

THE BODY SHOP

1994



THE BODY SHOP
1994
ANNUAL REPORT AND ACCOUNTS

WHITE MUSK LOTION 60ML	1.15
BRAZIL NUT COND. 60ML	1.10
EYE DEFINER	2.00
MM SHAVING CREAM 50ML	1.35
BLUE WHALE SOAP	0.55

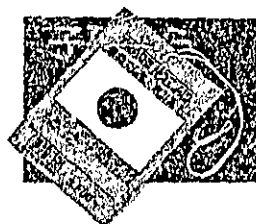
TOTAL 6.15

THANK YOU FOR SHOPPING AT
THE BODY SHOP
PLEASE CALL AGAIN

Fri 20 May 1994 9.00am



"Someone buys from The Body Shop."



contents

DIRECTORS & ADVISORS

DIRECTORS

Anita Roddick OBE (Managing Director)

Gordon Roddick (Chairman)

Stuart Rose

Eric Helyer

Jilly Forster

Michael Ross

SECRETARY

Jane Reid

REGISTERED OFFICE

The Body Shop International PLC

Watersmead

Littlehampton

West Sussex

BN17 6LS

AUDITORS

Stoy Hayward

SOLICITORS

Herbert Smith & Co

Lovell White Durrant

Nabarro Nathanson

BANKERS

Barclays Bank PLC

STOCKBROKERS

NatWest Wood MacKenzie & Co Limited

ADR DEPOSITORY

Morgan Stanley Trust Company

REGISTRARS AND TRANSFER OFFICE

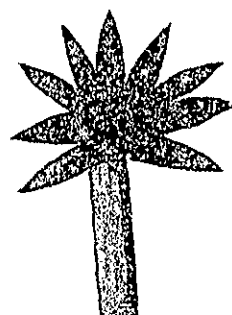
Lloyds Bank Registrars

The Causeway

Worthing

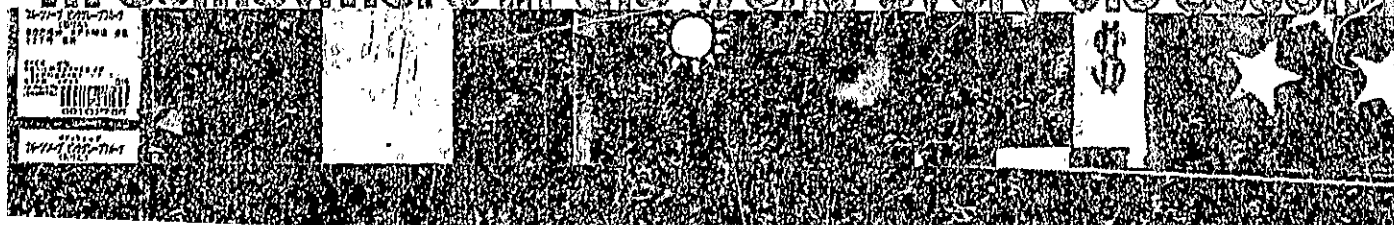
West Sussex

BN99 6DA



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Financial Highlights

THE
BODY-SHOP
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DISCOUNT
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	1994	1993	Increase
Worldwide retail sales	£438.2m	£371.5m	+18%
Turnover	£195.4m	£168.3m	+16%
Operating profit	£30.1m	£24.3m	+24%
Profit before tax (excluding profit on disposal)	£28.6m	£21.5m	+33%
Adjusted earnings per share	10.1p	7.4p	+36%
Dividends per share	2.0p	1.7p	+18%
Net assets	£96.9m	£82.2m	+18%
Number of stores	1,053	900	153

Financial Calendar

5 May 1994	Announcement of final results for the year to 28 February 1994
20 May 1994	Publication of Annual Report and Accounts
15 June 1994	Annual General Meeting
16 June 1994	Record date for final dividend
14 July 1994	Payment of final dividend
13 October 1994	Announcement of interim results for the six months to 31 August 1994
17 November 1994	Record date for interim dividend
12 January 1995	Payment of interim dividend

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Chairman's Statement

Our financial results for the year to February 1994 demonstrate the underlying strength of The Body Shop. International business continued to move significantly ahead, and we have successfully achieved a turnaround in comparable store sales in the UK.

Turnover increased by 16% to £195.4m and, excluding the profit realised on the sale of our share in Eastwick Trading BV, pre-tax profits increased by 33% to £28.6m. Earnings per share on a similar basis rose by 36% to 10.1p. We have raised the final dividend by 23% to 1.25p, bringing the total to 2.0p for the year, an increase of 18%.

Our balance sheet has strengthened, benefiting from positive cash flow during the year. Net debt at the year end stood at £11.8m, down from £28.5m in 1993, to give gearing of 12% compared with 35% last year.

Worldwide retail sales grew by 18% to £438m. The USA achieved the highest level of total sales growth, with Asia and Europe continuing to move ahead well. 68% of total retail sales and 62% of operating profit now come from international markets.

Our UK business has succeeded in turning around the negative trend in comparable sales which we experienced in the previous year. Total retail sales grew by 4%, with the comparable store sales having improved throughout from minus 6% for last year to a

level performance for this year. This improvement was achieved through more concentrated retail initiatives and increased promotional activity.

In the USA, total retail sales grew by 47%, whilst comparable store sales improved from 3% to 7%. We opened 50 stores in the USA, a record for any country, bringing the total number to 170 shops at the year end. The USA is our second largest market after just six years of trading, and we expect to open shops there at a greater rate in the current year.

Outside of the USA, total international retail sales grew by 20%, with Europe once again showing the highest growth. Total retail sales grew by 38% in Asia, 24% in Europe, 16% in Australia and New Zealand, and 4% in the Americas excluding the USA. Japan achieved the largest sales increase, the number of stores having doubled from 11 to 22 by the year end.

We opened 153 new shops during the year, with over one third of these openings in Europe and one third in the USA. We opened for business in four new countries: Thailand, Mexico, Brunei and Macau. We also reached a milestone in opening our 1,000th shop in Madrid, ending the year with 1,053 stores in 45 countries.

Our principal growth in the short to medium term will come from the USA, Japan and Europe, but we will look to establish ourselves in the many areas of the world where we are unrepresented.

*"The current year has started well, with
This continuing performance is a credit to*

Product quality, innovation and development is key to our success. We are currently increasing resources within product development and R & D. New products introduced last year include the Watermelon Sun Care range, Tangerine Beer Shampoo, Light Conditioner, Deodorant Spray, Natural Toothpaste, Forest Jelly Bath Bubbles and some innovative cosmetics products such as Twist 'n' Blush and Lipsuff.

The Body Shop Tour at our Littlehampton headquarters is attracting a high level of interest, and we expect to welcome 100,000 visitors in our second year of operation.

Two transactions were completed during the year, having been approved by shareholders at the EGM in November. These were the disposal of our 65.6% shareholding in Eastwick Trading BV, which now operates as an independent head franchisee; and the settlement of the deferred consideration for Cos-tec Ltd, the cosmetics manufacturer acquired in 1991.

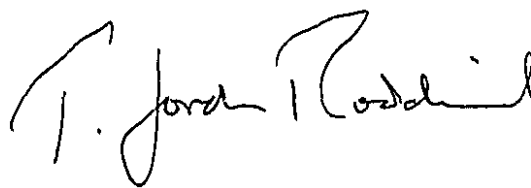
We responded to the growing interest in our shares from US investors by establishing an over-the-counter ADR facility last August, so enabling US investors to trade in our shares more easily.

Last year I stated that I hoped to announce the appointment of at least one non-executive director during the year. We have not yet appointed one. However, it is very important for the development of the company that

we appoint non-executive directors to our board, and we have retained external consultants to assist us in our search for individuals who will make a significant contribution.

Our financial performance is an illustration of the way in which the creative, commercial and values sides of our business work successfully alongside and in unison with each other. At the forthcoming AGM, we are proposing to amend our Memorandum of Association to crystallise the principles and values of our business, and we will shortly be publishing a trading charter which sets out the principles on which we trade with both customers and suppliers.

The current year has started well, with strong growth in all of our major markets. This continuing performance is a credit to our employees, franchisees and suppliers, and I would like to take this opportunity of thanking all of them for their hard work. Their commitment gives us confidence for another successful year.



T. Gordon Roddick
Chairman

strong growth in all of our major markets.
our employees, franchisees and suppliers..."

What is The Body Shop?

The Body Shop manufactures and sells naturally-based products, using the finest ingredients. Anita Roddick opened the first shop in Brighton, England in 1976. Now you can find The Body Shop in 45 countries around the world - over 1,050 stores, each one of them distinguished by the same set of characteristics.

The Body Shop is

different

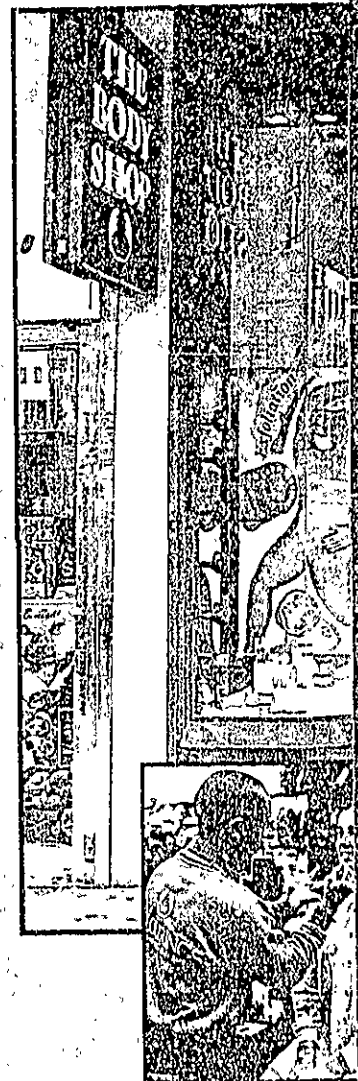
We seek alternatives to the conventional way of doing business. We are against animal testing in the cosmetics industry; we practice good housekeeping to reduce our impact on the environment; we are committed to establishing fair trading relationships; and we campaign for human rights around the world.



The Body Shop is

informative

We provide freely available and detailed information - about our products, our campaigns, our policies and the social issues we feel strongly about. We are committed to education, both of staff and customers.



The Body Shop is

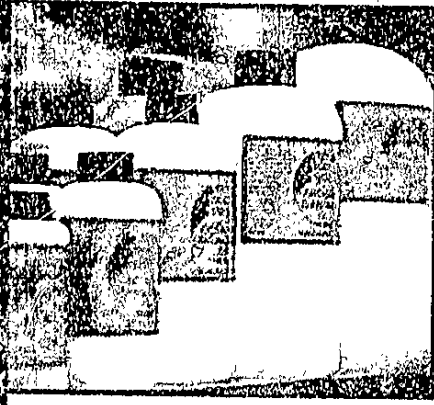
sensitive

We aim to integrate our business into the communities in which we operate. One of the most effective ways we do this is with community projects around the world - these include helping the sick, the homeless, the elderly, the disabled and the underprivileged.

The Body Shop is

customer care

Shop staff are intensively trained in everything from make-up application to management techniques. They are equipped to offer a high level of customised care - anything from a gift basket to an in-store foot massage.



The Body Shop is

straightforward

We do not promote idealised notions of beauty or make unrealistic claims. Our products are straightforward, useful and designed to meet the needs of men, women and children everywhere. That is why we sell a wide choice of sizes - buy as much or as little as you like.



The Body Shop is

good value

With our refill service and our minimal packaging, we are not just conserving natural resources and reducing waste - we are bringing value to our customers.

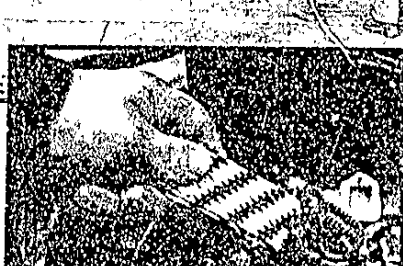


The Body Shop is

responsible

We make sure our concern for the environment is backed up by action: energy efficiency, waste minimisation, avoiding the use of non-renewable resources when renewable options are available, and environmental auditing with published results so that we are publicly accountable. If you do not want a refill, bring your bottles back to The Body Shop. We will recycle them. This is the least we can do by way of taking responsibility for our own packaging.

THE BODY SHOP



The Body Shop is

alternatives

We think fair trade, not free trade, is the way forward. Wherever possible, we are establishing trading relationships with indigenous peoples around the globe in order to source the finest ingredients and products while helping communities in need.

The Body Shop is

committed

Values are fundamental to the way we run our business. And we campaign internationally on behalf of issues that matter to us most: human and civil rights, the environment, and protection of other living species. Including campaigning for an end to animal testing in the cosmetics industry.



Group Structure

The Body Shop International PLC

Exercises control of the Group and provides a number of services including product development, environmental, legal, design and corporate communication functions.

Retail subsidiaries

The Body Shop Worldwide Ltd
Responsible for all retail activities outside the UK and USA

The Body Shop UK Retail Company Ltd
Responsible for all UK retail activities

The Body Shop Inc (90% owned)
Responsible for all US retail activities

The Body Shop (Singapore) Pte Ltd
Responsible for retail activities in Singapore

The Body Shop Norway A/S
Responsible for company shops in Norway

Operating subsidiaries

The Body Shop Supply Company Ltd
Manufactures bottle products and controls distribution to all retail outlets

Cos-tec Ltd
Manufactures colour cosmetic, skin care and toiletry products

Soapworks Ltd
Manufactures soap products

Colourings Ltd
Controls marketing of colour cosmetic products

Other subsidiaries

Jacaranda Productions Ltd (80% owned)
Video production for the Group and third parties

Where in the World

	Number of Shops		First Shop Opening
	Feb 1994	Feb 1993	
Europe			
Austria	9	8	1979
Belgium	11	8	1978
Cyprus	1	1	1983
Denmark	15	11	1981
Eire	10	10	1981
Finland	17	15	1981
France	25	16	1982
Germany	43	37	1983
Gibraltar	1	1	1988
Greece	28	23	1979
Holland	47	40	1982
Iceland	2	2	1980
Italy	38	37	1984
Luxembourg	2	2	1991
Malta	1	1	1987
Norway	14*	15	1985
Portugal	8	8	1986
Spain	52	33	1986
Sweden	40	34	1979
Switzerland	21	19	1983
	385	321	

UK	239*	233	1976
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Asia

Bahrain	1	1	1985
Brunei	1	-	1993
Hong Kong	9	8	1984
Indonesia	4	2	1990
Japan	22	11	1990
Kuwait	2	2	1986
Macau	1	-	1993
Malaysia	11	10	1984
Oman	2	2	1986
Qatar	1	1	1987
Saudi Arabia	13	10	1987
Singapore	9*	11	1983
Taiwan	6	5	1988
Thailand	2	-	1993
UAE	4	2	1983
	88	65	

	Number of Shops		First Shop Opening
	Feb 1994	Feb 1993	
Australia and New Zealand			
Australia	48	43	1983
New Zealand	9	7	1989
	57	50	

Americas excluding USA

Antigua	1	1	1987
Bahamas	3	4	1985
Bermuda	1	1	1987
Canada	106	104	1980
Cayman Islands	1	1	1989
Mexico	2	-	1993
	114	111	

USA	170 *	120	1988
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GRAND TOTAL 1,093 900

* Our company shops are located as follows:
USA 51, UK 38, Singapore 9, Norway 2.

Number of countries: **45**

Number of languages we trade in: **23**



Business Review

UK

	1994	1993
Shops at year end	239	233
Shop openings	6	23
	£m	£m
Retail sales	140.5	134.9
The Body Shop sales	91.1	83.5
Operating profit	11.4	11.2

The Body Shop UK Retail Company Limited is responsible for all retail activities in the UK.

Six new shops were opened in the UK during the financial year, giving a total of 239 shops at the year end. Of these, 180 are Franchised shops, 21 are Partnership shops, and 38 are Company shops including The Trading Post at Watersmead. With the rate of UK shop openings having stabilised, the emphasis is now concentrated on achieving growth in existing shops. Total retail sales grew by 4% in the year to February 1994 compared with 1% in the previous year, with comparable store sales growth improving from a decline of 6% in 1993 to a level position for 1994. This improved performance was achieved through a more concentrated retail approach.

The UK continues to be our largest source of profits. Turnover was up 9%, and operating profit was 2% higher at £11.4 million, after a higher level of franchise support and stock provisions. The UK accounted for 38% of operating profit in the 1994 financial year compared with 46% in 1993.

USA

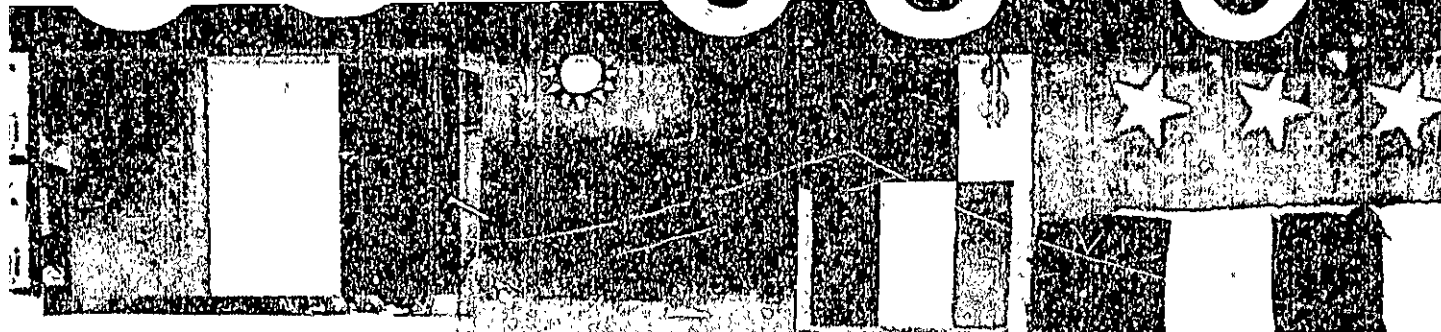
	1994	1993
Shops at year end	170	120
Shop openings	50	42
	\$m	\$m
Retail sales	115	78
The Body Shop sales	74	54
	£m	£m
Retail sales	77.1	52.3
The Body Shop sales	50.4	37.8
Operating profit	6.2	2.1

The Company's subsidiary, The Body Shop Inc., functions as the head franchisee for the USA. During 1993, The Body Shop Inc. relocated its head office, bottling facilities and main distribution centre from New Jersey to Wake Forest in North Carolina, leaving a regional distribution centre and mail order business in New Jersey. Three other regional distribution centres are located in California, Northern New York and Florida. The USA recorded the highest level of shop openings in the Group's history, with 50 new stores opening during the year. This level of openings will be repeated in the coming year. Retail sales showed 47% growth during the year, with comparable store growth improving from 3% in 1993 to 7% in 1994.

The USA operating profit reflects the margin realised in the UK on supplying goods to the USA, together with the operating profit arising in the USA.

Across all areas of operation, the USA showed the greatest profit increase in the year, with the improved profitability largely due to better utilisation of the cost base on higher volumes.

The profit increase also reflects relocation costs of £1.3 million charged against 1993 profits.



International

	1994	1993
Shops at year end	644	547
Shop openings	97	108
	£m	£m
Retail sales	220.6	184.3
The Body Shop sales	53.9	47.0
Operating profit	12.5	11.0

The Body Shop Worldwide Limited directs operations in 43 countries outside the UK and USA. It co-ordinates the activities of international franchisees, and of Company shops in Singapore and Norway.

International business outside of the USA showed retail sales growth of 20%. Four new markets opened during the year: Mexico, Thailand, Brunei and Macau.

Turnover increased by 15% to £53.9 million, and operating profit was 14% higher at £12.5 million.

Europe	1994	1993
Shops at year end	385	321
Shop openings	64	71
	£m	£m
Retail sales	111.4	90.2
The Body Shop sales	30.9	28.2
Operating profit	5.9	5.7

Two thirds of international shop openings were in Europe. Spain achieved the highest number with 19 new shops. France, Germany and Holland also saw a significant number of store openings.

Retail sales showed 24% growth to £111.4 million, and turnover rose by 10% to £30.9 million.

Europe made the largest profit contribution within the international business, with a 4% increase from £5.7 million in 1993 to £5.9 million in 1994. These results were affected by the disposal of Eastwick Trading BV in November 1993 before the important Christmas period, and by franchisee development costs charged against profit.

Asia	1994	1993
Shops at year end	88	65
Shop openings	23	18

Asia	1994	1993
	£m	£m
Retail sales	33.1	24.0
The Body Shop sales	8.1	5.9
Operating profit	2.4	1.8

Retail sales grew by 38%, with particularly strong growth in Japan, where the number of shops doubled from 11 to 22.

During the year, the Group's Japanese presence was successfully extended outside of the Tokyo region into Western Japan where there were 5 shops at the year end. Our first two shops in Thailand are performing well, achieving high average weekly sales.

Australia and New Zealand	1994	1993
Shops at year end	57	50
Shop openings	7	7
	£m	£m
Retail sales	28.2	24.2
The Body Shop sales	6.3	4.2
Operating profit	1.8	1.1

Turnover increased by 50% to £6.3 million and the profit contribution by 64% to £1.8 million, reflecting a building of stock levels in Australia ahead of the relocation of our head franchisee's manufacturing and distribution facilities in March 1994.

Americas (excluding USA)	1994	1993
Shops at year end	114	111
Shop openings	3	12
	£m	£m
Retail sales	47.9	45.9
The Body Shop sales	8.6	8.7
Operating profit	2.4	2.4

1994 shop openings include the opening of our first two shops in Mexico.

The marginally lower turnover reflects an adjustment in stock levels following our Canadian head franchisee's head office and warehouse move during the year.



Financial Review

Retail Sales

The Body Shop trades through 1,053 stores worldwide, 100 of which are owned by Group companies. Retail sales across all outlets were £438.2 million in the year to 28 February 1994, an increase of 18%.

This growth was achieved through the opening of 153 new stores during the year, and growth from existing shops.

In all markets, comparable store growth showed an improving trend from April 1993, with the best performance being achieved over Christmas 1993, a very important trading period for the Group.

Turnover

Group turnover increased by 16% to £195.4 million (1993: £168.3 million). Turnover is a combination of retail sales excluding sales taxes at company-owned shops, wholesale revenue for goods sold to franchisees in the UK and overseas, and sales to third parties by Cos-tec and Jacaranda. Sales of The Body Shop product represent 96% of turnover. Of total turnover, 53% relates to international business outside the UK.

The growth in turnover was achieved through higher retail sales in all markets and higher exports which, including sales to subsidiaries overseas, increased by 41% to £65.1 million.

Operating Profits

Gross profit was 17% higher at £105.9 million (1993: £90.3 million), with gross margins having improved from 53.7% to 54.2% due principally to higher production volumes in our manufacturing

facilities in Littlehampton and Glasgow, and to an increased number of company-owned shops. This improvement was achieved despite negligible price increases, and after increases in both the level of stock provisions and franchise support.

Operating expenses rose 15% on the previous year to £75.8 million, with the increase in costs accounted for by the larger number of company-owned shops, increased resources at the Group's USA operation and at the UK head office. Average staff numbers increased by 16% to 2,456 (1993: 2,124), with half of the increase reflecting the higher number of employees in the USA. Depreciation and amortisation were 32% higher at £9.5 million, reflecting the level of capital expenditure in previous years.

Operating margins improved from 14.4% to 15.4%, leading to an increase in operating profit of 24% to £30.1 million (1993: £24.3 million).

Interest and Other

Interest charged of £1.5 million compares with £2.8 million in the previous year. The reduction is due to the lower average net debt given the cash inflow from operations.

The sale of our 65.6% share in Eastwick Trading BV realised a non-recurring profit of £1.1 million, which is the difference between the proceeds of the sale of £2.1 million and the Group's share of its net assets.

Pre-tax profit increased to £29.7 million (1993: £21.5 million), up 38%. Excluding the profit on the sale of Eastwick, pre-tax profit increased by 33% to £28.6 million.

THE BODY SHOP
USA RESTORED 1
(7900 LUGANO)

THE BODY SHOP
INTERCON. PLAZA
DEIRA DUBAI
Telephone : 04-242899



THE BODY SHOP
St Antoine
Vevay

The Body Shop
Rue Hoffmann 8
Louvain 12 511 00 45

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Taxation and Minorities

The tax charge for the year to February 1994 amounted to £10.1 million, an effective rate of 34%. The reduction on the rate of the previous year of 35.3% was due in part to the first time utilisation of tax losses in the USA. Minority interests reflect the 34.4% share of the profits of Eastwick up until its disposal in November 1993.

Shareholders' Return

The profit attributable to shareholders is £19.4 million (1993: £13.8 million). Earnings per share of 10.3p (1993: 7.4p) increased by 39%. Excluding the disposal of Eastwick, earnings per share increased by 36% to 10.1p.

Ordinary dividends of £3.8 million are made up of the 0.75p net per share interim dividend paid in January 1994 and the 1.25p net per share proposed final dividend, making a total for the year of 2.0p net (1993: 1.7p net), an increase of 18%. The ordinary dividend is covered 5.1 times.

Balance Sheet

At 28 February 1994, net assets were £96.9 million (1993: £82.2 million). The £14.7 million increase is mainly accounted for by the £15.6 million profit retained in the business and a £2.2 million increase in the share premium account arising from the exercise of options during the year, offset by a net goodwill write-off of £3.0 million. This £3.0 million of goodwill relates principally to the deferred consideration in respect of Cos-tec. Net debt at the year end stood at £11.8 million (1993: £28.5 million) to give gearing of 12% (1993: 35%).

Stocks were slightly lower at £34.6 million (1993: £35.3 million), reflecting a reduction in inventory levels at The Body Shop Supply Company partially offset by some increase at Cos-tec and in the USA.

The growth in debtors to £37.2 million (1993: £33.6 million) reflected the underlying growth of the business, particularly in international markets where longer credit terms are granted. The liabilities to third parties remained at a similar level to the previous year.

Cash Flow, Financial Needs and Resources

The Group funds its business from internally generated cash.

The Group generated net cash flow from operating activities of £40.3 million during the year. It was utilised as follows:

	1994	1993
	£ m	£ m
Capital expenditure	12.7	19.5
Dividend payments	3.3	3.0
Taxation payments	6.6	7.5
Net interest payments	1.5	2.3
Net effect on loans	6.4	(34.6)
Other movements	(2.9)	1.7
Increase in cash	12.7	39.2
	40.3	38.6

The current year is likely to see a return to a more normal level of capital expenditure of around £20 million. Of this, approximately £12 million will be invested in the UK and the balance in the USA, including significant investment in systems.

The Group expects to finance these commitments from existing resources.



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THE BODY SHOP
135 SHIP AVE. N.Y.C.

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Developing the Product 1993/94

"Product quality and innovation is key to success"

The Body Shop is committed to developing innovative, practical products which are formulated using natural ingredients wherever possible.

The product development team evaluates opportunities in the marketplace; carries out research and development, technical evaluation and testing on new products; and works on reformulations and redesigns where appropriate.

The development of a core range which can be retailed around the world is complemented by the development of market specific products which can address the needs of an international marketplace.

We aim to increase the use of natural ingredients in our products where possible. During last year, for example, we introduced three new natural preservatives. We also aim to source ingredients from fair trade projects where we can, and have recently initiated a direct source of shea butter, which is used in a number of body butter and lotion products.

In the last financial year, over 30 new products were introduced (excluding colour cosmetics and accessory items), including Watermelon Sun Care, an extended Ananya range, and Tea Tree for Australia.

Our Endangered Species range of accessories was extended during the year, and this has now become established as a key product sector.

We are continuously seeking to develop simple but creative, cost effective packaging which can be refilled and recycled. Some 73% of The Body Shop's core products now uses fully recyclable packaging and 13% carries no packaging. We are looking to increase these proportions wherever possible.

Colourings, The Body Shop's make-up range, completed an active launch programme in colour cosmetics during the year designed to improve product performance while maintaining affordable prices. Some 21 new products were introduced across 33 shades, together with 12 new shades across 67 shades. The programme included many innovative introductions, such as The Body Shop's new lipscuff.

Formulation and packaging have been improved, and the colour choice extended. The use of natural ingredients has been increased, and refills are now available for a number of products.

Colourings' within-store makeover service continues to gather momentum. During January 1994, for example, more than 8,000 makeovers were carried out in the UK alone.

A bridal service will be launched in the current year, offering a personal service either in-store or in the customer's home.

In many markets, a high level of promotional and in-store activity, together with further emphasis on training, is successfully increasing brand awareness. Colourings has recently started running workshops for the facially disfigured in conjunction with the charity, Changing Faces.

Forest Jelly Bath Bubbles

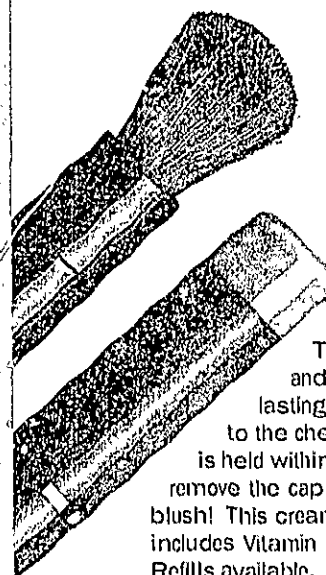
This wibbly wobbly bright green jelly makes bath time fun! It feels like real jelly and is fragranced with juicy blackcurrant, but it contains an ingredient which gives a bitter taste to deter children from eating it.



Tangerine Beer Shampoo

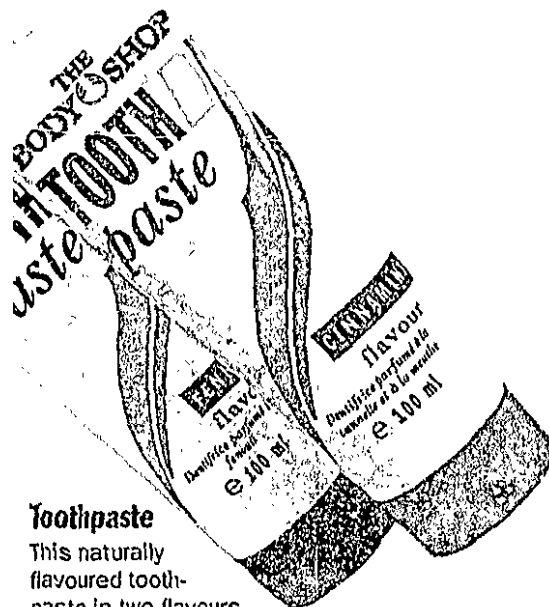
Our first shampoo in a tub, Tangerine Beer Shampoo combines the use of tangerine essential oil for a zesty and refreshing fragrance with 10% real beer to give body,

shine and manageability to fine hair. It has a creamy texture and is highly concentrated, so a little goes a long way.



Twist 'n' Blush

This ingenious blusher and brush in one gives long-lasting, water-resistant colour to the cheeks. The blusher colour is held within the cap. Twist the base, remove the cap, twist up the brush and blush! This cream-to-powder blusher includes Vitamin E and UVA/UVB filters. Refills available.



Toothpaste

This naturally flavoured toothpaste in two flavours - Cinnamon and Fennel - contains no artificial sweeteners, colours, flavours or preservatives. Flavoured with a blend of essential oils and mint, the toothpaste's ingredients include: peelu, an extract from the Indian "Toothbrush Tree" which is believed to whiten the teeth and to help reduce the build-up of plaque and tartar; chalk, which is a natural abrasive; and fluoride to help prevent tooth decay.

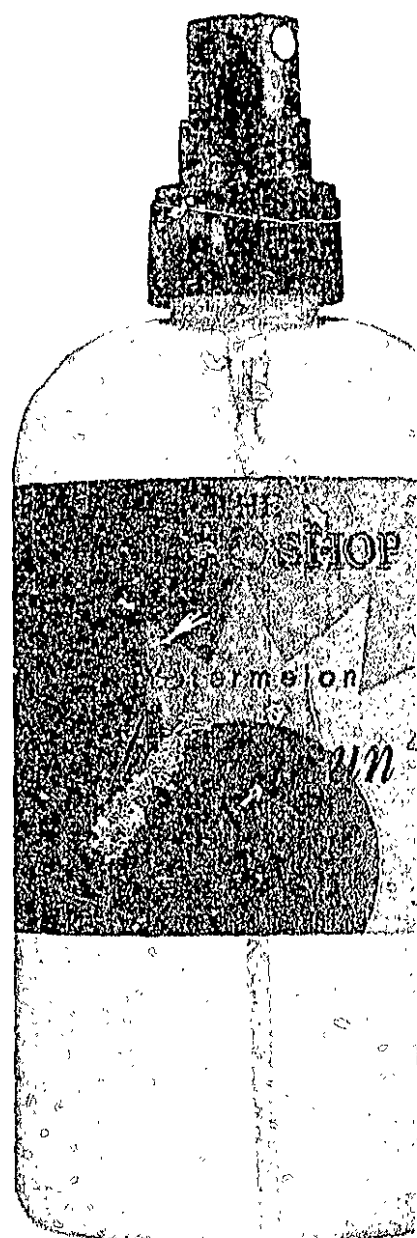
Light Conditioner

Light Conditioner is formulated for normal to oily hair. Fragranced with lemon grass, it has a creamy texture and is light enough to be used every day. Light Conditioner contains two oriental herbs: Chinese lovage flowers, and Schewan pepper berries which have traditionally been used to reduce scalp oiliness.



Ananya

The success of Ananya as a fragrance led to the introduction of a limited gift range for Christmas 1992. Over the last year, an extended selection of Ananya-fragranced products have been introduced, and these are now following the success of White Musk and Dewberry.

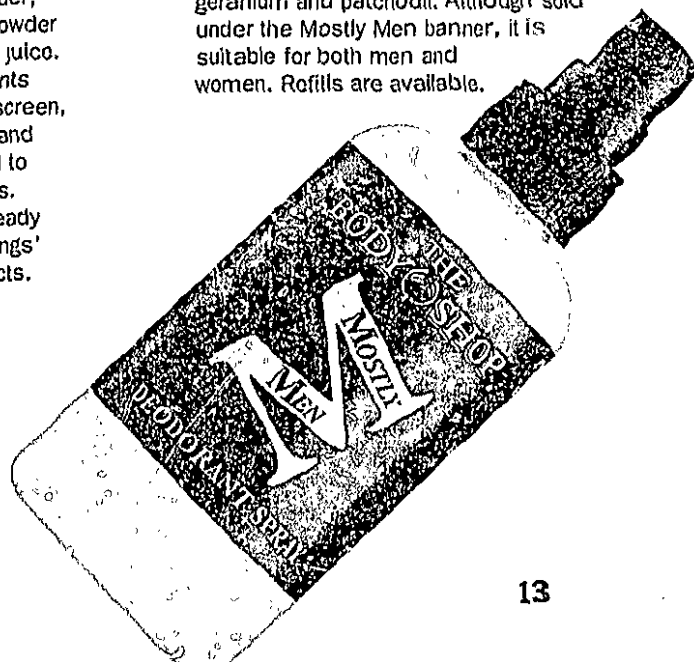


Lipsuff

This unique lip preparation contains natural exfoliators blue corn powder, walnut shell powder and pineapple juice. Other ingredients include a sunscreen, moisturisers, and peppermint oil to refresh the lips. Lipsuff is already one of Colourings' top five products.

Mostly Men Deodorant Spray

This pump action spray deodorant contains naturally deodorising essential oils, including geranium and patchouli. Although sold under the Mostly Men banner, it is suitable for both men and women. Refills are available.



Watermelon Sun Care

This comprehensive range of six products for all skin types was launched last summer together with an education initiative "Be Safe Under The Sun". Watermelon extract - which we used here for the first time - refreshes, cools and moisturises. It is rich in Vitamins A and C, and is high in polysaccharides which help the skin to retain its own moisture. The products are water-resistant and offer three levels of protection: SPF 6, SPF 12 and SPF 20+. Other ingredients include Sea Buckthorn Oil and Solomon Nut Oil, sourced from fair trading projects.

Since the year end, we have introduced a Watermelon Facial Sun Block swivel-up stick, offering SPF 20+ protection.



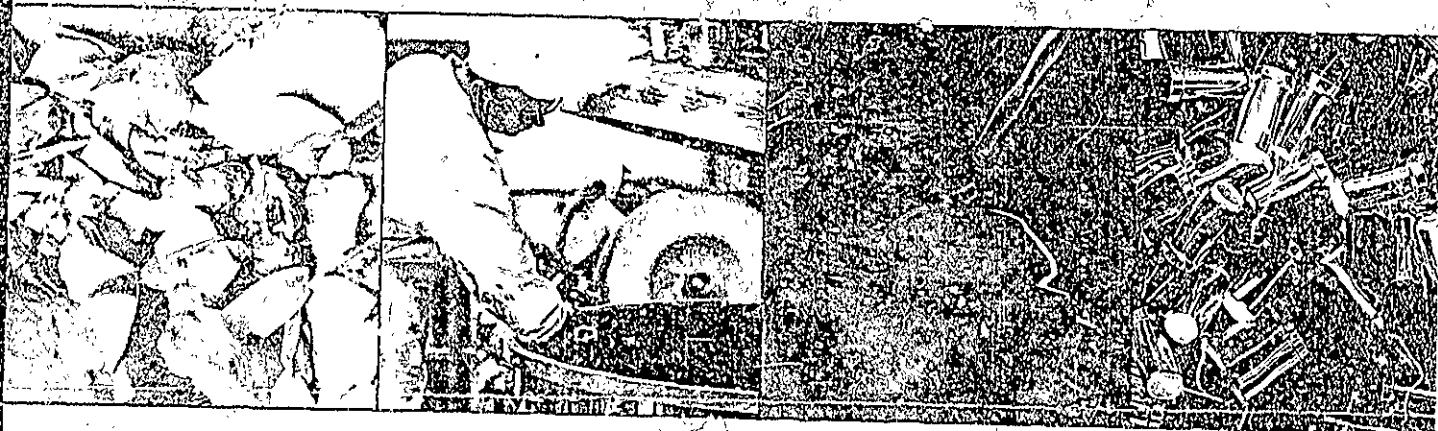
Making the Product

**During last year,
The Body Shop Supply
Company manufactured
over 7,300 tonnes
of product**

The Body Shop Supply Company

During last year, The Body Shop Supply Company manufactured 7,361 tonnes of product, a 62% increase on the previous year.

This increase in production is due to higher retail volumes, and a greater percentage of product being manufactured in-house rather than by outside suppliers. Hot mix manufacture (oil based product) has grown as a proportion of bulk manufacture. Virtually all of the new products introduced last year are manufactured in-house by The Body Shop Supply Company, Cos-tec and Soapworks.



Cos-tec

Cos-tec manufactures colour cosmetics and some products packaged in tubs, jars and tubes.

A number of product lines were brought in-house from third party manufacturers during the year, including herbal hair colours, pot pourri, talc and aromatherapy oils. This is enhancing direct control over costs, service levels and quality.

Over 80% of Cos-tec's business is now represented by products for The Body Shop, with the remainder being manufactured for third party customers. The volume of this third party business has been reduced in order to release sufficient resources for developing in-house products.

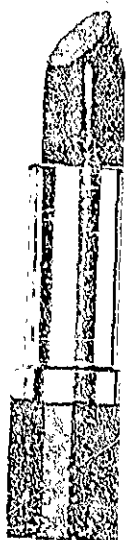
Cos-tec's manufacturing output for the year included 1,500 tonnes of skin and hair care product, 22 tonnes of mascara,

and 34 tonnes of lipstick. The filling and assembly lines produced over 24 million individual units.

Increased investment in R & D and packaging development has facilitated more creativity within the business. During the year, 14 new products were launched in conjunction with Colourings including Lipscuff, Lipspine, and Brow and Lash Gel.

In addition to colour cosmetics, Cos-tec has produced Tangerine Beer Shampoo, Aftersun Spray and Mostly Men Deodorant Spray.

In line with its commitment to minimising the environmental impact of operations, Cos-tec installed an effluent treatment plant during the year,





We now have the necessary skills and technology to extend our manufacturing capability into the area of natural infusions and extracts through our Homebrew operation. Passion fruit, grapefruit, peach and tomato infusions are now produced on-site, and a further half dozen infusions are due to be added this year.

Our plastics operation moulded over 104 million items during the year, including bottles in five sizes, jars in three sizes and caps. A third injection moulding machine was commissioned during the year for the production of our 15ml jars.

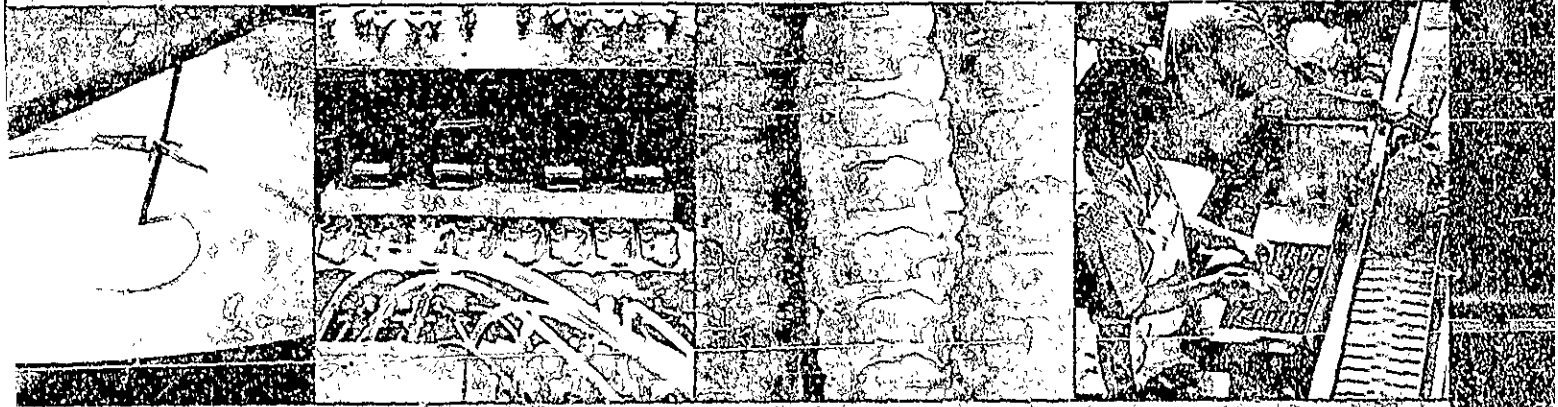
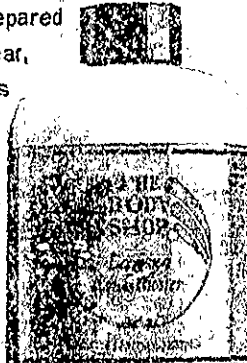
On our filling lines, some 37 million bottles were filled for the UK and for our international markets excluding the USA, Canada and Australia which have their own bottle filling operations. A new 8head filling machine was designed, built and commissioned during the year.

The Supply Company made up almost 700,000 gift baskets mainly for sale in UK company shops, the large majority for the Christmas selling period.

In distribution, our warehouse prepared over 16,000 deliveries during the year, both direct to shops and to overseas franchisees.

We are now using a new fleet of vehicles with much-reduced toxic emissions for delivery to UK shops, and we are about to introduce the first compressed natural gas heavy goods delivery vehicle in the UK.

During the current year, an upgrading of systems in both supply and distribution should bring enhanced management information, materials planning and inventory control.



Soapworks



Based in Easterhouse, Glasgow, Soapworks produces the majority of soap sold in The Body Shop retail outlets around the world. Situated in an area of historically high unemployment, Soapworks currently employs over 120 people. Last year, Soapworks produced 27.3 million soaps, a 14% increase on 1993, using three production lines and six wrapping machines. New soaps developed during the year include the Year of the Family soap produced in connection with the United Nations' Year of the Family for 1994, and the Tea Tree soap produced as part of the Tea Tree range for Australia.

When Soapworks was founded, a commitment was given to donate 25% of Soapworks' cumulative after-tax profits to local community projects. In the last year, 13 local community projects have been supported through these contributions, including the Greater Easterhouse Society for the Handicapped and the Easterhouse Drugs Initiative.



This Italian "Wash Your Dirty Linen in Public" campaign encapsulated the mounting concern for cleaning up both the environment and politics in Italy. It was carried out in conjunction with Legambiente, Italy's best known environmental organisation.



Our foot products, Peppermint Foot Lotion and Pumice Foot Scrub, were particularly noted in many markets last year. In light of the restriction on showing parts of the body or skin in the Middle East, we came up with this innovative solution.

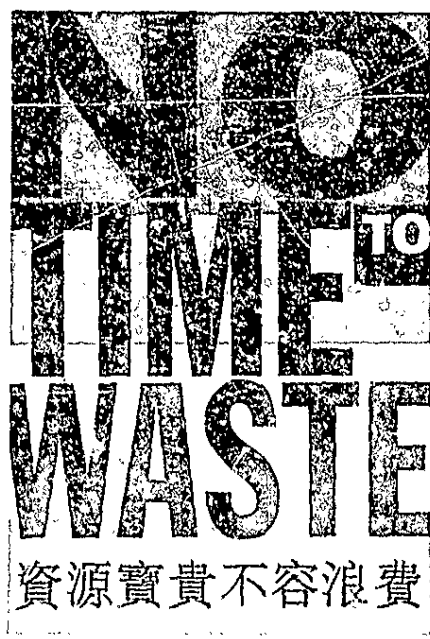


Vitamin E Cream was one of our earliest product launches and is still a best seller in virtually every market in which we trade. This window emphasised the product's suitability across all age groups.

best sellers, new products, seasonal gift promotion, social issues or environmental issues, our windows convey the message. These pages show a selection of some of the ways in which windows were used last year in our shops around the world.



Cocoa Butter Hand and Body Lotion is one of our all time best sellers. This promotion coincided with the opening of our first shop in Mexico.



This "Act Now to Save Your Environment" campaign was developed in Hong Kong, to encourage reuse/refill/recycle, a home audit for customers and school pupils, and identification of local environmental hot spots.



"Color For Todos" promoted our colour cosmetic products and Colourings' free make-over service. Southern Europe, the Middle East and the Far East are particularly strong markets for colour cosmetics.

Retailing Around The World

Having opened its first shop outside the UK in 1978, The Body Shop now operates in 45 countries with 1,053 shops at the last year end.

The international business is operated principally through head franchisees, who bring the benefit of local expertise in their market. These franchisees operate their own shops, and in most cases also sub-franchise. In the USA, the Group itself operates as the head franchisee, with both company-owned and franchised shops. The Group also operates company-owned shops in Singapore and Norway.

Working closely with The Body Shop International, head franchisees are responsible for the development of the franchise network in their own market. The strength of this network is due to the commitment and enthusiasm of our head franchisees in developing the retail business, and the healthy exchange of initiatives and ideas between different markets.

Head franchisees receive, warehouse and distribute product; select and manage retail outlets and sub franchisees; and provide communication and training facilities. The Body Shop International retains final control over the selection of site locations, franchisees, and of the products sold in each franchised shop. The Group works with franchisees to develop products, promotions and campaigns both globally and specifically for individual countries.

The retail outlets conform to a tightly controlled format, which has been designed and developed to offer customers consistency around the world. In addition to traditional shop formats, The Body Shop is developing alternative ways of reaching the customer through non-traditional outlets such as seasonal shops, kiosks, hospital stores, ferry shops, and perfume trolleys.

The Body Shop has three company-owned shops with programmes for donating a share of the shop's profits to the local community. Following the success of community shops in Brixton and Harlem, a third shop was opened in Toronto during the year.

"We opened our first two shops in Western Japan and had five in that region by the year end."
The Body Shop, Japan

"We successfully introduced a refill service despite legislation against it."
The Body Shop, Italy

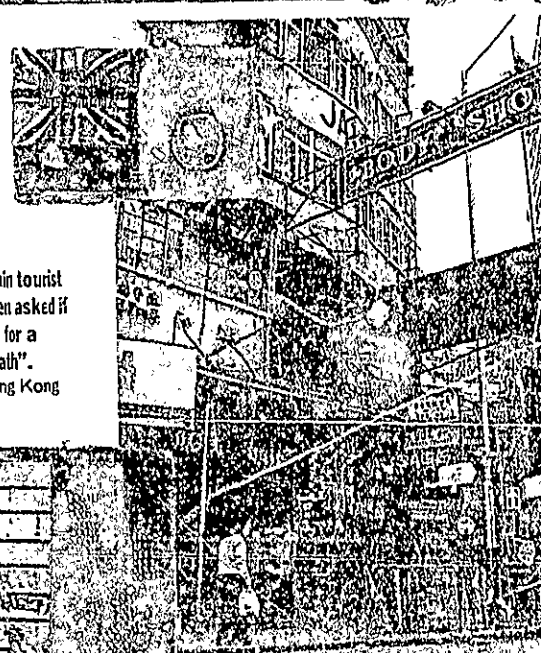
"The highlight of our year was the opening of our shop at a prime location in the Citraland Mall - the largest mall in Indonesia".
The Body Shop, Indonesia

"We received a company of the year award, given by the most important environmental group in Portugal".
The Body Shop, Portugal

Denpasar, BALI, INDONESIA



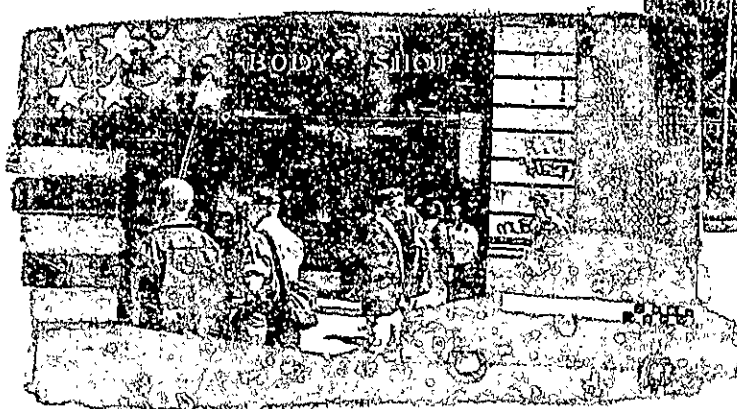
Wan Road, Hong Kong



"At our shop in the main tourist area, our staff are often asked if their shop is the place for a massage or steam bath".
The Body Shop, Hong Kong

"We celebrated ten years of The Body Shop in Germany".
The Body Shop, Germany

"We were finally able to contribute in raising environmental awareness in Kuwait".
The Body Shop, Kuwait



5th Avenue, NEW YORK, USA

"In 1993, we carried out the ultimate recycling project in turning an abandoned fire extinguisher factory into our headquarters. We recycled, refilled and reused!".
The Body Shop, USA

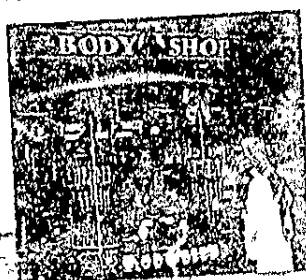
The Body Shop trades in 45 countries

"We welcomed the first six graduates from our training project for the homeless and disadvantaged youth developed in conjunction with the Brotherhood of St. Lawrence." The Body Shop, Australia

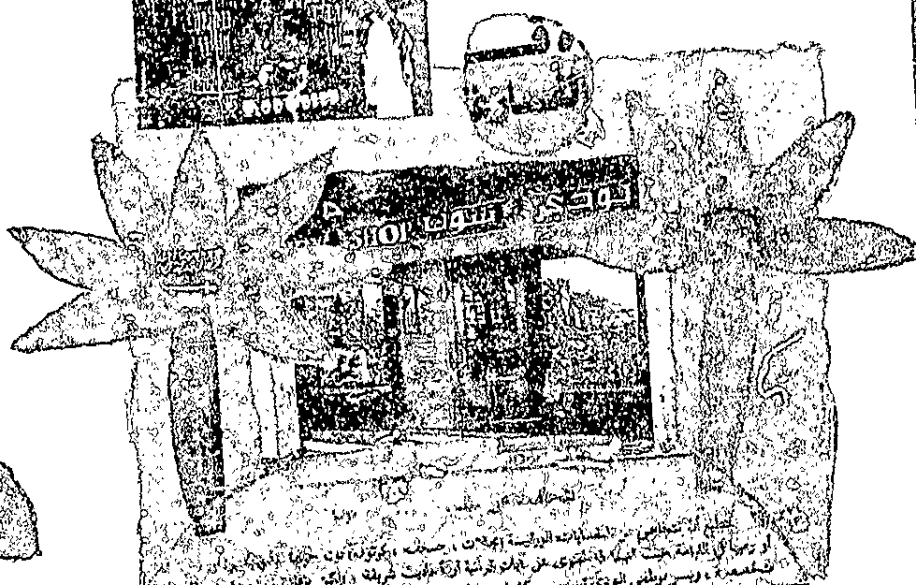


Bourke Street Mall, Australia

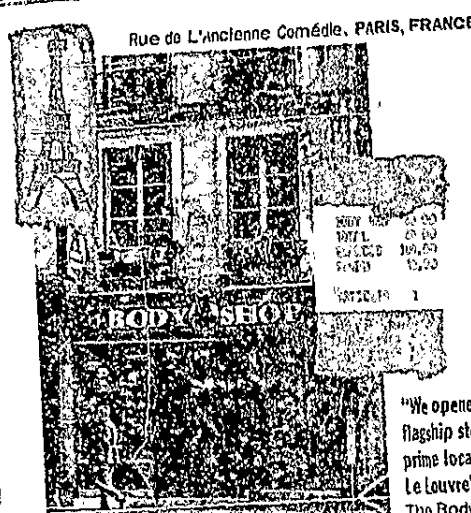
Nakheel Centre, JEDDAH, SAUDI ARABIA



"We opened a shop in the holy city of Mecca which was so successful that we opened a second shop across the road from the Islamic world's holiest shrine." The Body Shop, Saudi Arabia



Ueno, TOKYO, JAPAN

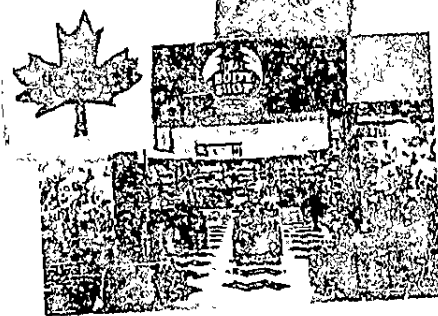


"We opened a flagship store in a prime location at Le Louvre". The Body Shop, France



Ormaiztegui, MENORCA

"There was a woman who used to spread Vitamin E cream on toast and eat it (incredible but true)". The Body Shop, Spain



Sherway Garden Mall, TORONTO, CANADA

"We opened our first community store in Outterlin Mall, with its program to give profits back to the community". The Body Shop, Canada

3 languages and in shops worldwide.

Last year was a win some, lose some kind of year for the environment. Among international highlights were President Clinton's April 1993 announcement that the US would sign the Convention on Biological Diversity which was spurned by George Bush at the Rio Summit, and the long-awaited decision in October on the location of the European Union's Environment Agency.

Meanwhile, the Department of Trade and Industry in the UK announced the closure of the country's top environmental research facility in June, and the Government gave British Nuclear Fuels the go ahead on Sellafield's Thermal Oxide Reprocessing Plant (THORP) in December. In July 1993, the EC Eco-label scheme was officially launched with only two product categories - dishwashers and washing machines - having agreed criteria. The Body Shop continued to express reservations about the low standards being proposed.

If The Body Shop was opposed to the establishment on the THORP issue and on eco-labelling, we found ourselves in agreement elsewhere. Last October, the House of Lords Select Committee on the European Communities published a report on Packaging and Packaging Waste. This described the UK approach as "backward" compared to some EC countries, and supported The Body Shop's call for a tax on packaging materials. And we gave support and sponsorship to the Energy Conservation Bill, an all-party measure adopted by Alan Beith MP.

The Body Shop's primary environmental goal remains full sustainability - meeting the needs of the present without compromising the needs of future generations. The past year saw us move closer to that goal, with the results of the third annual environmental audit of our Watersmead site showing that:

- We are now nearly 30% more energy-efficient on the Watersmead site than we were two years ago.

- We have further reduced the overall burden of our waste water on the public sewerage system, despite

- a 62% increase in bulk manufacturing output.

- We envisage that further improvements to our waste water treatment facilities will give us an effluent stream of exceptionally high quality.

- We are implementing recommendations from an independently conducted waste minimisation audit, which highlighted opportunities to further minimise our solid wastes.

- We are taking an interest in a 10 megawatt windpower development near Rhayader in mid-Wales.

- All our international franchisees delivered on their 1992 promise to conduct environmental reviews of their own businesses.

ANIMAL PROTECTION

For The Body Shop, the issue of animal protection is threefold. We are concerned about the exploitation of animals as test subjects in the cosmetics industry; the use of cruelly harvested animal by-products; and the threatened extinction of many species in the wild. We are trying to increase public awareness through active promotion of and consumer education on these issues. And we are linking with animal rights organisations around the world to create an international network to lobby for change.

AGAINST ANIMAL TESTING

In April 1993, we started to ask suppliers for company policies and descriptions on their animal testing practices. The purpose of this research, which exceeds our current monitoring activities, is to ensure that we acknowledge suppliers who have changed their overall approach to animal testing and also to enable us to start measuring our own impact on the cosmetics supplier market. We are categorising our suppliers (and where possible, our potential suppliers) into several different groups according to their stance, with the aim of increasing our sourcing from suppliers who have improved their policies and practices.

We require all our suppliers of raw materials to provide written confirmation every six months that any materials they supply to us have not been tested on animals by them for the cosmetics industry within the past five years. This requirement is strictly enforced and closely monitored. It is this ongoing dialogue with suppliers which we believe makes the five year rule the most dynamic mechanism for change.

It lets us use our growing purchasing power to apply pressure where it really counts - on those suppliers, mostly chemical companies, who use animal testing

to produce ingredients for a host of cosmetic manufacturers. Research conducted last year shows that our guidelines are effective: out of the total 594 raw materials sourced by The Body Shop within the previous ten years (June 1983-June 1993), only 17 had been animal tested by suppliers for the cosmetics industry more than five but less than ten years ago.

We are currently campaigning for the inclusion of animal testing in the criteria being developed for the EC Ecolabel scheme.

ANIMAL BY-PRODUCTS AND ANIMAL DERIVED PRODUCTS

When a new raw material is being considered for a product, the supplier must declare whether the material is derived from animals. The declaration is repeated every six months in parallel with the monitoring of our AAT policy to ensure that the source of the material does not change. The Body Shop continues to use some animal derived materials which can be collected without harm to the creatures that produce them. These include milk, honey, beeswax and lanolin. We only use one slaughterhouse by-product, gelatine, which is used in our bath beads. We are actively seeking a non-animal alternative to replace it.

ENDANGERED SPECIES

As a retailer committed to animal protection, The Body Shop keeps customers and staff well informed about how they can help animals in danger. Over the past few years we and our franchisees have undertaken 18 separate fund-raising and campaigning projects to protect endangered species. For instance, shops in New Zealand have launched a marine animal and bird rescue project to train volunteers in the rescue and survival of stranded marine and bird life. These efforts paid off in 1993 when our staff were involved in rescuing whales at two major strandings.

Our Endangered Species range of products and accessories is supported by proactive children's educational information.

This year, The Body Shop is launching an international endangered species campaign to build public awareness of, and support for, the effective enforcement of the ban on trading endangered species governed by the Convention on the International Trade in Endangered Species (CITES).

COMPANY CARE

"The Board are determined to ensure that The Body Shop's values are integrated into all aspects of the Company. The Values Meetings have been incredibly important in focusing our attention on what needs to be done to achieve that objective."

Between August and December 1993, an intensive series of 44 Company Values Meetings were held at the Company's head office. These were designed to assess what The Body Shop meant to staff, and to find ways to drive our values forward. A full report on the results of these meetings was made available to staff.

One result of the meetings was a higher profile role for the Company Care Team, a five-person group who are taking responsibility for The Body Shop's performance as a caring employer. The Team coordinates childcare through our Family Centre, and through the launch in April 1994 of a programme offering financial help with childcare for all our Company shop staff. A counsellor provides a 24-hour confidential counselling service for employees and their families.

A new appointment during last year was an Occupational Health Advisor who concentrates on raising the awareness of health issues and, in conjunction with the Environment Health and Safety Department, ensures compliance with all existing and new legislation.

The Company provides an ongoing programme of AIDS education and training for all employees at Head Office, which will help them to safeguard their own health and that of their families and friends. During the year, the same information has been made available to our shops via our weekly shop video magazine "BSTV". In October 1993, The Body Shop Inc. ran a window campaign in the USA with the theme "Protect and Respect." Bi-lingual broadsheets were produced in English and Spanish in conjunction with the campaign.

One thing that became clear from the Company Values Meetings was the importance of community projects to staff. The Company Care Team will be nurturing our volunteer programme during 1994, and a pointer for the future came in the form of the first Community Projects Trade Fair held in November at our head office at Watersmead.

With regard to staff benefits, a review was carried out in 1993 which resulted in the Company moving towards a flexible benefits system. We now offer this package to all employees, not just management.

Directors' Report

For the year ended 28 February 1994

The Directors submit their report and accounts for the year ended 28 February 1994.

Principal activities

The Group originates, produces and sells naturally-based skin and hair care products and related items through its own shops and franchised outlets.

Group review of the business and future developments

A review of the Group's business during the year is contained in the Chairman's Statement on pages 2 to 3, the Business Review on pages 8 to 9, and the Financial Review on pages 10 to 11.

Results and dividends

Results for the year are shown in the profit and loss account and the notes relating to it. The Directors recommend the payment of a final dividend of 1.25p per share in respect of the year ended 28 February 1994, payable on 14 July 1994 to shareholders on the register at 16 June 1994. This together with the Interim dividend of 0.75p per share makes a total dividend for the year of 2.0p per share. After payment of the proposed dividend £15.6 million will be transferred to reserves.

Extraordinary General Meeting

At an Extraordinary General Meeting on 10 November 1993 the Company was authorised to dispose of its 65.6% holding in Eastwick Trading BV, settle the further consideration payable to certain vendors of Cos-tec Limited and adopt new Articles of Association. The transactions relating to Eastwick Trading BV and Cos-tec Limited were both completed on 15 November 1993, and are reflected in these accounts.

Annual General Meeting

In addition to the ordinary business, an Ordinary Resolution and two Special Resolutions will be proposed at the Annual General Meeting.

The Ordinary Resolution will empower the Directors for the period ending on the date of the next Annual General Meeting to allot up to £2,560,094 nominal value of relevant securities pursuant to section 80 of the Companies Act 1985. The first of the Special Resolutions will empower the Directors to allot equity securities wholly for cash (a) in connection with an offer by way of rights to the holders of shares in the Company and (b) otherwise than in connection with such an offer by way of rights, up to a maximum of £471,995 nominal value.

The second of the Special Resolutions concerns proposed amendments to the Memorandum of Association as part of the Directors' commitment to The Body Shop's core values. The Directors have carried out a review of the Company's Memorandum of Association which was adopted prior to the flotation of the Company and has not been amended since 1984. As a result, it does not fully reflect certain of the Company's values such as concern for human and civil rights, fair trade, care for the environment and opposition to animal testing within the cosmetics industry. The Directors believe that it is now appropriate to entrench these values in the Memorandum of Association.

At the same time, it is proposed that other minor changes be made to the Memorandum of Association to reflect developments in company law and Stock Exchange practice over the last decade.

Copies of the proposed new Memorandum of Association may be obtained from the Company's registered office on written request.

Directors

The names of the Directors who have served during the year are shown below. Also shown are their interests in the ordinary shares of the Company at the beginning of the year and at the end of the year. All their interests are beneficial.

THE
BODY SHOP GROUP
PLC
100 CANAL STREET
LONDON
EC2A 4PU



Directors' Report continued

	At 28 February 1994	At 1 March 1993
AL Roddick OBE	25,760,456	25,760,456
TG Roddick	25,976,680	25,976,680
SA Rose	-	-
EG Helyer	396,970	401,570
JC Forster	-	-
MJ Ross	2,000	2,000
JC Oosterwijk (resigned 13 October 1993)	-	385,132
JE Jackson (resigned 19 May 1993)	-	-

Included in each of the shareholdings of TG Roddick and AL Roddick, set out above, are 160,000 (1 March 1993; 160,000) shares held jointly.

In addition, at 28 February 1994 and 1 March 1993, SA Rose held options over 2,057,172 ordinary shares, EG Helyer over 553,061 ordinary shares, JC Forster over 464,939 ordinary shares, and MJ Ross over 634,930 ordinary shares.

There have been no changes in the interests of the Directors between the end of the financial year and 5 May 1994.

Except as disclosed in note 23 to the accounts, no significant contracts subsisted during the year in which any Director had an interest.

Insurance

During the year the Group made payments for Insurance of Directors against liabilities in relation to the Group.

Fixed assets

Movements in tangible and intangible fixed assets during the year are set out in notes 11, 12 and 13 to the accounts.

The Directors consider that the market value of the Group's interest in land and buildings approximates to net book value.

Share capital

Movements in share capital during the year are set out in note 19 to the accounts.

Substantial shareholdings

At 9 May 1994 the Board had not been notified of any holding in excess of 3% of the share capital of the Company other than that of Mr IB McGlinn, who had a beneficial interest in 52,366,768 ordinary shares, amounting to 28% of the issued capital, and that of the Prudential Corporation Group which had an interest in 6,586,146 ordinary shares, amounting to 3.5% of the issued capital.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Employee involvement

The Group has continued its practice of keeping employees informed on matters affecting them and on the progress of the Group. This is carried out in a number of ways, including formal and informal briefings, departmental meetings, a regular staff newsletter and weekly videos. Eligible employees are granted options to purchase shares in The Body Shop International PLC, details of which are set out in note 19 to the accounts. The Group also operates Sharesave Option Schemes, whereby employees are granted options using the government's save-as-you-earn scheme.

Research and development

It is one of the principal policies of the Group continuously to produce new products. All of these products must meet our demanding safety and environmental standards. The Directors, senior managers and technical staff, together with the research and development department, are all involved in the

Directors' Report continued

continual search for raw materials and the examination of their potential use in our products. This activity is spread over a number of departments of the Group, the direct cost of which amounted to £2.8 million for the year.

Donations

The Group has continued its policy of contributing to the community in a variety of ways. These include encouraging employees and franchisees to involve themselves in community and environmental projects, the setting up of "Trade Not Aid" projects with the developing world, and environmental and human rights campaigns to increase public awareness and effect change.

The Body Shop Foundation, a registered charity, is independent of the Company and receives donations from the Company, its franchisees, employees and friends. The funds are controlled by trustees who are Directors of the Company, and in the past year £512,000 has been donated to various projects.

The Group made charitable donations of £881,068 during the year.

DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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;

- 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 maintaining 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. 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.

CORPORATE GOVERNANCE

The London Stock Exchange requires all listed companies to report on the extent to which they comply or do not comply with the Code of Best Practice recommended in the Report of the Committee on The Financial Aspects of Corporate Governance published in December 1992.

The Board of Directors supports the principles of the Code of Best Practice, and is committed to integrity and accountability in the stewardship of the Group's affairs.

The BODY SHOP
INTERCON. PLAZA
DEIRA, DUBAI
Telephone 04-242899

THE BODY SHOP
42.60.53.08 SHAW CAME200
REG 21-03-94 02:19 PM
1201 388
43.00

1No
43.00
ST
CASH
200.00
36
157.00

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12:41 LOUVRE 2
2 X
BODY SHOP 43.00
ACCESS D. 5 86.00
ACCESS

THANK YOU
REFILL
REUSE
RECYCLE

Directors' Report continued

It is the Board's view that the Group has complied with The Code of Best Practice throughout the year ended 28 February 1994 except for the following provisions:

1.3, 2.1-2.4, 3.3 and 4.3

These provisions relate to non-executive directors, remuneration committees and audit committees.

The Directors are actively seeking to appoint non-executive directors who will make a significant contribution to the Board and to the development of the Group and external consultants have been retained to assist in this search.

Once non-executive directors have been appointed, the Group will be in a position to establish a remuneration committee and an audit committee made up wholly or mainly of non-executive directors.

1.5

It is the Group's normal practice for the Directors to take independent professional advice if necessary, although there are no formal procedures for this in place.

Provisions 4.5 and 4.6 of the Code of Best Practice relate to the effectiveness of the Group's system of internal control and to a report by the Directors that the business is a going concern. The Committee has acknowledged that companies are unable to report on compliance with these paragraphs of the Code until the necessary guidance has been developed as recommended in the Committee's report.

The auditors have reviewed the statement on Corporate Governance in so far as it relates to the paragraphs of the Code which the London Stock Exchange has specified for their review, having regard to the Bulletin "Disclosures relating to corporate governance" issued by the Auditing Practices Board. They are not required to review, and have not reviewed, the effectiveness of the Company's governance procedures, but have satisfied themselves that the above statement appropriately reflects the Company's compliance with the specified paragraphs of the Code.

Auditors

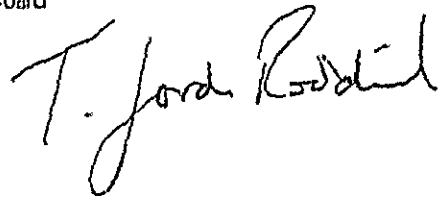
Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

TG Roddick

Chairman

10 May 1994



Auditors' Report

To the members of The Body Shop International PLC

We have audited the financial statements on pages 28 to 49 which have been prepared under the accounting policies set out on pages 31 and 32.

Respective responsibilities of Directors and Auditors

As described in the Directors' Report the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 affairs of the Company and of the Group as at 28 February 1994 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward

Stoy Hayward

Chartered Accountants and Registered Auditors

London

10 May 1994



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Consolidated Profit and Loss Account

For the year ended 28 February 1994

	Note	1994 £m	1993 £m
Turnover	2	195.4	168.3
Cost of sales		89.5	78.0
Gross profit		105.9	90.3
Net operating expenses	3	75.8	66.0
Operating profit	2,5	30.1	24.3
Profit on disposal of subsidiary undertaking	21c	1.1	~
		31.2	24.3
Interest (net)	4	1.5	2.8
Profit on ordinary activities before tax		29.7	21.5
Tax on profit on ordinary activities	7	10.1	7.6
		19.6	13.9
Minority interests		0.2	0.1
Profit for the financial year	8	19.4	13.8
Dividends paid and proposed	9	3.8	3.2
Retained profit	20	15.6	10.6
Earnings per ordinary share	10	10.3p	7.4p
Adjusted earnings per ordinary share	10	10.1p	7.4p

All amounts relate to continuing activities.

A statement of the movement in reserves can be found in note 20.

The notes on pages 31 to 49 form part of these financial statements.



Balance Sheets

As at 28 February 1994

	Note	Group		Company	
		1994 £m	1993 £m	1994 £m	1993 £m
Fixed assets					
Intangible assets	11	3.7	5.2	3.7	5.2
Tangible assets	12	67.9	64.8	49.2	50.0
Investments	13	—	—	12.7	9.7
		<u>71.6</u>	<u>70.0</u>	<u>65.6</u>	<u>64.9</u>
Current assets					
Stocks	14	34.6	35.3	18.0	20.6
Debtors	15	37.2	33.6	38.8	28.8
Cash at bank and in hand		24.9	14.0	22.0	9.2
		<u>96.7</u>	<u>82.9</u>	<u>78.8</u>	<u>58.6</u>
Creditors: amounts falling due within one year	16	<u>35.6</u>	<u>31.2</u>	<u>32.0</u>	<u>26.8</u>
Net current assets		<u>61.1</u>	<u>51.7</u>	<u>46.8</u>	<u>31.8</u>
Total assets less current liabilities		<u>132.7</u>	<u>121.7</u>	<u>112.4</u>	<u>96.7</u>
Creditors: amounts falling due after more than one year	17	(32.4)	(35.2)	(1.9)	(3.4)
Provisions for liabilities and charges					
Deferred tax	18	(3.4)	(3.8)	(4.2)	(3.5)
Minority interests		—	(0.5)	—	—
		<u>96.9</u>	<u>82.2</u>	<u>106.3</u>	<u>89.8</u>
Capital and reserves					
Called up share capital	19	9.4	9.4	9.4	9.4
Share premium account	20	35.7	33.5	35.7	33.5
Profit and loss account	20	51.8	39.3	61.2	46.9
		<u>96.9</u>	<u>82.2</u>	<u>106.3</u>	<u>89.8</u>

These financial statements were approved by the board on 10 May 1994 and signed on its behalf by:

TG Roddick

Director

T. John Roddick

The notes on pages 31 to 49 form part of these financial statements.

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Consolidated Cash Flow Statement

For the year ended 28 February 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Net cash inflow from operating activities	21a		40.3		38.6
Returns on investments and servicing of finance					
Interest received		1.0		0.7	
Interest paid		(2.5)		(3.0)	
Dividends paid		(3.3)		(3.0)	
Net cash outflow from returns on investments and servicing of finance			(4.8)		(5.3)
Taxation					
UK corporation tax paid		(6.4)		(7.3)	
Overseas tax paid		(0.2)		(0.2)	
Tax paid			(6.6)		(7.5)
Investing activities					
Purchase of tangible fixed assets		(12.7)		(13.5)	
Purchase of intangible fixed assets		-		(6.0)	
Purchase of subsidiary undertakings (net of cash and cash equivalents)	21b	(0.2)		-	
Goodwill acquired		-		(1.9)	
Sale of tangible fixed assets		0.1		0.1	
Disposal of subsidiary undertaking	21c	0.8		-	
Net cash outflow from investing activities			(12.0)		(21.2)
Net cash inflow before financing			16.9		4.6
Financing					
Issue of ordinary share capital		2.2		-	
Issue of USA loan notes		-		31.7	
Other loans		(1.3)		4.0	
Loan repayments		(5.1)		(1.0)	
Capital element of finance lease rental payments		-		(0.1)	
Net cash inflow/(outflow) from financing	21d		(4.2)		34.6
Increase in cash and cash equivalents	21e		12.7		39.2

The notes on pages 31 to 49 form part of these financial statements.



Statement of Total Recognised Gains and Losses

For the year ended 28 February 1994

	1994 £m	1993 £m
Profit for the financial year	19.4	13.8
Currency translation differences on foreign currency net investments	(0.1)	(0.2)
Total recognised gains and losses for the year	19.3	13.6

The notes on pages 31 to 49 form part of these financial statements.

Notes to the Accounts

For the year ended 28 February 1994

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company has taken advantage of the exemption from presenting its own profit and loss account.

The principal accounting policies, which have not changed in the year, are:

Basis of consolidation The consolidated accounts incorporate the financial statements of The Body Shop International PLC and all of its subsidiary undertakings made up to 28 February 1994. The Group uses the *acquisition method of accounting to consolidate the results of subsidiary undertakings and the results of subsidiary undertakings are included from the date of acquisition to the date of disposal*. The holding company's accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated accounts.

Goodwill Goodwill arising on the acquisition of a subsidiary or business is the difference between the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is written off immediately to reserves.

Valuation of investments Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

Depreciation Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, over their expected useful lives.

It is calculated using the following rates:

Freehold buildings – Over 50 years
Leasehold property – Over the period of the respective leases

Plant and equipment – Over 3 to 10 years.

Intangible fixed assets The intangible fixed assets represent industrial property rights and "know how" and are amortised through the profit and loss account over four years, being the Directors' estimate of their useful economic lives.

Stocks Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials – Cost of purchase on first in first out basis

Work in progress and finished goods – Cost of raw materials and labour together with attributable overheads.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Notes to the Accounts continued

1 Accounting policies continued

Foreign currency Profit and loss accounts and assets and liabilities of foreign subsidiary undertakings are translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net investment in foreign subsidiary undertakings are taken to reserves.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates and any differences arising are taken to the profit and loss account.

The US Dollar exchange rate used in these accounts was 1.49 (1993: 1.42).

Research and development Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Deferred taxation Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Where advance corporation tax is expected to be recoverable it is deducted from the provision for deferred taxation.

Leased assets Assets held under finance leases are capitalised at amounts approximating to the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on assets held under finance leases is charged to the profit and loss account.

Leasing payments are analysed between capital and interest components so that the interest element is charged to the profit and loss account over the period of the lease and approximates to a constant proportion of the balances of capital repayments outstanding.

All other leases are treated as operating leases with annual rentals charged to the profit and loss account on a straight line basis over the term of the lease.

Finance lease and hire purchase receivables Income receivable from finance leases and hire purchase agreements is credited to the profit and loss account to give a constant periodic rate of return on the net cash investment. Assets held under finance leases and hire purchase agreements are stated in the balance sheet as debtors at the total rentals receivable less profit allocated to future periods.

Pension costs Contributions to the Group's defined benefit pension schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Turnover Turnover represents the total amount receivable in the ordinary course of business for goods sold and services provided and excludes sales between companies in the Group, discounts given, Value Added Tax and other sales taxes.

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2 Segmental Information

Turnover and operating profit relate principally to the main activity of the sale of naturally-based skin and hair care products, and are wholly attributable to the continuing operations of the Group.

Turnover and operating profit based on destination of goods and services	Turnover		Operating profit	
	1994 £m	1993 £m	1994 £m	1993 £m
UK	91.1	83.5	11.4	11.2
USA	50.4	37.8	6.2	2.1
Europe	30.9	28.2	5.9	5.7
Americas (excluding USA)	8.6	8.7	2.4	2.4
Australia and New Zealand	6.3	4.2	1.8	1.1
Asia	8.1	5.9	2.4	1.8
	<u>195.4</u>	<u>168.3</u>	<u>30.1</u>	<u>24.3</u>
Net Interest			(1.5)	(2.8)
Profit on disposal of subsidiary undertaking			1.1	-
Profit before tax			<u>29.7</u>	<u>21.5</u>

Turnover by origin	1994			1993		
	Total sales £m	Inter Group £m	Thlrd party £m	Total sales £m	Inter Group £m	Thlrd party £m
UK	156.2	(19.3)	136.9	129.7	(10.0)	119.7
USA	50.4	-	50.4	37.9	-	37.9
Europe	7.0	-	7.0	10.7	-	10.7
Asia	1.1	-	1.1	-	-	-
	<u>214.7</u>	<u>(19.3)</u>	<u>195.4</u>	<u>178.3</u>	<u>(10.0)</u>	<u>168.3</u>

Net operating assets by location of company	1994 £m	1993 £m
UK	80.9	86.5
USA	27.2	21.6
Europe	0.1	2.6
Asia	0.5	-
	<u>108.7</u>	<u>110.7</u>
Net borrowings	(11.8)	(28.5)
Total net assets of the Group	<u>96.9</u>	<u>82.2</u>

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Notes to the Accounts continued

3 Net operating expenses

	1994 £m	1993 £m
Selling and distribution costs	43.0	37.5
Administrative expenses	32.8	28.5
	<u>75.8</u>	<u>66.0</u>

4 Interest (net)

	1994 £m	1993 £m
Interest payable:		
On loans wholly repayable within 5 years:		
Bank and other short-term interest	2.5	3.5
Interest previously deferred in respect of The Body Shop Film Company Limited	-	0.6
	<u>2.5</u>	<u>4.1</u>
Interest in respect of The Body Shop Film Company Limited transferred to administrative expenses	-	(0.6)
Interest receivable	(1.0)	(0.7)
	<u>1.5</u>	<u>2.8</u>

5 Operating profit

	1994 £m	1993 £m
Is stated after charging:		
Depreciation of tangible fixed assets	8.0	6.4
Amortisation of intangible fixed assets	1.5	0.8
Loss on disposal of fixed assets	0.4	0.4
Auditors' remuneration - audit services	0.2	0.2
- non-audit services	0.2	0.1
Payments under operating leases:		
Plant and machinery	0.6	0.7
Other	<u>8.4</u>	<u>8.5</u>
Research and development expenditure:		
Development expenditure brought forward at 1 March 1993	0.3	0.2
Expenditure on research and development during the year	2.5	2.2
Development expenditure carried forward at 28 February 1994	-	(0.3)
Research and development expenditure charged in the profit and loss account for the year	<u>2.8</u>	<u>2.1</u>



6 Staff costs and numbers

Costs during the year, including Directors' emoluments, were as follows:	1994 £m	1993 £m
Wages and salaries	33.9	29.6
Social security costs	4.0	2.7
Other pension costs	1.0	1.0
	<u>38.9</u>	<u>33.3</u>

The average number of employees during the year was made up as follows:	Number	Number
Administration	429	384
Warehouse, distribution and production	928	784
Retail	1,099	956
	<u>2,456</u>	<u>2,124</u>

Directors' emoluments:	1994 £000	1993 £000
Salaries and other emoluments including pension contributions	976	1,044
Compensation for loss of office	326	—

Emoluments of Directors, excluding one Director whose duties were mainly outside the United Kingdom

	Excluding Pension Contributions		Including Pension Contributions	
	1994 £000	1993 £000	1994 £000	1993 £000
Chairman	<u>135</u>	<u>128</u>	<u>135</u>	<u>128</u>
Managing Director	<u>138</u>	<u>131</u>	<u>138</u>	<u>131</u>
Highest paid Director	<u>210</u>	<u>205</u>	<u>233</u>	<u>228</u>

The Directors received no performance related pay.

The emoluments, excluding pension contributions, of the other Directors whose duties were mainly inside the United Kingdom, fell within the following bands:

	1994	1993
£ 45,001 – £ 50,000	—	1
£ 55,001 – £ 60,000	1	—
£ 75,001 – £ 80,000	1	1
£100,001 – £105,000	1	1
£130,001 – £135,000	1	—
£180,001 – £185,000	—	1

Notes to the Accounts continued

6 Staff costs and numbers continued

The Group operates a number of defined contribution pension schemes for its employees in the UK, the assets of which are held in independently administered funds. The pension charge for the UK represents contributions payable to the funds and amounted to £0.9 million (1993: £0.9 million). The overseas pension schemes are defined benefit schemes based on 70% of final salary and the contributions to these schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Group. The contributions payable in respect of the overseas pension schemes amounted to £0.1 million (1993: £0.1 million), and no actuarial valuation has yet been carried out.

7 Tax on profit on ordinary activities

The charge is based on the profit before tax and consists of:

UK Corporation tax at 33% (1993: 33%)

Deferred tax

Overseas tax

	1994 £m	1993 £m
	10.1	6.0
	(0.4)	1.3
	0.4	0.3
	<u>10.1</u>	<u>7.6</u>

8 Profit for the financial year

Profit dealt with in the accounts of the holding company

	1994 £m	1993 £m
	<u>18.1</u>	<u>9.0</u>

9 Dividends

Interim dividend paid of 0.75p per share (1993: 0.68p)
Proposed final dividend of 1.25p per share (1993: 1.02p)

	1994 £m	1993 £m
	1.4	1.3
	2.4	1.9
	<u>3.8</u>	<u>3.2</u>

10 Earnings per ordinary share

The calculation of earnings per share is based on the profit for the financial year of £19.4 million (1993: £13.8 million) and on 187,829,760 (1993: 187,245,613) Ordinary Shares, being the weighted average number of shares in issue during the year.

The adjusted earnings per share is based on the profit for the financial year, excluding the effect, after tax, of the sale of Eastwick Trading BV of £0.4 million.



11 Intangible fixed assets

Group and Company	£m
Cost	
At 1 March 1993 and 28 February 1994	6.0
Accumulated amortisation	
At 1 March 1993	
Charge for the year	0.8
At 28 February 1994	1.5
	2.3
Net book value at 28 February 1994	
	3.7
Net book value at 28 February 1993	
	5.2

The intangible assets represent the industrial property rights and "know how" relating to all the products previously supplied to the Company by Constantine and Welr PLC.

12 Tangible fixed assets

Group	Freehold property £m	Short-term leasehold property £m	Plant and equipment £m	Total £m
Cost				
At 1 March 1993	3.4	44.1	35.6	83.1
Exchange difference on overseas assets	(0.1)	(0.3)	(0.2)	(0.6)
Additions	1.8	2.6	8.3	12.7
Disposals	-	(0.9)	(2.6)	(3.5)
At 28 February 1994	5.1	45.5	41.1	91.7
Accumulated depreciation				
At 1 March 1993	0.1	5.9	12.3	18.3
Exchange difference on overseas assets	-	(0.1)	(0.1)	(0.2)
Charge for the year	0.1	2.1	5.8	8.0
Disposals	-	(0.3)	(2.0)	(2.3)
At 28 February 1994	0.2	7.6	16.0	23.8
Net book value at 28 February 1994	4.9	37.9	25.1	67.9
Net book value at 28 February 1993	3.3	38.2	23.3	64.8

Notes to the Accounts continued

12 Tangible fixed assets continued

Company	Freehold property £m	Short-term leasehold property £m	Plant and equipment £m	Total £m
Cost				
At 1 March 1993	0.5	37.5	25.2	63.2
Additions	—	0.2	5.0	5.2
Disposals	—	—	(1.6)	(1.6)
At 28 February 1994	0.5	37.7	28.6	66.8
Accumulated depreciation				
At 1 March 1993	0.1	4.3	8.8	13.2
Charge for the year	—	1.4	4.3	5.7
Disposals	—	—	(1.3)	(1.3)
At 28 February 1994	0.1	5.7	11.8	17.6
Net book value at 28 February 1994	0.4	32.0	16.8	49.2
Net book value at 28 February 1993	0.4	33.2	16.4	50.0

Group additions include assets in the course of construction amounting to £0.5 million (1993: £2.6 million). No depreciation has been provided for in the year in respect of this amount.

Included in the total net book value of tangible fixed assets is £0.3 million (1993: £0.3 million) in respect of assets held under finance leases and hire purchase contracts.

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13 Fixed asset investments

Company	£m
Cost of shares in subsidiaries	
At 1 March 1993	
Additions	9.7
Disposals	3.3
	(0.3)
At 28 February 1994	12.7

All of the above investments are unlisted.

On 15 November 1993 the Company disposed of its interest in 65.6% of the issued share capital of Eastwick Trading BV for a total consideration of £2.1 million. Of the total consideration £0.8 million was paid in cash on completion and the balance was satisfied by variable rate loan notes with a nominal value of £1.3 million which are redeemable in instalments between 1994 and 2000.

The Company's principal subsidiaries at 28 February 1994 were:

Name	% Holding of Ordinary Shares	Country of incorporation and operation
The Body Shop Worldwide Limited	100	Great Britain
The Body Shop UK Retail Company Limited	100	Great Britain
The Body Shop Supply Company Limited	100	Great Britain
Colourings Limited	100	Great Britain
Jacaranda Productions Limited	80	Great Britain
Soapworks Limited	100	Great Britain
Skin & Hair Care Preparations Inc	100	Great Britain
The Body Shop Inc	90	USA
The Body Shop Film Company Limited	100	USA
Cos-tec Limited	100	Great Britain
Normaland Limited	100	Great Britain
The Body Shop Norway A/S	100	Great Britain
The Body Shop (Singapore) Pte Limited	100	Norway
		Singapore

The Body Shop Worldwide Limited

This company controls the activities of the overseas head franchisees.

The Body Shop UK Retail Company Limited

This company is responsible for all The Body Shop retail activities in the UK.

The Body Shop Supply Company Limited

This company is responsible for the materials management and product manufacturing and procurement of The Body Shop products.

Colourings Limited

This company controls the marketing of colour cosmetic products.

Jacaranda Productions Limited

This company engages in video production for both Group and external customers.



Notes to the Accounts continued

13 Fixed asset investments continued

Soapworks Limited

This company's principal activity is the manufacture of soap and related products. It is intended that 25% of any cumulative profit after tax will be put into a charitable trust under the Company's control for the purpose of benefiting the people of Easterhouse. In this connection, between 1989 and 1994 the Group has made or provided for donations of £106,410.

Skin & Hair Care Preparations Inc

This company holds The Body Shop trademarks in the USA and Japan and does not otherwise trade.

The Body Shop Inc

This company trades in The Body Shop products in the USA through its wholly owned subsidiary Buth-Na-Bodhalge Inc.

The Body Shop Film Company Limited

This company was formed to finance the production of a film and television series. TG Roddick and AL Roddick have personally guaranteed the capital element of the bank borrowing of The Body Shop Film Company Limited.

Cos-tec Limited

This company creates and manufactures colour cosmetic, skin care and toiletry products. During the year the Company entered into an agreement for the variation of the deferred consideration payable to the vendors of Cos-tec Limited. The vendors' entitlement was satisfied by the issue of variable rate loan notes with a total nominal value of £3.9 million.

Normaland Limited

This company owns the franchise agreements for two of The Body Shop's UK outlets.

The Body Shop Norway A/S

This company was formed during the year and operates two of The Body Shop retail outlets in Norway.

The Body Shop (Singapore) Pte Limited

This company was formed during the year and operates The Body Shop retail outlets in Singapore.

14 Stocks

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Raw materials	5.6	4.4	2.1	2.1
Work in progress	0.2	0.5	0.1	0.2
Finished goods	28.6	30.4	15.8	18.3
	<u>34.6</u>	<u>35.3</u>	<u>18.0</u>	<u>20.6</u>



15 Debtors

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Amounts falling due within one year				
Trade debtors	24.7	22.6	20.6	17.7
Assets held for sale	0.2	0.6	-	-
Other debtors	5.1	4.4	3.3	1.4
Prepayments	3.0	3.3	1.7	2.4
Amounts owed by subsidiary undertakings	-	-	10.9	5.1
	<u>33.0</u>	<u>30.9</u>	<u>36.5</u>	<u>26.6</u>
Amounts falling due after more than one year				
Finance lease and hire purchase receivables	1.8	2.1	1.8	2.1
Other debtors	1.3	0.1	0.1	0.1
Prepayments	1.1	0.5	0.4	-
	<u>4.2</u>	<u>2.7</u>	<u>2.3</u>	<u>2.2</u>
	<u>37.2</u>	<u>33.6</u>	<u>38.8</u>	<u>28.8</u>

Other debtors falling due after more than one year include variable rate loan notes with a nominal value of £1.2 million which formed part of the consideration for the disposal of Eastwick Trading BV.

The cost of assets acquired by the Group for the purpose of letting under finance leases and hire purchase agreements amounted at 28 February 1994 to £3.4 million (1993: £3.2 million).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £0.8 million (1993: £0.8 million).

16 Creditors

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Amounts falling due within one year				
Bank loans and overdrafts - unsecured	2.3	4.1	0.1	-
Variable rate loan stock - unsecured	2.1	1.1	2.1	1.1
Other loans - unsecured	-	2.0	-	2.0
Trade creditors	8.2	8.9	5.0	6.2
Corporation tax	8.9	5.0	8.1	4.9
Other taxes and social security costs	1.3	1.2	1.2	0.7
Proposed dividend	2.4	1.9	2.4	1.9
Other creditors	4.1	1.3	2.4	1.1
Accruals	6.2	5.7	3.8	1.7
Obligations under finance leases and hire purchase contracts	0.1	-	-	-
Amounts due to subsidiary undertakings	-	-	6.9	7.2
	<u>35.6</u>	<u>31.2</u>	<u>32.0</u>	<u>26.8</u>



Notes to the Accounts continued

17 Creditors

	Group		Company	
	1994 £m	1993 £m	1994 £m	1993 £m
Amounts falling due after more than one year				
Variable rate loan stock – unsecured	1.8	–	1.8	–
USA loan notes – unsecured	30.5	31.7	–	–
Other loans – unsecured	–	2.1	–	2.0
Deferred consideration	–	1.2	–	1.3
Obligations under finance leases and hire purchase contracts	0.1	0.2	0.1	0.1
	<u>32.4</u>	<u>35.2</u>	<u>1.9</u>	<u>3.4</u>
Bank loans and overdrafts repayable:				
Within 1 year – unsecured	2.3	4.1	0.1	–
Other loans repayable:				
Within 1 year – unsecured	2.1	3.1	2.1	3.1
Between 1 and 2 years – unsecured	7.4	2.0	1.2	2.0
Between 2 and 5 years – unsecured	18.9	19.1	0.6	–
After 5 years – unsecured	6.0	12.7	–	–
	<u>34.4</u>	<u>36.9</u>	<u>3.9</u>	<u>5.1</u>
Total	<u>36.7</u>	<u>41.0</u>	<u>4.0</u>	<u>5.1</u>
Less: included in creditors due within one year	<u>4.4</u>	<u>7.2</u>	<u>2.2</u>	<u>3.1</u>
	<u>32.3</u>	<u>33.8</u>	<u>1.8</u>	<u>2.0</u>

The unsecured USA loan notes constitute \$45 million senior guaranteed notes issued by Buth-Na-Bodhaige Inc. on 15 November 1992. The loan notes are redeemable at par in annual tranches of \$9 million commencing on 15 November 1995 and bear interest at 6.66% per annum payable semi-annually in arrears. The Company has guaranteed the repayment of the loan notes.

The variable rate loan stock of £3.9 million, issued in respect of the deferred consideration for Cos-tec Limited, is redeemable at various dates from 31 August 1994 to 11 November 1996. The loan stock bears interest at Barclays Bank High Interest Business Account rate.

17 Creditors continued

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Obligations under finance leases and hire purchase contracts				
Amounts payable:				
Due within 1 year	0.1	0.1	0.1	0.1
Between 2 and 5 years	-	0.1	-	0.1
Over 5 years	0.2	0.2	0.1	0.1

Finance leases and hire purchase contracts are analysed as follows:

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Current obligations	0.1	0.2	0.1	0.1
Non-current obligations	0.2	0.2	0.1	0.1

18 Deferred tax

	Group		Company	
	1994	1993	1994	1993
	£m	£m	£m	£m
Full provision for deferred tax at 33% (1993: 33%)				
has been made as follows:				
Accelerated capital allowances	5.0	4.3	4.1	4.0
Other timing differences	(1.0)	-	0.7	-
	4.0	4.3	4.8	4.0
Advance corporation tax recoverable	(0.6)	(0.5)	(0.6)	(0.5)
	3.4	3.8	4.2	3.5

In accordance with SSAP 15 no relief has been taken for the cumulative tax losses relating to the USA operation of £1.4 million (1993: £3.4 million).

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Notes to the Accounts continued

19 Called up share capital

	Group and Company	
	1994 £m	1993 £m
Authorised		
240,000,000 (1993: 240,000,000) Ordinary Shares of 5p each	<u>12.0</u>	<u>12.0</u>
Allotted, called up and fully paid		
188,798,103 (1993: 187,267,902) Ordinary Shares of 5p each	<u>9.4</u>	<u>9.4</u>

During the year 1,530,201 (1993: 40,973) Ordinary Shares were issued against the exercise of options under the Company's Employee Share Option Schemes.

Share Options

The number of options granted to employees over the Company's Ordinary Share capital, and the movements during the year are set out below. The number of options granted and the prices have been adjusted where relevant for the capitalisation issues that have taken place.

	Employee Share Option Schemes		Sharesave Option Schemes	Other Options	Total
	1984	1991			
Number of options at 1 March 1993	8,797,708	3,646,419	809,845	1,366,466	14,620,438
Options granted during the year at prices ranging from £1.87 to £2.08	927,379	—	—	—	927,379
Options exercised during the year	(1,112,197)	(418,004)	—	—	(1,530,201)
Options lapsed during the year	(489,275)	(1,028,763)	(69,299)	—	(1,587,337)
Number of options at 28 February 1994 at prices ranging from 18p to £3.25	<u>8,123,615</u>	<u>2,199,652</u>	<u>740,546</u>	<u>1,366,466</u>	<u>12,430,279</u>

The options held under the 1984 and 1991 Employee Share Option Schemes are exercisable at various dates up to 25 November 2003, those under the Sharesave Option Schemes at various dates up to 10 November 1997, and the other options held, at various dates up to 14 August 1997.

20 Reserves

	Group £m	Company £m
Share premium account		
At 1 March 1993	33.5	33.5
Share premium arising on shares issued during the year	2.2	2.2
At 28 February 1994	35.7	35.7
Profit and loss account		
At 1 March 1993	39.3	46.9
Retained profit for the year	15.6	14.3
Goodwill written off on acquisition of subsidiary undertakings	(3.3)	—
Goodwill written back on disposal of subsidiary undertaking	0.3	—
Exchange differences	(0.1)	—
At 28 February 1994	51.8	61.2

Goodwill written off on acquisition of subsidiary undertakings relates principally to the deferred consideration in respect of the acquisition of Cos-tec Limited.

Goodwill written back was previously written off direct to reserves on the acquisition of Eastwick Trading BV.

The cumulative amount of goodwill written off at 28 February 1994 amounted to £18.1 million (1993: £15.1 million).

Reconciliation of movements in shareholders' funds	1994 £m	1993 £m
Profit for the financial year	19.4	13.8
Dividends	(3.8)	(3.2)
	15.6	10.6
Other recognised gains and losses relating to the year (net)	(0.1)	(0.2)
Issue of share capital	2.2	—
Goodwill written off	(3.3)	(2.4)
Goodwill written back on disposal of subsidiary undertaking	0.3	—
Net addition to shareholders' funds	14.7	8.0
Opening shareholders' funds	82.2	74.2
Closing shareholders' funds	96.9	82.2

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Notes to the Accounts continued

21 Notes to the Consolidated Cash Flow Statement

21a Reconciliation of operating profit to net cash inflow from operating activities	1994 £m	1993 £m
Operating profit	30.1	24.3
Depreciation of tangible fixed assets	8.0	6.4
Amortisation of intangible fixed assets	1.5	0.8
Loss on sale of tangible fixed assets	0.4	0.4
Exchange differences	0.3	(1.5)
Decrease/(increase) in stocks	(0.5)	3.3
Decrease/(increase) in debtors	(4.6)	3.9
Increase/(decrease) in creditors	5.1	1.0
	<u>40.3</u>	<u>38.6</u>
21b Purchase of subsidiary undertakings	1994 £m	1993 £m
Net assets acquired:		
Tangible fixed assets	-	0.2
Creditors	-	(0.6)
Bank overdraft	-	(0.2)
	<u>-</u>	<u>(0.6)</u>
Goodwill on acquisition	3.3	0.6
	<u>3.3</u>	<u>-</u>
Satisfied by:		
Loan notes	3.9	-
Cash	0.2	-
Net movement in provisions for deferred consideration and other acquisition costs	(0.8)	-
	<u>3.3</u>	<u>-</u>



21c Disposal of subsidiary undertaking

	1994 £m	1993 £m
Net assets disposed of:		
Fixed Assets		
Stocks	0.7	-
Debtors	1.2	-
Creditors	2.3	-
Minority interests	(2.8)	-
	(0.7)	-
Goodwill written back	0.7	-
Profit on disposal	0.3	-
	1.1	-
Satisfied by:		
Loan notes	2.1	-
Cash	1.3	-
	0.8	-
	2.1	-

21d Analysis of changes in financing during the year

	1994		1993	
	Share capital and share premium £m	Loans and finance lease obligations £m	Share capital and share premium £m	Loans and finance lease obligations £m
Opening balance	42.9	37.1	42.9	2.4
Cash inflows/(outflows) from financing	2.2	(6.4)	-	34.6
Inception of finance lease contracts	-	-	-	0.1
Issue of variable rate loan notes in respect of goodwill acquired	-	3.9	-	-
	45.1	34.6	42.9	37.1

21e Analysis of changes in cash and cash equivalents during the year

	1994 £m	1993 £m
Opening balance	9.9	(29.3)
Net cash inflow	12.7	39.2
Closing balance	22.6	9.9

21f Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994 £m	1993 £m	Changes in year £m
Cash at bank and in hand	24.9	14.0	10.9
Bank overdrafts	(2.3)	(4.1)	1.8
	22.6	9.9	12.7

Notes to the Accounts continued

22 Capital commitments

	1994 £m	1993 £m
Expenditure contracted for but not provided for in the accounts	0.7	0.3
Expenditure authorised but not contracted for	19.3	11.9
	<u>20.0</u>	<u>12.2</u>

23 Transactions Involving Directors

MJ Ross owns jointly with his wife all the shares in Craigross Holdings Limited ("Craigross"), subsidiaries of which hold six franchises with the Company.

Throughout the year Craigross has traded under the same terms as those available to other franchisees in the ordinary course of business. Total purchases from The Body Shop Group in the year ended 28 February 1994 amounted to £2.207 million (1993: £1.662 million) and the amount due to the Company at 28 February 1994 was £0.165 million (1993: £0.102 million).

In common with the arrangements with other UK franchisees, the Company has leased the premises relating to three of the franchised outlets to Craigross and has guaranteed the lease commitments on the three other shops. The annual rentals payable in respect of the premises leased to Craigross by the Company were £0.232 million (1993: £0.208 million). During the year, the Company has made contributions towards the overheads of Craigross totalling £0.035 million (1993: £0.127 million) and, in accordance with a resolution of the shareholders of the Company dated 30 November 1989, has guaranteed the borrowings of Craigross of up to £1.2 million (1993: £1.2 million).

During the year Eastwick Trading BV operated as head franchisee for certain European countries. It traded with The Body Shop International PLC on the same terms as other head franchisees and distributors and made purchases amounting to £2.708 million from the Group in the period from 1 March 1993 to 13 October 1993, the date on which Drs J C Oosterwijk ceased to be a Director of the Company (1993: £3.253 million). Drs J C Oosterwijk's wife held 34.4% of the shares in Eastwick Trading BV whilst he was a Director of the Company.

24 Commitments under operating leases

At 28 February 1994 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1994 £m	1993 £m	1994 £m	1993 £m
Leases which expire:				
Within one year	0.1	0.6	0.2	0.2
In the second to fifth year inclusive	2.5	1.6	0.4	0.4
Beyond five years	16.3	14.3	—	—
	<u>18.9</u>	<u>16.5</u>	<u>0.6</u>	<u>0.6</u>

The majority of these leases are subject to rent reviews. Of the above, £8.6 million (1993: £7.4 million) relates to annual commitments under leases where the Group has granted subleases at the same rental to franchisees.



25 Future commitments

The minority shareholder in The Body Shop Inc ("Inc") has been granted an option, which subsists for two years from 1 October 1992, to require Inc to purchase the shares owned by him in that company. The price payable on the exercise of this option is to be determined by reference to an agreed formula, but shall in no event exceed US\$10 million.

26 Contingent liabilities

The Company has given guarantees in respect of the property leases of certain franchisees in the United Kingdom. In most cases against indemnities from the franchisees secured on the respective leases. The Directors consider that the possibility of a material liability arising from the guarantees of property leases is remote.

The Company has given guarantees in respect of bank overdraft facilities for certain franchisees in the UK and overseas, for a total amount not exceeding £5.9 million at the exchange rates ruling on 28 February 1994. Most of these guarantees have been given against indemnities from franchisees secured on their business assets.

The Company has given guarantees in respect of bank and borrowing facilities of subsidiaries for amounts not exceeding £33.9 million at 28 February 1994. The amounts utilised under these facilities amounted to £30.6 million at that date.

On 29 October 1993 the head franchise rights for Singapore and certain other South East Asian countries expired but the ex-head franchisee continued to trade as a franchisee of The Body Shop. The Company obtained an interim injunction restraining such trade. The ex-head franchisee now accepts that its head franchise rights are at an end but has served a counterclaim for loss arising from alleged wrongful termination and certain related matters. The Company is strongly resisting the counterclaim, which it believes is without foundation and will not succeed.

On 1 December 1992 the head franchisee of Norway was notified by the Company that the rights to the franchise would expire on 1 July 1993. The head franchisee then sought an injunction on 15 June 1993 to prevent the termination which was denied by the Norwegian Court. However, the then ex-head franchisee continued to trade as a franchisee of The Body Shop after 1 July 1993 and the Company obtained an injunction to prevent such trading. The ex-head franchisee has served a claim of approximately £3 million against the Company for compensation arising out of the termination of the head franchise rights. The Company is strongly resisting the claim which it believes is without foundation and will not succeed.

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Group Five Year Summary

28 February 1994

	Years ended February				
	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
Summary of turnover and profits					
Turnover – UK	91.1	83.5	86.0	73.4	56.2
– USA	50.4	37.9	23.4	13.3	5.8
– International	53.9	46.9	38.0	28.9	22.5
Total	195.4	168.3	147.4	115.6	84.5
Operating profit	30.1	24.3	27.9	22.0	16.9
Disposal of subsidiary undertaking	1.1	–	–	–	–
Interest payable	(1.5)	(2.8)	(2.7)	(2.0)	(2.4)
Profit on ordinary activities before taxation	29.7	21.5	25.2	20.0	14.5
Dividends	3.8	3.2	3.0	2.3	1.6
Transferred to reserves	15.6	10.6	13.4	9.8	7.0
Ordinary dividends per share (adjusted for capitalisation issues)	2.0p	1.70p	1.60p	1.22p	0.913p
Earnings per share	10.3p	7.4p	3.8p	6.7p	5.0p
Weighted average number of shares in issue (adjusted for capitalisation issues) (millions)	187.8	187.2	186.3	180.3	170.6
Number of outlets – UK	239	233	210	173	139
– International	814	667	517	406	318
	£m	£m	£m	£m	£m
Summary of balance sheets					
Tangible and intangible fixed assets and investments	71.6	70.0	58.7	45.6	31.4
Net current assets	61.1	51.7	20.9	24.6	1.5
Other provisions and long term liabilities	(35.8)	(39.0)	(5.1)	(3.5)	(6.0)
Minority interests	–	(0.5)	(0.3)	(1.6)	(0.9)
Shareholders' funds	96.9	82.2	74.2	65.1	26.0

Notice of Annual General Meeting

Notice is hereby given that the seventeenth Annual General Meeting of the Company will be held at The Body Shop International PLC, The Conference Centre, Wick, Littlehampton, West Sussex, BN17 7LR on Wednesday 15 June 1994 at 11.00am for the following purposes:

- 1 To receive the Directors' Report and the audited accounts for the year ended 28 February 1994.
- 2 To declare a final dividend of 1.25p per share in respect of the year ended 28 February 1994.
- 3 To reappoint Stoy Hayward as Auditors of the Company and to authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, to pass the following resolutions of which resolution 4 will be proposed as an ordinary resolution and resolutions 5 and 6 will be proposed as special resolutions:

Ordinary Resolution

- 4 That the Directors be and are hereby generally and unconditionally empowered, pursuant to section 80 of the Companies Act 1985, to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of that Act) up to an aggregate nominal value of £2,560,094 until 14 September 1995 or the date of the next Annual General Meeting of the Company, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired.

Special Resolutions

- 5 That the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) for cash pursuant to the authority conferred on them in that behalf by resolution 4 above (as varied from time to time by the Company in general meeting) as if section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited:
 - i to the allotment of equity securities in connection with or pursuant to an offer to the holders of shares in the Company and other persons entitled to

participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or as appropriate to the numbers of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary, or expedient, to deal with fractional entitlements, or legal or practical problems under the laws of or the requirements of any recognised regulatory body in any territory; and

- ii to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £471,995;

and provided that this authority shall expire on 14 September 1995 or the date of the next Annual General Meeting of the Company, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- 6 That the Memorandum of Association of the Company be amended by the deletion of the existing Clause 4 and the substitution thereof of a new Clause 4 in the form produced to the meeting and initialled by the Chairman for the purposes of identification.

By order of the Board

J Reid

Secretary

10 May 1994

Notes

- 1 A member who is entitled to vote at the next meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. The person so appointed need not be a member of the Company. A form of proxy is enclosed which to be effective, must be lodged with the Company's Registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN9 6DB not later than 48 hours before the meeting.
- 2 Copies of the Directors' service contracts will be available for inspection at the registered office of the Company, Watersmead, Littlehampton, West Sussex, BN17 6LS during business hours on any weekday from the date of this notice until the close of the meeting and also at the venue of the meeting for fifteen minutes prior to and throughout the meeting.



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the clouds
Feet on
the ground
Heart in
the business

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