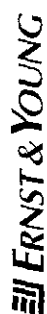


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Bodycare Toiletries Limited

Report and Financial Statements

31 December 2004

 **ERNST & YOUNG**



Bodycare Toiletries Limited

Registered No: 02188629

Director

J Carrington

Secretary

B J MacLeod

Auditors

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

Registered Office

Red Scar Business Park
Longridge Road
Ribbleton
Preston
PR2 5NA

Director's report

The director presents the report and financial statements for the year ended 31 December 2004.

Results and dividends

The loss for the year is £1,548,000 (2003: profit £2,751,000). The director does not recommend the payment of a dividend for the year (2003: £nil)

Principal activities

The activity of the company is the manufacture and sale of toiletries and related products.

Review of business and future developments

The director considers the balance sheet at December 2004 to be satisfactory.

Events since the balance sheet date

As described in note 1, the management of Bodycare International Group BV and the banks completed the sale and refinancing of the group on 8 July 2005. As a result of this restructuring, amounts due to the former ultimate parent company, Bodycare International Group BV, of approximately £3,500,000 were written-off during 2005. No adjustments have been included in these financial statements.

In December 2005, the company paid a dividend of £7,000,000 and reduced the amount due to its parent undertaking by the same amount.

Directors and their interests

The directors who held office during the year are given below:

S Jones (resigned 31 October 2004)

S Isherwood (resigned 19 April 2004)

J Carrington was appointed as a director on 14 February 2005.

None of the directors has had any interest in the share capital of the company at any time during the year.

Employees

The employment policies of the company embody the principles of equal opportunity and are tailored to meet the needs of the local areas in which it operates. The involvement of employees in the performance of the business is encouraged. The company is committed to providing adequate training for employees at all levels and is constantly reviewing and improving its procedures.

Suitable procedures are in operation to support the policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled every effort is made to ensure that they are retrained according to their abilities.

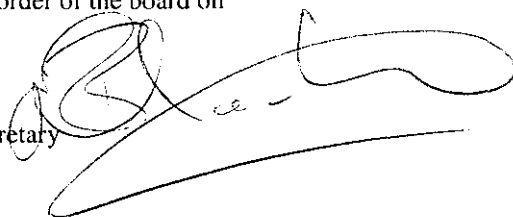
Directors' report (continued)

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming annual general meeting.

By order of the board on

Secretary



6/3/06.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Bodycare Toiletries Limited

We have audited the company's financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Fundamental uncertainty

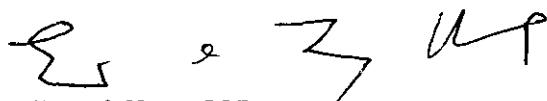
In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the ability of the Bodycare Group to continue to operate within the facilities which are currently provided by NPM Capital BV or to obtain additional financial support if it breached these facilities. The accounts have been prepared on the going concern basis, the validity of which depends upon the company continuing to obtain financial support under this group financing arrangement. In view of the significance of the uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Independent auditors' report

to the members of **Bodycare Toiletries Limited** (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester

10/3/06

Profit and loss account

For the year ended 31 December 2004

	Notes	2004 £000	2003 £000
Turnover	2	35,377	38,636
Cost of sales		(27,955)	(26,556)
Gross profit		7,422	12,080
Distribution costs		(985)	(918)
Administrative expenses		(8,436)	(6,469)
Exceptional cost	4	-	(783)
Operating loss	3	(1,999)	3,910
Interest receivable and similar income	7	1	7
Interest Payable	8	(274)	-
Loss on ordinary activities before interest and taxation		(2,272)	3,917
Tax on profit on ordinary activities	9	724	(1,166)
Loss for the financial year		(1,548)	2,751
Dividends on equity shares		-	-
Loss for the financial year		(1,548)	2,751

All activities are continuing in 2004 and 2003.

Statement of total recognised gains and losses

For the year ended 31 December 2004

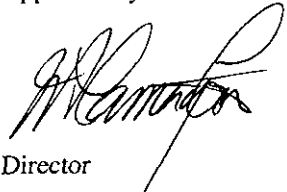
There were no other gains or losses in either year other than those shown above.

Balance sheet

At 31 December 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Tangible assets	10	3,063	2,822
Current assets			
Stocks	11	3,717	5,428
Debtors	12	18,467	16,295
Cash at bank and in hand		738	674
		22,922	22,397
Creditors: amounts falling due within one year	13	(13,971)	(11,389)
Net current assets		8,951	11,008
Total assets less current liabilities		12,014	13,830
Provisions for liabilities and charges	14	(294)	(562)
		11,720	13,268
Capital and reserves			
Called up share capital	15	126	126
Share premium	16	1,473	1,473
Profit and loss account	16	10,121	11,669
Equity shareholders' funds	15	11,720	13,268

Approved by the board on

 6/3/06
Director

Notes to the accounts

At 31 December 2004

1. Accounting policies

Accounting convention

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

Going concern

As described in note 18, at 31 December 2004 the company had provided a guarantee in respect of bank loans to Bodycare International Group BV and other fellow subsidiaries ("the Group"). These loans had become repayable on demand as certain conditions had not been met.

On 8 July 2005 Group management completed the sale and refinancing of the Group which comprised the cancellation of the Group's bank loans while NPM Capital BV ('NPM'), one of the Group's former shareholders, agreed to take over (part of) these loans. NPM also provided a working capital facility. The company was released from the guarantee provided in respect of the bank loans and has provided new guarantees in favour of NPM.

The Group's shareholders agreed to sell their shares to NPM and the Group's management with the understanding that the new situation will enable future growth for the business.

Under the terms of the sale and refinancing, the Group's management agreed with NPM to refinance the NPM facilities and are currently in negotiation with interested financial institutions.

Group management have prepared projected cash flow and profit information for the period ended 31 December 2006 for the company and for the Group. On the basis of this information, the Group's management consider that the Group will continue to operate within the facilities which are currently provided by NPM. However, inherently, there can be no certainty in relation to these matters.

On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. If the adoption of the going concern basis was inappropriate, adjustments would be required to write down assets to their recoverable value, to reclassify fixed assets as current assets and to provide any further liabilities that may arise.

Cash flow statement

The company has taken the exemption under Financial Reporting Standard I not to prepare a statement of cash flows as it is consolidated within the accounts of its ultimate parent company, Bodycare International Group BV. Copies of the consolidated accounts are available from the address in note 18.

Fixed assets and depreciation

All fixed assets are initially recorded at cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less the estimated residual value of each asset evenly over its useful economic life as follows:

	%
Leasehold improvements	10
Plant and machinery	10
Fixtures and fittings	between 10 and 25
Motor vehicles	25

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, a weighted average purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes to the accounts

At 31 December 2004

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Related party transactions

The company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other group companies as it is consolidated within the accounts of a parent undertaking incorporated in another European Union country.

Leases

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company makes contributions to an independently administered defined contribution pension scheme for eligible senior management. The assets of the scheme are held separately from those of the company. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

2. Turnover

Turnover represents the amounts (excluding value added tax) derived from the manufacture and sale of toiletries and related products and is recognised on despatch to customers.

	2004 £000	2003 £000
Turnover by geographical market:		
United Kingdom	31,813	31,061
European Union	1,960	5,207
Middle East	1,604	2,118
Rest of the World	-	250
	<u>35,377</u>	<u>38,636</u>

Notes to the accounts

At 31 December 2004

3. Operating profit

	2004	2003
	£000	£000
Operating profit is stated after charging:		
Auditors remuneration - audit	48	18
- other	14	10
Depreciation of tangible fixed assets	553	501
Profit on disposal of fixed assets	(3)	-
Rentals payable under operating leases - plant and machinery	93	211
- land and buildings	649	620
Loss/(gain) on foreign exchange	173	(227)

4. Exceptional cost

	2004	2003
	£000	£000
Restructuring cost (note 13)	-	433
Impairment of tangible fixed assets	-	350
	-	783

5. Directors' emoluments

	2004	2003
	£000	£000
Emoluments	236	300
Compensation for loss of office	263	-
Company contributions to defined contribution pension scheme	25	20
	524	320

The emoluments, excluding pension contributions, of the highest paid director were £342,074 (2003: £178,580).

Both of the company directors received contributions from the company towards the provision of their retirement benefits under defined contribution arrangements.

Notes to the accounts

At 31 December 2004

6. Staff costs

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

	2004 No.	2003 No.
Works	292	362
Administration	39	42
	<u>331</u>	<u>404</u>

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	5,568	5,909
Social security costs	539	530
Other pension costs	53	38
Redundancy Costs	431	-
	<u>6,591</u>	<u>6,477</u>

7. Interest receivable and similar income

	2004 £000	2003 £000
Bank interest	1	7
	<u>1</u>	<u>7</u>

8. Interest Payable

	2004 £000	2003 £000
Overdraft	5	-
Group loan	260	-
Other	9	-
	<u>274</u>	<u>-</u>

Notes to the accounts

At 31 December 2004

9. Taxation

a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2004 £000	2003 £000
<i>Current tax</i>		
Corporation tax on profits for the period	(618)	650
Group relief payable	-	663
Adjustments in respect of prior periods	(111)	(35)
Current tax charge	(729)	1,278
<i>Deferred tax</i>		
Originating and reversal of timing differences (note 14)	5	(112)
Tax on profit on ordinary activities	(724)	1,166

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before taxation	(2,272)	3,917
Profit on ordinary activities multiplied by standard rate of corporation tax in UK at 30% (2003: 30%)	(682)	1,175
Disallowed expenses and non-taxable income	57	26
Capital allowances in excess of depreciation	(82)	53
Adjustments in respect of prior periods	(110)	(35)
Unrelieved losses carried forward	85	-
Other timing differences	3	59
Current tax charge	(729)	1,278

Notes to the accounts

At 31 December 2004

10. Tangible assets

	<i>Leasehold improvements £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost:					
At 1 January 2004	395	5,121	338	2	5,856
Additions	8	904	3	-	915
Disposal	(41)	(1,218)		(2)	(1,261)
At 31 December 2004	362	4,807	341	-	5,510
Accumulated depreciation:					
At 1 January 2004	190	2,504	338	2	3,034
Charge for the year	9	544	-		553
Disposal	(31)	(1,107)	-	(2)	(1,140)
At 31 December 2004	168	1,941	338	-	2,447
Net Book Value:					
At 31 December 2004	194	2,866	3	-	3,063
At 31 December 2003	205	2,617	-	-	2,822

Notes to the accounts

At 31 December 2004

11. Stocks

	2004 £000	2003 £000
Raw materials and consumables	1,430	2,672
Finished goods and goods for resale	2,287	2,756
	<u>3,717</u>	<u>5,428</u>

12. Debtors

	2004 £000	2003 £000
Trade debtors	6,319	9,202
Amounts due from group companies	11,234	6,939
Prepayments	266	154
Corporation tax	648	-
	<u>18,467</u>	<u>16,295</u>

13. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	3,987	8,618
Corporation tax	-	83
Other taxes and social security	671	463
Inter company Creditors	8,812	-
Accruals and deferred income	501	2,225
	<u>13,971</u>	<u>11,389</u>

14. Provisions for liabilities and charges

	<i>Restructuring cost £000</i>	<i>Deferred Taxation £000</i>	<i>Total £000</i>
At 1 January 2004	433	129	562
Profit and loss account	-	5	5
Utilised during the year	(273)	-	(273)
At 31 December 2004	<u>160</u>	<u>134</u>	<u>294</u>

Notes to the accounts

At 31 December 2004

14. Provisions for liabilities and charges (continued)

The restructuring provision related to the reorganisation of the company's Eastbourne production facilities. This reorganisation involved a significant redundancy programme which was completed in January 2005.

The deferred tax provision consists of:

	2004 £000	2003 £000
Accelerated capital allowances	268	195
Other timing differences	(49)	(66)
Tax losses	(85)	-
Total deferred tax liabilities	134	129

15. Called up share capital

	2004 £000	2003 £000
Authorised:		
200,000 Ordinary shares of £1 each	200	200
Allotted, called up and fully paid:		
126,000 (2003: 126,000) Ordinary shares of £1 each	126	126

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	Share premium account £000	Profit & loss account £000	Total shareholders fund £000
At 1 January 2003	126	1,473	8,918	10,517
Profit last year	-	-	2,751	2,751
At 31 December 2003	126	1,473	11,669	13,268
Loss for year	-	-	(1,548)	(1,548)
At 31 December 2004	126	1,473	10,121	11,720

Notes to the accounts

At 31 December 2004

17. Commitments

At the end of the financial year the company had commitments in respect of capital expenditure contracted for but not provided of £ 20,000 (2003: £10,449).

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	2004		2003	
	<i>Plant and machinery</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Land and buildings</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	18	-	112	-
In the second to fifth year inclusive	116	-	119	-
Over five years		562	-	581
	<u>134</u>	<u>562</u>	<u>231</u>	<u>581</u>

18. Contingent liability

The company has cross guaranteed a group bank loan with the ultimate parent company, Bodycare International Group BV, and other fellow subsidiaries; Bodycare International Holding UK Limited, Bodycare International (UK) Limited, Bodycare International Holding BV, Bodycare International Holding Netherlands BV, Cosmara BV and Bodycare Kozmetikai Kft. The maximum liability at the year end was £17,701,000 (2003: £18,556,000) and is secured by a fixed and floating charge of the assets of the group.

19. Parent undertaking and controlling party

The company's immediate parent undertaking is Bodycare International UK Limited. The directors consider the ultimate holding company and controlling party to be Bodycare International Group BV, a company incorporated in the Netherlands. Copies of its group financial statements, which include the company, are available from Red Scar Business Park, Longridge Road, Ribbleson, Preston, PR2 5NA.

20. Post balance sheet events

As described in note 1, the management of Bodycare International Group BV and the banks completed the sale and refinancing of the group on 8 July 2005. As a result of this restructuring, amounts due to the former ultimate parent company, Bodycare International Group BV, of approximately £3,500,000 were written-off during 2005. No adjustments have been included in these financial statements.

In December 2005, the company paid a dividend of £7,000,000 and reduced the amount due to its parent undertaking by the same amount.