Registered number: 01284170

THE BODY SHOP INTERNATIONAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the 52 week period ended 27 December 2008

THE BODY SHOP INTERNATIONAL PLC

CONTENTS

THE BODY SHOP INTERNATIONAL PLC

COMPANY INFORMATION

Directors

Sophie Gasperment (Chief Executive Officer)
Jean-Paul Agon (Vice-Chairman)
Lady Sylvia Jay
Christian Mulliez
Geoff Skingsley

Secretary

Iain Rubli

Independent auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

Registered office

Watersmead
Littlehampton
West Sussex
BN17 6LS

Registered number

01284170

Solicitors

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Principal bankers

Barclays Bank PLC
Deutsche Bank AG

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements for the 52 week period ended 27 December 2008 (2007: 52 week period ended 29 December 2007).

Business review and principal activities

The Company develops, distributes and sells naturally inspired skin and hair-care products and related accessories under "The Body Shop" ® trademark and other Company owned intellectual property. The Company distributes and sells such products through its own shops, home sales, mail order catalogues, the internet and through franchised outlets. It also acts as a holding company.

During 2008 in a difficult economic environment the Company recorded a period of decline in activity, but maintained its gross profit level. Revenue for the year was £290.1m (2007: £329.5m), and a post tax profit of £13.4m (2007: £36.7m). There were 338 (2007: 322) stores in the UK at 27 December 2008, of which 299 (2007: 282) were owned.

Continued growth in sales to Asian franchised markets compensated the difficult trading environment in the UK, and North America where the retail environment at Christmas was challenging. The principal issue was a decline in footfall during the fourth quarter, which is traditionally the strongest period. A conscious decision was made to build stock in the latter half of the year to maximise retail stock availability for the fourth quarter.

During the period the Company invested in the acquisition of Cosmenatura S.A, including the franchisee rights for the sale of The Body Shop® products in Spain. Further details of these acquisitions can be found in Note 15 to the financial statements.

The Brand is now available in Egypt and Slovakia and we have developed three new Community Trade supplier relationships in Kenya, Samoa and Ecuador. The brand is now sold in 62 (2007: 59) countries.

Future prospects

Despite the tougher retail climate, The Body Shop® proposes to continue its growth momentum in existing markets through its multi-channel strategy, which is designed to enhance the Brand's accessibility, offering customers the ability to purchase in retail stores, online and through The Body Shop at Home™.

Innovation continues to be at the heart of our strategy and the launch of Nature's Minerals™, in 2008 was testament to this. We will continue to introduce innovative, nature-inspired and ethically sourced skincare, body care, fragrance and make-up products. The Brand will continue to roll out initiatives in the ethical and societal spheres. It will strengthen the privileged relationship it maintains with its customers, while extending its reach to new markets in collaboration with its strong franchisee network. 2008 also saw the introduction of 100% recycled PET bottles, a significant technical innovation.

Further information on the Company is set out in the Annual Report of L'Oréal SA for 2008 which is available from the registered office at 14, rue Royale, 75008 Paris - France.

Principal risks and uncertainties

The Company's internal control is aimed at creating and maintaining an organisation which enables the prevention and management of risks, particularly those of an economic, financial and legal nature to which the Company may be exposed, even though no absolute guarantee of a total absence of risk can ever be provided. The major risks during the period were:

Intellectual property – the Company has a portfolio of trademarks; these are strategic assets. Trademarks and the products themselves may be infringed or counterfeited by economic players wishing to illegally benefit from their reputation and goodwill. The Group's legal department is entrusted with the protection of these assets.

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Intellectual property (continued) – Before filing trademarks and as a part of the New Product Development process, prior rights searches are conducted. In view of the number of countries in which the products are sold, we cannot rule out the possibility that third parties may claim prior rights with regard to certain The Body Shop® products and services. This is a potential risk that has to be cited even though the likelihood of its occurrence is low due to the care taken when conducting prior rights searches.

Product quality and safety – Consumer safety is an absolute priority. The Company evaluates the safety of raw materials and finished products, and is vigilant with regard to any new scientific data in cooperation with the relevant authorities and is cautious in the event of substitution resulting from a proven risk.

Image and reputation – The Company's reputation and brand image may be compromised at any time in a globalised world where the report of an incident is conveyed from one continent to the next at the speed of the internet. The Body Shop International PLC has incorporated crisis management procedures to prevent, manage and limit the consequences of undesirable events on the Company. The Body Shop International PLC has deployed an ethics charter throughout its Group aimed at reinforcing the rules of good conduct which ensures the integrity of The Body Shop® and enforces its ethics. The purpose of these rules of good conduct is to guide actions and behaviour, inspire choices and employ the Company's Values in the everyday acts of every one of its employees.

Changes in regulations – The Body Shop International PLC must fully comply with local legislation and it strives to adopt an attitude beyond reproach. The Body Shop International PLC asks it employees to comply with these regulations.

Competition – The Body Shop International PLC is subject to constant pressure from local and international competitors. This competition is healthy; it leads our teams to always do their best to serve the interests of consumers and our brand.

Information systems – The risk of a malfunction or breakdown in our internal information systems for exogenous or endogenous reasons cannot be precluded. In order to minimise the impact that this type of occurrence could have, we have strict rules with regard to data backups, protection access and security to both computer hardware and software applications.

Financial and market risks – Financial risks include foreign exchange risk and credit risk. Due to its international sales, the fluctuation of main currencies may therefore have an impact on the Company's results. The Body Shop International PLC adheres to L'Oréal SA's foreign exchange risk hedging policy. The credit risk may result from non-collection of receivables due to cash problems encountered by customers. Due to the longevity of the franchisee relationships that The Body Shop International PLC enjoys, the amount considered as posing a risk of non-collection for which a provision for liability is therefore booked is set out in note 17, representing 0.4% of gross accounts receivable. The financial and markets risks of the business are discussed further in note 34.

Liquidity Risk – All the Companies liquidity needs are met completely and exclusively by L'Oréal SA, and as such the liquidity risk is minimal. The L'Oréal Group's liquidity risk is managed with the primary aim of ensuring continued financing and optimising the financial cost of debt.

The L'Oréal Group is rated by the credit rating agencies which respectively gave it, in October 2008 for the Standard & Poor's and in July 2008 for Moody's and Fitch, the following short-term credit ratings: A1+, Prime1 and F1+.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing the annual report and accounts.

Insurance – The objective of the Company's policy on insurance is to protect the Balance Sheet and Income Statement from the occurrence of identified material risks that could adversely affect it. This risk transfer forms an integral part of the Company's risk management process.

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

Post balance sheet events

Post year end the business took the decision to implement a restructuring programme, which is discussed further in note 29. No accruals for this programme have been made in these financial statements.

Capital structure

The Body Shop International PLC is a wholly owned subsidiary of L'Oréal SA. Details of the authorised and issued share capital of the Company are shown in note 25.

Results and dividends

As the Company is wholly owned by L'Oréal SA, incorporated in France, it is no longer required to prepare consolidated accounts. These financial statements therefore present information about the Company as an individual undertaking, and not about its Group.

The Directors recommend the payment of a dividend of £11.6m (2007: £10m).

Directors

The current directors are listed on page 1 of the accounts. The Directors, who served throughout the period, except as noted, were as follows;

Adrian D P Bellamy (Chairman - resigned 31 March 2008)
Sophie Gasperment (Chief Executive Officer – appointed 12 May 2008)
Peter Saunders (Non-Executive Chairman – resigned 31 May 2009)
Jean-Paul Agon (Vice-Chairman)
Richard Cymberg (resigned 15 May 2009)
Lady Sylvia Jay
Christian Mulliez
Geoff Skingsley
Tom Vyner C.B.E. (resigned 20 October 2008)

Directors' indemnities

The ultimate parent undertaking has made qualifying third party indemnity provisions for the benefit of the Company Directors which were made during the year and remain in force at the date of this report.

Supplier payment policy

The Company agrees payment terms with it suppliers and in the absence of any dispute, payments are then made as expeditiously as possible within such terms. Terms will vary according to the country of supply and type of goods and services provided. Trade payables of the Company at 27 December 2008 were equivalent to 25 days (2007: 26 days) purchases, based on the average daily amount invoiced by suppliers during the year.

Employees

Details of the number of employees and related costs are set out in Note 5 to the financial statements.

The Company is dedicated to engaging and inspiring customers to buy naturally inspired personal care products. To do this, the Company focuses on attracting and retaining employees with great skills, knowledge and creative talent. In return, the Company offers a unique opportunity for employees to be part of a globally recognised brand and to play an active role in promoting social and environmental change through the Company's campaigning, volunteering and community-giving programmes.

The Company has a long-established policy of promoting diversity throughout the global business. Internal and external recruitment processes are monitored to ensure there is no deliberate bias. Human resources policies reflect the Company's commitment to a fair and equal organisation where everyone is encouraged to succeed regardless of sex, race, sexual orientation, age or disability.

In the event of an employee becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged.

DIRECTORS' REPORT (CONTINUED)

Employees (continued)

The Company aims to ensure that employees' pay and benefits are competitive in the marketplace. A flexible benefits programme is offered, in which employees can opt to trade certain benefits, such as additional holidays.

The Company prides itself on ensuring that all employees are aware of its performance. A mix of communication methods is used to engage and inform employees, including face-to-face communication sessions and intranet.

The Company formally consults employees via Consultation and Representation Committees, comprising employee-elected representatives.

Our Values Agenda

We will publish our 2009 Values Report online in a new, exciting interactive format. The Report will detail all of our Values achievements and challenges from 2007 to 2009.

Support Community Trade

Community Trade is a targeted purchasing programme pioneered by The Body Shop™. Through careful management, The Body Shop™ uses its demand for ingredients, gifts and accessory items, to give marginalised producers access to a market otherwise out of reach. By frequent engagement with a variety of stakeholders, in particular the producers themselves, The Body Shop™ strives to do this in a fair way.

- 64% of products contain Community Trade ingredients or are produced by a Community Trade supplier
- We increased total spend on Community Trade ingredients and accessories from £6.4 million to £7.4 million in 2008.
- New Community Trade ingredients – Coconut, Sunflower oil and Alcohol
- We launched our Bag For Life, sourced from our original Community Trade supplier, Teddy Exports.

Defend Human Rights

Every organisation which produces a product for The Body Shop™ is required to sign up to our Ethical Trade programme, based on the principles of engagement of the Ethical Trading Initiative. Through a system of audits and outreach work, we constantly review information from the supply base that tells us of the rights and conditions of the workers who make products on our behalf.

- In 2007 we were awarded a 'Big Tick' by Business in the Community for our Community and Ethical Trade programmes.
- We are proud to announce a new partnership with The Institute for Market Ecology (IMO), an independent Swiss certification body expert in organic, ethical and fair trade. We will be working closely with IMO to review the rules that govern our Community Trade and Ethical Trade programmes, and to map where our operations require changes to better fulfill our objectives.

Protect our Planet

- *Responsible Palm Oil* - We are high profile members of the Roundtable for Sustainable Palm Oil (RSPO). All of our soaps are now sourced from a RSPO certified source.
- *Climate Change* - We have set stretch targets to reduce energy consumption. Our EMEA region has achieved a significant improvement in sourcing renewable energy for stores, increasing supply from 29% to 67%
- *Responsible Packaging* - We launched first 100% recycled PET bottle. 50% of our packaging assortment contains recycled content

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

Our Values Agenda (continued)

- *Our Responsible Use of Chemicals* - We have now successfully phased out Phthalates from our formulations. We are well on track to reach our target on Polycyclic Musks, which are now found in only five of our products.

Against Animal Testing

We have never tested finished cosmetic products on animals and we do not ask others to test on our behalf. We are among the few companies to comply with the stringent requirements of the 'Humane Cosmetics Standard' (HCS) of the British Union for the Abolition of Vivisection (BUAV).

- For the second time in the UK, we were the winners of the Royal Society for Prevention of Cruelty to Animals (RSPCA) Good Business Award.
- A detailed review to ensure compliance with the HCS found our approach as setting a 'gold standard' for the Industry.

Activate Self Esteem

The Body Shop™ is famous for running cutting edge campaigns, raising awareness and catalysing change on a number of important social and environmental issues.

Our campaigns are designed to inspire and inform customers and reach out to key decision makers who can make a difference.

- In 2007, 52 markets launched 'Stop Violence in the Home'. In 2008 the campaign reached 56 markets. Since the first campaign was launched, more than £3.5 million has been raised.
- HIV/AIDS campaigns – Over the first 2 years of the campaign which was developed and launched in partnership with MTV International, £1.1 million has already been raised. These funds have been used to support grass-roots youth projects, which are raising awareness of HIV prevention in their local communities. When 'Spray to Change' launched in 2007, the campaign was immediately adopted by 47 markets. By 2008 and the launch of the 'Move Your Lips' campaign, this number had grown to 56 markets, reaching millions of young people worldwide.

Charitable and community involvement

The Company donated £1.5m (2007: £1.7m) to charitable organisations last period, of which £0.7m (2007: £0.7m) was donated to The Body Shop Foundation and the remaining £0.8m (2007: £1m) to other organisations. No political donations were made by the Company.

The Company seeks to make a positive impact on the local communities in which it operates. In both the Company owned and franchised markets throughout the world, staff are actively engaged in supporting many different community-based programmes.

Research and development

The direct cost of research and development expenditure was £2.1m (2007: £2.1m).

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's (IASB's)

DIRECTORS' REPORT (CONTINUED)

Directors' responsibility statement (continued)

'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Independent auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

Sophie Gasperment

Director

23 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BODY SHOP INTERNATIONAL PLC

We have audited the financial statements of The Body Shop International PLC for the period ended 27 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any misstatements within in.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. 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 and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Company's affairs as at 27 December 2008 and of the Company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom
23 July 2009

THE BODY SHOP INTERNATIONAL PLC

INCOME STATEMENT

For the 52 weeks ended 27 December 2008

	Note	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Revenue	2	290.1	329.5
Cost of sales		(97.6)	(141.6)
Gross profit		192.5	187.9
Operating expenses	3	(170.6)	(158.1)
Operating profit	4	21.9	29.8
Investment revenues	7	7.7	17.5
Finance costs	8	(4.1)	(3.9)
Profit on ordinary activities before taxation		25.5	43.4
Tax	9	(12.1)	(6.7)
Profit for the period	28	13.4	36.7

All results are derived from continuing operations.

THE BODY SHOP INTERNATIONAL PLC

BALANCE SHEET

At 27 December 2008

	Note	27 Dec 2008 £m	29 Dec 2007 £m
Assets			
Non-current assets			
Goodwill	11	6.8	3.1
Other intangible assets	13	4.0	4.9
Property, plant and equipment	14	63.1	60.7
Investments	15	161.4	166.0
Deferred tax assets	21	0.2	-
		235.5	234.7
Current assets			
Inventories	16	67.4	43.3
Trade and other receivables	17	61.8	45.5
Cash and cash equivalents	18	9.5	7.8
Derivative financial instruments	20	7.1	1.1
		145.8	97.7
Total assets		381.3	332.4
Liabilities			
Current liabilities			
Trade and other payables	23	(62.4)	(66.2)
Current tax liabilities		(3.5)	(4.7)
Obligations under finance leases	22	(2.1)	(2.1)
Borrowings	19	(41.8)	(1.4)
Provisions	24	(3.7)	(5.0)
Derivative financial instruments	20	(17.9)	(3.6)
		(131.4)	(83.0)
Non-current liabilities			
Deferred tax liabilities	21	-	(0.3)
Obligations under finance leases	22	(11.7)	(11.8)
		(11.7)	(12.1)
Total liabilities		(143.1)	(95.1)
Net assets		238.2	237.3

THE BODY SHOP INTERNATIONAL PLC

BALANCE SHEET (CONTINUED)

At 27 December 2008

	Note	27 Dec 2008 £m	29 Dec 2007 £m
Equity			
Share capital	25	11.3	11.3
Share premium account	26	74.7	74.7
Other reserves	27	(4.2)	(1.7)
Retained earnings	28	156.4	153.0
Total equity		238.2	237.3

The financial statements were approved by the Board of Directors and authorised for issue on 23 July 2009

They were signed on its behalf by:

Sophie Gasperment, Director

THE BODY SHOP INTERNATIONAL PLC

CASH FLOW STATEMENT

For the 52 weeks ending 27 December 2008

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Cash flows from operating activities		
Operating profit	21.9	29.8
Depreciation	10.2	12.3
Loss on disposal of property, plant and equipment	9.7	0.4
Amortisation	2.1	2.0
Impairment of assets	(0.1)	0.3
Share option charge	0.6	0.4
Other gains and losses	(3.1)	2.0
Exchange movement	(1.4)	(1.8)
Changes in working capital		
(Increase) in inventories	(24.1)	(3.0)
(Increase)/decrease in trade and other receivables	(22.3)	12.5
Increase/(decrease) in trade and other payables	10.5	(7.4)
(Decrease)/increase in provisions	(0.8)	10.8
Income tax paid	(10.5)	(4.7)
Net cash (outflow)/inflow from operating activities	**(7.3)**	**53.6**
Investing activities		
Interest received	0.8	0.3
Interest paid	(4.1)	(3.9)
Acquisitions of subsidiaries	(10.3)	(11.2)
Purchases of property, plant and equipment	(12.9)	(13.8)
Acquisition of intangible assets	(1.3)	(1.1)
Acquisition of franchisee businesses	-	(0.4)
Dividends received from subsidiaries	6.9	17.2
Net cash used in investing activities	**(20.9)**	**(12.9)**
Cash flows from financing activities		
Capital element of finance lease rental payments	(0.5)	(0.6)
Dividends paid to Company's shareholders	(10.0)	(14.0)
New borrowings/(repayment) of borrowings	40.4	(30.2)
Net cash from/(used in) financing activities	**29.9**	**(44.8)**
Net increase/(decrease) in cash and cash equivalents	1.7	(4.1)
Cash and cash equivalents at beginning of period	7.8	11.9
Cash and cash equivalents at end of period	**9.5**	**7.8**

THE BODY SHOP INTERNATIONAL PLC

STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ending 27 December 2008

	Attributable to the equity holders of the Company				
	Share capital £m	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total equity £m**
Balance at 30 December 2006	11.3	74.7	9.3	121.0	216.3
Changes in equity for 2007					
Share option expenses	-	-	0.4	-	0.4
Loss recognised on cash flow hedges	-	-	(2.1)	-	(2.1)
Transfer to retained earnings	-	-	(9.3)	9.3	-
Dividends	-	-	-	(14.0)	(14.0)
Net income recognised directly in equity	-	-	(11.0)	(4.7)	(15.7)
Profit for the period	-	-	-	36.7	36.7
Total recognised income and expense for the period	-	-	(11.0)	32.0	21.0
Balance at 29 December 2007	11.3	74.7	(1.7)	153.0	237.3
Changes in equity in 2008					
Share option expenses	-	-	0.6	-	0.6
Loss recognised on cash flow hedges	-	-	(3.1)	-	(3.1)
Dividends	-	-	-	(10.0)	(10.0)
Net income recognised directly in equity	-	-	(2.5)	(10.0)	(12.5)
Profit for the period	-	-	-	13.4	13.4
Total recognised income and expense for the period	-	-	(2.5)	3.4	0.9
Balance at 27 December 2008	11.3	74.7	(4.2)	156.4	238.2

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

1a Basis of preparation and general information

The Body Shop International PLC is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given within "Company Information" at the front of these financial statements. The nature of the Company's operations and its principal activities are set out on page 1 of the Directors Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

All the Company's liquidity needs are met completely and exclusively by L'Oréal SA, and as such the liquidity risk is minimal. The L'Oreal Group's liquidity risk is managed with the primary aim of ensuring continued financing and optimising the financial cost of debt.

1b Adoption of new and revised standards

In the current year, one interpretation issued by the International Financial Reporting Interpretations Committee was effective for the current period. IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. The adoption of this Interpretation has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended) - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 2 (amended) - Share-based Payment – Vesting Conditions and Cancellations

IFRS 3 (revised 2008) - Business Combinations

IFRS 8 - Operating Segments

IAS 1(revised 2007) - Presentation of Financial Statements

IAS 23 (revised 2007) - Borrowing Costs

IAS 27 (revised 2008) - Consolidated and Separate Financial Statements

IAS 32 (amended)/IAS 1 (amended) - Puttable Financial Instruments and Obligations Arising on Liquidation

IFRIC 12 - Service Concession Arrangements

IFRIC 13 - Customer Loyalty Programmes

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Improvements to IFRSs (May 2008)

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for IFRIC 13.

1c Accounting policies

The principal accounting polices adopted in the preparation of these financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the EU and with those parts of the Companies Act 1985 applying to companies preparing their accounts under IFRS.

1c Accounting policies (continued)

Consolidated financial statements have not been prepared as the Company has taken advantage of the exemption granted by section 228 of the Companies Act 1985, since the Company itself is a wholly-owned subsidiary. Its immediate parent undertaking is L'Oréal SA, a company incorporated in France, and therefore established under the law of a member state of the European Community. As a result, these accounts present information relating to the Company as an individual undertaking only and not as a group.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements in accordance with International Accounting Standards implies that the Company makes a certain number of estimates and assumptions that may affect the value of the Company's assets, liabilities, shareholders' equity and net income/(loss). These estimates and assumptions mainly concern the valuation of goodwill and provisions. Estimates used by the Company in relation to these different areas are detailed in each specific note.

Revenue

Revenue represents the fair value receivable in the ordinary course of business for goods sold and services provided. It excludes discounts given, VAT and other sales taxes.

Revenue is recognised as follows:

Sale of goods - wholesale
Revenue is recognised when the Company has transferred to the customer the significant risks and rewards of the ownership of the goods, and retains neither continuing managerial involvement to the degree usually associated with the ownership, nor the effective control over the goods.

Sale of goods - retail
Revenue is recognised when the product is sold to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction.

Royalty income
Royalty income is recognised on an accruals basis in accordance with the substance of the relevant royalty agreements.

Sale of gift vouchers
Revenue from the sale of gift vouchers is initially recognised as a liability to the customer. This is released to revenue as the vouchers are redeemed.

Sale of loyalty cards
Loyalty cards entitle the holder to discounted purchases and gifts for a limited amount of time, in exchange for an initial payment fee. Revenues are deferred and amortised over the expected period of usage of the loyalty card, related to the initial fee payment. In addition, when a loyalty card is sold an appropriate accrual is made for the Company's liability to the customer for gifts of product due under the terms of the card.

Operating profit

Operating profit is stated before investment income, finance costs, other gains and movement in fair value of derivatives and forward contracts.

1c Accounting policies (continued)

Goodwill

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the write off of the remaining carrying amount of goodwill relating to the entity sold.

Other intangible assets

Other intangible assets mainly relate to software. They are measured initially at cost and are then amortised on a straight-line basis over their useful economic life of three to five years. The amortisation charges for the year are included within operating expenses in the income statement.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to the amortisation or depreciation are reviewed for impairment whenever assets or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is calculated as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Property, plant and equipment

All property, plant and equipment is shown at cost less depreciation and provisions for impairments, with the exception of freehold land which is shown at cost less any provision for impairment.

Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value, of all tangible fixed assets, except freehold land, over the expected useful lives. Depreciation is calculated using the following rates

- Freehold property - over 50 years,
- Short term leasehold property - over the period of the respective leases,
- Plant and equipment - over 3 to 10 years.

Inventory

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated at purchase price on the basis of weighted average prices, together with any additional costs to bring the inventories to their present location and condition, net of any provision for obsolete and slow moving items.

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1c Accounting policies (continued)

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are measured using the expected future cash flows discounted at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Foreign currency translation

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

Research and development

Expenditure on internally developed products is capitalised if it can be demonstrated that

- it is technically feasible to develop the product for it to be sold,
- adequate resources are available to complete the development,
- there is an intention to complete and sell the product,
- the Company is able to sell the product,
- sale of the product will generate future economic benefits; and
- expenditure on the product can be measured reliably.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects is recognised in the income statement as incurred.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from the carrying amount of assets and liabilities in the financial statements compared to the corresponding tax basis used in the computation of taxable profit.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1c Accounting policies (continued)

Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases.

Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding leasing commitments, net of finance charges, are included in liabilities. Depreciation on assets held under finance leases is charged to the income statement on a straight line basis.

Leasing payments are analysed between capital and interest components so that the interest element is charged to the income statement over the period of the lease at a constant periodic rate of interest on the remaining balance of the liability outstanding.

All other leases are treated as operating leases with annual rentals charged to the income statement on a straight-line basis over the term of the lease.

Pension costs

Contributions to the Company's defined contribution scheme are charged to the income statement in the year in which they become payable.

Share based payments

Upon the acquisition of the Company by L'Oréal SA in 2006, the Company delisted from the London Stock Exchange. As a result all share awards and options granted under the Company lapsed as at 25 July 2006.

Pursuant to the share option scheme of L'Oréal SA (the "Scheme") the board of directors of L'Oréal SA may, at its discretion, grant options to eligible participants, including directors of The Body Shop International PLC and its subsidiary companies. Details of options granted under that scheme and of the related costs incurred by the Company can be found in notes 6 and 32.

The Company has applied the requirement of IFRS 2, Share-based Payments, to all grants of share options or share awards in L'Oréal SA.

Full details of the share options scheme of L'Oréal SA can be found in their financial statements.

Financial assets

The Company classifies it financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost, which changes through the income statement.

Financial liabilities

The Company classifies its financial liabilities into trade payables and other monetary liabilities, which are recognised at amortised cost.

1c Accounting policies (continued)

Derivative financial instruments

The Company uses derivatives (such as forward foreign currency contracts) and non-derivative financial instruments (such as foreign currency loans) to provide commercial hedges of its net investments in foreign subsidiaries and against forecast cash flows designated in currencies other than the Company's functional currency.

Derivative financial instruments are initially accounted for at cost and subsequently re-measured to fair value at each reporting date. The gains or losses on re-measurement are taken to the income statement, except where the derivative is designated as a cash flow hedge and the hedge is effective in which case the gains or losses are taken to equity until such time that the hedged transactions are recognised in the income statement, at which time the accumulated gains and losses recognised in equity will also be recognised in the income statement.

For financial instruments that do not qualify for hedge accounting, any gains or losses arising from the changes in fair value are taken directly to the income statement.

Hedging

In accordance with IAS 39, the Company designates certain risks being hedged into a cash flow hedge.

The gains or losses arising from hedges of the exposure to variability in future cash flows relating to firm commitments or highly probable forecasted transactions are deferred in equity. Deferred gains or losses are released when the forecasted transactions occur.

Any ineffective portion of the hedge is always recognised immediately in the income statement.

2. Revenue

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Sale of goods	277.5	316.8
Royalties	11.3	12.4
Freight income	1.3	0.3
	290.1	329.5

3. Operating expenses

Operating profit for the period has been arrived at after charging:

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Operating costs relating to Company-owned shops, The Body Shop At Home™ and the internet	69.9	66.0
Selling and distribution costs	15.2	14.4
Administrative expenses	85.5	77.7
	170.6	158.1

4. Operating profit for the period

Profit for the period has been arrived at after (crediting)/charging:

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Net foreign exchange gains	(1.4)	(1.8)
Research and development	2.1	2.1
Depreciation of property, plant and equipment	10.2	12.3
Impairment of property, plant and equipment	(0.1)	0.3
Amortisation of intangible assets	2.1	2.0
Loss on disposal of property, plant and equipment	0.4	0.4
Stock written off	4.9	3.1
Bad debts written off	0.4	0.3
Operating lease rentals - Land and buildings	28.0	28.9
- Other	0.8	0.4
Auditors remuneration		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.3	0.2
	0.3	0.2

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

5. Staff costs and numbers

Costs during the period, including directors' emoluments which are disclosed in note 6, were as follows.

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Wages	59.3	59.8
Social security and other taxes	5.4	5.0
Pension	3.5	3.4
Share based payments	0.6	0.4
	68.8	68.6

The average number of employees during the period was as follows:

	52 weeks to 27 Dec 2008	52 weeks to 29 Dec 2007
Administration	736	734
Distribution / manufacturing	125	138
Shops	2,201	2,045
	3,062	2,917

6. Directors' remuneration

The total amounts for directors' remuneration was as follows:

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Emoluments	1.3	1.7
	1.3	1.7

There were no directors in the Company defined contribution pension scheme in either period.

No director was issued share options during the period (2007: 1 director).

No directors exercised any share options during the period.

During the year there was 1 Director in respect of whose qualifying services, shares were received or receivable under long term incentive schemes (2007: 1 director).

The emoluments of the highest paid director were £1.0m (2007: £1.4m).

The Board consider the Directors to constitute key management personnel.

7. Investment revenues

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Dividends received	6.9	17.2
Interest revenue:		
Loans and receivables (including cash and bank balances)	0.8	0.3
	7.7	17.5

8. Finance costs

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Interest on overdrafts and loans	2.6	2.3
Interest on obligations under finance leases	1.5	1.6
	4.1	3.9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

9. Tax

Analysis of charge in period

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Current tax		
Current period charge	9.2	10.1
Prior period (credit)	2.2	(2.7)
	11.4	7.4
Deferred tax		
Current period (credit)/charge	0.7	(0.7)
Total tax charge	12.1	6.7

Tax on items charged to equity

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Deferred tax on share based payments	-	-
Deferred tax on cash flow hedges	(1.2)	(0.8)
	(1.2)	(0.8)

The charge for the period can be reconciled to the profit per the income statement as follows:

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Profit on ordinary activities before tax	25.5	43.4
Profit on ordinary activities multiplied by the rate of UK corporation tax of 28% (2007: 30%)	7.1	13.0
Effects of:		
Expenses not deductible for tax purposes	3.3	0.8
Non taxable dividends	(2.0)	(5.1)
Overseas tax suffered	0.5	0.7
Additional deferred tax arising following the abolition of IBA's	1.0	-
Prior period adjustment	2.2	(2.7)
Total taxation	12.1	6.7

10. Dividends

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the period ended 29 December 2007 of 4.4p per share declared and paid in 2008	10.0	-
Interim dividend for the period ended 30 December 2006 of 6.2p per share declared and paid in 2007	-	14.0
	10.0	14.0
Proposed final dividend for the period ended 27 December 2008 of 5.1p per share	11.6	-
Proposed final dividend for the period ended 29 December 2007 of 4.4p per share		10.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability within these financial statements.

11. Goodwill

	£m
Cost	
At 30 December 2006	2.7
Additions	0.4
At 29 December 2007	3.1
Additions	-
Transfers from investments (note 15)*	3.7
At 27 December 2008	6.8
Accumulated impairment losses	
At 26 February 2006, 30 December 2006 and 29 December 2007	-
Carrying amount	
At 27 December 2008	6.8
At 29 December 2007	3.1

* The transfer during the period consisted of acquired goodwill transferred from a number of UK subsidiaries that ceased to trade on 1 November 2008. The transfer was at net book value.

11. Goodwill (continued)

Impairment tests for cash-generating units containing goodwill

Goodwill with an indefinite useful life is allocated to the Company's cash generating units.

The recoverable amounts of the Company's cash generating units are determined based on value-in-use calculations. These calculations use cash flow projections based on actual operating results and on budgets approved by management. Cash flows beyond the initial budgeted period are extrapolated using a growth rate of 5% (2007: 2%). The growth rate does not exceed the long-term average growth rate for the cosmetics and beauty products retail business in which the cash generating unit operates. A pre-tax discount rate of 9.4% (2007: 9.4%) has been used in discounting the projected cashflows. This pre-tax discount rate is determined by L'Oréal SA and is the weighted average cost of capital (WACC), adjusted by applying a country risk premium if necessary. Due to the lack of similar recent transactions available, the use of discounted cash flows is preferred in order to determine recoverable value.

12. Acquisitions

During the period the following businesses were acquired by the Company:

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Franchisee businesses	-	0.8

The fair value of net assets acquired were as follows:

	2008 £m	2007 £m
Non-current assets	-	
Property plant and equipment		0.1
Current assets		
Inventories	-	0.3
	-	0.4
Goodwill acquired	-	0.4
	-	0.8
Post acquisition results		
Turnover	-	2.3
Profit before tax	-	0.7

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

13. Other intangible assets

	Software £m
Cost	
At 31 December 2006	10.0
Additions	1.1
Disposals	(0.2)
Asset reclassification (note 14)	0.2
At 29 December 2007	11.1
Additions	1.3
Disposals	(0.4)
At 27 December 2008	12.0
Amortisation	
At 31 December 2006	4.4
Charge for the period	2.0
Disposals	(0.2)
At 29 December 2007	6.2
Charge for the period	2.1
Disposals	(0.3)
At 27 December 2008	8.0
Carrying amount	
At 27 December 2008	4.0
At 29 December 2007	4.9

14. Property, plant and equipment

	Freehold properties £m	Short term leasehold property £m	Plant and equipment £m	Total £m
Cost or valuation				
At 31 December 2006	0.3	67.3	61.3	128.9
Additions	0.1	1.7	12.0	13.8
Disposals	-	-	(3.6)	(3.6)
Asset reclassification (note 13)	-	-	(0.2)	(0.2)
At 29 December 2007	0.4	69.0	69.5	138.9
Additions	-	0.7	12.2	12.9
Disposals	-	(0.1)	(4.0)	(4.1)
At 27 December 2008	0.4	69.6	77.7	147.7
Accumulated depreciation				
At 31 December 2006	-	40.8	28.0	68.8
Charge for the period	-	3.3	9.0	12.3
Impairment loss	-	0.3	-	0.3
Disposals	-	-	(3.2)	(3.2)
At 29 December 2007	-	44.4	33.8	78.2
Charge for the period	-	0.6	9.6	10.2
Impairment reversal	-	(0.1)	-	(0.1)
Disposals	-	(0.1)	(3.6)	(3.7)
At 27 December 2008	-	44.8	39.8	84.6
Carrying amount				
At 27 December 2008	0.4	24.8	37.9	63.1
At 29 December 2007	0.4	24.6	35.7	60.7

Impairment loss

The impairment loss on short term leasehold property is as a result of a sub-tenant vacated property, which currently remains unoccupied. The impairment loss is recognised within operating expenses in the income statement.

No assets have been pledged to secure the borrowings of the Company (see note 19).

The Company's obligations under finance leases (see note 22) are secured by the lessors' title to the short term leasehold property, which have a carrying amount of £14.4m (2007: £20.8m).

At 27 December 2008, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £2.5m (2007: £2.2m).

15. Subsidiaries

	As at 27 December 2008 £m	As at 29 December 2007 £m
Cost of investments in subsidiaries (less provisions)		
Bought forward	166.0	162.0
Increase in provisions against subsidiary undertakings during period	(10.7)	(7.6)
Provisions against subsidiary undertakings written back during period	8.6	0.4
Additions	10.3	11.2
Disposals	(9.1)	-
Transfer of Goodwill (note 11)	(3.7)	-
Carried forward	161.4	166.0

The additions to investments consist of:

	As at 27 December 2008 £m	As at 29 December 2007 £m
Acquisition of Cosmenatura SA on 31 January 2008	6.5	-
Acquisition of The Body Shop Svenska AB on 30 April 2007	-	7.8
Acquisition of DIBEL – Sociedade Importadora de Produtos de Beleza SA and DIBEL 3 – Sociedade Importadora de Produtos de Beleza SA on 30 October 2007	0.1	3.4
Small subsidiaries	3.7	-
	10.3	11.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

15. Subsidiaries (continued)

The Company's principal subsidiaries at 27 December 2008 were:

	% Holding of ordinary shares	Country of incorporation and operation	Aggregate amount of share capital and reserves as at 27 Dec 2008 £m	Retained profit or (loss) for the period ended 27 Dec 2008 £m
Soapworks Limited	100	Great Britain	3.7	0.9
The Body Shop Canada Limited	100	Canada	8.2	(3.3)
Skin & Hair Care Preparations Inc.	100	USA	95.7	-
Buth-Na-Bodhaige Inc.	*100	USA	4.1	(13.5)
The Body Shop (Singapore) Pte Ltd	100	Singapore	10.7	3.9
The Body Shop International (Asia Pacific) Pte Ltd	100	Singapore	4.8	0.7
The Body Shop Hong Kong Limited	100	Hong Kong	20.7	0.2
Mighty Ocean Company Limited	**100	Hong Kong	11.8	6.2
The Body Shop (France) SARL	100	France	6.5	(0.2)
The Body Shop Beteiligungs GmbH	100	Germany	3.7	1.5
The Body Shop Benelux BV	100	Netherlands	1.3	0.2
The Body Shop Netherlands BV	100	Netherlands	(0.5)	(0.1)
The Body Shop GmbH	100	Austria	0.4	0.2
B S Denmark A/S	100	Denmark	12.1	(2.1)
The Body Shop Svenska AB	100	Sweden	4.9	2.0
Cosmenatura SA	100	Spain	1.8	(0.4)

* Denotes that Buth-Na-Bodhaige Inc is indirectly owned by The Body Shop International Plc, direct ownership is held by Skin & Hair Care Preparations Inc.

** Denotes that Mighty Ocean is indirectly owned by The Body Shop International Plc, direct ownership is held by The Body Shop Hong Kong Limited.

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

15. Subsidiaries (continued)

	Principal activity
Soapworks Limited	This company manufactures soap, home fragrance oils and related products
The Body Shop Canada Limited	This company trades in The Body Shop® products in Canada
Skin & Hair Care Preparations Inc.	This company acts as a holding company in the USA and does not otherwise trade
Buth-Na-Bodhaige Inc.	This company trades in The Body Shop® products in the USA through retail outlets, through a home selling programme and through the internet
The Body Shop (Singapore) Pte Ltd	This company trades in The Body Shop® products in Singapore through retail outlets
The Body Shop International (Asia Pacific) Pte Ltd	This company operates the Asia Pacific region on behalf of The Body Shop International PLC
The Body Shop Hong Kong Limited	This company acts as a holding company in Hong Kong and does not otherwise trade
Mighty Ocean Company Limited	This company trades in The Body Shop® products in Hong Kong
The Body Shop (France) SARL	This company trades in The Body Shop® products in France
The Body Shop Beteiligungs GmbH	This company trades in The Body Shop® products in Germany through its wholly owned subsidiary The Body Shop Germany gmbH
The Body Shop Benelux BV	This company trades in The Body Shop® products in the Netherlands
The Body Shop Netherlands BV	This company trades in The Body Shop® products in Belgium
The Body Shop GmbH	This company trades in The Body Shop® products in Austria
B S Denmark A/S	This company trades in The Body Shop® products in Denmark
The Body Shop Svenska AB	This company trades in The Body Shop® products in Sweden
Cosmenatura SA	This company trades in The Body Shop® products in Spain

16. Inventories

	As at 27 December 2008 £m	**As at 29 December 2007 £m**
Finished goods	67.4	43.3

17. Trade and other receivables

	As at 27 December 2008 £m	As at 29 December 2007 £m
Current assets		
Trade receivables	28.6	25.3
Less provisions for impairment of receivables	(1.3)	(3.0)
Trade receivables - net	27.3	22.3
Amounts owed by subsidiary undertakings	19.4	7.9
Prepayments	10.9	8.9
Other receivables	4.2	6.4
	61.8	45.5

Trade receivables

The standard credit period provided on sales is 30 days. Trade receivables at the balance sheet date that have exceeded that period are aged below. Standard Company policy is to provide fully for all receivables that are past due beyond 120 days and trade receivables between 30 days and 120 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience or local knowledge. Interest is not charged on overdue receivables. Receivables in respect of franchisees are provided for where there is an identified loss event, such as administration, receivership or liquidation, which is evidence of a reduction in the recoverability of the cash flows.

The Company policies with regard to credit risk, and details of the management of such risk, is discussed in note 34.

Ageing of past due receivables

	As at 27 December 2008 £m	As at 29 December 2007 £m
30-60 days	2.8	2.4
60-90 days	0.5	0.6
90-120 days	0.1	-
120+ days	0.6	2.3
Total	4.0	5.3

17. Trade and other receivables (continued)

Movement in the provision for impairment of receivables

	As at 27 December 2008 £m	As at 29 December 2007 £m
Balance at the beginning of the period	3.0	0.6
Impairment losses recognised	0.6	2.5
Amounts written off as uncollectable	-	(0.1)
Impairment losses realised	(2.3)	-
Balance at the end of the period	1.3	3.0

The increase in the impairment losses recognised in 2007 can be attributed to the restructuring of a significant supplier.

18. Cash and cash equivalents

	As at 27 December 2008 £m	As at 29 December 2007 £m
Cash and cash equivalents	9.5	7.8

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. In the opinion of the Directors, the carrying amount of these assets approximates to their fair value.

19. Borrowings

	As at 27 December 2008 £m	As at 29 December 2007 £m
Unsecured borrowing		
Loans from related parties	41.8	1.4
Amount due for settlement within 12 months	41.8	1.4

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

19. Borrowings (continued)

	Sterling £m	Euros £m	Total £m
Analysis of borrowings by currency:			
29 December 2007			
Loans from related parties	-	1.4	1.4
27 December 2008			
Loans from related parties	39.0	2.8	41.8

Amounts repayable to related parties of the Company carry interest of 2.4% - 4.09% (2007: 4.65%) per annum charged on the outstanding loan balances.

The Body Shop International Plc is financed entirely through FINVAL, which is the financing arm of the L'Oréal SA in-house bank, via L'Oréal Group Central Treasury. The Company has no external borrowing facilities. Interest is charged on loans by FINVAL at arms-length rate, that being 50 basis points above LIBOR or EURIBOR. The Company is therefore subject to interest rate variations, and does not hedge it's interest rate risk exposures.

Interest due to FINVAL on loans is payable at the end of each monthly accounting period. Interest amounts outstanding at 27 December 2008 are included in accruals. The average effective interest rates for 2008 were 5.1% and 4.3% for loans denominated in Sterling and Euros respectively.

The Company increased its borrowing significantly during 2008 to fund additional stock purchases following transition to new suppliers during the year. The UK entity purchases directly the stock for all Body Shop™ company-owned markets, hence the increase in loan value from £1.4m to £39.8m is consistent with the total increases of stock reported across 2008.

20. Derivative financial instruments

	As at 27 December 2008 £m	As at 29 December 2007 £m
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts held as assets	7.1	1.1
Forward foreign currency contracts held as liabilities	(17.9)	(3.6)
Net position at the Balance Sheet date	(10.8)	(2.5)

Use of Derivative Financial Instruments

To manage its exposure to currency risks arising in the course of its normal operations, the Company uses derivatives arranged on its behalf by L'Oréal Group Central Treasury. The L'Oréal Group negotiates currency contracts only with organisations with the highest credit ratings. In accordance with L'Oréal Group rules, currency derivatives are set up exclusively for the purposes of hedging thus ensuring no speculative positions are taken.

The Company is exposed to currency risk from transactions recorded on the balance sheet and from future transactions considered to be highly probable. The L'Oréal Group's approach to currency risk from its future commercial transactions is to hedge at the end of the year a very significant part of the currency risk for the following year using derivative contracts on the basis of operating budgets established in each subsidiary.

As part of this process the Company analyses all future foreign currency flows in detailed forecasts for the coming budgetary year. The resulting risks identified are hedged to a level between 80% to 100% using mostly forward contracts, and to a lesser extent options, to reduce as far as possible its exposure to currency risks. No other financial instruments are used.

For the Body Shop International Plc, highly probable transactions for foreign exchange risk fall into two principle categories, these being sales to subsidiaries and the purchase of stock. Exchange risk from sales to subsidiaries arises primarily from the USD, EUR and CAD which together account for almost 80% of the total exposures at the end of 2008. On the purchases side, USD, EUR and SGD payments accounted for 90% of the currency portfolio. It is specifically the volatility of GBP against EUR and USD from the time of hedge contract purchase to the closing booking which has generated the significant fair value revaluations reported above at 27 December 2008. A complete analysis of the portfolio held at the balance sheet date 2008 and 2007 is provided.

Only operating flows and payments for capital investments are hedged by the Company. It is not practice to hedge either loans, investments or dividends

Summary of Derivative Financial Instruments

The following table provides a summary of the nominal value of hedging instruments (forward contracts) held at 27 December 2008 and 29 December 2007 along with their market value. This supports the balance sheet positions reported above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

20. Derivative financial instruments (continued)

Maturity analysis of borrowings and derivative financial instruments

	Nominal		Market Value	
	2008 £m	2007 £m	2008 £m	2007 £m
Purchases				
GBP/AUD	(0.23)	(0.4)	0.0	0.0
GBP/CAD	(1.29)	(0.88)	0.1	0.0
GBP/DKK	(0.49)	(0.08)	0.1	0.0
GBP/EUR	(14.58)	(11.79)	2.6	0.6
GBP/JPY	(1.18)	(0.51)	0.4	(0.1)
GBP/SGD	(8.22)	(11.02)	1.3	0.4
GBP/THB	(1.72)	0.0	0.1	0.0
GBP/USD	(30.49)	(8.48)	2.5	0.2
	(58.20)	(33.16)	7.1	1.1
Sales				
GBP/CAD	14.29	11.66	(0.7)	(0.5)
GBP/DKK	2.36	1.98	(0.4)	(0.1)
GBP/EUR	36.78	44.19	(7.4)	(2.3)
GBP/HKD	10.07	8:82·	(1.8)	(0.02)
GBP/MXN	2.15	2.04	0.1	(0.02)
GBP/SEK	6.38	4.13	(0.4)	(0.06)
GBP/SGD	6.44	4.25	(0.8)	(0.1)
GBP/USD	45.71	28.85	(6.5)	(0.5)
	124.18	105.92	(17.9)	(3.6)
Net Sales/Purchases			**(10.8)**	**(2.5)**

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

20. Derivative financial instruments (continued)

Maturity analysis of borrowings and derivative financial instruments

	Within 1 year £m	2-5 years £m	5+ years £m	Total £m
2008				
Borrowings	41.8			41.8
Derivative liabilities	17.9			17.9
Trade and other payables	61.2	8.3	26.1	95.6
	120.9	8.3	26.1	155.3
2007				
Borrowings	1.4	-	-	1.4
Derivative liabilities	3.6	-	-	3.6
Trade and other payables	68.1	8.3	28.2	104.6
	73.1	8.3	28.2	109.6

21. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £m	Share based payments £m	Other temporary differences £m	Total £m
At 30 December 2006	(2.1)	-	0.5	(1.6)
Charge to income	0.4	-	0.1	0.5
Charge to equity	-	-	0.8	0.8
As 29 December 2007	(1.7)	-	1.4	(0.3)
Charge to income	(1.4)	-	0.7	(0.7)
Charge to equity	-		1.2	1.2
As 27 December 2008	(3.1)	-	3.3	0.2

21. Deferred tax (continued)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 27 December 2008 £m	As at 29 December 2007 £m
Deferred tax liabilities	(3.1)	(1.7)
Deferred tax assets	3.3	1.4
	0.2	(0.3)

Deferred tax assets are recognised in respect of temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Under current tax legislation, deductible temporary differences may be carried forward for relief against future tax liabilities.

22. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	As at 27 December 2008 £m	As at 29 December 2007 £m	As at 27 December 2008 £m	As at 29 December 2007 £m
Amounts payable under finance leases:				
Within one year	2.1	2.1	2.1	2.1
In the second to fifth years inclusive	8.3	8.3	5.8	5.9
After five years	26.1	28.2	5.9	5.9
	36.5	38.6	13.8	13.9
Less: future finance charges	(22.7)	(24.7)	N/a	n/a
Present value of lease obligations	13.8	13.9	13.8	13.9
Less: Amount due for settlement within 12 months (shown under current liabilities)			(2.1)	(2.1)
Amount due for settlement after 12 months			11.7	11.8

It is the Company's policy to lease certain properties under finance leases. The average lease term is 37.1 years. For the period ended 27 December 2008, the average effective borrowing rate was 16.4% (2007: 15%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

22. Obligations under finance leases (continued)

The fair value of the Company's lease obligations approximates to their carrying amount.

The Company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 14.

23. Trade and other payables

	As at 27 December 2008 £m	As at 29 December 2007 £m
Trade payables	16.8	15.4
Social security and other taxes	1.9	4.1
Other payables	4.5	2.5
Accrued expenses	19.8	16.8
Deferred income	2.8	1.7
Amounts due to subsidiary undertakings	16.6	25.7
	62.4	66.2

Trade creditors and accruals principally comprise of amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 25 days (2007: 26 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

24. Provisions

	Onerous contracts £m
At 29 December 2007	5.0
Provision utilised/released in the period	(1.3)
At 27 December 2008	3.7

All amounts are included within current liabilities.

The onerous contracts relate to buildings, which the Company no longer occupy. The affected lease agreements expire within 2 to 25 years. Where possible the Company sublets the properties. The amounts due net of rents receivable under sub-leases are discounted at the effective rate of interest of 9.4%, being the weighted average cost of capital (WACC) determined by L'Oréal SA and as detailed further in note 11.

25. Share capital

	As at 27 December 2008 £m	As at 29 December 2007 £m
Authorised:		
300,000,000 ordinary shares of £0.05 each	15.0	15.0
Issued and fully paid:		
226,710,000 ordinary shares of £0.05 each	11.3	11.3

The Company has one class of ordinary shares which carry no right to fixed income.

26. Share premium account

	Share premium £m
Balance at 27 December 2008 and 29 December 2007	74.7

The share premium account consists of amounts subscribed for share capital in excess of their nominal value.

27. Other reserves

	Hedging reserve £m	Share based payments £m	Total £m
Balance at 29 December 2007	(2.1)	0.4	(1.7)
Share option expenses	-	0.6	0.6
Loss recognised on cash flow hedges:			
Foreign currency forward contracts	(3.1)	-	(3.1)
Balance at 27 December 2008	(5.2)	1.0	(4.2)

28. Retained earnings

	£m
Balance at 30 December 2006	121.0
Dividends paid	(14.0)
Transfer from share based payments reserve	9.3
Net profit for the period	36.7
Balance at 29 December 2007	153.0
Dividends paid	(10.0)
Transfer from share based payments reserve	-
Net profit for the period	13.4
Balance at 27 December 2008	156.4

29. Post balance sheet events

Post year end the business took the decision to implement a restructuring programme. The potential financial impact of this restructuring programme is estimated to be £11m. No accrual for this contingency has been made in the financial statements. There were no material contingent liabilities at 29 December 2007.

30. Contingent liabilities and guarantees

The Body Shop International PLC, acting in its capacity as holder of all issued shares of The Body Shop Benelux B.V. has a guarantee in place to accept, jointly and separately, liability for debts resulting from the legal acts of The Body Shop Benelux B.V.

31. Operating lease arrangements

The Company as lessee

	As at 27 December 2008 £m	As at 29 December 2007 £m
Minimum lease payments under operating leases recognised as an expense in the period	28.8	29.2

At the Balance Sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 27 December 2008 £m	As at 29 December 2007 £m
Within one year	25.8	24.7
In the second to fifth years inclusive	83.2	81.9
After five years	62.1	61.6
	171.1	168.2

Operating lease payments represent rentals payable by the Company for certain of its various outlets, warehouses and offices under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The Company also leases items of plant and equipment on short and medium terms leases. The majority of leases are subject to rent reviews.

Included in the above operating lease commitments, are leases whereby the Company has subsequently granted sub-leases to franchisees and to other third parties. Due to the varying nature of both sub-lease durations and sub-lease incomes, it is not possible to provide accurate information as to the split of expected incomes from sublet properties over future periods.

Income from sublet properties recognised in the income statement in the current and prior periods are as follows:

	52 weeks to 27 Dec 2008 £m	52 weeks to 29 Dec 2007 £m
Income from sub-leases recognised in the period	1.2	1.4

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

32. Share based payments

Pursuant to the share option scheme of L'Oréal SA the Board of Directors of L'Oréal SA may, at its discretion, grant options to acquire shares in L'Oréal SA to eligible participants, including Directors of The Body Shop International PLC and its subsidiary companies.

The details of the arrangements of L'Oréal SA were as follows:

Stock option scheme

In accordance with IFRS 2 "Share-based payment", the value of the options granted is calculated at the grant date and charged to the income statement over the vesting period, which is generally 5 years. Only options issued after 7 November 2002 and not fully vested at 1 January 2005 are accounted for in accordance with standard IFRS 2.

The impact on the result of the period of application of standard IFRS 2 is booked on the Operating expenses line of the Income Statement. The Group recognised total expenses in the year of £0.6m (2007: £0.4m) related to equity settled share based payments transactions.

The fair value of the stock options is determined using the Black & Scholes model. This model allows for the characteristics of the plan such as exercise price and exercise period, market data at the acquisition date such as the risk-free rate, share price, volatility, expected dividends and behavioural factors of beneficiaries.

The model is based on the following hypotheses:

	As at 27 December 2008	**As at 29 December 2007**
Risk-free rate of return	4.01%	4.01%
Expected life span	7 years	7 years
Expected volatility	23%	23%
Expected dividends	1.24%	1.24%
Share price	94.93	94.93
Exercise price	91.66	91.66
Fair value	25.88	25.88

Expected volatility is equal to the implicit volatility of the options listed on the Monep at the grant dates. As from 2007, in order to mitigate the effects of the atypical phenomena, the retained volatility corresponds to the average between the implied volatility at the grant date and the historic volatility over the expected life span of the option. The expected life span has been adjusted in order to match as closely as possible the behavioural hypotheses of the beneficiaries.

32. Share based payments (continued)

The stock options granted to eligible participants of The Body Shop International PLC have no performance conditions attached. They have an exercise period of 5 years. Details of the options granted are as follows:

	As at 27 December 2008		As at 29 December 2007	
	Number of share options (millions)	Weighted average exercise price (in €)	Number of share options (millions)	Weighted average exercise price (in €)
Stock option schemes				
Outstanding at beginning of period	0.2	91.66	0.1	74.37
Granted during the period	-	-	0.1	91.66
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	0.2		0.2	
Exercisable at the end of the period	-		-	

33. Retirement benefit schemes

Defined contribution schemes

The Company operates a number of defined contribution pension schemes for its employees, the assets of which are held in independently administered funds. The pension charge represents contributions payable to the funds and amounted to £3.5m (2007: £3.4m). Other creditors include an accrual of £0.3m (2007: £0.4m) in respect of accrued pension contributions.

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

34. Categories of financial assets & liabilities

	As at 27 December 2008 £m	As at 29 December 2007 £m
Financial assets:		
Derivative instruments in designated hedge accounting relationships	7.1	1.1
Loans & receivables:		
Trade receivables	27.3	22.3
Amounts owed by subsidiary undertakings	19.4	7.9
Cash and cash equivalents	9.5	7.8
Loans & receivables	56.2	38.0
	63.3	39.1
Financial liabilities:		
Derivative instruments in designated hedge accounting relationships	17.9	3.6
Amortised cost:		
Trade & other payables	54.9	48.6
Amounts due to subsidiary undertakings	16.6	25.7
Borrowings	41.8	1.4
Amortised cost	113.3	75.7
	131.2	79.3

Financial risk management objectives

The Company actively manages the risks arising from its operations, as well as the financial instruments put in place to mitigate those risks. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, and specifically for ensuring that the Company has adequate polices, procedures and internal controls in place to successfully manage and to mitigate the key risks to which the company is exposed. As a wholly-owned subsidiary of L'Oréal SA, The Body Shop International Plc is compliant with the Group's policies in all aspects of financial management.

The principle financial risk groups for Company can be categorised as: foreign exchange risk, interest rate risk, liquidity risk and credit risk.

34. Categories of financial assets & liabilities (continued)

Foreign exchange risk

This refers to the currency risks resulting from the cross-border transactions. In accordance with L'Oréal Group norms, all highly probable future transactions in foreign currency are hedged fully and systematically. This is explained in further detail in Note 20: Derivative Financial Instruments

Foreign exchange sensitivity analysis

From 2007 onwards we follow the L'Oreal Group policy of hedging up to 100%, and no less than 80%, of our foreign cash flow exposures. This means that regardless of the prevailing market conditions and the subsequent variation in spot rates during the period, any impact on the Income Statement will be marginal. This is because the end cost to the Income Statement is known in advance as the rate of the contract purchased to cover the particular risk.

A foreign exchange sensitivity analysis has been undertaken for 2008 following the same methodology as for 2007, and this is summarised in the table below. The table identifies the impact to the Income Statement of an 8% appreciation in sterling against the main foreign currencies traded versus the actual average rate booked for the period. Equity movements represent the impact of a similar 8% appreciation versus the closing rate on the market-to-market value of the foreign exchange portfolio as at 27 December 2008. This relates to contracts purchased to cover forecast receivables and payables for 2009.

	2008	2007
Income statement	0.6	0.5
Equity	1.5	0.2
TOTAL	2.1	0.7

Sensitivity by currency	Income statement	Equity
CAD	0.1	1.0
EUR	0.4	(2.2)
HKD	0.2	0.8
SEK	0.1	0.5
USD	(0.2)	1.4
TOTAL	0.6	1.5

It is to be noted that whilst Income Statement sensitivity is relatively stable, there is a significant increase in the Equity figure. This relates to large receivables contracts to cover sales from subsidiary markets. These contracts were purchased during the second half of 2008 during a period of sustained market volatility. For this reason the closing entries in assets and liabilities for derivatives were very material in value this year, and consequently an 8% GBP appreciation will give rise to further significant variances as above.

Interest rate risk management

This relates to the interest incurred on loans taken out with the L'Oréal in-house bank FINVAL and is explained in further detail in Note 19: Borrowings

34. Categories of financial assets & liabilities (continued)

Liquidity Risk

The Company is exposed to liquidity risk as part of its normal activities, which is exacerbated by the seasonal nature of the retail business. Borrowings traditionally peak during the third quarter as a result of inventory increases in preparation for Christmas trading, whilst the benefits from the corresponding cash in-flows from sales receipts come in at the end of the year.

The liquidity risk policy ensures that the Company has sufficient funds to meet its obligations as and when they fall due and to maintain sufficient flexibility to fund investment. Liquidity requirements are assessed and reviewed regularly through the forecasting process. In any case, all the Company's liquidity needs are met completely and exclusively by L'Oréal SA, and as such the liquidity risk is minimal.

Credit risk management

The Company sells to subsidiaries, wholesale franchisees and to the general public via its retail outlets. The Company has policies and processes in place to ensure that wholesale sales are made to customers with an appropriate credit history and adherence to the credit terms is closely monitored. Sales to retail customers are transacted in cash or major credit cards.

Derivative counterparties and cash transactions dealt on our behalf through the L'Oréal Group are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution and does not have any significant exposure to any single counterparty or any group of companies with similar characteristics.

The carrying amount of financial assets recorded in the financial statements is net of impairment losses and represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

35. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, are disclosed below.

Trading transactions

During the period, the Company entered into the following transactions with its subsidiaries:

	Sale of goods Including services		Purchase of goods Including services		Amounts owed by related parties net of impairment		Amounts owed to related parties net of impairment	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
TBS (France) SARL	4.5	2.2	-	-	0.7	0.9	-	-
BS Denmark A/S	2.2	1.1	-	-	0.4	-	-	0.2
TBS Germany GmbH	7.1	4.4	-	-	1.4	-	-	3.5
TBS (Singapore) Pte	6.5	5.0	-	-	1.1	-	10.2	1.0
TBS Int'l (Asia Pacific) Pte	-	-	8.6	6.5	-	-	-	5.5
TBS Hong Kong Ltd	-	-	-	-	-	-	-	-
Mighty Ocean Company Ltd	10.6	8.4	-	-	2.5	1.8	-	-
TBS Canada Ltd	18.7	13.3	-	-	3.2	1.6	-	-
TBS GmbH (Austria)	2.1	1.2	-	-	0.8	-	-	0.6
TBS Benelux BV	2.1	0.6	-	-	0.7	-	-	0.4
The Body Shop Netherlands BV	2.8	1.3	-	-	-	-	0.1	-
Dibel 1 & 2	1.4	0.2	-	-	0.3	0.2	-	-
TBS Svenska	3.7	1.2	-	-	1.1	0.6	-	-
Cosmenatura SA	4.7	-	-	-	0.6	-	-	-
BSI USA Inc	31.3	31.8	5.5	15.5	4.2	-	-	0.3
Soapworks Ltd	-	-	11.3	8.0	-	-	1.2	1.3
TBS Worldwide Ltd	-	-	-	-	2.1	0.6	-	-
Cimmarones SA de CV	1.6	0.5	-	-	0.2	-	-	-
Small subsidiaries	16.5	18.5	0.2	-	0.2	2.1	4.7	12.6
Moyens Communs G.G. Clichy	-	0.1	2.5	0.4	-	0.1	0.4	0.2
L'Oréal Brasil Comercial LTDA	-	-	-	0.1	-	-	-	0.1
L'Oréal UK Limited	-	-	0.6	0.3	-	-	-	-
Beaute Createurs France	0.6	-	-	-	-	-	-	-

All transactions with related parties are on the Company's standard payment terms of 30 days from the date of the invoice.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Provisions have been made for doubtful debts in respect of the amounts owed by related parties totalling £20.8m (2007: £19.5m)

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 27 December 2008

35. Related party transactions (continued)

Loans from related parties

	As at 27 December 2008 £m	As at 29 December 2007 £m
Loans from Finval	41.8	1.4
	41.8	1.4

Amounts repayable to related parties carry interest of 2.4% - 4.65% (2007: 4.65%) per annum charged on the outstanding loan balances.

36. Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking is L'Oréal SA, a company incorporated in France and listed on the French stock exchange.

L'Oréal SA is the holding company respectively of the smallest and largest group of which the Company is a member and for which group accounts are prepared. Copies of the group accounts may be obtained from its registered office at 14, rue Royale, 75008 Paris - France.