Bodycare Toiletries Limited

Report and Financial Statements

31 December 2003

ERNST & YOUNG

Registered No: 02188629

Director
J Carrington

Secretary
B J MacLeod

Auditors
Ernst & Young LLP
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Director's report

The director presents the report and financial statements for the year ended 31 December 2003.

Results and dividends

The profit for the year retained in the company is £2,751,000 (2002: £3,541,000). The director does not recommend the payment of a dividend for the year (2002: £nil) and the retained profit of £2,751,000 has been transferred to reserves.

Principal activities

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

Review of business and future developments

The company has experienced a satisfactory increase in sales during the year, achieving a profit after tax of £2,751,000 (2002: £3,541,000). The director considers the balance sheet at December 2003 to be satisfactory.

Events since the balance sheet date

Since the year end, certain conditions relating to bank loans described in note 17 have not been complied with and the loans have become repayable on demand. 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. No adjustments have been included in these financial statements.

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.

At 31 December 2003 the directors had the following interests in the shares of Bodycare International Group BV.

	2003	*2002*
	No.	*No.*
S Jones	36,197	36,197
S Isherwood	17,802	17,802

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 12|7|05

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 2003 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 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 finalisation of the terms relating to the sale and refinancing of the Bodycare International Group BV ("the Group"), or parts thereof. The financial statements have been prepared on the going concern basis, the validity of which depends on the finalisation of these terms. The financial statements do not include any adjustments which would result from a failure to finalise the terms of the sale and refinancing of the Group. 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Manchester

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Profit and loss account

For the year ended 31 December 2003

	Notes	*2003* *£000*	*2002* *£000*
Turnover	2	38,636	34,945
Cost of sales		(26,556)	(23,127)
Gross profit		12,080	11,818
Distribution costs		(918)	(905)
Administrative expenses		(6,469)	(5,838)
Exceptional cost	4	(783)	-
Operating profit	3	3,910	5,075
Interest receivable and similar income	7	7	17
Profit on ordinary activities before interest and taxation		3,917	5,092
Tax on profit on ordinary activities	8	(1,166)	(1,551)
Profit for the financial year		2,751	3,541
Dividends on equity shares		-	-
Retained profit for the financial year		2,751	3,541

All activities are continuing in 2003 and 2002.

Statement of total recognised gains and losses

For the year ended 31 December 2003

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

Balance sheet

At 31 December 2003

	Notes	*2003* *£000*	*2002* *£000*
Fixed assets			
Tangible assets	9	2,822	2,848
Current assets			
Stocks	10	5,428	3,467
Debtors	11	16,295	10,800
Cash at bank and in hand		674	1,235
		22,397	15,502
Creditors: amounts falling due within one year	12	(11,389)	(7,592)
Net current assets		11,008	7,910
Total assets less current liabilities		13,830	10,758
Provisions for liabilities and charges	13	(562)	(241)
		13,268	10,517
Capital and reserves			
Called up share capital	14	126	126
Share premium	15	1,473	1,473
Profit and loss account	15	11,669	8,918
Equity shareholders' funds	15	13,268	10,517

Approved by the board on 12|7|05

Director

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Notes to the accounts

At 31 December 2003

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 17 the company has provided a guarantee in respect of bank loans to Bodycare International Group BV and other fellow subsidiaries ("the Group"). Since 31 December 2003, these loans have become repayable on demand as certain conditions had not been met. On 8 July 2005 Group management and the banks effected the sale and refinancing of the Group, or parts thereof, on terms yet to be finalised.

The accounts have been prepared on a going concern basis as the directors are of the opinion that the sale and refinancing of the Group, when finalised, will enable the company to continue to operate as a going concern.

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 2003

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.

Notes to the accounts

At 31 December 2003

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.

	2003	*2002*
	£000	*£000*
Turnover by geographical market:		
United Kingdom	31,061	28,751
European Union	5,207	4,274
Middle East	2,118	1,920
Rest of the World	250	-
	38,636	34,945

3. Operating profit

	2003	*2002*
	£000	*£000*
Operating profit is stated after charging:		
Auditors remuneration - audit	18	30
- other	10	30
Depreciation of tangible fixed assets	501	490
Loss on disposal of fixed assets	-	-
Rentals payable under operating leases - plant and machinery	211	219
- land and buildings	620	550
(Gain)/loss on foreign exchange	(227)	219

4. Exceptional cost

	2003	*2002*
	£000	*£000*
Restructuring cost (note 13)	433	-
Impairment of tangible fixed assets	350	-
	783	-

Notes to the accounts

At 31 December 2003

5. Directors' emoluments

	2003	*2002*
	£000	*£000*
Emoluments	300	260
Company contributions to defined contribution pension scheme	20	14
	320	274

The emoluments, excluding pension contributions, of the highest paid director were £178,580 (2002: £167,811).

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

6. Staff costs

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

	2003	*2002*
	No.	*No.*
Works	362	290
Administration	42	46
	404	336

The aggregate payroll costs of these persons were as follows:

	2003	*2002*
	£000	*£000*
Wages and salaries	5,909	4,835
Social security costs	530	409
Other pension costs	38	34
	6,477	5,278

7. Interest receivable and similar income

	2003	*2002*
	£000	*£000*
Bank interest	7	17

Notes to the accounts

At 31 December 2003

8. Taxation

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003	*2002*
	£000	*£000*
Current tax		
Corporation tax on profits for the period	650	855
Group relief payable	663	663
Adjustments in respect of prior periods	(35)	-
Current tax charge	1,278	1,518
Deferred tax		
Originating and reversal of timing differences (note 13)	(112)	33
Adjustments in respect of prior periods	-	-
	(112)	33
Tax on profit on ordinary activities	1,166	1,551

(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:

	2003	*2002*
	£000	*£000*
Profit on ordinary activities before taxation	3,917	5,092
Profit on ordinary activities multiplied by standard rate of corporation tax in UK at 30% (2002: 30%)	1,175	1,528
Disallowed expenses and non-taxable income	26	23
Capital allowances in excess of depreciation	53	(33)
Adjustments in respect of prior periods	(35)	-
Other timing differences	59	-
Current tax charge	1,278	1,518

Notes to the accounts

At 31 December 2003

9. Tangible assets

	Leasehold improvements £000	*Plant and machinery £000*	*Fixtures fittings £000*	*Motor vehicles £000*	*Total £000*
Cost:					
At 1 January 2003	381	4,341	336	2	5,060
Additions	14	882	2	-	898
Disposal	-	(102)	-	-	(102)
At 31 December 2003	395	5,121	338	2	5,856
Accumulated depreciation:					
At 1 January 2003	146	1,731	333	2	2,212
Charge for the year	44	452	5	-	501
Disposal	-	(29)	-	-	(29)
Impairment loss	-	350	-	-	350
At 31 December 2003	190	2,504	338	2	3,034
Net Book Value:					
At 31 December 2003	205	2,617	-	-	2,822
At 31 December 2002	235	2,610	3	-	2,848

10. Stocks

	2003 £000	*2002 £000*
Raw materials and consumables	2,672	1,730
Finished goods and goods for resale	2,756	1,737
	5,428	3,467

11. Debtors

	2003 £000	*2002 £000*
Trade debtors	9,202	6,138
Other debtors	-	3
Amounts due from group companies	6,939	4,507
Prepayments	154	152
	16,295	10,800

Notes to the accounts

At 31 December 2003

12. Creditors: amounts falling due within one year

	2003	*2002*
	£000	*£000*
Trade creditors	8,618	5,150
Corporation tax	83	436
Other taxes and social security	463	382
Accruals and deferred income	2,225	1,624
	11,389	7,592

13. Provisions for liabilities and charges

	Restructuring cost	*Deferred Taxation*	*Total*
	£000	*£000*	*£000*
At 1 January 2003	-	241	241
Profit and loss account	433	(112)	321
At 31 December 2003	433	129	562

During the year the company announced the reorganisation of its Eastbourne production facilities. This reorganisation involves a significant redundancy programme planned to commence during 2004. The provision at 31 December 2003 represents the estimated redundancy costs based on individuals' length of service and negotiated redundancy terms and other costs associated with the restructuring.

The deferred tax provision consists of:

	2003	*2002*
	£000	*£000*
Accelerated capital allowances	195	248
Other timing differences	(66)	(7)
Total deferred tax liabilities	129	241

The movements in deferred tax during the year are as follows:

	2003
	£000
At 1 January 2003	241
Credit to the profit and loss account	(112)
At 31 December 2003	129

Notes to the accounts

At 31 December 2003

14. Called up share capital

	2003 £000	2002 £000
Authorised:		
200,000 Ordinary shares of £1 each	200	200
Allotted, called up and fully paid:		
126,000 (2002: 126,000) Ordinary shares of £1 each	126	126

15. 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 2002	126	1,473	5,377	6,976
Profit last year	-	-	3,541	3,541
At 31 December 2002	126	1,473	8,918	10,517
Profit for year	-	-	2,751	2,751
At 31 December 2003	126	1,473	11,669	13,268

16. Commitments

At the end of the financial year the company had commitments in respect of capital expenditure contracted for but not provided of £10,449 (2002: £8,450).

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

		2003		*2002*
	Plant and machinery £000	*Land and buildings £000*	*Plant and machinery £000*	*Land and buildings £000*
Operating leases which expire:				
Within one year	112	-	-	-
In the second to fifth year inclusive	119	-	218	-
Over five years	-	581	-	532
	231	581	218	532

Notes to the accounts

At 31 December 2003

17. 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 Kozimetikai Kft. The maximum liability at the year end was £18,556,000 (2002: £20,887,000) and is secured by a fixed and floating charge of the assets of the group.

18. 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, Ribbleton, Preston, PR2 5NA.

19. Post balance sheet events

Since the year end, certain conditions relating to bank loans described in note 17 have not been complied with and the loans have become repayable on demand. 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. No adjustments have been included in these financial statements.