

# Financial highlights



	1995	1994	Increase
<b>Worldwide retail sales</b>	<b>£500.1m</b>	£432.7m	<b>+16%</b>
<b>Turnover</b>	<b>£219.7m</b>	£195.4m	<b>+12%</b>
<b>Operating profit</b>	<b>£34.5m</b>	£30.1m	<b>+15%</b>
<b>Profit before tax</b> (excluding profit on sale of subsidiary)	<b>£33.5m</b>	£28.6m	<b>+17%</b>
<b>Adjusted earnings per share</b>	<b>11.5p</b>	10.1p	<b>+14%</b>
<b>Dividends per share</b>	<b>2.4p</b>	2.0p	<b>+20%</b>
<b>Net assets</b>	<b>£110.6m</b>	£96.9m	<b>+14%</b>
<b>Number of stores</b>	<b>1210</b>	1053	<b>157</b>

## Financial calendar

<b>19 May 1995</b>	Publication of 1995 Annual Report and Accounts
<b>14 June 1995</b>	Annual General Meeting
<b>16 June 1995</b>	Record date for final dividend
<b>14 July 1995</b>	Payment of final dividend
<b>18 October 1995</b>	Announcement of interim results for the six months to 31 August 1995
<b>7 November 1995</b>	Record date for interim dividend
<b>11 January 1996</b>	Payment of interim dividend

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# Chairman's statement

## Summary of Results and Current Trading

The last year has been a highly energetic one for The Body Shop. An intensive period of expansion of our product development, marketing and retail resources is now under way. We believe this is essential to enhance our sales growth worldwide. As usual, different geographical areas are showing varying growth rates in retail sales: we have experienced tremendous growth in Asian markets, but slower rates of growth in others, particularly the USA. We opened 157 stores, of which over one third were in the USA and almost one third were in Europe, ending the year with 1210 stores in 45 countries.

Turnover increased by 12% to £219.7 million. With a healthy increase in gross margin, an improvement in operating margin and a lower interest charge, profit before tax of £33.5 million was 17% higher after adjusting for the profit realised on the sale of a subsidiary in 1994. After a slightly higher tax charge, adjusted earnings per share were 14% higher at 11.5 pence. We have increased the final dividend by 20% to 1.5 pence net per share, making 2.4 pence for the year. Our balance sheet continues to grow stronger, with net assets of £110.6 million at the year end. With net borrowings standing at £2.7 million, our net gearing has been reduced to 2%.

Worldwide retail sales of £500 million showed growth of 16% in the year, with 70% of retail sales now originating outside the UK. For the current year to date, worldwide retail sales are showing total growth of 15%, and we expect to open around 150 new stores during the year. Comparable store sales showed 3% growth last year, with the year to date showing a flat position on the same period last year.

Although it is still very early in our financial year, we do not anticipate much change in the level of pre-tax profit this year. Building brand awareness in the large international arena in which we work is a highly complex and specialised business, and we are

investing heavily in product development, marketing and retail expertise in order to drive comparable store sales forward.

This investment is likely to mean an increase in the level of operating overhead at a greater rate than turnover growth this year. The phasing of these costs will mean a greater impact in the first six months of the year than in the second half. We believe that the initiatives we are now taking are critical to our future as a global retailing business, and we are confident that the investment we are now making will pay off.

## General Comments

The UK had another good year, continuing the improvement in sales which began in the previous year. Europe also performed well overall, despite mixed economic climates.

The tremendous performance in Japan, and in Asia in general, is due to an increasing level of customer awareness. Retail sales in Japan grew by 86%, and comparable store sales growth was amongst the strongest around the world at 14%. Store openings in Japan are now accelerating, and we expect to have around 60 stores there by the end of the current year, making Japan one of our top five countries in terms of store numbers.

Our business in the USA has continued to expand in accordance with our strategy of accelerating store openings to gain the high ground in prime locations. From just one store in July 1988, the USA has now grown to become our largest market worldwide in terms of store numbers. We added 65 stores last year, bringing the total to 235 by the year end, and we currently have 247 stores in the USA. This expansion has stretched our resources in terms of servicing our existing US stores, and has contributed to the 8% decline in comparable store sales for the year to date.

Our US business now needs a period of consolidation and retail focus. Over the coming year,

strengthening comparable store sales in the USA is our top priority. To meet that goal, we have focused our efforts in several areas: we will open fewer stores this year with approximately 40 new stores due to open, 25 less than last year; and we are strengthening our retail and marketing functions.

We face unique challenges in the USA, where competitive forces are strong, and we are still new in the marketplace and to the consumer. We are developing specialised retail approaches to adapt our offering to the American consumer, and have recently appointed a new Vice President of Stores who will be implementing these initiatives. We expect to see an improvement in the sales trend during the coming year.

We are also concentrating our management efforts on existing operations and have recently appointed Terry Hartin, our main board director responsible for group manufacturing and distribution, as Chief Operating Officer in the USA. Terry's experience in founding and managing our subsidiary Cos-tec will be invaluable in his new role of overseeing day to day operations within the USA.

Here at our head office, we are expanding our product development and marketing functions, and have created a retail sales development group. This latter group will concentrate on retail creativity, store design and merchandising, providing a service to 45 countries and dealing in 23 languages worldwide. These are areas in which we are significantly under-resourced.

We appointed three new executive directors last July, all of whom have worked for The Body Shop for some time, and our first two non-executives in October. They have all made a significant contribution to our Board. We are moving ahead with our search for additional non-executive directors, and we are committed to making a further appointment during the current year.

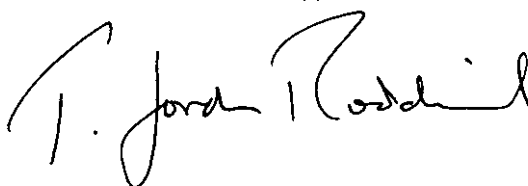
We continue to work towards greater accountability

and transparency. An important step towards this goal is the development of a corporate social accounting system and the evaluation of our social performance through our first social audit. The social audit report will help us to track our own progress and set targets for improvement. This report will examine our performance in relationships with our key stakeholders including customers, employees, franchisees, shareholders and suppliers, and will be verified by the New Economics Foundation. We have also commissioned Kirk Hanson, a leading American professor in business ethics and social responsibility at the Stanford University Graduate School of Business, to conduct an independent evaluation of our social performance and make recommendations for improvement. Both reports are due to be published this autumn.

### Conclusion

The Body Shop has made significant progress this year in a rapidly changing marketplace. Our commitment is to develop our position as a global retailer. The choices we have made for the current year to invest heavily in product development, marketing and retail expertise have been carefully considered in the light of our long term strategy.

Business helps shape the future and we are all a part of that. Decisions we make affect the lives of many people, particularly our stakeholders. This is a responsibility that we take seriously. Our stakeholders have helped us to build a strong framework to perpetuate our values, and I would like to thank all of them for their continued support and hard work.



**T. Gordon Roddick**  
Chairman



# The Body Shop is... ...skin

We aim to make and sell the best,  
most authoritative skin, hair  
and body care products which  
simultaneously embody our values  
and satisfy our customers' needs.

Skin care is one of the major product categories in which we are concentrating our development programme. Many of our skin products consistently feature amongst our top selling products around the world.

During the last year, we have developed a skin care regime aimed at customers with problem skin, and particularly the teenage market. Following the success of our products containing tea tree oil developed specifically for the Australian market, we launched a range of six tea tree skin products first into the UK and then into other international markets. This was the first step in the repositioning of our skin care products into specific regimes by skin type.

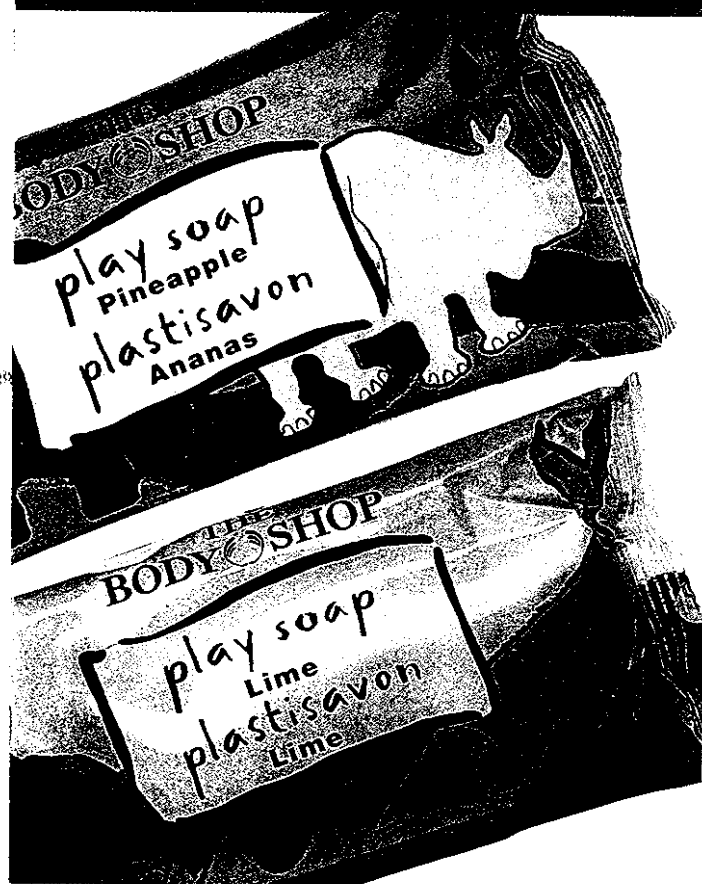
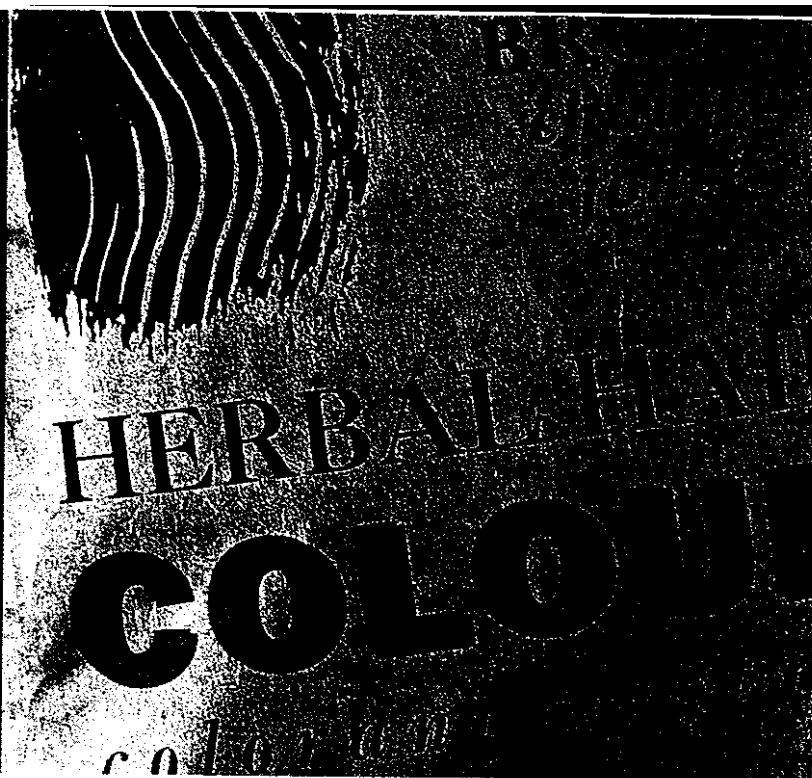
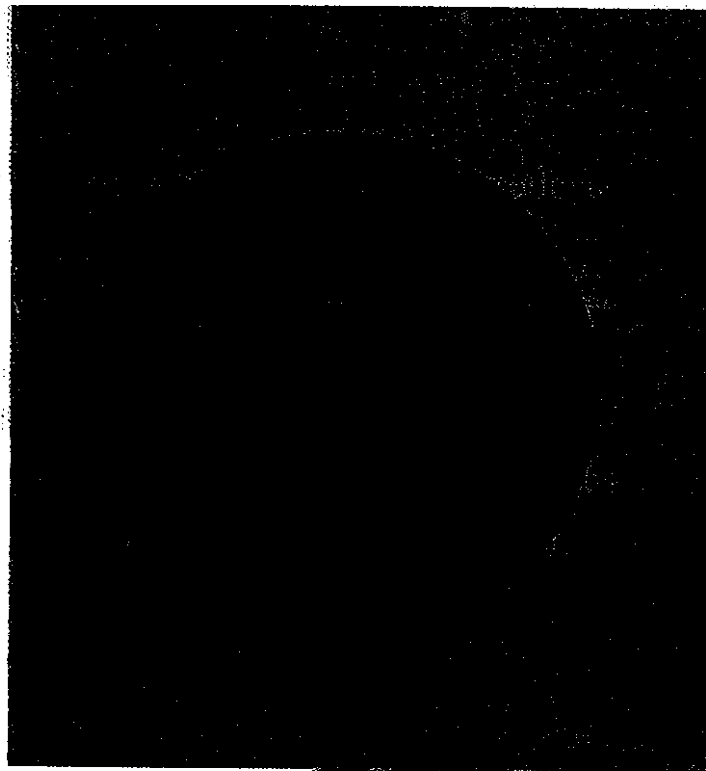
Peppermint Foot Lotion has been a top seller for many years. We have recently complemented and repromoted this product and Pumice Foot Scrub with the launch of Refreshing Foot Spray, thereby offering a more complete foot care regime.

Within fragrances, we have been looking closely at our range, rationalising where necessary and selectively introducing new fragrances. Over the last year, we have introduced Leap and No Debate, the latter being positioned as part of our men's product line but having strong unisex appeal. We are also addressing individual market needs with new fragrances for Germany, the USA and the Middle East.



Vitamin E Cream is a consistent  
top seller in virtually every  
market in which we trade. In the  
last financial year, 1.3 million  
50ml jars of Vitamin E Cream  
were sent out to our shops around  
the world.





Play Soap is an innovative,  
mouldable children's bath soap  
available in two fragrances.  
The unique process for producing  
Play Soap was developed by  
Soapworks in collaboration  
with Cos-tec.

## ...hair

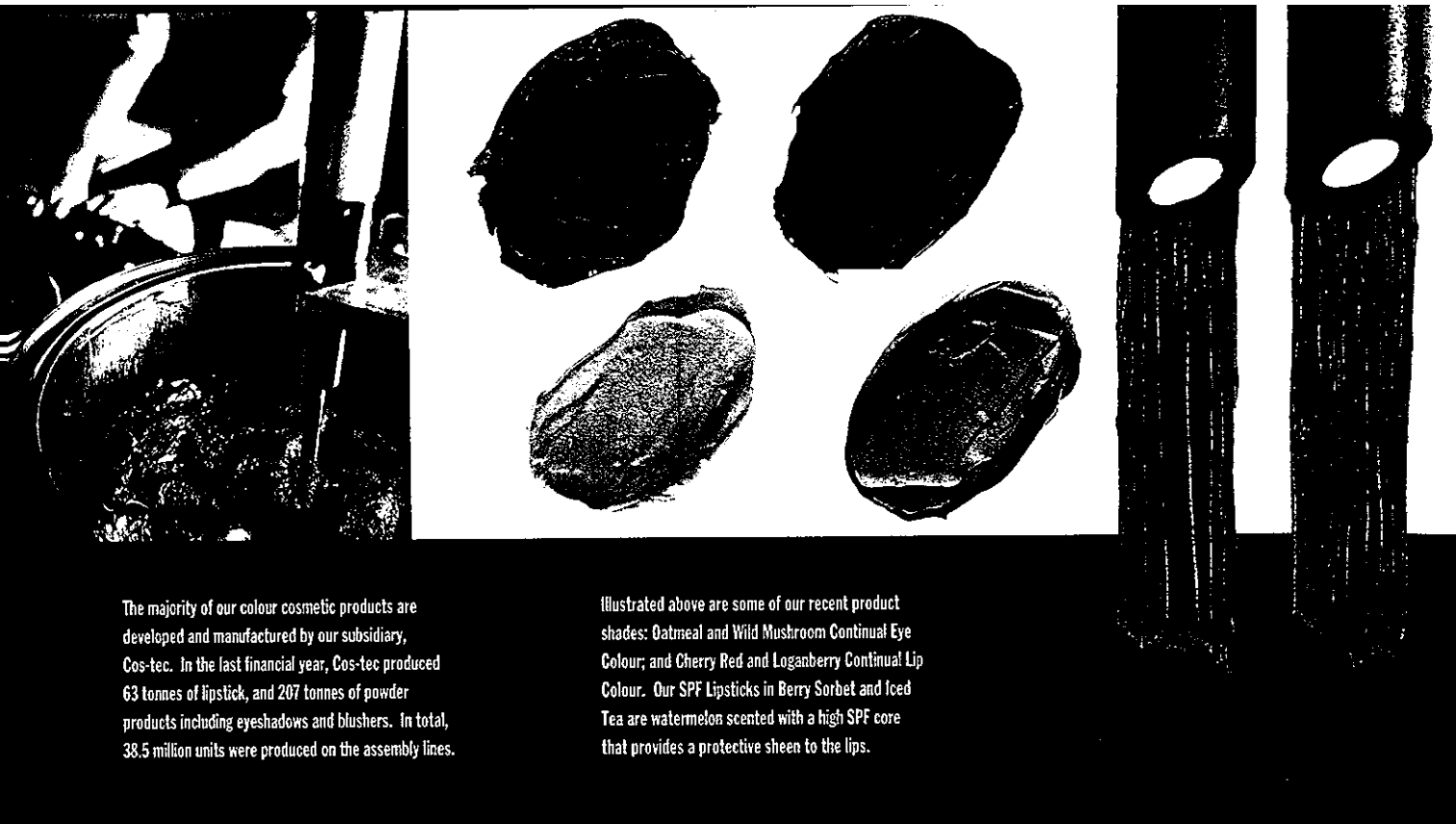
The first step in the relaunch of our hair care line was the repackaging of the Henna Range, followed by the relaunch of five Herbal Hair Colours last year. Our shampoos and conditioners are being selectively rationalised where appropriate. Development of new lines includes the recent introduction of a Hair Styling Range consisting of four new products, and a Deep Conditioning Hair Treatment. Our entire hair category will be the first to benefit from our repackaging programme, and will be relaunched with a new look at the beginning of next year.

The current development programme for our skin and hair care lines requires strong support from our research and development team, which has been strengthened in the last year. This reinforcement should facilitate an acceleration in our product programme this year, while also allowing increasing customisation of our range for international markets.

Our manufacturing plant at Watersmead manufactured 7,992 tonnes of bulk in skin and hair care product last year, with our Homebrew area producing over 100 tonnes of natural infusions for use in our products. This resulted in over 44 million bottles being filled at Watersmead, up from 37 million in the previous year, with a further 16.8 million being filled at plants in the USA, Canada and Australia.

Soapworks, which produces the majority of our soaps sold in shops around the world, manufactured 35 million soaps, an increase of 7 million on the previous year.





The majority of our colour cosmetic products are developed and manufactured by our subsidiary, Cos-tec. In the last financial year, Cos-tec produced 63 tonnes of lipstick, and 207 tonnes of powder products including eyeshadows and blushers. In total, 38.5 million units were produced on the assembly lines.

Illustrated above are some of our recent product shades: Oatmeal and Wild Mushroom Continual Eye Colour; and Cherry Red and Loganberry Continual Lip Colour. Our SPF Lipsticks in Berry Sorbet and Iced Tea are watermelon scented with a high SPF core that provides a protective sheen to the lips.

With the international relaunch of the colour cosmetics brand complete, Colourings concentrated developments last year on catering for the specific needs of "real" women. This resulted in the development and launch of innovative new products, including a series of products developed primarily for more mature skin.

# ...colour



In the past year, we have launched 15 new products over 26 shades, 17 shade extensions in eyeshadows and lipsticks, and base products for darker skins.

Among the new products feature innovations such as Lightening Touch and Lip Treats, our first cosmetic products developed specifically for more mature or dry skin.

Lightening Touch contains light reflective particles to banish under eye shadows and fine lines in the skin. Lip Treats add colour and lustre to the lips while moisturising and providing protection with a high SPF.

Other recent introductions containing SPF's include Cover & Block and Skin Treat Foundation. These products are central to our strategy for satisfying the specific make-up needs of "real" women.

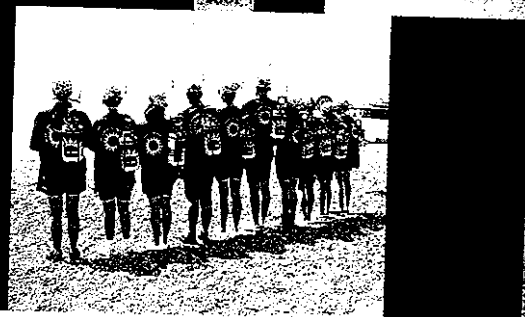
A number of the new product shades now being introduced have been developed to cater for individual preferences within international markets, or for particular skin types.

An increasing feature within the Colourings range are limited edition products, such as the bridal boxed set which was introduced last spring, which are developed to support specific products or promotions.



Our instore service to customers includes personal advice on the use of our products, a Product Information Manual which contains full product descriptions and ingredient listings, and other instore literature which aims to keep our customers well informed.

As part of our sun campaign last summer, our UK shops took part in 30 beach carnivals, working with local lifeguards to teach sun safety with a dose of fun. This year, we have produced a video aimed at teenagers in association with Marie Curie Cancer Care, which will be shown in our UK shops.



We aim to complement our products with high levels of customer service within our shops: this ranges from everyday advice on the use of our products to free customer make-overs, from a refill service to a Perfume Tester Bar, and from hand massage to a customised gift basket making service...

We believe that our staff should be able to offer our customers quality advice and help in support of our products. For this reason, staff training has always been a priority at The Body Shop. Our comprehensive training programmes include formal courses, video sales training, and home learning programmes. In addition, every shop has a Product Information Manual on display and available for customers' use. This Manual contains information on all of our skin and hair care products, describing the unique properties of each product, suggested usage, and full ingredient listings.

We offer instore make-overs free to customers, and many thousand now take place in shops around the world every year. Customers are invited to benefit from trying our cosmetic products, and receiving personal advice from our staff. In addition to make-overs, staff can offer customers the opportunity to try other skin products with a hand or foot massage. These activities can take place either in or out of the stores.

Our refill bar provides customers the ability to bring back their bottles for refill, offering the advantage of reusing the bottle while also gaining a discount on the normal retail price of the product. Elsewhere in the store, the Perfume Tester Bar allows customers to explore our full range of fragrances before making a decision to buy. And when it comes to gift purchase, our shop staff can offer a customised gift basket



Looking good is a lot easier than you think. The Body Shop Book, published last October, is a comprehensive illustrated collection of essential steps to skin, hair and body care. It contains tips, instructions, ingredient profiles, interesting facts, and even DIY recipes to try at home. The Body Shop Book, on sale in hardback at branches of The Body Shop and at leading bookstores in the UK and USA, has featured in a number of bestseller lists.

making service to complement the ready made gifts available on the shelves. At The Body Shop, we believe that an important aspect of customer care is keeping our customers well informed. An example of this kind of activity includes the sun campaigns carried out in association with Marie Curie Cancer Care in the UK, which have focused on the health risk of over-exposure to the sun and the practical steps needed to protect the skin.

Our Values and Vision for a world where  
 all of our products are environmentally  
 sound. And our commitment to  
 Product, Animal Protection, Fair Trade  
 and Human Rights. These are  
 some of the things that we have been  
 working on for many years.

- We continue to monitor and report on our environmental performance, and will publish our fourth annual independently verified environmental statement in the autumn. This report will be extended to include independent verification of data and audit systems for our subsidiary sites at Wick in Littlehampton and Wake Forest in the USA.
- We made an investment in the Bryn Titli wind farm, which was opened by Anita on 4 October 1994. The level of local support for the development was key to our decision in making the investment, as was the environmental responsibility of the developers, National Wind Power. We invested £500,000 in return for a 15% share in the wind farm, our co-investors being National Power and SWALEC.
- We took a pioneering step in having our Against Animal Testing audit systems and procedures successfully assessed against the International Standards Organisation's quality systems standard ISO 9002. This standard is concerned with establishing fail safe systems for ensuring supplier performance, so it is an ideal way to measure how actively we audit our purchasing policy against animal testing. Later this year, we will publish a full report of our animal protection activities in line with our existing practice on environmental reporting.
- During 1994, we formalised our programme for a social audit. This followed twelve months of research into best practice on social accounting and auditing. We are currently undertaking our first social audit, and the results of this will form the third area in which we will publish an independently verified report on our ethical performance this autumn – in this case, with respect to social issues.

As part of this process, focus groups are being held and surveys of all key stakeholder groups are being conducted alongside a data gathering and bench marking exercise which encompasses issues such as human resources, health and safety, fair trade, company giving and campaigning. Verification of the social audit process is being conducted by the New Economics Foundation, backed by a panel of independent experts on social issues. In a separate but complementary initiative, Kirk Hanson, a leading US business ethics professor, has been engaged to provide an independent evaluation of The Body Shop's ethical performance.

Overall, by increasing our commitment to auditing our performance, inviting independent verification, and delivering systematic public disclosure, we will continue to work towards even greater transparency in these areas of our business.

Left: Our Against Animal Testing audit systems and procedures have been successfully assessed against the International Standards Organisation's quality systems standard ISO 9002.

Below: Our third environmental report, published in June 1994, earned Investor Relations Magazine's award for Best Environmental Reporting.







**Left:** The Body Shop now has a direct trade link with EDM, a Swiss non-governmental organisation, which runs a hand craft project working with about fourteen co-operatives in Bangladesh making basket ware and pottery containers.

**Below:** Corr the Jute Works is a co-operative organisation representing approximately 6,500 women. The Body Shop has been trading with Corr for the past year, sourcing handcraft products such as woven bags and terracotta pumice stones.

# ...vision



Since the late 1980s, when The Body Shop established its first pilot projects in direct sourcing of products and ingredients, we have been exploring ways in which we can work towards creating a sustainable society within our business activities.

In the past year, we have continued to increase our commitment to developing fair trade within our business. Led by Jacqui MacDonald, who joined us from OXFAM Canada, a team of nine people are now dedicated to fair trade on a full-time basis, many with years of experience in the field of community enterprise development.

#### Over the last year, we have:

- worked to increase trade with our existing partners;
- established new trading relationships;
- adopted the Trading Charter as the basis on which we do business;
- set clear trading guidelines for expanding our links with communities.

Our Trading Charter recognises that human and civil rights are at the very heart of responsible business. We constantly try to ensure that the values upon which our business is founded are never violated by the way in which we buy or sell.

We aim to build long term trading relationships with the communities with which we work and, in doing so, try to

**Above:** "The Body Shop's trading partnership in Nepal has enabled us to revive our traditional craft of paper making, using recycled raw material. This provides more than 100 jobs. Apart from direct employment, the community is benefiting from the work of our welfare trust through the AIDS awareness programme, Send our Daughters to School campaign and environmental activities."

**Milan Bhattarai, General Manager, General Paper Industry.**

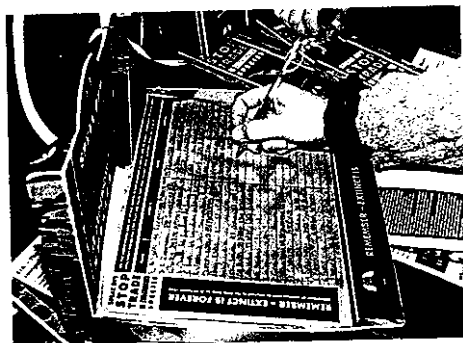
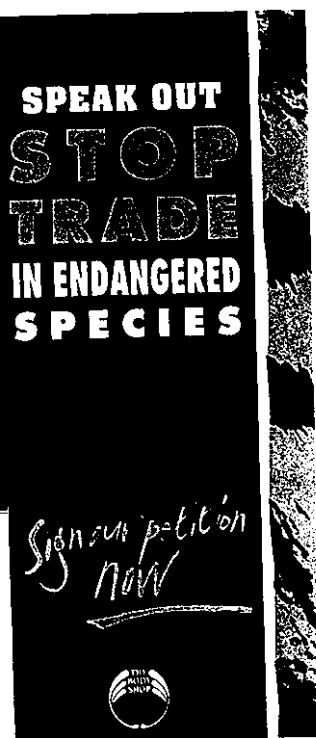
satisfy the needs of our business, our trading partners and our customers. We look for communities with special needs who can produce products that are environmentally sustainable. Clearly, our trade links need to be commercially viable, and should provide direct benefits for the primary producers.

Our strategy is to try to replace existing commercially sourced raw ingredients and accessories with directly sourced purchases wherever possible. We have existing trade links with partners in Nepal, India, Brazil, Mexico, Nicaragua, Bangladesh, Zambia and the USA.

During the last year, we have established two new links. We have received our first shipment of shea butter from a women's co-operative in Ghana, having worked for two years in establishing this project. Shea butter is used in products such as Under Eye Cream and Watermelon SPF 20+ Sun Block. In addition, we have started to source all of our cocoa butter purchased for in-house manufacturing from six producer organisations in Africa and Latin America. This trade link is in association with the Max Havelaar Foundation, based in the Netherlands.

# ...taking action

During 1994, our campaigning activities focused on two major initiatives: illegal trade in endangered species and the plight of indigenous peoples. Around the world, our franchisees and stores took action on these and other issues, such as violence against women and the environment.



**Sorry we've executed  
this poster in a hurry,  
but the  
Nigerian Government  
is trying  
to do the same to  
Ken Saro-Wiwa.**

Ken Saro-Wiwa goes on trial for his life this week. The Nigerian Government has convened a military-appointed special tribunal to try Ken for peacefully protesting

against oil pollution in the Ogoni lands. In jail since May 1994, an Amnesty International prisoner of conscience, he now faces execution.

**Insist on justice for Ken Saro-Wiwa**

Phone or Fax the Nigerian High Commission.

**Tel: 0171-839 1244 Fax: 0171-839 8746**

The campaign for justice for Ken Saro-Wiwa and the Ogoni is supported by The Body Shop.

We carried out the largest international campaign in our history, with 1,000 shops in 30 countries collecting over 3 million signatures for the protection of endangered species. The petitions called on government leaders to enforce the rules laid down by the UN Convention on the International Trade in Endangered Species of Flora and Fauna (CITES), and was presented at the Convention's bi-annual meeting last November in Fort Lauderdale, Florida, at a special ceremony attended by 600 representatives of governments and animal protection organisations worldwide. The petitions were received by US Secretary of the Interior, Bruce Babbitt, who paid tribute to the effort made by The Body Shop and to the need for governments to heed public demand for effective enforcement of CITES rules.

Meanwhile we became more involved in supporting and promoting the non-violent struggle of the Ogoni people of the Niger delta to achieve their environmental and human rights in the face of savage repression by the Nigerian military dictatorship. Following his nine month detention without charge, the Ogoni leader Ken Saro-Wiwa was finally brought to trial in February. The Body Shop responded by taking an advertisement in The Guardian newspaper, which urged the public to deluge the Nigerian High Commissioner with protests. The advertisement was posted in our UK shops. Over 10,000 protest postcards from UK customers and staff have flooded into the High Commission. The Ogoni people's peaceful struggle for justice continues, as does our backing for this campaign.

**How we give:** Our approach to giving is not necessarily to give more, but to give more effectively. The key to achieving this is staff involvement.

- A number of shops in the UK are involved in community projects. At our head office in Littlehampton, staff are entitled to spend half a day a month volunteering in local projects, and employees all over the world are encouraged to interact with their local communities.
- We operate community shops in four cities around the world which provide financial assistance to, and staff involvement in, local community projects and organisations. One example is our Brixton shop in London, which donated its 1994 financial year profits (£44,000) to six local projects including women's groups, an AIDS initiative and a crisis centre for young people.
- Soapworks opened in 1988 in Glasgow's Easterhouse district, an area blighted by high unemployment. The company produces the majority of soap sold in our retail outlets worldwide. When Soapworks was founded, a commitment was made to donate 25% of cumulative after-tax profits to local community projects. For the last financial year, over £70,000 will be donated to the community.
- Launched in September 1991 as a publication sold by and for the homeless, The Big Issue now has a circulation of some 320,000 per fortnight. Over 2,000 vendors benefit directly, by retaining 60% of the cover price of the magazine. The Body Shop Foundation has provided over £250,000 to The Big Issue since its launch.



- The Body Shop started the Eastern Europe Relief Drive in 1990 to fund volunteers to renovate orphanages in Romania. The ongoing project has been maintained by the voluntary efforts of hundreds of employees of The Body Shop from many countries around the world including Canada, Japan and the USA. Over the last five years, The Body Shop Foundation has donated over £200,000 to the Eastern Europe Relief Drive.

  
THE BODY SHOP  
**foundation**

- The Body Shop Foundation is a registered charity which was founded in 1989 as a means of gathering funds raised by directors, franchisees, employees, shops and friends of The Body Shop. In the last financial year, The Body Shop International has donated over £480,000 to The Body Shop Foundation.

**...and asking the right questions**

# THE BODY SHOP

We have started to regenerate the layout of our stores, to concentra

Our shops conform to a tightly controlled format, which has been designed to offer consistency around the world.

Over the past year, we have started to regenerate the layout of our stores, to concentrate on how we can communicate more effectively with customers in store, and on experimentation at the retail level.

Towards the end of 1994, we started to upgrade the retail look of existing stores, introducing a new improved signage system, enhanced merchandising, new central floor promotional units, more effective lighting, and an updated fascia.

In certain key cities around the world, we have been experimenting with new ideas for flagship stores located in prime locations. In the past year, flagship stores have opened in Belfast, Geneva, Milan and San Francisco. In the current year, there will be similar

openings in Amsterdam, Paris and Vienna.

Elsewhere, we continue to develop alternative ways of reaching customers through non-traditional outlets. One example of this is a mobile truck, The Body Shop on Tour, which is now being trialled as a means of bringing new customers into our stores in the USA.



The Body Shop on Tour is a 60-foot truck fitted out as a fully stocked store on wheels, which aims to bring new customers into our stores.

In March 1995 the truck began a three month test, starting out from our national franchise meeting in Arizona and continuing on to at least 40 cities visiting malls, colleges, festivals and other special events across the country.

The Body Shop on Tour is designed to introduce products to customers on their own territory, to encourage new customers to visit their local store, and to bring The Body Shop experience to areas in the USA that are not yet served by a store.

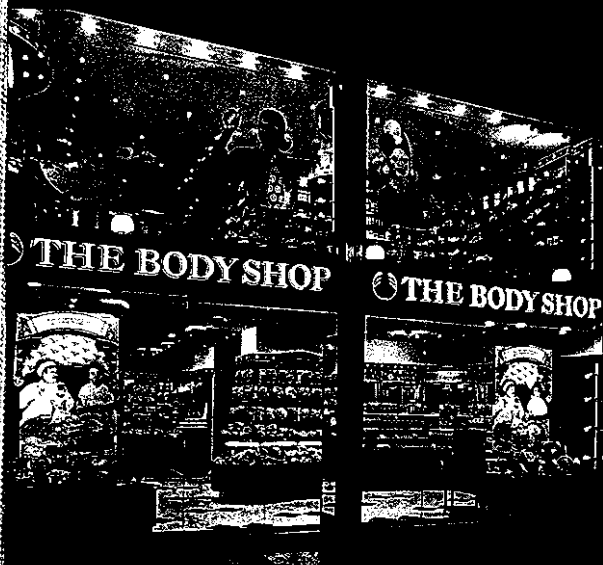
Our store in the centre of the Castro area of San Francisco opened in September 1994 with a unique interior design styled to suit this vibrant and diverse area. All proceeds from the first day's sales were donated to the Stop AIDS Project, a non-profit community organisation.



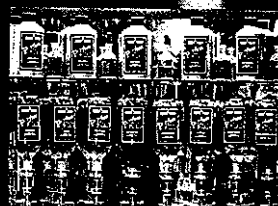
store, on experimentation at the retail level, an

# COUNTRIES

on how we can communicate more effectively with our customers in



BAR DEI PROFUMI



"With Milan as the financial and design capital of Italy, we believed that it was extremely important for The Body Shop to be well represented in the city's most prestigious street, Corso Vittorio Emanuele. We finally opened our store in December 1994.

The store has an amazing glass frontage, which makes it very visible from afar. One of the biggest challenges was to trade successfully from the top floor. We lowered the height of the first floor to ensure maximum visibility from the street, and we introduced exciting new design elements to the staircase to encourage customers upstairs. Having two floors enabled us to devote more space to product categories with a strong location appeal: colour cosmetics and fragrance.

Now that we have this store in Milan, we feel that customer awareness will increase and the development of our market in Italy should accelerate."

**Simone and Ken Mizzi,  
Head Franchisees, Italy**



The Body Shop in Barton Creek, Texas, has a large enough site to trial additional space solely for colour cosmetics, creating the ambience of a 'store within a store'. The space includes multiple product promotion areas and information bays.

## THE BODY SHOP

Skin & Hair Care Products



"We as head franchisees are constantly looking for new ideas in retailing, and for ways in which we can improve our business.

Rue de Marche enjoys a prime site in Geneva, but the store had not been achieving the sales level that we felt it was capable of reaching. We therefore looked at ways of regenerating the shop and creating a greater sense of theatre with a tour of the shop which communicates information on our products, our ingredients, and the way in which we do business.

We feel that what we have achieved so far is just the first phase of the process. More needs to be done, with the next step being to improve the look of the store frontage.

Experimentation is an important element in retailing, and we will continue to invest in new ideas to move our business forward."

**Ivan and Sheela Levy,  
Head Franchisees, Switzerland.**



"Our important new store at 30 Donegall Place, a prime position within the city of Belfast, opened in November 1994 amid a carnival atmosphere. The opening of the store was celebrated in the street outside with a fanfare of busking musicians, life size endangered animal puppets, and stunning costumes representing some of our basic ingredients such as pineapples, carrots and bananas.

While the store was being fitted out, we wanted to use the opportunity presented by the valuable hoarding space to make a statement that reflected our commitment to the local community in which we trade. We commissioned two young Belfast artists to create a sculpture of an environmental perspective of the river Lagan and its locality.

The timing of the opening, which coincided with the evolving peace process in Northern Ireland, resulted in a very healthy increase in customer numbers over the previous year for the busy Christmas period. Going forward, this store undoubtedly has the potential to be one of the busiest in the world."

**Peter Macdonald, Head Franchisee, Ireland.**

on reaching customers through non-traditional outlets.

# WORLD

# The Trading Charter

## **The way we trade creates profits with principles.**

**We aim to achieve commercial success by meeting our customers' needs through the provision of high quality, good value products with exceptional service and relevant information which enables customers to make informed and responsible choices.**

**Our trading relationships of every kind – with customers, franchisees and suppliers – will be commercially viable, mutually beneficial and based on trust and respect.**

## **Our trading principles reflect our core values.**

**We aim to ensure that human and civil rights, as set out in the Universal Declaration of Human Rights, are respected throughout our business activities.**

We will establish a framework based on this declaration to include criteria for workers' rights embracing a safe, healthy working environment, fair wages, no discrimination on the basis of race, creed, sex or sexual orientation, or physical coercion of any kind.

**We will support long term, sustainable relationships with communities in need.**

We will pay special attention to those minority groups, women and disadvantaged peoples who are socially and economically marginalised.

**We will use environmentally sustainable resources wherever technically and economically viable.** Our purchasing will be based on a system of screening and investigation of the ecological credentials of our finished products, ingredients, packaging and suppliers.

**We will promote animal protection throughout our business activities.** We are against animal testing in the cosmetics and toiletries industry. We will not test ingredients or products on animals, nor will we commission others to do so on our behalf. We will use our purchasing power to stop suppliers animal testing.

**We will institute appropriate monitoring, auditing and disclosure mechanisms to ensure our accountability and demonstrate our compliance with these principles.**

# Shop list

	Number of Shops		Year of Opening
	Feb 1995	Feb 1994	
<b>Europe</b>			
Austria	12	9	1986
Belgium	14	11	1978
Cyprus	2	1	1983
Denmark	14	15	1981
Eire	9	10	1981
Finland	20	17	1981
France	26	25	1982
Germany	53	43	1983
Gibraltar	1	1	1988
Greece	37	28	1979
Holland	48	47	1982
Iceland	2	2	1980
Italy	44	38	1984
Luxembourg	2	2	1991
Malta	1	1	1987
Norway	17	14	1985
Portugal	9	8	1986
Spain	54	52	1986
Sweden	41	40	1979
Switzerland	24	21	1983
	430	385	

	Number of Shops		Year of Opening
	Feb 1995	Feb 1994	
Asia			
Bahrain	2	1	1985
Brunei	2	1	1993
Hong Kong	10	9	1984
Indonesia	5	4	1990
Japan	36	22	1990
Kuwait	2	2	1986
Macau	2	1	1993
Malaysia	14	11	1984
Oman	2	2	1986
Qatar	1	1	1987
Saudi Arabia	18	13	1987
Singapore	9*	9	1983
Taiwan	9	6	1988
Thailand	3	2	1993
UAE	4	4	1983
	119	88	

	Number of Shops		Year of Opening
	Feb 1995	Feb 1994	
<b>UK</b>	243*	239	1976

	Number of Shops		Year of Opening
	Feb 1995	Feb 1994	
<b>USA</b>	235*	170	1988

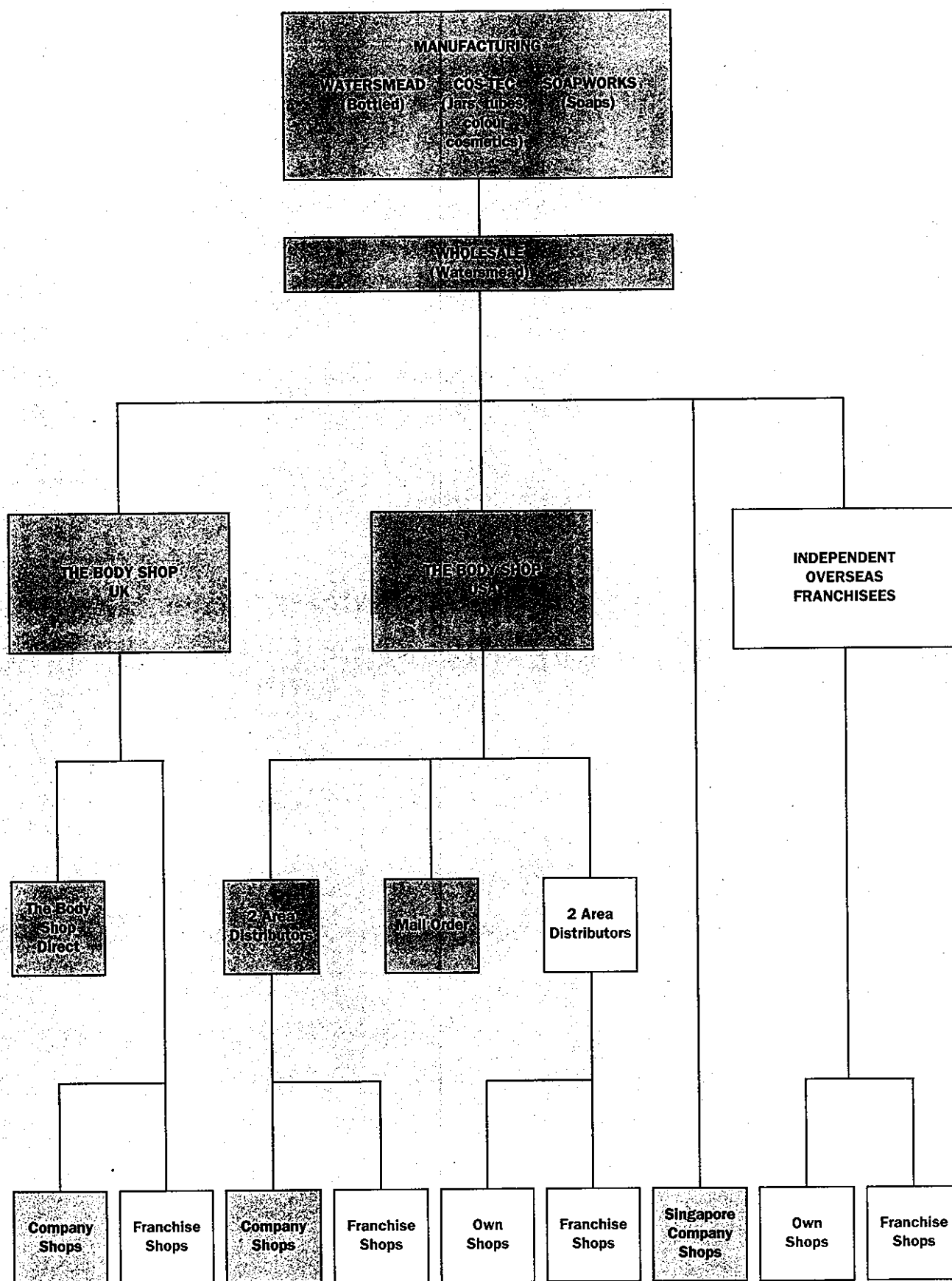
	Number of Shops		Year of Opening
	Feb 1995	Feb 1994	
<b>Australia and New Zealand</b>			
Australia	53	48	1983
New Zealand	9	9	1989
	62	57	

\*Our company shops are located as follows: USA 90, UK 43, Singapore 9.

	Number of Shops	
	Feb 1995	Feb 1994
<b>GRAND TOTAL</b>	<b>1210</b>	<b>1053</b>

Number of countries: 45    Number of languages we trade in: 23

# Operating structure





# Operating and financial review

## Retail Sales

At the financial year end, The Body Shop traded through 1210 stores worldwide. Of these, 142 were owned and operated by the Group in the USA, UK and Singapore.

Total retail sales across all outlets, franchised and company-owned, were £500 million, an increase of 16%. This growth was achieved through the opening of 157 new stores during the year, together with growth achieved by trading through existing shops. We expect to open approximately the same number of new stores again in the current year.

Worldwide, comparable store sales showed growth of 3% during the year, compared with 5% in the previous year. Since the year end, this rate of growth has slowed to a flat position.

Customer transactions, the best indicator of volumes within our shops, showed growth of 12% during the year to 78.6 million, maintaining the rate of growth seen in the previous year.

## Turnover

Group turnover increased by 12% to £219.7 million (1994 £195.4 million), of which 56% relates to international business outside the UK. Some 97% of turnover is represented by sales of product to franchisees and through company-owned shops.

The growth in turnover was achieved through higher retail sales in all markets and higher exports which, including sales to overseas subsidiaries, increased by 16% to £75.8 million.

## Review of Operating Performance

Gross profit was 23% higher at £130.1 million (1994: £105.9 million), with gross margins having improved from 54% to 59%. Increases in our selling prices were minimal. This improvement was due to a number of factors: the higher proportion of company-owned shops (142 compared with 100 at the end of the previous year), where we earn both the retail and wholesale margin; higher production volumes in our manufacturing facilities in Littlehampton and Glasgow; and reduced levels of franchise support and stock provisions.

Gross margins are calculated before deducting the direct costs associated with operating company-owned stores. After deducting those costs, the gross profit contribution increased by 21%.

In the current year, small price increases have been selectively implemented, averaging 1% overall. Gross margins



are unlikely to improve in the current year as the benefit from higher volumes is being offset by higher costs.

Total operating expenses rose 26% on the previous year to £95.6 million. Of the increase, £7 million related to the operation of the larger number of company-owned shops; £4 million related to increased resources in the USA subsidiary; and £9 million related to higher costs at the UK head office, of which £4 million related to research and development, product development, design and communications.

In the current year, we estimate that total operating expenses will grow by approximately £13 million of which £5 million relates to the anticipated increase in the number of company-owned shops, with the majority of the balance relating to the investment we are making in the product development and marketing areas of the business.

Depreciation and amortisation were 12% higher at £10.6 million, reflecting the level of capital expenditure in previous years.

Overall, operating margins improved from 15.4% to 15.7%, and our operating profit increased by 15% to £34.5 million (1994: £30.1 million).

## Customer transactions

Total = 78.6 million



## Geographical Analysis

UK	1995	1994
Shops at year end	243	239
Shop openings	4	6

	£m	£m	Change
Retail sales	148.9	140.5	+6%
Turnover	96.5	91.1	+6%
Operating profit	12.9	11.4	+13%

The Company acts as the head franchisee in the UK, managing wholesale and retail activities. Four shops were opened during the financial year, giving a total of 243 shops at the year end. Of these 179 were franchised, 21 were operated on a partnership basis, and 43 were company-owned. We anticipate a similar level of new store openings in the current year.

Total retail sales grew by 6% in the year to February 1995 compared with 4% in the previous year. Our focus on achieving improved growth in existing stores continued, with comparable store sales improving from a level position in 1994 to growth of 4% in the year to February 1995. However, growth has been

slower at around 1% since Christmas, in line with the general retail trend in the UK.

The growth in turnover of 6% was in line with retail sales growth. Growth in operating profit benefited from the overall increase in gross margin.

During the year, 35 stores were upgraded as part of an initiative to update existing shops in the UK. A new signage system was implemented in all shops, designed to give better directional and sales information to customers. In addition, we have been trialling an updated lighting system, a new shop fascia, central floor promotional units and a new colour cosmetics stand.

Our home selling trial, The Body Shop Direct, has been extended with more shops testing the concept on a national basis. We believe that demonstrating and selling our products in the home is an important way of extending our customer base and of helping to build brand loyalty and business in our shops.

USA	1995	1994
Shops at year end	235	170
Shop openings	65	50

	\$m	\$m	Change
Retail sales	144.8	114.9	+ 26%
Turnover	93.6	75.1	+ 25%

	£m	£m	
Retail sales	91.1	72.2	+ 26%
Turnover	58.8	50.4	+ 17%
Operating profit	4.9	6.2	- 21%

The Company's subsidiary, The Body Shop Inc., functions as the head franchisee for the USA. The head office, filling facilities and main distribution centre are based in Wake Forest in North Carolina.

The rate of shop openings accelerated, with 65 new stores having opened during the year and the number of company-owned shops increasing by 39 to 90 at the year end. During the coming year, we expect to open around 40 new stores, as we concentrate our resources on reversing the decline in comparable store sales. Since the year end, the USA has become our largest market in terms of store numbers.

Total retail sales showed 26% growth for the year on the

larger base, compared with 47% in the previous year. Comparable store sales showed a decline of 3% in 1995, compared with growth of 7% experienced in 1994. While our Christmas trading period saw a decline of 1% in comparable store sales, the four months since then has recorded an 8% decline.

The Body Shop opened its first store in the USA in 1988. At that time, there was no significant competition of a similar nature. Since then, and particularly over the last two years, a large number of competitors have opened in our sector of the personal care market. Our own expansion has also been rapid and, as a result, the quality of our retail offer in the USA and the operational management of our stores has suffered.

We now have all major management functions in place in the USA with Terry Hartin, one of our main board directors, having taken on the role of Chief Operating Officer in the USA. We are now focused on improving our retail offer and the standards in our stores in order to reverse the decline in comparable store sales. We are also increasing our levels of both staff training and promotional activity within the shops in order to appeal to US customers more effectively.

Turnover in the USA was 25% higher when expressed in US dollars but, due to the change in the rate used for translation, the increase in the sterling value of turnover was 17%. This growth in turnover was lower than we anticipated, but we maintained our investment plans in the marketing and retail areas of the business. As a result, the operating profit showed a decline of 21%. The USA operating profit is a combination of the margin realised in the UK on supplying goods to the USA, together with the margin arising from wholesale and retail activities within the USA.

International	1995	1994
Shops at year end	732	644
Shop openings	88	97

	£m	£m	Change
Retail sales	260.1	220.0	+ 18%
Turnover	64.4	53.9	+ 19%
Operating profit	16.7	12.5	+ 34%

In the other 43 countries in which we trade, wholesale and retail activities are carried out by independent franchisees, with the exception of Singapore where the shops are directly owned by the Group.

Retail sales across the 43 countries grew by 18%

compared with 20% in the previous year. On a comparable store basis, sales grew by 4% across the 43 countries, with the rate of growth slowing since mid 1994. Our turnover increased by 19%, broadly in line with the growth in retail sales. Operating profit was 34% higher reflecting higher wholesale volumes, the benefit from acting as the head franchisee for South East Asia, and the direct operation of the Singapore retail outlets.

Although the number of countries in which we trade did not increase over the year, we continue to research new markets, particularly in Asia.

### International results by region:

Europe	1995	1994
Shops at year end	430	385
Shop openings	45	64

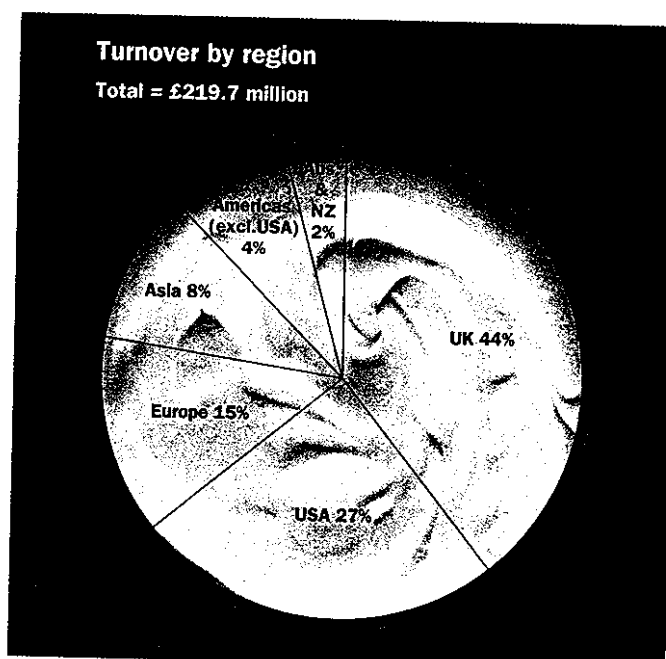
  

	£m	£m	Change
Retail sales	131.0	112.4	+ 17%
Turnover	32.0	30.9	+ 4%
Operating profit	6.7	5.9	+ 14%

Excluding the USA, Europe saw the highest level of store openings with 10 in Germany, 9 in Greece, and 6 in Italy. The current year is due to see the opening rate in Europe accelerate, with around 50 new store openings.

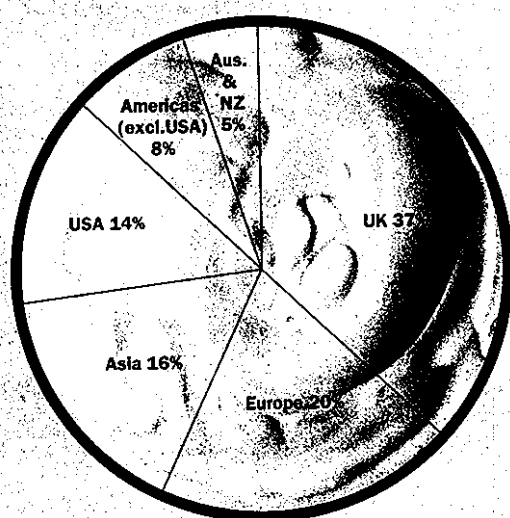
Retail sales showed 17% growth compared with 24% in the previous year. Comparable store sales showed 4% growth, a lower average than the 8% recorded in the previous year. Greece and Germany continued to show good growth, while some other countries such as Holland and Spain saw declines in comparable store sales following the higher rates of store openings in the previous year.

We are looking to build comparable store growth in a number of ways, including customer building programmes, retail experimentation, and the opening of flagship stores in some key cities.



## Operating profit by region

Total = £34.5 million



Turnover was 4% higher than in the previous year, with the lower growth partly reflecting a full year of trading following the sale of the Group's 66% share in Eastwick Trading BV in November 1993. The underlying growth in exports to Europe was 17%.

Other than the UK, Europe contributed the largest profit contribution, which was 14% up on the previous year.

In October 1994, we re-franchised our business in Norway to an independent head franchisee.

Asia	1995	1994	
Shops at year end	119	88	
Shop openings	31	23	
	£m	£m	
Retail sales	50.8	33.7	+ 51%
Turnover	17.3	8.1	+ 114%
Operating profit	5.6	2.4	+ 133%

Retail sales grew by 51%, with Japan once again showing particularly strong growth where 14 new stores were opened during the year. We have built on our growing presence in the Tokyo and Osaka regions, and have opened shops in the Nagoya region of Japan. Japan is now our sixth largest market in terms of retail sales, and we anticipate that it will become

the fourth largest in the current year.

Store openings in Asia will accelerate this year. Of the approximately 50 new shops due to be opened, around half will be in Japan.

Comparable store sales in Asia showed steady growth of 10% for the year, a strong improvement on the previous year when comparable store sales grew by 1%. Our performance in Japan has benefited from growing brand awareness as our presence has increased. Hong Kong showed good growth, and our stores in Singapore are performing well.

The growth in both turnover and operating profit from Asia has been driven by the growth in retail sales, and the impact of the changes made in South East Asia.

Americas (excluding USA)	1995	1994	
Shops at year end	121	114	
Shop openings	7	3	
	£m	£m	Change
Retail sales	46.5	43.9	+ 6%
Turnover	9.7	8.6	+ 13%
Operating profit	2.8	2.4	+ 17%

Retail sales were 6% higher than in the previous year.

Comparable store sales showed growth of 1% year on year, an improvement on the flat performance in the previous year.

Given the relative maturity of the store base in Canada, we are now working hard at fuelling growth through marketing our product more effectively. Store openings are due to remain at around the same level in the current year.

Turnover showed an increase of 13%, and the margin was slightly higher, giving a 17% improvement in operating profit.

Australia and New Zealand	1995	1994	
Shops at year end	62	57	
Shop openings	5	7	
	£m	£m	Change
Retail sales	31.8	30.0	+ 6%
Turnover	5.4	6.3	- 14%
Operating profit	1.6	1.8	- 11%

Retail sales were 6% higher than in the previous year.

Comparable store sales were 1% lower, having shown growth of 5% in 1994. The deterioration is largely due to a poor performance in New Zealand where comparable store sales were down by 8%. Store openings in the region are due to

occur at a similar level in the current year.

Both turnover and profit were lower than in the previous year due to stock adjustments at our head franchisee's warehouse, following the relocation of its manufacturing and distribution facilities in March 1994.

### **Interest and Other**

The net interest charge of £1.0 million was lower than the £1.5 million in the previous year, as the net debt averaged £15 million over the year compared with an average of £26 million over the previous year. Seasonal borrowing requirements vary, with the peak having occurred at the end of November when net debt stood at £28 million (1994: £37 million). At the year end, net debt stood at £2.7 million, leaving gearing at 2%. Due to the seasonality of our capital and other cash outflows during this year, we expect average borrowings to be broadly similar, although the balance sheet position at the year end is likely to have improved.

Our foreign exchange exposure is limited to the US dollar, since we sell in sterling to all other countries. US results have been translated at a year end sterling/dollar rate of \$1.59 compared with \$1.49 for 1994. Although this change in the rate used for translation has an impact on the reported growth in turnover, cost of sales and operating expenses, it has no material effect on the reported operating profit. If the prior year turnover had been translated at the same rate, turnover as reported would have grown by 14%.

Pre-tax profits increased by 13% to £33.5 million (1994: £29.7 million). Excluding the non-recurring profit realised on the sale of our 66% share in Eastwick Trading BV in November 1993, pre-tax profit increased by 17%.

### **Taxation and Minorities**

The tax charge for the 52 weeks to February 1995 amounted to £11.7 million, an effective rate of 35%. The increase from the 34% rate which applied in the year to February 1994 was principally due to the tax treatment of the results of our subsidiary in the USA.

The absence of minorities in the year to February 1995 reflects the sale of Eastwick Trading BV in November 1993.

### **Shareholders' Return**

The profit attributable to ordinary shareholders amounted to £21.8 million (1994: £19.4 million), an increase of 12%.

Adjusted earnings per share were 14% higher than in the previous year at 11.5 pence, on a weighted average number of shares of 189.3 million.

Following the payment of an interim dividend of 0.9 pence net per share (1994: 0.75 pence), the directors have proposed a final dividend of 1.5 pence (1994: 1.25 pence), making a total of 2.4 pence net (1994: 2.0 pence) per share.

This level of dividend payout is covered 4.8 times by earnings, a slightly reduced level of cover compared with 1994. Our dividend policy has been to increase the dividend by at least the same rate as the growth in earnings, while maintaining a prudent level of retained profits to finance the needs of the business.

Dividends have increased every year since the Company went public in 1984, and have more than doubled over the last five years.

### **Balance Sheet and Capital Structure**

Shareholders' funds stood at £110.6 million at the year end, an increase of £13.7 million over the previous year. The profit retained after payment of the dividend was £17.3 million, and 1 million shares were issued during the year through the exercise of share options, raising £1.4 million.

The reserves were reduced by net goodwill of £5.0 million, most of which was connected to payments relating to the Singapore and South East Asian businesses. During the year, an additional £0.7 million of goodwill was expensed in respect of the rights to Norway. This sum, together with the £0.3 million incurred in the previous year and £0.3 million of assets, was recovered on the sale of the Norwegian head franchise rights in October 1994.

Our main borrowings over the last two years have been \$45 million of unsecured senior guaranteed loan notes bearing a fixed interest rate of 6.66% per annum. This loan has provided the Group with fixed interest debt and a hedge on the balance sheet by matching overseas assets with corresponding liabilities.

The loan notes are repayable at the rate of \$9 million per year over five years from November 1995. Approximately one quarter of this repayment schedule has been covered by swapping dollars into sterling at forward rates averaging \$1.46. The debt has been reflected in the year end balance sheet at an average of the year end rate and the rate of the swaps. In addition to the US loan, the Company has medium term bank facilities amounting to £13 million which expire at the end of 1995, and has also had short term bank facilities. Surplus cash has been invested in the short term markets until it has been required at the peak borrowing period of the year.

## Cash Flow and Investment

The Group generated net cash flow from operating activities of £41.6 million during the year, which was utilised as follows:

	1995	1994
	£m	£m
Capital expenditure	16.4	12.7
Dividend payments	4.1	3.3
Taxation payments	10.1	6.6
Net interest payments	1.0	1.5
Net effect on loans	3.8	6.4
Other movements	0.7	(2.9)
Increase in cash	5.5	12.7
	41.6	40.3

There are two main elements to our capital expenditure programme: company-owned stores and related retail systems; and manufacturing and distribution requirements. Over the past six years, we have built up a significant manufacturing and distribution base at Littlehampton, and any further expenditure undertaken now generally has to be justified on the basis of short term pay back. Expenditure on retail related areas is still of a longer term nature.

Capital expenditure amounted to £16.4 million in the last financial year, of which £9.4 million was in the UK and the balance overseas, principally in the USA. The UK expenditure consisted of £2 million in information technology systems, £1 million in company-owned shops, £2 million in new offices and warehouse capacity, and £4.4 million in plant. In the USA, £5 million related to company-owned shops and the balance to plant and fixtures.

In the current year, capital expenditure is expected to remain at a similar level, with approximately 75% relating to the UK and 25% to the USA. The expenditure will occur in similar proportions to last year, with the exception of company-owned stores where the expense will be lower due to the reduced rate of store openings. During the last year, point of sale systems have been introduced into our US shops, and similar systems will be introduced into UK company-owned shops during the current year.

A further investment over the past year and for the current year is the recruitment of the people required in the areas of the business where we have been under-resourced. The main

areas of investment are marketing, product and retail development.

Over the last financial year, total staff numbers increased by 730 to 3,310, an increase of 28%. Of the increase in the number of shop staff, 85% relates to the USA. The overall increase, based on year end numbers, can be analysed as follows:

	1995	1994	Change
Shops	1,527	1,113	+37%
Manufacturing and Distribution	818	716	+14%
Marketing/Product and Retail Development	354	256	+38%
Other	611	495	+24%
	3,310	2,580	+28%

## Share Price and Market Capitalisation

The share price at the financial year end was 177 pence, with a high for the year of 263 pence and a low of 164 pence.

At 177 pence, the Group was capitalised at approximately £336 million.

## Statement of Going Concern

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

## Definitions

**Retail sales** – sales to consumers through all shops (franchised and group-owned).

**Comparable store sales** – sales by all stores which have been trading for more than one year.

**Turnover** – group revenue derived from a combination of retail sales (excluding sales taxes) at company-owned shops, wholesale revenue for goods sold to franchisees, and sales to third parties by Cos-tec and Jacaranda.

**Net borrowings** – All long and short term loans, including finance lease obligations, less all cash and short term deposits.

**Gearing** – Net borrowings as a percentage of shareholders' funds.

# Directors' Report

For the 52 weeks ended 25 February 1995

The Directors submit their report and accounts for the 52 weeks ended 25 February 1995.

## Principal activities

The Group originates, produces and sells skin and hair care products and related items through its own shops and franchised outlets.

## Group review of the business and future developments

A review of the Group's business during the year is contained in the Chairman's Statement on pages 2 and 3 and the Operating and Financial Review on pages 17 to 22.

## Results and dividends

Results for the year are shown in the profit and loss account and the notes relating to it. The Directors recommend the payment of a final dividend of 1.5p net per share in respect of the 52 weeks ended 25 February 1995, payable on 14 July 1995 to shareholders on the register at 16 June 1995. This together with the interim dividend of 0.9p net per share makes a total dividend for the year of 2.4p net per share. After payment of the proposed dividend, £17.3 million will be transferred to reserves.

## Annual General Meeting

In addition to the ordinary business, an Ordinary Resolution and a Special Resolution will be proposed at the Annual General Meeting.

The Ordinary Resolution will empower the Directors for the period ending on the date of the next Annual General Meeting to allot up to £2,508,179 nominal value of relevant securities pursuant to section 80 of the Companies Act 1985. The Special Resolution will empower the Directors to allot equity securities wholly for cash (a) in connection with an offer by way of rights to the holders of shares in the Company and (b) otherwise than in connection with such an offer by way of rights, up to a maximum of £474,591 nominal value.

## Share options

A separate letter containing proposals in respect of the renewal of the Company's approved share option scheme, the amendment of the Company's 1991 Employee Share Option Scheme, and the Sharesave Option Scheme is enclosed with this Annual Report.

## Directors

The names of the Directors who have served during the year are shown below:

<b>AL Roddick OBE</b>	Chief Executive
<b>TG Roddick</b>	Chairman
<b>SA Rose</b>	Managing
<b>EG Helyer</b>	Executive
<b>JC Forster</b>	Executive
<b>MJ Ross</b>	Executive
<b>J Reid</b> (Appointed 25 July 1994)	Executive
<b>JA Kett</b> (Appointed 25 July 1994)	Executive
<b>TG Hartin</b> (Appointed 25 July 1994)	Executive
<b>P Hughes</b> (Appointed 13 October 1994)	Non-Executive
<b>A Papone</b> (Appointed 13 October 1994)	Non-Executive

Details of the Directors' remuneration and their interest in shares, share options and transactions are set out in note 7 to the accounts.

Except as disclosed in note 7 to the accounts, no significant contracts subsisted during the year in which any Director had an interest.

In accordance with Article 84 of the Company's Articles of Association, J Reid, JA Kett, TG Hartin, P Hughes and A Papone, having been appointed during the year, retire and offer themselves for re-election. The executive directors offering themselves for re-election have service contracts determinable on one year's notice.

## Directors' Report continued

Profiles of the non-executive Directors are shown below:

### **Penny Hughes**

*President, Coca-Cola Great Britain and Ireland*

Penny Hughes became President of Coca-Cola GB and Ireland in 1992. She was promoted to the Board of Coca-Cola and Schweppes Beverages Ltd in 1989, having held the post of Marketing Director since 1987. She joined the company in 1984 from the Milk Marketing Board where she held her first marketing role. She began her career as a graduate trainee with Proctor and Gamble as a chemistry graduate from Sheffield University.

Penny is a member of the Board of Business in the Environment and of the Council of the Institute of Grocery Distribution. Her particular skills of marketing, franchise management, and delivering consumer satisfaction will contribute to the continued development of The Body Shop as a truly global enterprise.

### **Aldo Papone**

*Senior Advisor, American Express Travel Related Services Company*

Aldo Papone is the retired Chairman and Chief Executive Officer of American Express Travel Related Services Company. He stepped down from his American Express executive posts in 1990 but has remained closely involved with the company. He joined American Express in 1974 as President of the Travel Division. He left for a period of three years (1980-83) in which he served as Vice Chairman of the Dayton Hudson Corporation. He began his business career in New York in 1956 with RH Macy and Co. where he rose to the position of Senior Vice President and General Merchandising Manager.

In addition to the American Express Board, Aldo currently serves on the Boards of the American Express Bank, Springs Industries, the software company IMRS, The Hospital for Special Surgery and the National Corporate Theater Fund.

Aldo is an expert on marketing and branding strategies and has played a major role in shaping American Express' distinctive brand image over the last twenty years. His experience will add greatly to The Body Shop's marketing strategy.

### **Insurance**

During the year the Group made payments for insurance of Directors and Officers against liabilities in relation to the Group.

### **Fixed assets**

Movements in fixed assets during the year are set out in notes 12, 13 and 14 to the accounts.

The Directors consider that the market value of the Group's interest in land and buildings approximates to net book value.

### **Share capital**

Movements in share capital during the year are set out in note 20 to the accounts.

### **Substantial shareholdings**

At 5 May 1995 the Board had not been notified of any holding in excess of 3% of the share capital of the Company other than that of Mr IB McGlenn, who had a beneficial interest in 52,366,768 ordinary shares, amounting to 27.6% of the issued capital; that of FMR Corp. and Fidelity International Limited which, in aggregate, had an interest in 7,261,657 ordinary shares, amounting to 3.8% of the issued capital; and that of Prudential Corporation group which had an interest in 6,586,146 ordinary shares, amounting to 3.5% of the issued capital.

### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to



## Directors' Report continued

their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

### Employee involvement

The Group has continued its practice of keeping employees informed on matters affecting them and on the progress of the Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings, a regular staff newsletter and weekly videos. Eligible employees are granted options to purchase shares in The Body Shop International PLC, details of which are set out in note 20 to the accounts. The Group also operates Sharesave Option Schemes, whereby employees are granted options using the government's save-as-you-earn scheme.

### Research and development

It is one of the principal policies of the Group to produce new products. All of these products must meet our demanding safety and environmental standards. The Directors, senior managers and technical staff, together with the research and development department, are all involved in the continual search for raw materials and the examination of their potential use in our products. This activity is spread over a number of departments of the Group, the direct cost of which amounted to £4.0 million for the year.

### Donations

The Group made charitable donations of £771,861 during the year, including £491,250 to The Body Shop Foundation, a registered charity of which some of the Directors are trustees.

The Group has continued its policy of contributing to the community in a variety of ways. These include encouraging employees and franchisees to involve themselves in community and environmental projects, and environmental

and human rights campaigns to increase public awareness of the issues.

### Auditors

With effect from 1 October 1994 our auditors changed their name to BDO Stoy Hayward.

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

### Directors' responsibilities

The Directors are required by Company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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. 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.

## Directors' Report continued

### Corporate governance

The Directors support the principles of the Cadbury Committee's Code of Best Practice, and are committed to integrity and accountability in the stewardship of the Group's affairs. For The Body Shop, corporate governance covers wider aspects of business than the Code of Best Practice, including social and environmental performance on which we will be issuing separate reports later this year.

In the opinion of the Directors, the Group complied fully with the Code of Best Practice throughout the 52 weeks ended 25 February 1995 except for the following provisions:

#### 3.3

This provision relates to a remuneration committee made up wholly or mainly of non-executive directors.

Following the appointment of our two non-executive directors in October 1994, a remuneration committee was established consisting of Penny Hughes, Aldo Papone, Gordon Roddick and Anita Roddick. This remuneration committee, chaired by Gordon Roddick, after receiving independent advice, has reviewed the pay and benefits of all the executive directors and their recommendations were brought into effect from the beginning of the current financial year. These recommendations were that: Directors should be remunerated at the appropriate rate for the position they hold; that they should receive normal applicable benefits; and that performance related rewards should be made primarily through share options rather than bonuses.

#### 4.3

This provision relates to the establishment of an audit committee of at least three non-executive directors. In the current financial year, the Company is intending to form

an audit committee consisting of non-executive directors which will meet at least twice during the year.

### Internal financial control

The guidance on reporting on internal financial control becomes effective in the current financial year. The Directors acknowledge their responsibility for the Company's system of internal financial control. It should be noted that any such system can provide only reasonable and not absolute assurance against material misstatement or loss.

### Auditors' review

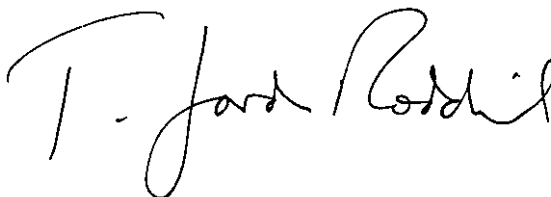
The auditors have confirmed that, in their opinion, with respect to the Directors' statement on going concern on page 22, the Directors have provided the disclosures required by paragraphs 4.6 of the Code (as supplemented by the related guidance for directors) and such statement is not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' other statements on page 25 appropriately reflect the Company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of corporate governance procedures nor on the ability of the Company to continue in operational existence.

By Order of the Board

**TG Roddick**

Chairman

9 May 1995



# Auditors' Report

To the members of The Body Shop International PLC

We have audited the financial statements on pages 28 to 49 which have been prepared under the accounting policies set out on pages 31 and 32.

## **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 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 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 affairs of the Company and of the Group as at 25 February 1995 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD**

Chartered Accountants and Registered Auditors

London

9 May 1995

# Consolidated Profit and Loss Account

For the 52 weeks ended 25 February 1995

	Note	1995 £m	1994 £m
<b>Turnover</b>	2	<b>219.7</b>	195.4
Cost of sales		<b>89.6</b>	89.5
<b>Gross profit</b>		<b>130.1</b>	105.9
Net operating expenses	3	<b>95.6</b>	75.8
<b>Operating profit</b>	2,5	<b>34.5</b>	30.1
Profit on disposal of subsidiary undertaking	22c	—	1.1
		<b>34.5</b>	31.2
Interest payable (net)	4	<b>1.0</b>	1.5
<b>Profit on ordinary activities before tax</b>		<b>33.5</b>	29.7
Tax on profit on ordinary activities	8	<b>11.7</b>	10.1
		<b>21.8</b>	19.6
Minority interests		—	0.2
<b>Profit for the financial year</b>	9	<b>21.8</b>	19.4
Dividends paid and proposed	10	<b>4.5</b>	3.8
<b>Retained profit</b>	21	<b>17.3</b>	15.6
<b>Earnings per ordinary share</b>	11	<b>11.5p</b>	10.3p
Adjusted earnings per ordinary share	11	<b>11.5p</b>	10.1p

All amounts relate to continuing activities.

A statement of the movement in reserves can be found in note 21.

The notes on pages 31 to 49 form part of these financial statements.

# Balance Sheets

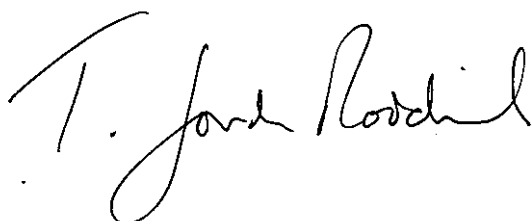
As at 25 February 1995

	Note	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
<b>Fixed assets</b>					
Intangible assets	12	2.2	3.7	2.2	3.7
Tangible assets	13	73.6	67.9	50.5	49.2
Investments	14	0.5	–	13.0	12.7
		<u>76.3</u>	<u>71.6</u>	<u>65.7</u>	<u>65.6</u>
<b>Current assets</b>					
Stocks	15	38.6	34.6	21.1	18.0
Debtors	16	44.5	37.2	52.5	38.8
Cash at bank and in hand		29.0	24.9	24.3	22.0
		<u>112.1</u>	<u>96.7</u>	<u>97.9</u>	<u>78.8</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>51.2</u>	<u>35.6</u>	<u>41.1</u>	<u>32.0</u>
<b>Net current assets</b>		<u>60.9</u>	<u>61.1</u>	<u>56.8</u>	<u>46.8</u>
<b>Total assets less current liabilities</b>		<u>137.2</u>	<u>132.7</u>	<u>122.5</u>	<u>112.4</u>
<b>Creditors: amounts falling due after more than one year</b>	18	23.7	32.4	0.7	1.9
<b>Provisions for liabilities and charges</b>					
Deferred tax	19	2.9	3.4	3.9	4.2
		<u>110.6</u>	<u>96.9</u>	<u>117.9</u>	<u>106.3</u>
<b>Capital and reserves</b>					
Called up share capital	20	9.5	9.4	9.5	9.4
Share premium account	21	37.0	35.7	37.0	35.7
Profit and loss account	21	64.1	51.8	71.4	61.2
		<u>110.6</u>	<u>96.9</u>	<u>117.9</u>	<u>106.3</u>

These financial statements were approved by the Board on 9 May 1995 and signed on its behalf by:

**TG Roddick**

Director



The notes on pages 31 to 49 form part of these financial statements.

# Consolidated Cash Flow Statement

For the 52 weeks ended 25 February 1995

	Note	1995 £m	1995 £m	1994 £m	1994 £m
<b>Net cash inflow from operating activities</b>	22a		<b>41.6</b>		40.3
<b>Returns on investments and servicing of finance</b>					
Interest received		1.4		1.0	
Interest paid		(2.4)		(2.5)	
Dividends paid		(4.1)		(3.3)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(5.1)</b>		(4.8)
<b>Taxation</b>					
UK corporation tax paid		(9.9)		(6.4)	
Overseas tax paid		(0.2)		(0.2)	
<b>Tax paid</b>			<b>(10.1)</b>		(6.6)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(16.4)		(12.7)	
Purchase of external investments		(0.5)		-	
Purchase of subsidiary undertakings (net of cash and cash equivalents)	22b	-		(0.2)	
Goodwill acquired		(2.0)		-	
Sale of tangible fixed assets		0.1		0.1	
Disposal of subsidiary undertaking	22c	0.3		0.8	
<b>Net cash outflow from investing activities</b>			<b>(18.5)</b>		(12.0)
<b>Net cash inflow before financing</b>			<b>7.9</b>		16.9
<b>Financing</b>					
Issue of ordinary share capital		1.4		2.2	
Other loans		(2.0)		(1.3)	
Loan repayments		(1.7)		(5.1)	
Capital element of finance lease rental payments		(0.1)		-	
<b>Net cash outflow from financing</b>	22d		<b>(2.4)</b>		(4.2)
<b>Increase in cash and cash equivalents</b>	22e		<b>5.5</b>		12.7

The notes on pages 31 to 49 form part of these financial statements.

# Statement of Total Recognised Gains and Losses

For the 52 weeks ended 25 February 1995

	1995 £m	1994 £m
<b>Profit for the financial year</b>	<b>21.8</b>	19.4
Currency translation differences on foreign currency net investments	0.1	(0.1)
<b>Total recognised gains and losses for the year</b>	<b>21.9</b>	19.3

The notes on pages 31 to 49 form part of these financial statements.

## Notes to the Accounts

For the 52 weeks ended 25 February 1995

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company has taken advantage of the exemption from presenting its own profit and loss account.

Accounts are prepared to the Saturday nearest to the end of February in each year. On that basis the 1995 Accounts are for a 52 week period and the 1996 Accounts will be for a 53 week period ending 2 March 1996.

The principal accounting policies, which have not changed in the year, are:

**Basis of consolidation** The consolidated accounts incorporate the financial statements of The Body Shop International PLC and all of its subsidiary undertakings made up to 25 February 1995. The Group uses the acquisition method of accounting to consolidate the results of subsidiary undertakings and the results of subsidiary undertakings are included from the date of acquisition to the date of disposal. The holding company's accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated accounts.

**Goodwill** Goodwill arising on the acquisition of a subsidiary or business is the difference between the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is written off immediately to reserves.

**Valuation of investments** Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

**Depreciation** Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, over their expected useful lives. It is calculated using the following rates:

- Freehold buildings – Over 50 years
- Leasehold property – Over the period of the respective leases
- Plant and equipment – Over 3 to 10 years

**Intangible fixed assets** The intangible fixed assets represent industrial property rights and "know how" and are amortised through the profit and loss account over four years, being the Directors' estimate of their useful economic lives.

**Stocks** Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

- Raw materials – Cost of purchase on first-in first-out basis
- Work in progress and finished goods – Cost of raw materials and labour together with attributable overheads.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

**Foreign currency** Profit and loss accounts and assets and liabilities of foreign subsidiary undertakings are translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net investment in foreign subsidiary undertakings are taken to reserves.

## Notes to the Accounts continued

### 1 Accounting policies continued

Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates and any differences arising are taken to the profit and loss account.

The US dollar exchange rate used in these accounts was 1.59 (1994: 1.49).

**Research and development** Research and Development expenditure is charged to the profit and loss account in the year in which it is incurred.

**Deferred taxation** Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Where advance corporation tax is expected to be recoverable it is deducted from the provision for deferred taxation.

**Leased assets** Assets held under finance leases are capitalised at amounts approximating to the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on assets held under finance leases is charged to the profit and loss account.

Leasing payments are analysed between capital and interest components so that the interest element is charged to the profit and loss account over the period of the lease and approximates to a constant proportion of the balances of capital repayments outstanding.

All other leases are treated as operating leases with annual rentals charged to the profit and loss account on a straight-line basis over the term of the lease.

**Finance lease and hire purchase receivables** Income receivable from finance leases and hire purchase agreements is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment. Assets under finance leases and hire purchase agreements are stated in the balance sheet as debtors at the total rentals receivable less profit allocated to future periods.

**Pension costs** Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

**Turnover** Turnover represents the total amount receivable in the ordinary course of business for goods sold and services provided and excludes sales between companies in the Group, discounts given, Value Added Tax and other sales taxes.



## 2 Segmental information

Turnover and operating profit relate principally to the main activity of the sale of skin and hair care products, and are wholly attributable to the continuing operations of the Group.

Turnover and operating profit based on destination of goods and services	Turnover		Operating profit	
	1995 £m	1994 £m	1995 £m	1994 £m
UK	96.5	91.1	12.9	11.4
USA	58.8	50.4	4.9	6.2
Europe	32.0	30.9	6.7	5.9
Americas (excluding USA)	9.7	8.6	2.8	2.4
Australia and New Zealand	5.4	6.3	1.6	1.8
Asia	17.3	8.1	5.6	2.4
	<u>219.7</u>	<u>195.4</u>	<u>34.5</u>	<u>30.1</u>
Net interest			(1.0)	(1.5)
Profit on disposal of subsidiary undertaking			-	1.1
Profit before tax			<u>33.5</u>	<u>29.7</u>

Turnover by origin	1995			1994		
	Total sales £m	Inter Group £m	Third party £m	Total sales £m	Inter Group £m	Third party £m
UK	173.0	(17.7)	155.3	156.2	(19.3)	136.9
USA	58.8	-	58.8	50.4	-	50.4
Europe	0.5	-	0.5	7.0	-	7.0
Asia	5.1	-	5.1	1.1	-	1.1
	<u>237.4</u>	<u>(17.7)</u>	<u>219.7</u>	<u>214.7</u>	<u>(19.3)</u>	<u>195.4</u>

Net operating assets by location of company	1995 £m	1994 £m
UK	79.7	80.9
USA	33.1	27.2
Europe	-	0.1
Asia	0.5	0.5
Net borrowings	<u>113.3</u>	<u>108.7</u>
	(2.7)	(11.8)
Total net assets of Group	<u>110.6</u>	<u>96.9</u>

## Notes to the Accounts continued

### 3 Net operating expenses

	1995 £m	1994 £m
Shop operating costs	31.7	24.5
Selling and distribution costs	19.0	18.5
Administrative expenses	44.9	32.8
	<u>95.6</u>	<u>75.8</u>

### 4 Interest payable (net)

	1995 £m	1994 £m
<b>Interest payable:</b>		
On loans wholly repayable within five years:		
Bank and other short term interest	2.4	2.5
<b>Interest receivable</b>	(1.4)	(1.0)
	<u>1.0</u>	<u>1.5</u>

### 5 Operating profit

	1995 £m	1994 £m
<b>is stated after charging:</b>		
Depreciation of tangible fixed assets	9.1	8.0
Amortisation of intangible fixed assets	1.5	1.5
Loss on disposal of fixed assets	0.5	0.4
Auditors' remuneration – audit services	0.2	0.2
– non-audit services	0.2	0.2
Payments under operating leases:		
Plant and machinery	0.6	0.6
Other	9.8	8.4
Research and development	4.0	2.8
	<u></u>	<u></u>

## 6 Staff costs and numbers

Costs during the year, including Directors' emoluments, were as follows:

	1995 £m				1994 £m			
	Wages	Social Security	Pension	Total	Wages	Social Security	Pension	Total
UK	30.9	2.8	1.2	34.9	25.3	2.1	0.9	28.3
USA	8.1	2.5	0.1	10.7	7.4	1.7	0.1	9.2
Singapore	0.7	-	-	0.7	0.1	-	-	0.1
Other	0.1	-	-	0.1	1.1	0.2	-	1.3
	<b>39.8</b>	<b>5.3</b>	<b>1.3</b>	<b>46.4</b>	<b>33.9</b>	<b>4.0</b>	<b>1.0</b>	<b>38.9</b>

The average number of employees during the year was as follows:

	1995 Number				1994 Number			
	Administration	Manufacturing/ Distribution	Retail	Total	Administration	Manufacturing/ Distribution	Retail	Total
UK	416	863	851	2,130	372	736	658	1,766
USA	51	213	602	866	51	185	345	581
Singapore	7	5	86	98	1	1	20	22
Other	-	-	17	17	5	6	76	87
	<b>474</b>	<b>1,081</b>	<b>1,556</b>	<b>3,111</b>	<b>429</b>	<b>928</b>	<b>1,099</b>	<b>2,456</b>

The Group operates a number of defined contribution pension schemes for its employees in the UK, the assets of which are held in independently administered funds. The pension charge for the UK represents contributions payable to the funds and amounted to £1.2 million (1994: £0.9 million). The contributions payable in respect of the overseas pension schemes amounted to £0.1 million (1994: £0.1 million).

## 7 Directors

	1995 £000	1994 £000
<b>Total Directors' Emoluments</b>		
Salaries and other emoluments including pension contributions	<b>1,151</b>	976
Compensation for loss of office	-	326

The Directors received no performance related pay.

## Notes to the Accounts continued

### 7 Directors continued

The emoluments, excluding pension contributions, of all the Directors whose duties were mainly inside the United Kingdom, fell within the following bands:

	1995	1994		1995	1994
£ 5,001 – £ 10,000	2	–	£100,001 – £105,000	–	1
£55,001 – £ 60,000	–	1	£105,001 – £110,000	1	–
£60,001 – £ 65,000	1	–	£130,001 – £135,000	–	1
£65,001 – £ 70,000	1	–	£135,001 – £140,000	2	2
£85,001 – £ 90,000	–	1	£140,001 – £145,000	1	–
£90,001 – £ 95,000	1	–	£205,001 – £210,000	–	1
£95,001 – £100,000	1	–	£215,001 – £220,000	1	–

The bands for 1994 exclude one Director whose duties were mainly outside the United Kingdom.

#### Remuneration of Executive Directors

Name	Position	Salary		Benefits		Total	
		1995	1994	1995	1994	1995	1994
AL Roddick OBE	Chief Executive	122,608	118,060	17,984	19,722	140,592	137,782
TG Roddick	Chairman	122,641	118,060	16,083	17,339	138,724	135,399
SA Rose	Managing	216,827	196,560	3,107	13,009	219,934	209,569
EG Helyer	Executive	91,523	81,536	3,784	6,785	95,307	88,321
JC Forster	Executive	100,300	97,132	7,224	4,120	107,524	101,252
MJ Ross	Executive	129,000	125,000	8,663	5,310	137,663	130,310
J Reid	Executive Note 1	89,681	–	5,213	–	94,894	–
JA Kett	Executive Note 1	64,897	–	888	–	65,785	–
TG Hartin	Executive Note 1	57,720	–	3,308	–	61,028	–
JC Oosterwijk	Executive	–	57,763	–	–	–	57,763
JE Jackson	Executive	–	56,596	–	1,496	–	58,092

During the year a 3% basic pay increase was applied to Directors.

No bonuses were paid to Directors other than the Christmas bonus of £200 maximum paid to all staff.

Benefits include such items as cars, fuel and medical insurance.

All executive Directors other than AL Roddick OBE and TG Roddick are entitled to Company pension contributions at a rate of 12% of salary.

Note 1 Remuneration from date of appointment.

#### Directors' share interests

The interests of Directors in the ordinary shares of the Company are shown below as at the beginning of the year and at the end of the year. All their interests are beneficial.

	At 25 February 1995	At 27 February 1994 or date of appointment
AL Roddick OBE	24,010,456	25,760,456
TG Roddick	24,226,680	25,976,680
SA Rose	–	–
EG Helyer	74,600	396,970
JC Forster	–	–
MJ Ross	2,000	2,000
J Reid	–	–
J Kett	–	–
TG Hartin	2,765	2,765
P Hughes	–	–
A Papone	–	–

Included in each of the shareholdings of AL Roddick OBE and TG Roddick, set out above, are 160,000 (27 February 1994: 160,000) shares held jointly.

## 7 Directors continued

There have been no changes in the interests of Directors between the end of the financial year and 5 May 1995.

### Directors' Share Options

	Options held at 27.2.94	Options held on appointment	Exercised in year	Options held at 25.2.95	Weighted average price	Earliest date all exercisable
SA Rose	2,057,172			2,057,172	87p	Now
EG Helyer	553,061		(303,937)	249,124	146p	18.01.98
JC Forster	375,761			375,761	155p	18.01.98
MJ Ross	684,930			684,930	146p	18.01.98
J Reid		241,014		241,014	152p	18.01.96
JA Kett		209,585		209,585	146p	18.01.96
TG Hartin		182,741		182,741	197p	15.10.96
	<u>3,670,924</u>	<u>633,340</u>	<u>(303,937)</u>	<u>4,000,327</u>		

### Notes:

JC Forster options exclude options over 89,178 shares held by her husband who is employed full time by the Company.

EG Helyer options exercised in the year were exercised when the market price was 182p, the average exercise price being 72p.

In addition to the above, J Reid holds options over 9,848 shares and TG Hartin over 15,858 shares under the Company's Sharesave Option Scheme, the exercise prices being 198p and 134p respectively.

### Options by Exercise Price

	Options held at 27.2.94	Options held on appointment	Exercised in year	Options held at 25.2.95
18p	96,422		(96,422)	
37p	64,281		(64,281)	
47p	32,140		(32,140)	
87p	2,057,172			2,057,172
146p	1,325,964	430,511	(111,094)	1,645,381
182p	94,945			94,945
197p		182,741		182,741
221p		20,088		20,088
	<u>3,670,924</u>	<u>633,340</u>	<u>(303,937)</u>	<u>4,000,327</u>

The market value of the shares at 25 February 1995 was 177p (1994: 237p).

### Transactions Involving Directors

MJ Ross owns jointly with his wife all the shares in Craigross Holdings Limited ("Craigross"), subsidiaries of which hold six franchises with the Company.

Throughout the year Craigross has traded under the same terms as those available to other franchisees in the ordinary course of business. Total purchases from The Body Shop Group in the year ended 25 February 1995 amounted to £2.309 million (1994: £2.207 million) and the amount due to the Company at 25 February 1995 was £0.349 million (1994: £0.165 million).

In common with the arrangements with other UK franchisees, the Company has leased the premises relating to three of the franchised outlets to Craigross and has guaranteed the lease commitments on the three other shops. The annual rentals payable in respect of the premises leased to Craigross by the Company were £0.227 million (1994: £0.232 million). During the year, the Company has made contributions towards the overheads of Craigross totalling £0.062 million (1994: £0.035 million) and, in accordance with a resolution of the shareholders of the Company dated 30 November 1989, has guaranteed the borrowings of Craigross of up to £1.2 million (1994: £1.2 million) of which £0.7 million was outstanding at the year end.

# Notes to the Accounts continued

## 7 Directors continued

Prior to her appointment as a Director, the Company provided a bank guarantee in respect of J Reid. The guarantee at the date of appointment was for £73,750 and subsisted throughout the year. Since the year end the guarantee has reduced to £23,750.

Prior to his appointment as a Director, the Company issued variable rate loan stock jointly to TG Hartin and his wife in respect of the deferred consideration for the acquisition of Cos-tec Limited. At the date of appointment of TG Hartin the total amount outstanding was £1,680,000. During the year £672,000 was repaid leaving a total amount outstanding at 25 February 1995 of £1,008,000.

During the year TG Roddick and AL Roddick OBE met a guarantee in respect of bank borrowings for The Body Shop Film Company Limited and as a result have taken over the position of the bank in respect of a sum of £2,058,143 due from that company which is a wholly owned subsidiary of The Body Shop International PLC. This amount has not changed during the year.

## 8 Tax on profit on ordinary activities

	1995 £m	1994 £m
The charge is based on the profit before tax and consists of:		
UK corporation tax at 33% (1994: 33%)	11.6	10.1
Deferred tax	(0.4)	(0.4)
Overseas tax	0.5	0.4
	<u>11.7</u>	<u>10.1</u>

## 9 Profit for the financial year

	1995 £m	1994 £m
Profit dealt with in the accounts of the holding company	<u>15.0</u>	<u>18.1</u>

## 10 Dividends

	1995 £m	1994 £m
Interim dividend paid of 0.9p per share (1994: 0.75p)	1.7	1.4
Proposed final dividend of 1.5p per share (1994: 1.25p)	2.8	2.4
	<u>4.5</u>	<u>3.8</u>

## 11 Earnings per ordinary share

The calculation of earnings per share is based on the profit for the financial year of £21.8 million (1994: £19.4 million) and on 189,349,023 (1994: 187,829,760) ordinary shares, being the weighted average number of shares in issue during the year.

The adjusted earnings per share is based on the profit for the financial year, excluding the effect in 1994, after tax, of the sale of Eastwick Trading BV, of £0.4 million.

## 12 Intangible fixed assets

Group and Company	£m
<b>Cost</b>	
At 27 February 1994 and 25 February 1995	<u>6.0</u>
<b>Accumulated amortisation</b>	
At 27 February 1994	2.3
Charge for the year	1.5
At 25 February 1995	<u>3.8</u>
<b>Net book value at 25 February 1995</b>	<u>2.2</u>
Net book value at 26 February 1994	<u>3.7</u>

The intangible asset represents the industrial property rights and "know how" relating to all the products previously supplied to the Company by Constantine and Weir PLC.

### 13 Tangible fixed assets

Group	Freehold property £m	Short-term leasehold property £m	Plant and equipment £m	Total £m
<b>Cost</b>				
At 27 February 1994	5.1	45.5	41.1	<b>91.7</b>
Exchange difference on overseas assets	(0.3)	(0.4)	(0.3)	<b>(1.0)</b>
Additions	-	6.7	9.7	<b>16.4</b>
Disposals	-	(0.5)	(1.8)	<b>(2.3)</b>
<b>At 25 February 1995</b>	<b>4.8</b>	<b>51.3</b>	<b>48.7</b>	<b>104.8</b>
<b>Accumulated depreciation</b>				
At 27 February 1994	0.2	7.6	16.0	<b>23.8</b>
Exchange difference on overseas assets	-	(0.1)	(0.1)	<b>(0.2)</b>
Charge for the year	0.1	3.3	5.7	<b>9.1</b>
Disposals	-	(0.1)	(1.4)	<b>(1.5)</b>
<b>At 25 February 1995</b>	<b>0.3</b>	<b>10.7</b>	<b>20.2</b>	<b>31.2</b>
<b>Net book value at 25 February 1995</b>	<b>4.5</b>	<b>40.6</b>	<b>28.5</b>	<b>73.6</b>
Net book value at 26 February 1994	4.9	37.9	25.1	67.9

Company	Freehold property £m	Short-term leasehold property £m	Plant and equipment £m	Total £m
<b>Cost</b>				
At 27 February 1994	0.5	37.7	28.6	<b>66.8</b>
Additions	-	2.0	5.6	<b>7.6</b>
Disposals	-	(0.1)	(1.4)	<b>(1.5)</b>
<b>At 25 February 1995</b>	<b>0.5</b>	<b>39.6</b>	<b>32.8</b>	<b>72.9</b>
<b>Accumulated depreciation</b>				
At 27 February 1994	0.1	5.7	11.8	<b>17.6</b>
Charge for the year	-	1.5	4.7	<b>6.2</b>
Disposals	-	-	(1.4)	<b>(1.4)</b>
<b>At 25 February 1995</b>	<b>0.1</b>	<b>7.2</b>	<b>15.1</b>	<b>22.4</b>
<b>Net book value at 25 February 1995</b>	<b>0.4</b>	<b>32.4</b>	<b>17.7</b>	<b>50.5</b>
Net book value at 26 February 1994	0.4	32.0	16.8	49.2

Group additions include assets in the course of construction amounting to £0.5 million (1994: £0.5 million). No depreciation has been provided for in the year in respect of this amount.

Included in the total net book value of tangible fixed assets is £0.2 million (1994: £0.3 million) in respect of assets held under finance leases and hire purchase contracts.

## Notes to the Accounts continued

### 14 Fixed asset investments

	Group £m	Company £m
<b>Cost of shares in subsidiaries</b>		
At 27 February 1994	-	12.7
Additions	-	0.8
Disposals	-	(1.0)
<b>At 25 February 1995</b>	<b>-</b>	<b>12.5</b>
<b>Other investments</b>		
At 27 February 1994	-	-
Additions	0.5	0.5
<b>At 25 February 1995</b>	<b>0.5</b>	<b>0.5</b>
<b>Total fixed asset investments</b>	<b>0.5</b>	<b>13.0</b>

All of the above investments are unlisted.

The additions to other investments during the year represent the cost of the acquisition of 15% of the issued share capital and unsecured loan notes 1994 of Bryn Titli Wind Farm Limited.

On 31 October 1994 the Company disposed of its interest in The Body Shop Norway A/S for a total consideration of £1.3 million. Of the total consideration £0.3 million was paid in cash and the balance is due to be satisfied by a further cash payment of £0.2 million (2m krone) due in August 1995 and by the redemption of variable rate loan notes with a nominal value of £0.8 million in instalments between 1996 and 1999.

The Company's principal subsidiaries at 25 February 1995 were:

Name	% Holding of ordinary shares	Country of incorporation and operation
The Body Shop Worldwide Limited	100	Great Britain
The Body Shop UK Retail Company Limited	100	Great Britain
The Body Shop Supply Company Limited	100	Great Britain
Colourings Limited	100	Great Britain
Jacaranda Productions Limited	80	Great Britain
Soapworks Limited	100	Great Britain
Skin & Hair Care Preparations Inc.	100	USA
The Body Shop Inc.	90	USA
The Body Shop Film Company Limited	100	Great Britain
Cos-tec Limited	100	Great Britain
Normaland Limited	100	Great Britain
The Body Shop (Singapore) Pte Limited	100	Singapore

#### **The Body Shop Worldwide Limited**

This company controls the activities of the overseas head franchisees.

#### **The Body Shop UK Retail Company Limited**

This company is responsible for all The Body Shop retail activities in the UK.

#### **The Body Shop Supply Company Limited**

This company is responsible for the materials management and product manufacturing and procurement of The Body Shop products.



## 14 Fixed asset investments continued

### Colourings Limited

This company controls the marketing of colour cosmetic products.

### Jacaranda Productions Limited

This company engages in video production for both Group and external customers.

### Soapworks Limited

This company's principal activity is the manufacture of soap and related products. Soapworks donates 25% of any cumulative profit after tax to projects designed to benefit the people of Easterhouse. In this connection, between 1989 and 1995 the Group has made or provided for donations of £180,943.

### Skin & Hair Care Preparations Inc.

This company holds some of The Body Shop trademarks in the USA and Japan and does not otherwise trade.

### The Body Shop Inc.

This company trades in The Body Shop products in the USA through its wholly owned subsidiary Buth-Na-Bodhaige Inc.

### The Body Shop Film Company Limited

This company was formed to finance the production of a film and television series.

### Cos-tec Limited

This company creates and manufactures colour cosmetics, skin care and toiletry products.

### Normaland Limited

This company operates two of The Body Shop's UK outlets.

### The Body Shop (Singapore) Pte Limited

This company operates The Body Shop retail outlets in Singapore.

## 15 Stocks

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Raw materials	6.2	5.6	3.5	2.1
Work in progress	0.4	0.4	0.1	0.1
Finished goods	32.0	28.6	17.5	15.8
	<u>38.6</u>	<u>34.6</u>	<u>21.1</u>	<u>18.0</u>

## Notes to the Accounts continued

### 16 Debtors

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>Amounts falling due within one year</b>				
Trade debtors	29.3	24.7	24.6	20.6
Assets held for sale	0.3	0.2	–	–
Other debtors	5.6	5.1	2.2	3.3
Prepayments	4.0	3.0	2.5	1.7
Amounts owed by subsidiary undertakings	–	–	18.3	10.9
	<b>39.2</b>	<b>33.0</b>	<b>47.6</b>	<b>36.5</b>
<b>Amounts falling due after more than one year</b>				
Finance lease and hire purchase receivables	1.0	1.8	1.0	1.8
Other debtors	3.9	1.3	3.9	0.1
Prepayments	0.4	1.1	–	0.4
	<b>5.3</b>	<b>4.2</b>	<b>4.9</b>	<b>2.3</b>
	<b>44.5</b>	<b>37.2</b>	<b>52.5</b>	<b>38.8</b>

Other debtors falling due after more than one year include variable rate loan notes of £1.0 million (1994: £1.2 million) which formed part of the consideration for the disposal of Eastwick Trading BV, and £0.6 million (1994: Nil) which formed part of the consideration for the disposal of The Body Shop Norway A/S.

The cost of assets acquired by the Group for the purpose of letting under finance leases and hire purchase agreements amounted at 25 February 1995 to £3.4 million (1994: £3.4 million).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £0.8 million (1994: £0.8 million).

### 17 Creditors

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts – unsecured	0.9	2.3	–	0.1
Variable rate loan stock – unsecured	1.2	2.1	1.2	2.1
USA loan notes – unsecured	5.9	–	–	–
Trade creditors	9.8	8.2	7.2	5.0
Corporation tax	10.6	8.9	9.4	8.1
Other taxes and social security costs	2.1	1.3	2.8	1.2
Proposed dividend	2.8	2.4	2.8	2.4
Other creditors	6.7	4.1	2.1	2.4
Accruals	11.2	6.2	8.8	3.8
Obligations under finance leases and hire purchase contracts	–	0.1	–	–
Amounts due to subsidiary undertakings	–	–	6.8	6.9
	<b>51.2</b>	<b>35.6</b>	<b>41.1</b>	<b>32.0</b>

## 18 Creditors

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>Amounts falling due after more than one year</b>				
Variable rate loan stock – unsecured	0.6	1.8	0.6	1.8
USA loan notes – unsecured	23.0	30.5	–	–
Obligations under finance leases and hire purchase contracts	0.1	0.1	0.1	0.1
	<b>23.7</b>	<b>32.4</b>	<b>0.7</b>	<b>1.9</b>
<b>Bank loans and overdrafts repayable:</b>				
Within 1 year – unsecured	0.9	2.3	–	0.1
<b>Other loans repayable:</b>				
Within 1 year – unsecured	7.1	2.1	1.2	2.1
Between 1 and 2 years – unsecured	6.6	7.4	0.6	1.2
Between 2 and 5 years – unsecured	17.0	18.9	–	0.6
After 5 years – unsecured	–	6.0	–	–
	<b>30.7</b>	<b>34.4</b>	<b>1.8</b>	<b>3.9</b>
<b>Total</b>	<b>31.6</b>	<b>36.7</b>	<b>1.8</b>	<b>4.0</b>
<b>Less: included in creditors due within one year</b>	<b>8.0</b>	<b>4.4</b>	<b>1.2</b>	<b>2.2</b>
	<b>23.6</b>	<b>32.3</b>	<b>0.6</b>	<b>1.8</b>

The unsecured USA loan notes constitute \$45 million senior guaranteed notes issued by Buth-Na-Bodhaige Inc. on 15 November 1992, of which \$36 million falls due after more than one year. The loan notes are redeemable at par in annual tranches of \$9 million commencing on 15 November 1995 and bear interest at 6.66% per annum payable semi-annually in arrears. The Company has guaranteed the repayment of the loan notes.

The variable rate loan stock of £1.8 million (1994: £3.9 million), issued in respect of the deferred consideration for Cos-tec Limited, is redeemable on 11 November 1995 and 11 November 1996. The loan stock bears interest at Barclays Bank High Interest Business Account rate.

# Notes to the Accounts continued

## 18 Creditors continued

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>Obligations under finance leases and hire purchase contracts</b>				
Amounts payable:				
Due within 1 year	-	0.1	-	-
Between 2 and 5 years	0.1	0.1	0.1	0.1
	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>

Finance leases and hire purchase contracts are analysed as follows:

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Current obligations	-	0.1	-	-
Non-current obligations	0.1	0.1	0.1	0.1
	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>

## 19 Deferred tax

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
<b>Full provision for deferred tax at 33% (1994: 33%)</b>				
has been made as follows:				
Accelerated capital allowances	5.3	5.0	4.3	4.1
Other timing differences	(1.7)	(1.0)	0.3	0.7
	<u>3.6</u>	<u>4.0</u>	<u>4.6</u>	<u>4.8</u>
Advance corporation tax recoverable	(0.7)	(0.6)	(0.7)	(0.6)
	<u>2.9</u>	<u>3.4</u>	<u>3.9</u>	<u>4.2</u>

In accordance with SSAP 15, no relief has been taken for the cumulative tax losses relating to the USA operation of £1.8 million (1994: £1.4 million).

## 20 Called up share capital

	Group and Company	
	1995 £m	1994 £m
<b>Authorised</b>		
240,000,000 (1994: 240,000,000) Ordinary Shares of 5p each	<b>12.0</b>	12.0
<b>Allotted, called up and fully paid</b>		
189,836,403 (1994: 188,798,103) Ordinary Shares of 5p each	<b>9.5</b>	9.4

During the year 1,038,300 (1994: 1,530,201) Ordinary Shares were issued against the exercise of options under the Company's Employee Share Option Schemes.

### Share Options

The number of options granted to employees over the Company's Ordinary Share capital, and the movements during the year are set out below. The number of options granted and the prices have been adjusted where relevant for the capitalisation issues that have taken place.

	Employee Share Option Schemes		Sharesave Option Scheme	Other Options	Total
	1984	1991			
Number of options at 27 February 1994	8,123,615	2,199,652	740,546	1,366,466	<b>12,430,279</b>
Options granted during the year at prices ranging from 198p to 239p	1,056,479	393,963	425,586	-	<b>1,876,028</b>
Options exercised during the year	(789,057)	(249,243)	-	-	<b>(1,038,300)</b>
Options lapsed during the year	(2,637)	(212,103)	(187,697)	-	<b>(402,437)</b>
Number of options at 25 February 1995 at prices ranging from 25p to 325p	<b>8,388,400</b>	<b>2,132,269</b>	<b>978,435</b>	<b>1,366,466</b>	<b>12,865,570</b>

The options held under the 1984 and 1991 Employee Share Option Schemes are exercisable at various dates up to 23 November 2004, those under the Sharesave Option Schemes at various dates up to 30 July 2001, and the other options up to 14 August 1997.

# Notes to the Accounts continued

## 21 Reserves

	Group £m	Company £m
<b>Share premium account</b>		
At 27 February 1994	35.7	35.7
Share premium arising on shares issued during the year	1.3	1.3
<b>At 25 February 1995</b>	<b>37.0</b>	<b>37.0</b>
<b>Profit and loss account</b>		
At 27 February 1994	51.8	61.2
Retained profit for the year	17.3	10.5
Other goodwill written off	(6.0)	(0.3)
Goodwill written back on disposal of subsidiary undertakings	1.0	—
<b>At 25 February 1995</b>	<b>64.1</b>	<b>71.4</b>

Other goodwill written off represents the excess of payments made over the fair value of assets purchased as a result of the termination and acquisition of certain franchises.

The cumulative amount of goodwill written off at 25 February 1995 amounted to £23.1 million (1994 : £18.1 million).

	Group 1995 £m	Group 1994 £m
<b>Reconciliation of movements in shareholders' funds</b>		
Profit for the financial year	21.8	19.4
Dividends	(4.5)	(3.8)
	17.3	15.6
Other recognised gains and losses relating to the year (net)	—	(0.1)
Issue of share capital	1.4	2.2
Other goodwill written off	(6.0)	(3.3)
Goodwill written back on disposal of subsidiary undertaking	1.0	0.3
Net addition to shareholders' funds	13.7	14.7
Opening shareholders' funds	96.9	82.2
Closing shareholders' funds	110.6	96.9

## 22 Notes to the Consolidated Cash Flow Statement

<b>22a Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>1995 £m</b>	<b>1994 £m</b>
Operating profit	34.5	30.1
Depreciation of tangible fixed assets	9.1	8.0
Amortisation of intangible fixed assets	1.5	1.5
Loss on sale of tangible fixed assets	0.5	0.4
Exchange differences	0.8	0.3
Decrease/(increase) in stocks	(4.0)	(0.5)
Decrease/(increase) in debtors	(6.3)	(4.6)
Increase/(decrease) in creditors	5.5	5.1
	<u>41.6</u>	<u>40.3</u>
<b>22b Purchase of subsidiary undertakings</b>	<b>1995 £m</b>	<b>1994 £m</b>
Goodwill on acquisition	-	3.3
Satisfied by:		
Loan notes	-	3.9
Cash	-	0.2
Net movement in provisions for deferred consideration and other acquisition costs	-	(0.8)
	<u>-</u>	<u>3.3</u>
<b>22c Disposal of subsidiary undertakings</b>	<b>1995 £m</b>	<b>1994 £m</b>
Net assets disposed of:		
Fixed Assets	0.1	0.7
Stocks	0.1	1.2
Debtors/Cash	0.1	2.3
Creditors	-	(2.8)
Minority interests	-	(0.7)
	<u>0.3</u>	<u>0.7</u>
Goodwill written back	1.0	0.3
Profit on disposal	-	1.1
	<u>1.3</u>	<u>2.1</u>
Satisfied by: .		
Loan notes	0.8	1.3
Cash	0.3	0.8
Short term loan	0.2	-
	<u>1.3</u>	<u>2.1</u>

The subsidiary undertakings disposed of were The Body Shop Norway A/S in October 1994 and Eastwick Trading BV in November 1993.

# Notes to the Accounts continued

## 22 Notes to the Consolidated Cash Flow Statement continued

	1995		1994	
22d Analysis of changes in financing during the year	Share capital and share premium £m	Loans and finance lease obligations £m	Share capital and share premium £m	Loans and finance lease obligations £m
Opening balance	45.1	34.6	42.9	37.1
Cash inflows/(outflows) from financing	1.4	(3.8)	2.2	(6.4)
Issue of variable rate loan notes in respect of goodwill acquired	-	-	-	3.9
Closing balance	46.5	30.8	45.1	34.6

	1995 £m	1994 £m
22e Analysis of changes in cash and cash equivalents during the year		
Opening balance	22.6	9.9
Net cash inflow	5.5	12.7
Closing balance	28.1	22.6

	1995 £m	1994 £m	Changes in year £m
22f Analysis of the balances of cash and cash equivalents as shown in the balance sheet			
Cash at bank and in hand	29.0	24.9	4.1
Bank overdrafts	(0.9)	(2.3)	1.4
	28.1	22.6	5.5

## 23 Capital commitments

	1995 £m	1994 £m
Expenditure contracted for but not provided for in the accounts	0.3	0.7
Expenditure authorised but not contracted for	15.2	19.3
	15.5	20.0



## 24 Commitments under operating leases

At 25 February 1995 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	1995 £m	1994 £m	1995 £m	1994 £m
Leases which expire:				
Within one year	0.5	0.1	0.1	0.2
In the second to fifth year inclusive	4.3	2.5	0.5	0.4
Beyond five years	17.4	16.3	—	—
	<u>22.2</u>	<u>18.9</u>	<u>0.6</u>	<u>0.6</u>

The majority of these leases are subject to rent reviews. Of the above, £10.0 million (1994: £8.6 million) relates to annual commitments under leases where the Group has granted subleases at the same rental to franchisees.

## 25 Future commitments

The minority shareholder in The Body Shop Inc. ("Inc") had been granted an option to require Inc to purchase the shares owned by him in that company, which expired on 30 September 1994. This option was extended by Inc to 30 September 1995. The price payable on the exercise of this option is to be determined by reference to an agreed formula, but shall in no event exceed US\$10 million.

## 26 Contingent liabilities

The Company has given guarantees in respect of the property leases of certain franchisees in the United Kingdom, in most cases against indemnities from the franchisees secured on the respective leases. The Directors consider that the possibility of a material liability arising from the guarantees of property leases is remote.

The Company has given guarantees in respect of bank overdraft facilities for certain franchisees in the UK and overseas, for a total amount not exceeding £6.1 million at the exchange rates ruling on 25 February 1995. Most of these guarantees have been given against indemnities from franchisees secured on their business assets.

The Company has given guarantees in respect of bank and borrowing facilities of subsidiaries for amounts not exceeding £31.4 million at 25 February 1995. The amounts utilised under these facilities amounted to £28.6 million at that date.

# Group Five Year Summary

25 February 1995

	Year ended February				
	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
<b>Summary of turnover and profits</b>					
Turnover – UK	96.5	91.1	83.5	86.0	73.4
– USA	58.8	50.4	37.9	23.4	13.3
– International	64.4	53.9	46.9	38.0	28.9
<b>Total</b>	<b>219.7</b>	<b>195.4</b>	<b>168.3</b>	<b>147.4</b>	<b>115.6</b>
Operating profit	34.5	30.1	24.3	27.9	22.0
Disposal of subsidiary undertaking	–	1.1	–	–	–
Interest payable	(1.0)	(1.5)	(2.8)	(2.7)	(2.0)
<b>Profit on ordinary activities before taxation</b>	<b>33.5</b>	<b>29.7</b>	<b>21.5</b>	<b>25.2</b>	<b>20.0</b>
Dividends	4.5	3.8	3.2	3.0	2.3
Transferred to reserves	17.3	15.6	10.6	13.4	9.8
<b>Ordinary dividends per share</b> (adjusted for capitalisation issues)	<b>2.4p</b>	<b>2.0p</b>	<b>1.70p</b>	<b>1.60p</b>	<b>1.22p</b>
<b>Earnings per share</b>	<b>11.5p</b>	<b>10.3p</b>	<b>7.4p</b>	<b>8.8p</b>	<b>6.7p</b>
Weighted average number of shares in issue (adjusted for capitalisation issues) (millions)	189.3	187.8	187.2	186.3	180.3
<b>Number of outlets – UK</b>	<b>243</b>	<b>239</b>	<b>233</b>	<b>210</b>	<b>173</b>
– Overseas	967	814	667	517	406
	£m	£m	£m	£m	£m
<b>Summary of Balance Sheets</b>					
Tangible and intangible fixed assets and investments	76.3	71.6	70.0	58.7	45.6
Net current assets	60.9	61.1	51.7	20.9	24.6
Other provisions and long term liabilities	(26.6)	(35.8)	(39.0)	(5.1)	(3.5)
Minority interests	–	–	(0.5)	(0.3)	(1.6)
<b>Shareholders' funds</b>	<b>110.6</b>	<b>96.9</b>	<b>82.2</b>	<b>74.2</b>	<b>65.1</b>

# Notice of Annual General Meeting

Notice is hereby given that the eighteenth Annual General Meeting of the Company will be held at The Body Shop International PLC, Head Office, Watersmead, Littlehampton, West Sussex, BN17 7LR on Wednesday 14 June 1995 at 11.00am for the following purposes:

- 1 To receive the Directors' Report and the audited accounts for the year ended 25 February 1995.
- 2 To declare a final dividend of 1.5p per share in respect of the year ended 25 February 1995.
- 3 To re-appoint BDO Stoy Hayward as Auditors of the Company and to authorise the Directors to fix their remuneration.
- 4 To re-elect Jane Reid as a Director.
- 5 To re-elect Jeremy Kett as a Director.
- 6 To re-elect Terry Hartin as a Director.
- 7 To re-elect Penelope Hughes as a Director.
- 8 To re-elect Aldo Papone as a Director.

As special business to consider and, if thought fit, pass the following resolutions of which resolution 9 will be proposed as an ordinary resolution and resolution 10 will be proposed as a special resolution.

## Ordinary Resolution

- 9 That the Directors be and are hereby generally and unconditionally empowered, pursuant to section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of that Act) up to an aggregate nominal value of £2,508,179 until 13 September 1996 or the date of the next Annual General Meeting of the Company, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired.

## Special Resolution

- 10 That the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) for cash pursuant to the authority conferred on them in that behalf by resolution 9 above (as varied from time to time by

the Company in general meeting) as if section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited:

- i) to the allotment of equity securities in connection with or pursuant to an offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or as appropriate to the numbers of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary, or expedient, to deal with fractional entitlements, or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and
- ii) to the allotment (otherwise than pursuant to subparagraph (i) above) of equity securities up to an aggregate nominal value of £474,591;

and provided that this authority shall expire on 13 September 1996 or the date of the next Annual General Meeting of the Company, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

**J Reid**

Secretary

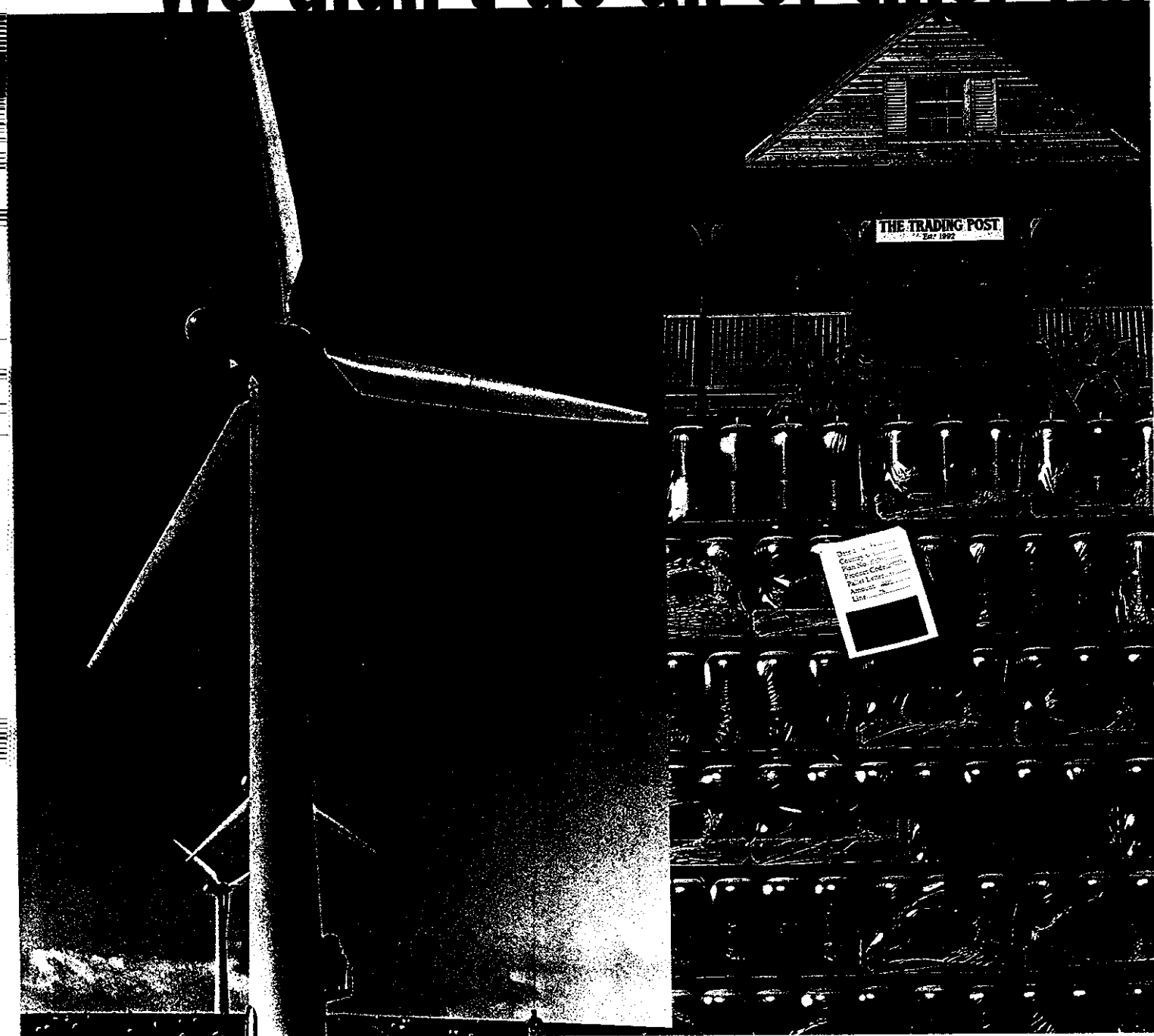
9 May 1995

## Notes

- 1 A member who is entitled to vote at the next meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. The person so appointed need not be a member of the Company. A form of proxy is enclosed which, to be effective, must be lodged with the Company's Registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DB not later than 48 hours before the meeting.
- 2 Copies of the Directors' service contracts will be available for inspection at the registered office of the Company, Watersmead, Littlehampton, West Sussex, BN17 6LS during business hours on any weekday from the date of this notice until the close of the meeting and also at the venue of the meeting for 15 minutes prior to and throughout the meeting.



**We didn't do all of this. our**





**NAME:** Lee Darren Boxell

**AGE:** 21

**HEIGHT:** 5ft 6"

**LAST SEEN:** Sutton, Surrey

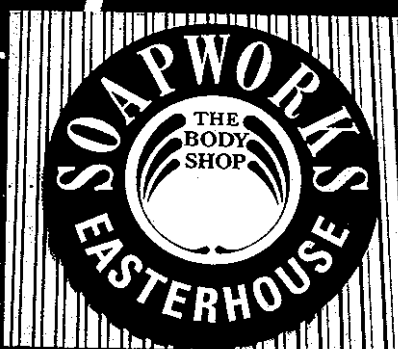
can help?

**0500 700 700**

FreeCall

# customers

# did



## Facing page:

The Eastern Europe Relief Drive, started by The Body Shop in 1990, raised £135,738 for the benefit of orphanages in Romania and a children's home in Albania last year.

Our shops around the world registered 78.6 million customer transactions last year - an increase of 12%.

Our CITES campaign was the largest in our history: over 3 million signatures were collected in support of the protection of endangered species through petitions in 1,000 shops across 30 countries.

Our 15% stake in the Bryn Titli wind farm represents a net input of 3.39 million kWh into the UK national grid, which offsets about 40% of our electricity consumption at Watersmead and saves 2,748 tonnes of CO<sub>2</sub> emissions.

In its second year of operation, The Tour at our headquarters in Littlehampton welcomed over 77,000 visitors.

Our manufacturing plant at Watersmead produced almost 8,000 tonnes of bulk product, while Cos-tec produced over 1,600 tonnes last year. We filled over 44 million bottles of product in our filling room at Watersmead last year for distribution to our shops, with a further 16.8 million bottles being filled at plants in the USA, Canada and Australia.

## This page:

In our work with the Missing Persons Bureau, we have featured 26 missing persons on our lorries, of which four have been found so far.

Our campaign in support of the Ogoni people's struggle for environmental and human rights was actively supported by our shops and customers through the mailing of thousands of protest postcards to the Nigerian High Commission.

Soapworks produced over 35 million soaps for sale in our shops, an increase of 7 million over the previous year. This success means that over £70,000 of last year's profits will be donated to local community projects.

During the last year, we have extended our fair trade business by establishing direct sources for two of our core raw ingredients: cocoa butter and shea butter.

In the last financial year, our UK shops carried out 985,410 refills in store and returned 2.4 million containers to us for recycling.

management

rewards come from

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commitment

heart