 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 on page 2, 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.

AVD COSMETICS LIMITED**AUDITORS' REPORT TO THE DIRECTORS OF AVD COSMETICS LIMITED****PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 OF THE COMPANIES ACT 1985**

(Continued)

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 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 as at 30th June, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

FSPG

FSPG
Chartered Accountants
Registered Auditors
21 Bedford Square
London WC1B 3HH

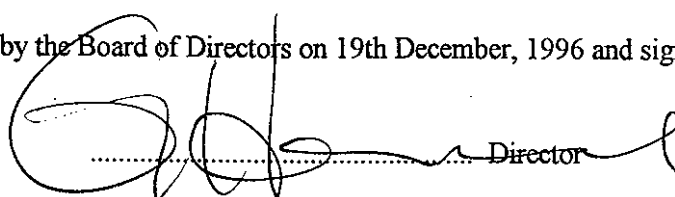
20th December, 1996

AVD COSMETICS LIMITED**BALANCE SHEET AT 30th JUNE, 1996**

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
		£	£
FIXED ASSETS			
Tangible assets	2	126,470	66,897
CURRENT ASSETS			
Stocks		514,947	315,283
Debtors - due within one year		703,009	216,988
- due after more than one year	3	-	24,333
Cash in hand		935	190
		<u>1,218,891</u>	<u>556,794</u>
CREDITORS: Amounts falling due within one year	4	(1,089,012)	(650,559)
NET CURRENT ASSETS/LIABILITIES		<u>129,879</u>	<u>(93,765)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>256,349</u>	<u>(26,868)</u>
CREDITORS: Amounts falling due after more than one year	5	(339,323)	(207,000)
		<u>(82,974)</u>	<u>(233,868)</u>
CAPITAL AND RESERVES			
Called up share capital	6	100	100
Profit and loss account		(83,074)	(233,968)
SHAREHOLDERS' FUNDS		<u>(82,974)</u>	<u>(233,868)</u>

In preparing these abbreviated accounts I have relied upon Sections 246 and 247 of the Companies Act 1985 on the grounds that the company is entitled to the benefit of these sections as a small company.

The accounts were approved by the Board of Directors on 19th December, 1996 and signed on their behalf by:

 Director

AVD COSMETICS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30th JUNE, 1996****1. ACCOUNTING POLICIES****(a) Basis of Accounting**

There have been no changes in the accounting policies during the year.

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

(b) Depreciation

Depreciation is calculated to write off the cost less estimated residual values, of tangible fixed assets over their estimated useful lives as follows:

Fixtures and fittings at concessions	-	over the concession term or three years if no term is stipulated
Other fixtures, fittings and equipment	-	15% per annum on net book value
Motor vehicles	-	25% per annum on net book value

(c) Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

(d) Stocks

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

(e) Foreign Currency

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

(f) Deferred Expenditure

Expenditure which is identified as directly attributable to setting up costs is carried forward under prepayments. Such expenditure is expected to be written off over a period unlikely to exceed three years.

(g) Cash Flow Statement

The company has taken advantage of the exemption in FRS1 (Cash Flow Statements) from the requirement to prepare a cash flow statement as it qualifies as a small company.

AVD COSMETICS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30th JUNE, 1996**

(Continued)

2. TANGIBLE FIXED ASSETS

	<u>Total</u> £
<u>Cost</u>	
At 1st July, 1995	108,612
Additions	93,458
	<hr/>
At 30th June, 1996	202,070
	<hr/>
<u>Depreciation</u>	
At 1st July, 1995	41,715
Charge for the year	33,885
	<hr/>
At 30th June, 1996	75,600
	<hr/>
<u>Net Book Value</u>	
At 30th June, 1996	126,470
	<hr/> <hr/>
At 30th June, 1995	66,897
	<hr/> <hr/>

	<u>1996</u> £	<u>1995</u> £
3. <u>DEBTORS</u>		
Amounts receivable after more than one year:		
Prepayments	-	24,333
	<hr/> <hr/>	<hr/> <hr/>

AVD COSMETICS LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30th JUNE, 1996**

(Continued)

4. CREDITORS

Amounts falling due within one year:

Included under this heading is the following subheading:

Bank loan (secured)	2,546	-
Bank overdrafts (secured)	39,601	115,804
	<u>42,147</u>	<u>115,804</u>

The bank loan and overdraft are secured by a fixed and floating charge over the assets of the company.

5. CREDITORS

Amounts falling due after more than one year:

Falling due between one and two years:

Bank loan (secured)	2,546	-
Loan due to parent company	332,100	207,000
	<u>334,646</u>	<u>207,000</u>

Falling due between two and five years:

Bank loan (secured)	4,677	-
	<u>339,323</u>	<u>207,000</u>

The bank loan is secured by a fixed and floating charge over the assets of the company.

The parent company has postponed repayment of its loan in favour of other creditors. The loan is interest free.

6. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1996</u> No.	<u>1995</u> No.	<u>1996</u> £	<u>1995</u> £
Ordinary shares of £1 each	1,000	1,000	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Subsequent to the balance sheet date, the company increased its authorised share capital to £250,000 and issued a further 99,900 ordinary shares of £1 each, fully paid at par, for cash.

AVD COSMETICS LIMITEDNOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30th JUNE, 1996

(Continued)

7. ULTIMATE PARENT UNDERTAKING

The directors regard Hammer Holdings Limited as being the ultimate parent undertaking, a company registered in England.