

Company No: 4215478

**BABOR COSMETICS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**Year Ended 31 December 2002**



# **BABOR COSMETICS LIMITED**

## **Directors**

M Quast  
H Rietfort

## **Secretary and Registered Office**

Cornhill Secretaries Limited  
St. Paul's House, Warwick Lane, London EC4P 4BN

## **Auditors**

Moore Stephens,  
Chartered Accountants,  
St. Paul's House, Warwick Lane,  
London EC4P 4BN

## **Report of the Directors**

The directors submit their report and financial statements for the year ended 31 December 2002.

### **Review of Activities**

Babor Cosmetics Limited imports and sells cosmetics.

### **Results and Dividend**

The net loss of the company for the period after taxation amounted to £87,586. The directors are unable to recommend the payment of a dividend and the loss has been taken to reserves. The directors are satisfied with the results achieved in this period of trading and anticipate sales growth in the future.

### **Directors**

Dr Quast and Mr Rietfort served as directors throughout the year.

### **Directors' Interests**

None of the directors had direct interests in the shares of the company at the beginning or end of the period, but had indirect interests through shareholdings in the parent company.

### **Auditors**

A resolution to reappoint Moore Stephens as auditors will be put to the Members at the Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

## BABOR COSMETICS LIMITED

### Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period 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:-

- i) select suitable accounting policies and then apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) 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.

By Order of the Board



Director

## BABOR COSMETICS LIMITED

### Independent Auditors' Report to the Shareholders of Babor Cosmetics Limited

We have audited the financial statements of Babor Cosmetics Limited for the period ended 31 December 2002 set out on pages 4 to 10. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 auditor's 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 law and United Kingdom 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,  
Warwick Lane,  
London,  
EC4P 4BN

Date: 31 July 2003



Moore Stephens  
Chartered Accountants  
Registered Auditor

# BABOR COSMETICS LIMITED

## Profit and Loss Account for the year ended 31 December 2002

	<u>Notes</u>	2002 £	Period 11 June 2001 to 31 December 2001 £
<b>Turnover</b>	1 c)	323,017	248,132
Cost of sales		(162,281)	(146,188)
<b>Gross profit</b>		160,736	101,944
Administrative expenses		(248,322)	(123,640)
<b>Loss on ordinary activities before taxation</b>	2	(87,586)	(21,696)
Taxation on ordinary activities	5	-	-
<b>Loss for the period after taxation to be transferred to reserves</b>		£(87,586)	£(21,696)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

# BABOR COSMETICS LIMITED

## Balance Sheet at 31 December 2002

	<u>Notes</u>	2002	2001
		£	£
<b>Fixed assets</b>			
Tangible assets	6	11,409	14,526
<b>Current assets</b>			
Stock	7	-	5,720
Debtors	8	114,103	235,245
Cash at bank and in hand		27,776	47,306
		<u>141,879</u>	<u>288,271</u>
<b>Creditors:</b> amounts falling due within one year	9	<u>(112,570)</u>	<u>(174,493)</u>
<b>Net current assets</b>		29,309	113,778
<b>Total assets less liabilities</b>		<u>£40,718</u>	<u>£128,304</u>
<b>Capital and reserves</b>			
Called up share capital	10	150,000	150,000
Profit and loss account	11	(109,282)	(21,696)
Shareholder's funds – equity interest	12	<u>£40,718</u>	<u>£128,304</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The Financial Statements were approved by the Board on .....

*22. May 2003*

.....  
M Quast (Director)

**BABOR COSMETICS LIMITED**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2002**

**1. Principal accounting policies**

The following accounting policies have been applied in dealing with items which are considered material in relation to the company's financial statements:

a) Basis of accounting

The financial statements are prepared under the historical cost convention and applicable accounting standards.

b) Going concern

The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being available from the parent company. The financial statements do not include any adjustments that would result from a failure to obtain funding.

c) Turnover

Turnover represents amounts invoiced during the period, net of Value Added Tax. All turnover was generated in the UK.

d) Tangible Fixed Assets

Fixed assets are stated at cost. Depreciation is charged to write off the costs less estimated residual value of fixed assets over their estimated useful lives on a straight line or reducing balance basis at the following rates:

Motor vehicles	25% p.a. reducing balance
Computer equipment	33% p.a. straight line
Fixtures and fittings	20% p.a. reducing balance

e) Deferred taxation

Deferred tax is provided in full on timing differences which 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

f) Foreign currency

Transactions denominated in foreign currency are translated at rates ruling at the time of those transactions. All foreign currency assets and liabilities are converted into pounds sterling at the rate ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

g) Operating leases

The annual rentals payable under operating leases are charged to the profit and loss account on a level term basis over the life of each lease.

h) Stock

Stock is valued at the lower of cost and net realisable value.

**BABOR COSMETICS LIMITED**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2002**  
**(continued)**

**2. Loss on ordinary activities**

Loss on ordinary activities is stated after charging:

	2002 £	Period 11 June 2001 to 31 December 2001 £
Depreciation	3,862	2,992
Operating lease rentals	8,125	4,550
Auditors' remuneration	4,000	3,000
	<u>          </u>	<u>          </u>

**3. Directors' emoluments**

	2002 £	Period 11 June 2001 to 31 December 2001 £
Directors' emoluments	Nil	Nil
	<u>          </u>	<u>          </u>

**4. Directors and employees**

Staff costs, including director's costs, were as follows:-

	2002 £	Period 11 June 2001 to 31 December 2001 £
Wages and salaries	79,077	44,580
Social security costs	8,313	5,273
	<u>          </u>	<u>          </u>
	£ 87,390	£ 49,853
	<u>          </u>	<u>          </u>

The average number of employees during the year to 31 December 2002 was 3 (2001: 2).

**5. Taxation on ordinary activities**

	2002 £	Period 11 June 2001 to 31 December 2001 £
UK Corporation Tax payable on loss for the year	Nil	Nil
	<u>          </u>	<u>          </u>

There is no taxation liability on the results for the year due to the losses incurred.



**BABOR COSMETICS LIMITED**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2002**  
**(continued)**

**5. Taxation on ordinary activities (continued)**

The taxation liability on the results for the year is nil. The actual tax charge for the current year is less than the standard rate of tax on the results for the reasons set out in the following reconciliation.

	£	£
Loss on ordinary activities before tax	(87,586)	(21,696)
Tax on loss on ordinary activities at 30%	(26,276)	(6,509)
<i>Factors affecting the charge for the year:</i>		
Disallowable expenditure	175	36
Deferred taxation due to timing differences	152	(164)
Deferred taxation due to losses incurred	25,949	6,637
	<u>£ Nil</u>	<u>£ Nil</u>

The resulting deferred tax asset of £32,586 arising from tax losses has not been provided for as there is insufficient evidence that the asset will be recoverable. It can only be recovered against future profits which are themselves at present uncertain.

**6. Tangible Fixed Assets**

	Motor Vehicles £	Computer Equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>				
At 1 January 2002	15,658	1,725	135	17,518
Additions	-	60	685	745
At 31 December 2002	<u>£15,658</u>	<u>£1,785</u>	<u>£820</u>	<u>£18,263</u>
<b>Depreciation</b>				
At 1 January 2002	2,936	47	9	2,992
Charge for the year	3,131	590	141	3,862
At 31 December 2002	<u>£6,067</u>	<u>£637</u>	<u>£150</u>	<u>£6,854</u>
<b>Net Book Value</b>				
At 31 December 2002	<u>£9,591</u>	<u>£1,148</u>	<u>£670</u>	<u>£11,409</u>
At 31 December 2001	<u>£12,722</u>	<u>£1,678</u>	<u>£126</u>	<u>£14,526</u>

**7. Stock**

	2002 £	2001 £
Goods for resale	<u>-</u>	<u>5,720</u>

**BABOR COSMETICS LIMITED**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2002**  
**(continued)**

**8. Debtors**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Trade debtors	100,643	234,495
Other debtors	7,707	750
Amount owed by group undertaking	5,753	-
	<u>£114,103</u>	<u>£235,245</u>

**9. Creditors: amounts falling due within one year**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertaking	79,372	100,077
Other taxation and social security	13,036	37,065
Other creditors	13,127	5,282
Accruals	7,035	32,069
	<u>£112,570</u>	<u>£174,493</u>

**10. Equity called up share capital**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid 150,000 Ordinary shares of £1 each	<u>£150,000</u>	<u>£150,000</u>

**11. Statement of movements on reserves**

	<b>Profit and loss account £</b>
At 1 January 2002	21,696
Loss for the year	87,586
At 31 December 2002	<u>£109,282</u>

**12. Reconciliation of movements in shareholder's funds**

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Share capital issued in the period	-	150,000
Loss for the financial period	(87,586)	(21,696)
Opening shareholder's funds	128,304	-
Closing shareholder's funds	<u>£40,718</u>	<u>£128,304</u>

**BABOR COSMETICS LIMITED**  
**Notes to the Financial Statements**  
**for the year ended 31 December 2002**  
**(continued)**

**13. Related Party transactions**

Advantage has been taken of the exemption, as permitted by FRS 8, for wholly owned subsidiaries not to disclose transactions with other members of the group.

The consolidated financial statements of the group are publicly available and can be obtained from the parent company at the following address, Dr. Babor GmbH & Co., Dagma Laschet, Neuenhoftstrasse 180, D-52078 Aachen, Germany.

**14. Going Concern**

The financial statements have been prepared on the going concern basis which assumes that adequate finance will be available from the parent company Dr. Babor GmbH & Co. to allow the company to continue in operation for the foreseeable future.

At the date of signature of these accounts written commitments had been provided by the shareholder, to provide funding for the foreseeable future. The directors are of the opinion that further support from the parent company will be provided and are proceeding with their plans for the business on this basis. If the company was not able to continue in operation, the realisable value of the net assets would not be materially different to the figure stated in the accounts.

**15. Ultimate Parent Company and Controlling Party**

At the balance sheet date the company was a wholly owned subsidiary of, and controlled by, Dr. Babor GmbH & Co., a company registered in Germany.