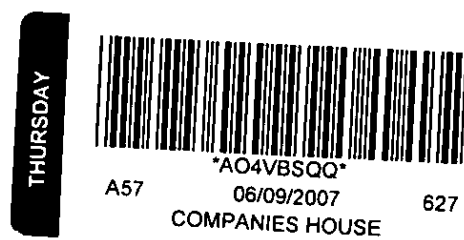


**BLYTH HOMESCENTS
INTERNATIONAL UK LIMITED**

Report and Financial Statements

31 December 2006



BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R B Goergen
R H Barghaus
B G Cram (resigned 12 12 06)
R J Carr (resigned 11 08 06)
S C Martin (appointed 11 08 06)

SECRETARY

M Novins (appointed 11 08 06)

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company for a group which manufactures, wholesales and retails candles and giftware

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company sold its fully owned subsidiary Colony Gift Corporation limited on 20th December 2006. This sale was a result of the decision by the ultimate parent company, Blyth Inc, to exit the wholesale business. Blyth Homescents International UK Ltd will continue its services of a holding company to its other subsidiary Partylite Manufacturing Limited.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5. The directors do not recommend the payment of a dividend (2005 £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year are given on page 1.

On 11th August 2006 S C Martin was appointed as director and R J Carr resigned his post. On 12th December 2006 B G Crain resigned as director.

No director has a beneficial interest in the shares of the company or other subsidiaries of the ultimate parent company and no contracts exist, other than service agreements with the company or other subsidiaries of the ultimate parent company, in which the directors have an interest.

EMPLOYEES

The company's policy is to involve employees by way of appropriate consultation and discussion with staff on matters that are likely to affect employees' interests.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

AUDITORS

The directors who held office at the date of approval of this directors' report confirm that

- so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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



S C Martin
Director

4/9/2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 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 BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

We have audited the financial statements (the "financial statements") of Blyth Homescents International UK Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 17. These financial statements have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and 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 judgments 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 the company's affairs as at 31 December 2006 and of the loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester, United Kingdom

05/09/07

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover	2	1,170	1,118
Cost of sales		-	-
Gross profit		1,170	1,118
Administrative expenses		(1,175)	(919)
Operating (loss) / profit	6	(5)	199
Loss on sale of subsidiary	8	(10,512)	-
Impairment of Investments	8	-	(8,854)
Loss before finance charges		(10,517)	(8,655)
Interest receivable	5	14	-
Interest payable	4	(11)	-
Loss before taxation		(10,514)	(8,655)
Tax	7	-	(1)
Loss for the year withdrawn from reserves	14	(10,514)	(8,656)

All activity derives from continuing operations. There are no recognised gains or losses, other than the loss for the year, and consequently no separate statement of total recognised gains and losses has been prepared.

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

BALANCE SHEETS

As at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	8	3,822	3,822
		<u>3,822</u>	<u>3,822</u>
Current assets			
Debtors	9	781	80
Cash at bank and in hand		816	296
		<u>1,597</u>	<u>376</u>
Creditors - Amounts falling due within one year	10	(1,650)	(395)
Net current liabilities		<u>(53)</u>	<u>(19)</u>
Total assets less current liabilities		3,769	3,803
Creditors - Amounts falling due after more than one year	11	(5,000)	(2,520)
Net (liabilities) / assets		<u>(1,231)</u>	<u>1,283</u>
Capital and reserves			
Called up equity share capital	13	5,760	5,760
Share premium account	14	4,622	4,622
Capital contribution	14	13,418	5,418
Profit and loss account	14	(25,031)	(14,517)
Total equity shareholders' (deficit) / funds	15	<u>(1,231)</u>	<u>1,283</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

4/9/2007



S C Martin

Director

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

Blyth Homescents International UK Limited prepared consolidated financial statements for the year ended 31 December 2005. However, following the publication of UITF 43 'The interpretation of equivalence for the purpose of section 228A of the Companies Act 1985', no consolidated financial statements have been prepared for the year ended 31 December 2006 as consolidated financial statements including Blyth Homescents International UK Limited and its subsidiaries are produced by Blyth Inc. Copies of these accounts are available from the address shown in note 17.

Tangible fixed assets and fixed asset investments

Investments are stated at cost less provision for impairment.

Tangible fixed assets are stated at cost, less depreciation.

Taxation

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

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Blyth Inc and is included in the consolidated financial statements of that company. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Blyth Inc group or investees of the Blyth Inc group.

As disclosed in note 8, during the year the company sold its investment in Colony Gift Corporation Limited to Lighthouse Holdings Limited. S C Martin is a director of both the company and Lighthouse Holdings Limited.

2. TURNOVER

Revenue in both years relates to amounts recharged to other companies in the group and is recognised as the services are provided.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006 £'000	2005 £'000
Directors' Emoluments		
Emoluments	330	206
Pension contributions	10	7
Compensation on loss of office	255	-
	<hr/> 595	<hr/> 213

The above figures relate to the remuneration of one director in 2005 and two directors in 2006.

Retirement benefits are accruing to two (2005: one) director under a money purchase scheme.

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2006 £'000	2005 £'000
Highest paid Director		
Emoluments	185	206
Pension contributions	7	7
Compensation on loss of office	152	-
	<u>344</u>	<u>213</u>
	2006 Number	2005 Number
Average number of persons employed (including directors)		
Office and management	4	4
	<u>4</u>	<u>4</u>
	2006 £'000	2005 £'000
Staff costs during the year (including directors)		
Wages and salaries	436	412
Social security costs	51	60
Other pensions costs	17	18
	<u>504</u>	<u>490</u>

4 INTEREST PAYABLE

	2006 £'000	2005 £'000
On loans from group undertakings	11	-
	<u>11</u>	<u>-</u>

5 INTEREST RECEIVABLE

	2006 £'000	2005 £'000
On loans to group undertakings	14	-
	<u>14</u>	<u>-</u>

6 OPERATING (LOSS)/PROFIT

	2006 £'000	2005 £'000
Operating (loss)/profit is stated after charging		
Auditors remuneration		
- Audit services	11	33
Operating lease rentals		
- Other	30	30

In addition, there are audit and non-audit fees of £65,000 in respect of services provided to the former subsidiary company Colony Gift Corporation Ltd, which have been borne by the company (2005 £ nil)

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

7. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of tax charge in the year

	2006 £'000	2005 £'000
United Kingdom		
Adjustment to tax charge in respect of prior years	-	1
Tax on loss on ordinary activities	-	1

b) Factors affecting tax charge for the year

The tax for the year is lower (2005 lower) than the standard rate of corporation tax in the UK. The differences are explained below

	2006 £'000	2005 £'000
Loss on ordinary activities before tax	(10,514)	(8,655)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 30% (2005 30%)	(3,154)	(2,597)
<i>Effects of</i>		
Expenses not deductible for tax purposes	26	13
Capital allowances (more)/less than depreciation	(3)	3
Group relief not paid for	(15)	(72)
Adjustment to tax charge in respect of prior years	-	1
Short term timing differences	(8)	(4)
Impairment of investments, not tax deductible	-	2,657
Sale of subsidiary, not tax deductible	3,154	-
Tax on loss on ordinary activities	-	1

8. FIXED ASSET INVESTMENTS

Company

Subsidiary undertakings	£'000
Cost	
At 1 January 2006	12,676
Disposal	(8,854)
At 31 December 2006	3,822
Provision for impairment	
At 1 January 2006	8,854
Disposal	(8,854)
At 31 December 2006	-
Net book value	
31 December 2005 and 2006	3,822

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

8. FIXED ASSET INVESTMENTS (continued)

Details of the company's interests in its principal subsidiary undertakings are as follows

Name of undertaking	Country of registration	Principal activity	% interest in ordinary shares and voting rights
CCW Manufacturing Limited	United Kingdom	Manufacture of candles	100

During the year, Wax Lyrical Limited, a former subsidiary of the company was struck off. This had no impact on the carrying value of investments.

During the year the company sold its investment in Colony Gift Corporation Ltd, for net consideration of £801,000. The loss on sale was £10,512,000. The tax impact of this transaction was £nil.

9. DEBTORS

	2006 £'000	2005 £'000
Amounts owed by group undertakings	373	50
Other debtors	316	-
Prepayments and accrued income	92	30
	<u>781</u>	<u>80</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Amounts owed to group undertakings	646	217
Accruals and deferred income	1,004	178
	<u>1,650</u>	<u>395</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Amounts owed to group undertakings (see note 12)	5,000	2,520
	<u>5,000</u>	<u>2,520</u>

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2006

12. BORROWINGS

Loans owed to group undertakings

	2006 £'000	2005 £'000
Repayable		
Between two and five years	-	2,520
In five years or more	5,000	-
	<u>5,000</u>	<u>2,520</u>

£2,500,000 of the £2,520,000 loan was converted to a capital contribution reserve during the year. The remaining balance will be settled and is included in creditors falling due within 1 year.

The £5,000,000 loan, with a maturity date December 2016, was issued in December 2006 by the immediate parent company Blyth Holding BV. Interest is payable at rate of 0.75% above LIBOR.

13. CALLED-UP EQUITY SHARE CAPITAL

Group and Company

	2006 £'000	2005 £'000
Authorised		
10,000,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
5,760,347 ordinary shares of £1 each	<u>5,760</u>	<u>5,760</u>

14. RESERVES

	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000
At 1 January 2006	4,622	5,418	(14,517)
Capital contribution	-	8,000	-
Retained loss for the year	-	-	(10,514)
At 31 December 2006	<u>4,622</u>	<u>13,418</u>	<u>(25,031)</u>

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS (DEFICIT)

	2006 £'000	2005 £'000
Opening equity shareholders' funds	1,283	9,939
Capital contribution	8,000	-
Retained loss for the year	(10,514)	(8,656)
Closing shareholders' (deficit) / funds	<u>(1,231)</u>	<u>1,283</u>

During the year, the company received capital contributions of £8,000,000 from Blyth Holdings BV and Blyth Home Expressions Inc.

BLYTH HOMESCENTS INTERNATIONAL UK LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

16. OPERATING LEASE COMMITMENTS

The company had the following annual lease commitments for land and buildings

	2006	2005
	£'000	£'000
Expiring between 2 -5 years	<u>30</u>	<u>30</u>

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Blyth Inc , a company registered in the United States of America, is the company's ultimate parent company and ultimate controlling party. Copies of the ultimate parent's consolidated financial statements may be obtained from 1 East Weaver Street, Greenwich, Connecticut 06831 - 5118, USA