BODYCARE
Toiletries Ltd.

2188629

Bodycare Toiletries Limited

Report and Financial Statements

31 December 2005

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

Directors' report (continued)

The director presents the report and financial statements for the year ended 31 December 2005.

Results and dividends

The profit for the year is £753,000 (2004: loss £1,548,000). 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.

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 2005 to be satisfactory.

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 £3,954,000 were written-off during 2005.

Treasury Policy

The company's financial instruments comprise bank overdrafts, some cash and liquid resources, balances with group undertakings and various items such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since 2001.

Interest rate risk

The company finances its operations through a mixture of retained profits, bank overdrafts and balances with group undertakings. The bank borrowings are at floating rates.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generation by its operations.

Foreign currency risk

All the company's transactions are predominantly in sterling. The company does not hedge any currency exposures

Directors and their interests

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

J Carrington

The director did not have any interest in the share capital of the company at any time during the year.

Directors' report (continued)

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.

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 31 October 2006.

Secretary

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 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. 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 International Standards on Auditing (UK & Ireland).

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 International Standards on Auditing (UK & Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Manchester
31/10/06

Profit and loss account

For the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Turnover	2	25,771	35,377
Cost of sales		(21,485)	(27,955)
Gross profit		4,286	7,422
Distribution costs		(738)	(985)
Administrative expenses		(6,063)	(8,436)
Exceptional items	4	3,954	-
Operating profit/(loss)	3	1,439	(1,999)
Interest receivable and similar income	7	20	1
Interest payable	8	(243)	(274)
Profit/(loss) on ordinary activities before interest and taxation		1,216	(2,272)
Tax on profit on ordinary activities	9	(463)	724
Profit/(loss) for the financial year	16	753	(1,548)

All activities are continuing in 2005 and 2004.

Statement of total recognised gains and losses

For the year ended 31 December 2005

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

Balance sheet

At 31 December 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	10	2,589	3,063
Current assets			
Stocks	11	1,933	3,717
Debtors	12	5,272	18,467
Cash at bank and in hand		321	738
		7,526	22,922
Creditors: amounts falling due within one year	13	(4,411)	(13,971)
Net current assets		3,115	8,951
Total assets less current liabilities		5,704	12,014
Provisions for liabilities and charges	14	(231)	(294)
		5,473	11,720
Capital and reserves			
Called up share capital	15	126	126
Share premium	16	1,473	1,473
Profit and loss account	16	3,874	10,121
Equity shareholders' funds	16	5,473	11,720

Approved by the board on

31/10/06

Director

Notes to the accounts

At 31 December 2005

1. Accounting policies

Accounting convention

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

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 Group BV. Copies of the consolidated accounts are available from the address in note 19.

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.

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.

Notes to the accounts

At 31 December 2005

1. Accounting policies (continued)

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.

	2005	*2004*
	£000	*£000*
Turnover by geographical market:		
United Kingdom	23,514	31,813
European Union	258	1,960
Middle East	2,020	1,604
	25,792	35,377

3. Operating profit

	2005	*2004*
	£000	*£000*
Operating profit is stated after charging/(crediting):		
Auditors remuneration - audit	37	48
- other	35	14
Depreciation of tangible fixed assets	514	553
Loss/(profit) on disposal of fixed assets	11	(3)
Rentals payable under operating leases - plant and machinery	97	93
- land and buildings	597	649
Loss/(gain) on foreign exchange	(19)	173

Notes to the accounts

At 31 December 2005

4. Exceptional items

	2005	*2004*
	£000	*£000*
Gain arising on waiver of amounts due to group companies	3,954	-
	3,954	-

Following sale and refinancing of the Group, Bodycare International Group BV forgave amounts due by the company resulting in a gain of £3,954,000.

5. Directors' emoluments

	2005	*2004*
	£000	*£000*
Emoluments	116	236
Compensation for loss of office	-	263
Company contributions to defined contribution pension scheme	3	25
	119	524

6. Staff costs

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

	2005	*2004*
	No.	*No.*
Works	196	292
Administration	35	39
	231	331

The aggregate payroll costs of these persons were as follows:

	2005	*2004*
	£000	*£000*
Wages and salaries	4,024	5,568
Social security costs	384	539
Other payroll costs	42	53
Redundancy costs	90	431
	4,540	6,591

Notes to the accounts

At 31 December 2005

7. Interest receivable and similar income

	2005	*2004*
	£000	*£000*
Bank interest	-	1
Other	20	-
	20	1

8. Interest Payable

	2005	2004
	£000	£000
Overdraft	-	5
Group loan	243	260
Other	-	9
	243	274

9. Taxation

a) Tax on profit on ordinary activities

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

	2005	*2004*
	£000	*£000*
Current tax		
Corporation tax on profits for the period	366	(618)
Adjustments in respect of prior periods	-	(111)
Current tax charge	366	(729)
Deferred tax		
Originating and reversal of timing differences (note 14)	97	5
Tax on profit on ordinary activities	463	(724)

Notes to the accounts

At 31 December 2005

9. Taxation (continued)

(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:

	2005 *£000*	*2004* *£000*
Profit/(loss) on ordinary activities before taxation	1,215	(2,272)
Profit on ordinary activities multiplied by standard rate of corporation tax in UK at 30% (2004: 30%)	364	(682)
Disallowed expenses and non-taxable income	26	57
Capital allowances in excess of depreciation	(3)	(82)
Adjustments in respect of prior periods	-	(110)
Unrelieved losses carried forward	-	85
Other timing differences	(15)	3
Utilisation of losses brought forward	(6)	-
Current tax charge/(credit)	366	(729)

10. Tangible assets

	Leasehold improvements *£000*	*Plant and machinery* *£000*	*Fixtures fittings* *£000*	*Total* *£000*
Cost:				
At 1 January 2005	362	4,807	341	5,510
Additions	2	36	2	40
At 31 December 2005	364	4,843	343	5,550
Accumulated depreciation:				
At 1 January 2005	168	1,941	338	2,447
Charge for the year	9	504	1	514
At 31 December 2005	177	2,445	339	2,961
Net Book Value:				
At 31 December 2005	187	2,398	4	2,589
At 31 December 2004	194	2,866	3	3,063

Notes to the accounts

At 31 December 2005

11. Stocks

	2005 *£000*	*2004* *£000*
Raw materials and consumables	963	1,430
Finished goods and goods for resale	970	2,287
	1,933	3,717

12. Debtors

	2005 *£000*	*2004* *£000*
Trade debtors	2,363	6,319
Amounts due from group companies	2,751	11,234
Prepayments	158	266
Corporation tax	-	648
	5,272	18,467

13. Creditors: amounts falling due within one year

	2005 *£000*	*2004* *£000*
Trade creditors	2,747	3,987
Corporation tax	327	-
Other taxes and social security	145	671
Amounts due to group companies	805	8,812
Accruals and deferred income	387	501
	4,411	13,971

14. Provisions for liabilities and charges

	Restructuring cost *£000*	*Deferred Taxation* *£000*	*Total* *£000*
At 1 January 2005	160	134	294
Profit and loss account	-	97	97
Utilised during the year	(160)	-	(160)
At 31 December 2005	-	231	231

Notes to the accounts

At 31 December 2005

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:

	2005 *£000*	*2004* *£000*
Accelerated capital allowances	272	268
Other timing differences	(22)	(49)
Tax losses	(19)	(85)
Total deferred tax liabilities	231	134

15. Called up share capital

	2005 *£000*	*2004* *£000*
Authorised:		
200,000 Ordinary shares of £1 each	200	200
Allotted, called up and fully paid:		
126,000 (2004: 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 2004	126	1,473	11,669	13,268
Loss last year	-	-	(1,548)	(1,548)
At 31 December 2004	126	1,473	10,121	11,720
Profit for year	-	-	753	753
Dividend paid	-	-	(7,000)	(7,000)
At 31 December 2005	126	1,473	3,874	5,473

Notes to the accounts

At 31 December 2005

17. Commitments

At the end of the financial year the company had commitments in respect of capital expenditure contracted for but not provided of £nil, (2004: £20,000).

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

		2005		*2004*
	Plant and machinery £000	*Land and buildings £000*	*Plant and machinery £000*	*Land and buildings £000*
Operating leases which expire:				
Within one year	49	-	18	-
In the second to fifth year inclusive	74	559	116	-
Over five years	-	110	-	562
	123	669	134	562

18. Contingent liability

The company has cross guaranteed credit facilities with the ultimate parent company, Bodycare Group BV, and other fellow subsidiaries; Bodycare International Holding UK Limited, Bodycare International (UK) Limited, Bodycare International Holding BV, Bodycare International Holding Netherlands BV and Cosmara BV. The maximum liability at the year end was €8,250,000 (2004: £17,701,000) 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 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, Ribbleton, Preston, PR2 5NA.