

KMS Haircare Limited

Directors' report and financial statements

31 December 2010

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DIRECTORS REPORT AND FINANCIAL STATEMENTS

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OFFICERS AND PROFESSIONAL ADVISORS

Directors	N J K Wood A Pucarelli
Company Secretary	M Hughes
Registered Office	Park View Alder Close Eastbourne East Sussex BN23 6QE
Independent Auditors	Deloitte LLP Chartered Accountants and Statutory Auditors Southampton
Bankers	Barclays Bank Plc London Corporate Banking 50 Pall Mall London SW1A 1QA
Legal Advisors	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA

DIRECTORS' REPORT (CONTINUED)

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2010. The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

Principal activities

The company provides financial support in the form of intercompany loans to other companies within the KPSS group.

Results, dividends and transfers to reserves

The financial results for the year to 31 December 2010 are set out in the profit and loss account on page 7.

During the year ended 31 December 2010, the company achieved a profit for the financial year of £56,467 (2009 £121,027).

The directors do not recommend a dividend for the year ended 31 December 2010 (2009 £nil). Accordingly, the retained profit of £56,467 (2009 £121,027) has been transferred to reserves.

Going Concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have no intention of striking off the company in the foreseeable future, not being less than 12 months from the date of signing these financial statements and consider the intercompany loan to be fully recoverable. Thus they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors and their share interests

The directors who served throughout the year, unless otherwise stated, were as follows:

Mr N J K Wood
Mr A Pucarelli

None of the directors serving at the year end held any interest in the shares of the company or any other group company.

Provision of information to auditors

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

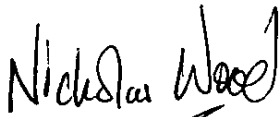
DIRECTORS' REPORT (CONTINUED)

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and Deloitte LLP will therefore continue in office

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

Approved by the Board of Directors and signed on behalf of the Board by



N J K Wood
Director

7-2- 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KMS HAIRCARE LIMITED

We have audited the financial statements of KMS Haircare Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KMS HAIRCARE LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors report



Tobias Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Southampton, United Kingdom

14 February 2011

KMS HAIRCARE LIMITED**PROFIT AND LOSS ACCOUNT**
For the year ended 31 December 2010

	Note	2010 £	2009 £
Administrative expenses		<u>(16,721)</u>	<u>(18,294)</u>
Operating loss	2	(16,721)	(18,294)
Interest receivable and similar income	4	95,189	189,200
Interest payable and similar charges	5	<u>(42)</u>	<u>(2,813)</u>
Profit on ordinary activities before taxation		78,426	168,093
Tax charge on profit on ordinary activities	6	<u>(21,959)</u>	<u>(47,066)</u>
Profit for the financial year		<u><u>56,467</u></u>	<u><u>121,027</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses for both current and proceeding year other than those passing through the profit and loss account above. Accordingly a statement of total recognised gains and losses has not been prepared.

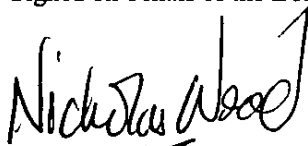
KMS HAIRCARE LIMITED**BALANCE SHEET**
As at 31 December 2010

	Note	2010 £	2009 £
CURRENT ASSETS			
Debtors due within one year	7	6,763,018	6,710,356
Cash at bank and in hand		71,673	77,478
		<u>6,834,691</u>	<u>6,787,834</u>
CREDITORS: amounts falling due within one year	8	<u>(25,370)</u>	<u>(34,980)</u>
NET ASSETS		<u>6,809,321</u>	<u>6,752,854</u>
CAPITAL AND RESERVES			
Called up share capital	9	422	422
Share premium account	11	1,298	1,298
Profit and loss account	11	<u>6,807,601</u>	<u>6,751,134</u>
SHAREHOLDERS' FUNDS	12	<u>6,809,321</u>	<u>6,752,854</u>

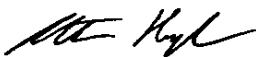
The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime

The financial statements of KMS Haircare Limited, registered number 00947667 were approved and issued by the board of directors on 7-02-11

Signed on behalf of the Board of Directors



Mr Nick Wood
Director



Mr M Hughes
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2010****1. ACCOUNTING POLICIES**

The following principal accounting policies have been used by the company in the preparation of these financial statements and have been applied consistently in the current and preceding financial year

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Going concern

As set out in the Directors' report on page 2, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the financial statements have been prepared on the going concern basis

Cash flow statement

The company is exempt from the requirements of Financial Reporting Standard No 1 (Revised) to include a cash flow statement as part of its financial statements because the consolidated accounts of the ultimate parent company in which the subsidiary is included are available to the public

Taxation

Current tax, including UK Corporation Tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

2. OPERATING LOSS

	2010 £	2009 £
Operating loss is stated after charging:		
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the annual accounts	<u>12,000</u>	<u>13,714</u>

3. STAFF COSTS: EMPLOYEES AND DIRECTORS

	2010 £	2009 £
Staff costs		
Salaries and wages	<u>4,721</u>	<u>4,721</u>

The company has no employees and no direct employee costs or directors emoluments were incurred by the company. NJK Wood and A Pucarelli are paid by KPSS UK Limited and KPSS GmbH respectively, other group companies, however it is not practical to split out the costs of their services for the purpose of these accounts. The above salaries and wages expense relates to the costs recharged for the services of one person from KPSS UK Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Bank interest	51	100
Interest on loans to immediate parent company	95,138	189,100
	<u>95,189</u>	<u>189,200</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Bank charges	42	145
Interest payable	-	2,668
	<u>42</u>	<u>2,813</u>

6. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2010 £	2009 £
UK Corporation tax payable at effective rate of 28% (2009 28%) based on the profit for the period	21,959	47,066

Finance Act 2010

The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July

7. DEBTORS

	2010 £	2009 £
Amounts falling due within one year:		
Amounts owed by immediate parent company	6,763,018	6,710,356
	<u>6,763,018</u>	<u>6,710,356</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Amounts owed to Group undertakings	1,176	-
Current corporation tax	12,194	25,234
Accruals and deferred income	12,000	9,746
	<u>25,370</u>	<u>34,980</u>

9. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Authorised		
9,000 ordinary 'A' shares of £1 each	9,000	9,000
1,000 ordinary 'B' shares of £1 each	1,000	1,000
	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
180 ordinary 'A' shares of £1 each	180	180
242 ordinary 'B' shares of £1 each	242	242
	<u>422</u>	<u>422</u>

The ordinary "B" shares differ from the ordinary "A" shares solely in that they do not carry any voting rights

10. RELATED PARTY TRANSACTIONS

Since 1 March 2002, the company has been a wholly owned subsidiary with its voting control held by its immediate parent undertaking, KPSS GmbH. The ultimate controlling party is Kao Corporation, the company's ultimate parent undertaking incorporated in Japan. The company has taken advantage of the exemption under Financial Reporting Standard 8 and has not disclosed details of transactions with other Kao group companies since 1 March 2002.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

11. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Share capital account £	Profit and loss account £
Balance at 1 January 2010	1,298	422	6,751,134
Retained profit for the financial year	-	-	56,467
Balance at 31 December 2010	<u>1,298</u>	<u>422</u>	<u>6,807,601</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Opening shareholders' funds	6,752,854	6,631,827
Retained profit for the financial year	<u>56,467</u>	<u>121,027</u>
Closing shareholders' funds	<u>6,809,321</u>	<u>6,752,854</u>

13. ULTIMATE PARENT UNDERTAKING AND IMMEDIATE PARENT UNDERTAKING

In the opinion of the Directors, the ultimate parent undertaking of KMS Haircare Limited is Kao Corporation, a company incorporated in Japan. The largest group in which the results of the company are consolidated is headed by Kao Corporation and the group accounts are available to the public from 14-10 Nihonbashi Kayabacho 1 chome Chuo-ku, Tokyo 103, Japan or from www.kao.co.jp

The immediate parent undertaking of KMS Haircare Limited is KPSS GmbH, a company incorporated in Germany. The smallest group in which the results of the company are consolidated is headed by KPSS GmbH and the group accounts may be obtained from Pfungstaedter Strasse 92-100, D-64297 Darmstadt, Germany