Registered number 01284170

THE BODY SHOP INTERNATIONAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the 52 week period ended 31 December 2011

THE BODY SHOP INTERNATIONAL PLC

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THE BODY SHOP INTERNATIONAL PLC

COMPANY INFORMATION

Directors
Frederic Ennabli (Chief Executive Officer)
Sophie Gasperment (Executive Chairman)
Lady Sylvia Jay
Christian Mulliez
Geoff Skingsley

Secretary
Iain Rubli

Auditor
Deloitte LLP
Chartered Accountants and Registered Auditor
Southampton, United Kingdom

Registered office
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Registered number
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Solicitors
Baker & McKenzie
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London
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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 31 December 2011 (2010 52 week period ended 1 January 2011)

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 and travel retail It also acts as a holding Company

During 2011 the Company proved resilient in a very difficult retail market environment Revenue for the year was £420 5m (2010 £405 1m - restated), and a post tax profit of £40 0m (2010 £36 1m) There were 315 (2010 311) stores in the UK at 31 December 2011 of which 304 (2010 297) were owned

There was solid growth across Asia and the Middle East However the economic climate continued to hamper footfall in a number of European countries

At the end of 2011, the brand had a total of 2 748 stores in 62 countries (2010 2,605 stores in 63 countries)

Future prospects

The successful reorganisation of The Body Shop in 2009, which fundamentally increased our focus on customers the world over, was an important foundation for the long-term, sustainable growth of our brand Whilst we continue to be confronted by challenges in some markets, as a direct result of the global economic downturn, our brand strategy for 2012 will ensure that our customers remain at the heart of all business decisions

Growth in 2012 will come from the launch of an increasing number of innovative products The Body Shop will continue to seek out natural, effective ingredients from all four corners of the globe as part of its Community Trade programme which improves the living conditions of more than 25,000 people worldwide

In 2012 The Body Shop is making a significant investment in a rebranding exercise 'Beauty with Heart" A new and improved store format is also being launched beginning in 2012 with the intention of driving up customer traffic and improving the customer experience

Through an unwavering and consistent implementation of its strategy, putting a focus on generating more innovative products and trailblazing values activities to appeal to an increasingly demanding ethical customer, The Body Shop is confident in its ability to resist the continued tough economic climate and to open the way to achieving sustainable growth worldwide

Further information on the Company is set out in the Annual Report of L'Oréal SA for 2011 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

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

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

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 its 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 (external) or endogenous (internal) 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'Oreal 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 16, representing 10 0% (2010, 5 3%) of gross accounts receivable The financial and markets risks of the business are discussed further in note 33

Liquidity Risk – All the Company's liquidity needs are met completely and exclusively by L'Oreal 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

The L'Oreal Group is rated by the credit rating agencies which respectively gave it, in June 2011 for Standard & Poor's and in June 2011 for Moody's and Fitch, the following short-term credit ratings A1+, Prime 1 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

Post balance sheet events
There have been no material post balance sheet events that have ocurred to the date of signing

Capital structure
The Body Shop International PLC is a wholly owned subsidiary of L Oreal SA Details of the authorised and issued share capital of the Company are shown in note 24

Results and dividends
As the Company is wholly owned by L Oreal SA, incorporated in France, it is not 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 recommended the payment of a dividend of £46 4m (2010 £35 8m)

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

Directors

The current directors are listed on page 1 of the accounts The Directors who served throughout the period were as follows

Frederic Ennabli (Chief Executive Officer) - appointed 31st March 2012
Sophie Gasperment (Executive Chairman)
Jean-Paul Agon - resigned 18th April 2012
Lady Sylvia Jay
Christian Mulliez
Geoff Skingsley

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 31 December 2011 were equivalent to 22 days (2010 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

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

The 2011 Values Report has been published online in an exciting interactive format To visit the Values Report please go to
http //www thebodyshop com/_en/_ww/values-campaigns/index aspx

Sourcing Responsibly
Community Fair Trade

Community Fair 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

Following a survey in 2011 with our 25 Community Fair Trade suppliers, we are proud to say that our programme positively impacts the lives of over 300 000 people across the 21 countries we trade in Supporting not only the farmers and workers, but their families and communities they live in

In 2011 our total spend on Community Fair Trade Ingredients, Gifts and Accessories was £8 9 million

DIRECTORS' REPORT (CONTINUED)

Ethical Trade

The Body Shop requires its suppliers to sign up to its Ethical Trade programme, based on the principles of engagement of the Ethical Trading Initiative (ETI) 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 with a view to continuous improvement

As a leading member company of the ETI, we continued our programme of moving 'beyond ethical auditing' to a more collaborative approach, throughout 2011 Our capacity building programmes are designed to raise standards in key areas like health and safety, and help the people we buy from find more sustainable ways of running a productive and effective business Over 130 people have been through our Ethical Trade training programmes in the UK, Thailand and China
In 2011 we continued to extend the scope of our Ethical Trade programme to our 'tier two' suppliers in addition to our direct suppliers This covers everything from how we clothe our staff, to how we run print and promotions
In 2011 the Ethical Trade Programme was externally assessed by The Institute for Market Ecology (IMO)

Palm Oil and wood

The Body Shop is a prominent member of the Roundtable on Sustainable Palm Oil (RSPO) and now sources 100% of its palm oil from RSPO certified sustainable sources

The Body Shop is a member of the Worldwide Fund for Nature s (WWF's) Forest and Trade Network All the commercially sourced wood that we use in our accessories comes from sustainable sources as certified by the Forest Stewardship Council (FSC)

Minimising our Impact on the environment

Climate Change – In 2011 we made some significant progress towards achieving our carbon targets We implemented one of the largest, self funded, solar PV installations in the UK on the roof of our main Distribution Centre This installation is now providing almost a quarter of our electricity needs on the site In 2011 we also invested in pilots and trials, to reduce energy consumption in our stores By using Building Management Systems specifically designed for small retail outlets and by making changes to store lighting, we were able to achieve reductions in consumption of over 25% These changes are being rolled out to more stores in 2012

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)

In 2009 we were awarded a Lifetime Achievement Award by the Royal Society for Prevention of Cruelty to Animals (RSPCA) for our contribution to achieving an EU wide ban on animal testing on finished cosmetic products

Our campaigns

In 2011, The Body Shop's Stop Sex Trafficking of Children and Young People campaign became the largest campaign in the Company's history The campaign reached 65 countries and resulted in over 7 million signatures being presented to governments across the world, as well as the United Nations Human Rights Council We believe this to be the largest human rights petitions ever presented to the UN In response to the campaign petitions, 20 countries worldwide committed to protect children from sex trafficking by changing laws or adopting international human rights standards creating change, which will remain in place for decades to come

Charitable and community involvement

The Company donated £1 0m (2010 £1 3m) to charitable organisations in the period, of which £0 7m (2010 £0 7m) was donated to The Body Shop Foundation and the remaining £0 3m (2010 £0 6m) 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 £3 3m (2010 £2 4m)

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Auditor

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 auditor is 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 2006

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

Frederic Ennabli
Director

19/06/12

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BODY SHOP INTERNATIONAL PLC

We have audited the financial statements of The Body Shop International PLC for the 52 week period ended 31 December 2011 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet the Cash Flow Statement and the related notes 1 to 35 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company s members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company s affairs as at 31 December 2011 and of its profit for the 52 week period ended 31 December 2011,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Darren Longley (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom
27 June 2012

THE BODY SHOP INTERNATIONAL PLC

INCOME STATEMENT

For the 52 weeks ending 31 December 2011

	Note	52 weeks to 31 Dec 2011 £m	Restated 52 weeks to 1 Jan 2011 £m
Continuing operations			
Revenue	2	420 5	405 1
Cost of sales		(215 6)	(206 8)
Gross profit		204 9	198 3
Operating expenses	3	(168 6)	(165 1)
Restructuring costs		(0 3)	(0 6)
Operating profit	4	36 0	32 6
Investment revenues	7	15 2	15 1
Finance costs	8	(1 9)	(2 1)
Profit on ordinary activities before taxation		49 3	45 6
Tax	9	(9 3)	(9 5)
Profit for the period from continuing operations	27	40 0	36 1

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STATEMENT OF CHANGES IN EQUITY

At 31 December 2011

	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 2 January 2010	11 3	74 7	1 9	178 2	266 1
Profit for the period	-	-	-	36 1	36 1
Loss recognised on cash flow hedges	-	-	(1 6)	-	(1 6)
Deferred tax on cash flow hedges	-	-	0 5	-	0 5
Total comprehensive income for the period	-	-	(1 1)	36 1	35 0
Dividends	-	-	-	(22 0)	(22 0)
Share option expenses	-	-	0 9	-	0 9
Balance at 1 January 2011	11 3	74 7	1 7	192 3	280 0
Profit for the period	-	-	-	40 0	40 0
Profit recognised on cash flow hedges	-	-	1 0	-	1 0
Deferred tax on cash flow hedges	-	-	(0 3)	-	(0 3)
Total comprehensive income for the period	-	-	0 7	40 0	40 7
Dividends	-	-	-	(35 8)	(35 8)
Share option expenses	-	-	1 3	-	1 3
Balance at 31 December 2011	11 3	74 7	3 7	196 5	286 2

THE BODY SHOP INTERNATIONAL PLC

BALANCE SHEET

At 31 December 2011

	Note	31-Dec 2011 £m	01-Jan 2011 £m
Assets			
Non-current assets			
Goodwill	11	7 8	7 7
Other intangible assets	12	2 8	2 4
Property, plant and equipment	13	47 3	48 0
Investments	14	155 4	155 5
Deferred tax asset	20	0 9	1 1
		214 2	214 7
Current assets			
Inventories	15	85 3	65 9
Trade and other receivables	16	68 2	54 2
Cash and cash equivalents	17	14 5	26 0
Derivative financial instruments	19	2 3	1 3
		170 3	147 4
Total assets		384 5	362 1
Liabilities			
Current liabilities			
Trade and other payables	22	(69 5)	(56 6)
Current tax liabilities		(3 7)	(6 2)
Obligations under finance leases	21	(1 8)	(1 7)
Borrowings	18	(8 0)	(2 0)
Provisions	23	(0 2)	(0 5)
Derivative financial instruments	19	(3 2)	(2 7)
		(86 4)	(69 7)
Net current assets		83 9	77 7
Non-current liabilities			
Deferred tax liability	20	(2 5)	(2 7)
Obligations under finance leases	21	(9 4)	(9 7)
		(11 9)	(12 4)
Total liabilities		(98 3)	(82 1)
Net assets		286 2	280 0

THE BODY SHOP INTERNATIONAL PLC

BALANCE SHEET (CONTINUED)

At 31 December 2011

	Note	31-Dec 2011 £m	01-Jan 2011 £m
Equity			
Share capital	24	11 3	11 3
Share premium account	25	74 7	74 7
Other reserves	26	3 7	1 7
Retained earnings	27	196 5	192 3
Total equity		286 2	280 0

The financial statements were approved by the Board of Directors and authorised for issue on 19 June 2012

The Company's registered number is 01284170

They were signed on its behalf by

Frederic Ennabli
Director

THE BODY SHOP INTERNATIONAL PLC

CASH FLOW STATEMENT

At 31 December 2011

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Cash flows from operating activities		
Operating profit	36 0	32 6
Depreciation	9 8	11 5
Loss on disposal of property, plant and equipment	0 1	2 7
Increase in provision against subsidiaries	0 1	2 3
Amortisation	1 3	1 6
Reversal of Impairment of assets	(0 7)	(2 3)
Share option charge	1 3	0 9
Other gains and losses	-	(1 1)
Exchange movement	0 7	0 3
Changes in working capital		
(Increase) in inventories	(19 4)	(13 7)
(Increase)/decrease in trade and other receivables	(14 8)	2 3
Increase/(decrease) in trade and other payables	13 7	(0 5)
(Decrease) in provisions	(0 3)	(5 7)
Income tax paid	(12 1)	(2 6)
Net cash from operating activities	**15 7**	**28.3**
Investing activities		
Interest received	0 1	0 1
Interest paid	(1 9)	(2 1)
Purchases of property, plant and equipment	(9 3)	(3 6)
Acquisition of intangible assets	(0 9)	(1 2)
Acquisition of goodwill	(0 1)	(0 6)
Dividends received from subsidiaries	15 1	15 0
Net cash from investing activities	**3.0**	**7 6**
Cash flows used in financing activities		
Capital element of finance lease rental payments	(0 4)	(0 4)
Dividends paid to Company's shareholders	(35 8)	(22 0)
Raising of borrowings	6 0	-
Net cash used in financing activities	**(30 2)**	**(22 4)**
Net (decrease)/increase in cash and cash equivalents	(11 5)	13 5
Cash and cash equivalents at beginning of period	26 0	12 5
Cash and cash equivalents at end of period	**14 5**	**26 0**

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ending 31 December 2011

1a Basis of preparation and general information

The Body Shop International PLC is a company incorporated in the United Kingdom under the Companies Act 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'Oreal 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

All references to 2011 in these financial statements relate to the 52 weeks ending 31 December 2011, or balances as at that date Likewise all references to 2010 relate to the 52 weeks ending 1 January 2011, or balances as at that date

1b Adoption of new and revised standards

The following new and revised standards and Interpretation have been adopted in the current year Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements

Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time adopters
IAS 24 (revised) Related party disclosures
Amendment to IAS 32 Classification of Rights Issues
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Annual improvements to IFRSs 2011

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)

Amendments to IFRS 7 Financial instruments disclosures
IFRS 9 Financial instruments - Classification and Measurement
IFRS 10 Consolidated financial statements
IFRS 11 Joint arrangements
IFRS 12 Disclosure of interest in other entities
IFRS 13 Fair value measurement
Amendments to IAS 1 Presentation of items of other comprehensive income
Amendments to IAS 12 Deferred tax – recovery of underlying assets
Amendments to IAS 32 Offestting Financial Assets and Financial Liabilities
IAS 19 (revised) Employee benefits
IAS 27 (revised) Separate financial statements
IAS 28 (revised) Investments in associates and joint ventures
Annual improvements to IFRSs 2011

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 Company except for the measurement and disclosures of Financial Instruments when IFRS 9 comes into effect for periods commencing on or after 1 January 2013

1c Accounting policies

The principal accounting policies 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 2006 applying to companies preparing their accounts under IFRS

Consolidated financial statements have not been prepared as the Company has taken advantage of the exemption granted by section 228 of the Companies Act 2006, 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

1c Accounting policies (continued)

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances Actual results may differ from these estimates The estimates and assumptions which have a risk of causing a material adjustment to the carrying amount of assets and liabilities mainly concern the valuation of goodwill and provisions

Impairment of goodwill

The Company is required to test whether goodwill has suffered any impairment The recoverable amount is determined based on the value-in-use calculations The use of this method requires the estimation of future cash flows and the use of a suitable discount rate in order to calculate the present value of these cash flows Details of the impairment review calculation are set out in note 11

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation Details of provisions are disclosed in note 23

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

Management have historically recorded sale of products to company owned markets on a net basis however, after reconsidering the policy management have concluded that it is more appropriate to record the sales on a gross basis The correction has increased sales by £81m (2010 £73m) and cost of sales by the same amount as the sales are made at nil margin

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

1c Accounting policies (continued)

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 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 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

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)

1c Accounting policies (continued)

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 are 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 differences between the carrying amount of assets and liabilities in the financial statements and 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

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

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 Group Personal Pension Plan 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'Oreal 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'Oreal 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 31

The Company has applied the requirement of IFRS 2, Share-based Payments, to all grants of share options or share awards that were vested as of 29 February 2004 or have been granted since that date

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

1c **Accounting policies (continued)**

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

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 31 Dec 2011 £m	Restated 52 weeks to 1 Jan 2011 £m
Sale of goods	383 4	368 6
Royalties	32 1	34 2
Freight income	5 0	2 3
	420 5	405 1

Management have historically recorded sale of products to company owned markets on a net basis however, after reconsidering the policy management have concluded that it is more appropriate to record the sales on a gross basis The correction has increased sales by £8 1m (2010 £7 3m) and cost of sales by the same amount as the sales are made at nil margin

3 Operating expenses

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Operating costs relating to Company-owned shops The Body Shop At Home™ and the internet	88 1	86 3
Selling and distribution costs	15 6	14 4
Administrative expenses	64 9	64 4
	168 6	165 1
Restructuring costs	0 3	0 6
	168 9	165 7

4 Operating profit

Operating profit for the period has been arrived at after (crediting)/charging

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Net foreign exchange loses	1 3	0 4
Research and development	3 3	2 4
Depreciation of property, plant and equipment	8 5	10 1
Depreciation of property, plant and equipment held under finance	1 3	1 4
Reversal of impairment of property, plant and equipment	(0 7)	(2 3)
Amortisation of intangible assets	1 3	1 6
Loss on disposal of property, plant and equipment	0 1	2 7
Stock written off	1 4	0 8
Bad debts written off / (credited)	0 1	(0 4)
Operating lease rentals - Land and buildings	28 7	29 8
Operating lease rentals - Other	0 8	0 7

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

4 Operating profit (continued)

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	0 3	0 2
Fees payable to the company's auditor and their associates for other services to the group the audit of the company's subsidiaries pursuant to legislation	0 3	0 3
	0 6	0 5

5 Staff costs and numbers

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

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Wages	55 9	55 0
Redundancy costs	-	0 1
Social security and other taxes	5 1	4 7
Pension	2 8	3 0
Share based payments	1 3	1 3
	64 8	64 1

The average number of employees during the period was as follows

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Administration	574	594
Distribution / manufacturing	122	196
Shops	2,269	2 199
	2,965	2,989

6 Directors' remuneration

The total amounts for directors' remuneration was as follows

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Emoluments	0 7	0 7
	0 7	0 7

There were no directors in the Company defined contribution pension scheme in either period
One director was issued share options during the period (2010 one director)
No directors exercised share options during the period (2010 one director)
During the year one director received shares under long term incentive schemes (2010 one director)
The emoluments of the highest paid director were £0 7m (2010 £0 7m)
The Board consider the directors to constitute key management personnel

7 Investment revenues

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Dividends received	15 1	15 0
Interest revenue		
Loans and receivables (including cash and bank balances)	0 1	0 1
	15 2	15 1

8 Finance costs

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Interest on bank overdrafts and intercompany loans	0 7	0 2
Interest on obligations under finance leases	1 2	1 9
	1 9	2 1

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

9 Tax

Analysis of charge in period

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Current tax		
Current period charge	9 7	10 7
Prior period credit	(0 2)	(1 2)
	9 5	9 5
Deferred tax		
Current period (credit)/charge	(0 2)	-
Total tax charge	9 3	9 5

Tax on items charged to equity

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Deferred tax on share based payments	0 1	-
Deferred tax on cash flow hedges	(0 3)	0 5
	(0 2)	0 5

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

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Profit on ordinary activities before tax	49 3	45 6
Profit on ordinary activities multiplied by the rate of UK corporation tax of 26 5% (2010 28%)	13 1	12 8
Effects of		
Expenses not deductible for tax purposes	0 7	1 7
Non taxable dividends	(4 0)	(4 2)
Overseas tax suffered	1 0	0 5
Double taxation relief	(1 0)	(0 5)
Other	(0 2)	0 1
Prior period adjustment	(0 3)	(0 9)
Total taxation	9 3	9 5

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

10 Dividends

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Amounts recognised as distributions to equity holders in the period		
Final dividend for the period ended 1 January 2011 of 15 8p per share paid in 2011	35 8	-
Final dividend for the period ended 2 January 2010 of 9 7p per share paid in 2010	-	22 0
	35 8	22 0
Proposed final dividend for the period ended 31 December 2011 of 20 5p per share	46 4	-
Proposed final dividend for the period ended 1 January 2011 of 15 8p per share	-	35 8

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 2 January 2010	7 1
Additions	0 6
At 1 January 2011	7 7
Additions	0 1
At 31 December 2011	7 8
Carrying amount	
At 31 December 2011	7 8
At 1 January 2011	7 7

Impairment tests for cash generating units containing goodwill

Goodwill with an indefinite useful life is allocated to the Company's cash generating units Management have determined the cash generating unit to be the sales district This is based on the cash inflows of the stores within the same district being interdependent
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 0% (2010 0%) 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 7 8% (2010 7 9%) has been used in discounting the projected cashflows This discount rate is determined by L Oreal SA and is the weighted average cost of capital (WACC), adjusted by applying a country risk premium if necessary
The Company has conducted a sensitivity analysis on the impairment test of each Cash Generating Unit A cut in the sales growth rate by sixty basis points would result in the carrying value of goodwill being reduced to its recoverable amount The sales growth rate for years 1 to 5 ranges from 0 5% to 1 5%

12 Other intangible assets

	Software
	£m
Cost	
At 2 January 2010	11 7
Additions	1 2
Disposals	(2 1)
Asset reclassification (note 13)	0 2
At 1 January 2011	11 0
Additions	0 9
Asset reclassification (note 13)	0 8
At 31 December 2011	12 7
Amortisation	
At 2 January 2010	9 1
Charge for the period	1 6
Disposals	(2 1)
At 1 January 2011	8 6
Charge for the period	1 3
Disposals	
At 31 December 2011	9 9
Carrying amount	
At 31 December 2011	2 8
At 1 January 2011	2 4

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

13 Property, plant and equipment

	Freehold properties £m	Short term leasehold property £m	Plant and equipment £m	Total £m
Cost or valuation				
At 2 January 2010	0 4	55 9	78 1	134 4
Additions	0 0	0 2	3 4	3 6
Disposals	-	(2 6)	(1 0)	(3 6)
Asset reclassification (note 12)	-	-	(0 2)	(0 2)
At 1 January 2011	0 4	53 5	80 3	134 2
Additions	-	3 3	6 0	9 3
Disposals	-	(0 6)	(15 0)	(15 6)
Asset reclassification (note 12)	-	-	(0 8)	(0 8)
At 31 December 2011	0 4	56 2	70 5	127 1
Accumulated depreciation				
At 2 January 2010	-	30 8	47 1	77 9
Charge for the period	0 1	2 2	9 2	11 5
Impairment reversal	-	(2 1)	(0 2)	(2 3)
Disposals	-	-	(0 9)	(0 9)
At 1 January 2011	0 1	30 9	55 2	86 2
Charge for the period	-	1 7	8 1	9 8
Impairment	-	(0 1)	(0 6)	(0 7)
Disposals	-	(0 8)	(14 7)	(15 5)
At 31 December 2011	0 1	31 7	48 0	79 8
Carrying amount				
At 31 December 2011	0 3	24 5	22 5	47 3
At 1 January 2011	0 3	22 6	25 1	48 0

Impairment loss

In 2011 the Company exited a finance lease asset arrangement Impairment had previously been recognised in relation to this asset and was reversed in 2011 as a result of this transaction

No assets have been pledged to secure the borrowings of the Company (see note 18)

The Company's obligations under finance leases (see note 21) are secured by the lessors' title to the short term leasehold property, which have a carrying amount of £10 9m (2010 £11 8m)

At 31 December 2011, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0 9m (2010 £0 3m)

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

14 Subsidiaries

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Cost of investments in subsidiaries (less provisions)		
Bought forward	155 5	157 8
Increase in provisions against subsidiary undertakings	(0 6)	(3 3)
Provisions against subsidiary undertakings written back	0 5	1 0
Carried forward	155 4	155 5

The Company's principal subsidiaries at 31 December 2011 were

		% Holding of ordinary shares	Country of incorporation and operation	Aggregate amount of share capital and reserves as at 31 Dec 11 £m	Retained profit or (loss) for the period ended 31 Dec 2011 £m
*i	Soapworks Limited	100	Great Britain	3 0	(1 6)
	The Body Shop Worldwide Limited	100	Great Britain	8 9	1 7
	The Body Shop Global Travel Retail Limited	100	Great Britain	(0 3)	(0 3)
	The Body Shop Canada Limited	100	Canada	7 7	0 1
	Skin & Hair Care Preparations Inc	100	USA	91 3	1 0
*ii	Buth-Na-Bodhaige Inc	100	USA	3 6	(70 0)
	The Body Shop (Singapore) Pte Ltd	100	Singapore	5 5	5 4
	The Body Shop International (Asia Pacific) Pte Ltd	100	Singapore	1 2	1 1
	The Body Shop Hong Kong Limited	100	Hong Kong	19 5	6 5
*iii	Mighty Ocean Company Limited	100	Hong Kong	12 6	12 5
*iv	The Body Shop (France) SARL	100	France	6 0	(1 9)
	The Body Shop Beteiligungs GmbH	100	Germany	14 3	(2 1)
	The Body Shop Benelux BV	100	Netherlands	(0 1)	(0 1)
*v	The Body Shop Netherlands BV	100	Netherlands	(0 4)	(0 4)
	The Body Shop GmbH	100	Austria	3 9	3 9
*iv	B S Denmark A/S	100	Denmark	1 8	(0 1)
	The Body Shop Svenska AB	100	Sweden	6 9	7 0
	Cosmenatura SA	100	Spain	1 9	1 4
	Dibel SA	100	Portugal	2 9	0 4
*vi	Dibel 3 SA	100	Portugal	0 4	(0 2)

*i Denotes that Soapworks Ltd changed its name on 5 January 2011 to The Body Shop Queenslie Ltd and that it sold its trade and assets on the same date and became a non-trading company from this date

*ii 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

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

*iv Denotes that The Body Shop (France) SARL and B S Denmark A/S are indirectly owned by The Body Shop International Plc, direct ownership is held by The Body Shop Worldwide Limited

*v Denotes that The Body Shop Netherlands BV is indirectly owned by The Body Shop International Plc, direct ownership is held by The Body Shop Benelux BV

*vi Denotes that Dibel 3 SA is indirectly owned by The Body Shop International Plc, direct ownership is held by Dibel SA

14 Subsidiaries (continued)

Investments

	Principal activity
The Body Shop Queenslie Limited *	This company manufactures soap, home fragrance oils and related products
The Body Shop Worldwide Limited	This company acts as a holding company and does not otherwise trade
The Body Shop Global Travel Retail Limited	This company trades in The Body Shop® products through airline and airport outlets around the world
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 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
Dibel SA	This company trades in The Body Shop® products in Portugal
Dibel 3 SA	This company trades in The Body Shop® products in Portugal through its parent Dibel SA

* Denotes that The Body Shop Queenslie Ltd Ltd changed its name on 5 January 2011 from Soapworks Ltd and that it became a non-trading company on this date

15 Inventories

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Finished goods	85 3	65 9

16 Other financial assets

Trade and other receivables

	52 weeks to 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Current assets		
Trade receivables	30 9	28 8
Less provisions for impairment of receivables	(3 1)	(1 5)
Trade receivables - net	27 8	27 4
Amounts owed by subsidiary undertakings	26 7	14 2
Prepayments	12 4	11 9
Other receivables	1 3	0 7
	68 2	54 2

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 33

Ageing of past due receivables

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
30-60 days	0 2	0 3
60-90 days	0 3	0 4
90-120 days	0 3	0 3
120+ days	0 6	0 6
Total	1 4	1 6

16 Other financial assets (continued)

Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2011 £m	2010 £m
Balance at the beginning of the period	1 5	2 1
Impairment losses recognised	1 7	0 1
Impairment losses realised	(0 1)	(0 7)
Balance at the end of the period	3 1	1 5

The provision balance above includes an element relating to some intercompany receivable balances

17 Cash and cash equivalents

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Cash and cash equivalents	14 5	26 0

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

18 Borrowings

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Unsecured borrowing		
Loans from related parties	8 0	2 0
Amount due for settlement within 12 months	8 0	2 0

	Sterling £m	Euros £m
01 January 2011		
Loans from related parties	-	2 0
31 December 2011		
Loans from related parties	6 0	2 0

18 Borrowings (continued)

Amounts repayable to related parties of the Company carry interest of 0 97% - 1 82% (2010 0 71% - 0 91%) 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'Oreal SA in-house bank, via L'Oreal 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 its interest rate risk exposures

Interest due to FINVAL on loans is payable at the end of each monthly accounting period Interest amounts outstanding at 1st January 2011 are included in accruals The average effective interest rates for 2011 were 0 98% and 1 40% (2010 0 91% and 0 86%) for loans denominated in Sterling and Euros respectively

19 Derivative financial instruments

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts held as assets	2 3	1 3
Forward foreign currency contracts held as liabilities	(3 2)	(2 7)
Net position at the balance sheet date	(0 9)	(1 4)

Further details on Derivative financial instruments can be found in note 33

Maturity analysis of borrowings and derivative financial instruments

	Within 1 year £m	2-5 years £m	5+ years £m	Total £m
2011				
Borrowings	8 0	-	-	8 0
Derivative liabilities	3 2	-	-	3 2
Trade and other payables	61 0	-	-	61 0
Obligations under finance leases	1 8	4 9	4 6	11 2
	73 9	4 9	4 6	83 4
2010				
Borrowings	2 0	-	-	2 0
Derivative liabilities	2 7	-	-	2 7
Trade and other payables	50 3	-	-	50 3
Obligations under finance leases	1 7	4 9	4 7	11 3
	56 7	4 9	4 7	66 4

20 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	Share based payments	Other temporary differences	Total
	£m	£m	£m	£m
As 2 January 2010	(2 8)	-	0 7	(2 1)
Charge to income	0 1	0 4	(0 5)	-
Charge to equity	-	-	0 5	0 5
As 1 January 2011	(2 7)	0 4	0 7	(1 6)
Credit to income	0 2	-	-	0 2
Charge to equity	-	0 1	(0 3)	(0 2)
As 31 December 2011	(2 5)	0 5	0 4	(1 6)

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 31 Dec 2011 £m	As at 1 Jan 2011 £m
Deferred tax liabilities	(2 5)	(2 7)
Deferred tax assets	0 9	1 1
	(1 6)	(1 6)

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

The Finance Act 2011 provided for a reduction in the main rate of corporation tax to 25% from 1 April 2012, and will decrease by a further 1% each 1 April thereafter until reaching 24% with effect from 1 April 2014 The rate of annual writing down allowances on qualifying plant and machinery will reduce by 2%, to 18% for the general capital allowance pool and to 8% for the integral features pool, with effect from 1 April 2012

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

21 Obligations under finance leases

	Minimum lease payments		Present value of lease	
	2011	2010 £m	2011	2010 £m
Amounts payable under finance leases				
Within one year	1 8	2 1	1 8	1 6
In the second to fifth years inclusive	7 0	8 3	4 9	4 9
After five years	17 4	21 9	4 6	4 8
	26 2	32 3	11 3	11 3
Less future finance charges	(14 9)	(20 9)	n/a	n/a
Present value of lease obligations	11 4	11 4	11 2	11 3
Less Amount due for settlement within 12 months (shown under current liabilities)			(1 8)	(1 6)
Amount due for settlement after 12 months			9 5	9 7

It is the Company's policy to lease certain properties under finance leases The average lease term is 37 5 years For the period ended 31 December 2011, the average effective borrowing rate was 16 33% (2010 16 38%) 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
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 13

22 Other financial liabilities
Trade and other payables

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Trade payables	27 5	25 9
Social security and other taxes	5 5	3 5
Other payables	7 6	2 3
Accrued expenses	18 1	15 4
Deferred income	3 0	2 8
Amounts due to subsidiary undertakings	7 8	6 7
	69 5	56 6

Trade payables and accrued expenses principally comprise amounts outstanding for trade purchases and ongoing costs The average credit period taken for trade purchases is 22 days (2010 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

23 Provisions

	Onerous contracts £m
At 2 January 2010	6 2
Provision decrease in the period	(5 7)
At 1 January 2011	0 5
Provision decrease in the period	(0 3)
At 31 December 2011	0 2

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 24 years Where possible the Company sublets the properties The amounts due net of rents receivable under subleases are discounted at the effective rate of interest of 7 9%, being the weighted average cost of capital (WACC) determined by L'Oreal SA and as detailed further in note 11

24 Share capital

	As at 31 December 2011 £m	As at 1 January 2011 £m
Issued and fully paid		
226,710,201 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

25 Share premium account

	Share premium £m
Balance at 31 December 2011 and 1 January 2011	74 7

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

26 Other reserves

	Hedging reserve £m	Share based payments £m	Total £m
Balance at 2 January 2010	0 1	1 8	1 9
Share option expenses	-	0 9	0 9
Foreign currency forward contracts	(1 1)	-	(1 1) 0
Balance at 1 January 2011	(1 0)	2 7	1 7
Share option expenses	-	1 3	1 3
Foreign currency forward contracts	0 7	-	0 7
Balance at 31 December 2011	(0 3)	4 0	3 7

Hedging Reserve

The Hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy

27 Retained earnings

	£m
Balance at 2 January 2010	178 2
Dividends paid	(22 0)
Net profit for the period	36 1
Balance at 1 January 2011	192 3
Dividends paid	(35 8)
Net profit for the period	40 0
Balance at 31 December 2011	196 5

28 Post balance sheet events

No material post balance sheet events have occured

29 Contingent liabilities and guarantees

The Body Shop International PLC, acting it 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

30 Operating lease arrangements

The Company as lessee

	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Minimum lease payments under operating leases recognised as an expense in the period	29 5	30 5

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 31 Dec 2011 £m	As at 1 Jan 2011 £m
Within one year	28 3	27 9
In the second to fifth years inclusive	79 0	85 1
After five years	33 3	40 6
	140 7	153 6

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

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

30 Operating lease arrangements (continued)

Included in the above operating lease commitments, are leases whereby the Company has subsequently granted sub-leases to franchisees and 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 31 Dec 2011 £m	52 weeks to 1 Jan 2011 £m
Income from sub-leases recognised in the period	1 1	1 1

31 Share based payments

The board of directors of L'Oreal 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'Oreal SA were as follows

Stock option scheme

In accordance with IFRS 2 "Share-based payment", the value of the options granted calculated at the grant date is 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 2006 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 £1 3m (2010 £1 3m) 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

	2011	2010
Risk-free rate of return	3 42%	2 83%
Expected life span	8 years	7 years
Expected volatility	23%	24%
Expected dividends	2 10%	1 86%
Share price	85 68	80 50
Exercise price	83 19	80 03
Fair value	18 58	17 17

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

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

31 Share based payments (continued)

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

	2011		2010	
	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 7	0 2	91 7
Granted during the period (30,000 in 2011)	0 0	83 2	0 1	80 0
Forfeited during the period	-	-	(0 1)	-
Outstanding at the end of the period	0 2		0 2	
Exercisable at the end of the period	-		-	

Stock options were granted on 22 April 2011 The aggregate of the estimated fair values of the options granted at that date is £4 1m

32 Retirement benefit schemes

Defined contribution schemes

The Company operates a group personal pension plan 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 £2 8m (2010 £3 0m) Other creditors includes an accrual of £0 4m (2010 £0 2m) in respect of accrued pension contributions

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 31 December 2011

33 Financial Instruments

Categories of financial assets & liabilities	As at 31 Dec 2011 £m	As at 1 Jan 2011 £m
Financial assets		
Derivative instruments in designated hedge accounting relationships	2 3	1 3
Cash and cash equivalents	14 5	26
	16 8	27 3
Loans & receivables		
Trade receivables	27 8	27 4
Amounts owed by subsidiary undertakings	26 7	14 2
Loans & receivables	54 5	41 5
	71 3	68 8
Financial liabilities.		
Derivative instruments in designated hedge accounting relationships	3 2	2 7
Amortised cost:		
Payables	61 7	49 9
Amounts due to subsidiary undertakings	7 8	6 7
Borrowings	8 0	2 0
Amortised cost	77 5	58 6
	80 7	61 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 policies, 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 Oreal SA, The Body Shop International Plc is compliant with the Group s policies in all aspects of financial management

The principal financial risk groups for the Company can be categorised as foreign exchange risk, interest rate risk liquidity risk and credit risk

33 Financial Instruments (continued)

Foreign Currency Risk Management

The Company undertakes transactions denominated in foreign currencies consequently exposures to exchange rate fluctuations arise In accordance with L'Oréal Group rules all highly probable future transactions in foreign currency are hedged fully and systematically This is explained in further detail below

The carrying amount of the Company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows.

	Liabilities		Assets	
	2011	2010	2011	2010
	'm	'm	'm	'm
AUD	-	0 1	-	-
CAD	0 0	0 3	1 7	2 9
DKK	0 4	4 2	1 4	10 6
EUR	5 7	4 0	13 1	11 0
HKD	0 0	0 0	3 6	31 0
JPY	0 2	10 1	-	8 4
MXN	0 0	18 3	0 2	2 6
SEK	-	0 1	1 7	7 4
SGD	0 8	2 9	2 6	3 7
THB	4 8	44 6	0 0	0 0
USD	8 2	6 5	11 1	8 5

Foreign Currency Sensitivity Analysis

The company is exposed to a number of a currencies in the course of its normal operations
The following table details the Company's sensitivity to a 8% increase and decrease in Sterling against the relevant foreign currencies 8% represents management's assessment of the reasonably possible change in foreign exchange rates The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for an 8% change in foreign currency rates A positive number below indicates an increase in profit and other equity where Sterling strengthens 8% against the relevant currency For a 8% weakening of Sterling against the relevant currency there would be a comparable impact on the profit and other equity and the balances below would be negative

	2011	2010
	£m	£m
Income statement	(0 5)	(0 5)
Equity	2 5	1 6
TOTAL	2 0	1 1

33 Financial Instruments (continued)

	Income statement (i) 2011 £m	2010 £m	Equity (ii) 2011 £m	2010 £m
Sensitivity by currency				
AUD	-	-	-	-
CAD	(0 1)	(0 1)	1 2	0 8
DKK	(0 1)	-	0 2	0 2
EUR	(0 6)	(0 2)	1 8	2 0
HKD	0 1	(0 1)	0 9	0 7
JPY	-	-	0 1	0 1
MXN	-	-	0 1	0 1
SEK	-	-	0 4	0 4
SGD	-	(0 1)	0 2	0 2
THB	(0 1)	-	(1 0)	(2 1)
USD	0 3	-	(1 4)	(0 8)
TOTAL	(0 5)	(0 5)	2 5	1 6

(i) This is mainly attributable to the exposure outstanding on receivables and payables in the Group at the balance sheet date
(ii) This is a result of the changes in fair value of derivative instruments designated as cash flow hedges

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year Forward foreign exchange contracts used to hedge the following years forecast cashflows are purchased prior to the end of the year (see below) The nominal value of the portfolio, and sensitivity of exchange rates on Other Equity is therefore more likely to be greater than during the rest of the year Due to the hedging policy operated the impact on the Income Statement continues to be marginal

Forward Foreign Exchange Contracts

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'Oreal Group Central Treasury The L'Oreal Group negotiates currency contracts only with organisations with the highest credit ratings In accordance with L'Oreal 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 Oreal 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 derivatives are used

33 Financial Instruments (continued)

Forward Foreign Exchange Contracts (continued)

For The Body Shop International Plc highly probable transactions for foreign exchange risk fall into three principle categories, sales to subsidiaries, royalty income and the purchase of stock Exchange risk from income arises primarily from the USD, EUR CAD and HKD which together account for just over 80% of the total exposures at the end of 2011 On the purchases side USD, THB and EUR payments accounted for just over 90% of the currency portfolio It is specifically the volatility of GBP against EUR,THB ,SEK and USD from the time of hedge contract purchase to the closing booking which has generated the fair value revaluations reported above at 31 December 2011 A complete analysis of the portfolio held at the balance sheet date 2011 and 2010 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 details the forward foreign currency ("FC") contracts outstanding as at the year end

	Average Exchange Rate		Foreign Currency		Nominal		Market Value	
	2011	2010	2011 'm	2010 'm	2011 £m	2010 £m	2011 £m	2010 £m
Buy								
GBP/AUD	1 5	1 5	(0 3)	(0 4)	(0 2)	(0 2)	-	-
GBP/CAD	1 6	1 6	(3 6)	(1 2)	(2 2)	(0 8)	0 1	-
GBP/DKK	8 9	8 7	(3 3)	(1 2)	(0 4)	(0 1)	-	-
GBP/EUR	1 2	1 2	(29 7)	(19 3)	(25 9)	(16 3)	(0 9)	0 4
GBP/JPY	119 8	127 3	(102 7)	(60 2)	(0 8)	(0 5)	-	-
GBP/MXN	21 6	19 3	(11 1)	(19 6)	(0 5)	(1 0)	-	-
GBP/SEK	10 7	10 7	(0 0)	(0 1)	(0 0)	-	-	-
GBP/SGD	2 0	2 0	(12 7)	(11 2)	(6 2)	(5 6)	0 1	0 1
GBP/THB	49 4	46 4	(888 8)	(1,339 6)	(18 3)	(28 9)	(0 4)	(0 3)
GBP/USD	1 5	1 6	(66 9)	(54 5)	(42 7)	(34 9)	0 6	0 4
					(97 2)	(88 3)	(0 5)	0 6
Sell								
GBP/CAD	2 6	1 6	29 8	17 9	18 3	11 4	(0 5)	(0 1)
GBP/DKK	8 0	8 6	32 0	34 2	3 7	4 0	-	-
GBP/EUR	1 0	1 2	54 3	61 9	47 0	52 5	-	(0 8)
GBP/HKD	12 0	12 0	171 1	119 4	13 8	10 0	-	-
GBP/JPY	127 7	127 7	290 2	295 7	2 3	2 3	-	-
GBP/MXN	19 4	19 4	43 7	42 2	2 0	2 2	-	-
GBP/SEK	11 1	11 1	65 6	59 2	6 1	5 3	-	(0 3)
GBP/SGD	2 0	2 0	19 7	15 4	9 6	7 7	-	(0 1)
GBP/USD	1 8	1 6	41 8	37 0	26 6	23 5	0 1	(0 4)
					129 4	118 9	(0 4)	(1 7)
Net Buy/Sell							(0 9)	(1 1)

33 Financial Instruments (continued)

Maturity analysis of borrowings and derivative financial instruments

	Within 1 year £m	2-5 years £m	5+ years £m	Total £m
2011				
Borrowings	8 0	-	-	8 0
Derivative liabilities	3 2	-	-	3 2
Trade and other payables	61 0	-	-	61 0
Obligations under finance leases	1 8	4 9	4 6	11 2
	73 9	4 9	4 6	83 4
2010				
Borrowings	2 0	-	-	2 0
Derivative liabilities	2 7	-	-	2 7
Trade and other payables	50 3	-	-	50 3
Obligations under finance leases	1 7	4 9	4 7	11 3
	56 7	4 9	4 7	66 4

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i e as prices) or indirectly (i e derived from prices) and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	2011 Level 1 £'m	2011 Level 2 £'m	2011 Level 3 £'m	2010 Level 1 £'m	2010 Level 2 £'m	2010 Level 3 £'m
Financial assets						
Derivative instruments in designated hedge accounting relationships	-	2 3	-	-	1 3	-
Financial Liabilities						
Derivative instruments in designated hedge accounting relationships	-	3 2	-	-	2 7	-

33 Financial Instruments (continued)

Interest rate risk management

This relates to the interest incurred on loans taken out with the L'Oreal in-house bank FINVAL and is explained in further detail in Note 18 Borrowings

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'Oreal SA, and as such the liquidity risk is minimal

Credit risk management

The Company sells to subsidiaries, wholesale franchisees, travel retail 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 Oreal 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 31 December 2011

34 Related party transactions

Transactions between the Company and its subsidiaries and transactions between the Company and fellow subsidiaries of L'Oréal SA, the Company's ultimate parent undertaking, which are related parties are disclosed below

Trading transactions

During the period, the Company entered into the following transactions

	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	
	2011	2010	2011	2010	2011	2010	2011	2010
	£m	£m	£m	£m	£m	£m	£m	£m
TBS (France) SARL	5 5	3 9	1 1	-	0 9	-	1 0	0 5
BS Denmark A/S	2 6	1 3	0 9	-	0 7	-	0 4	0 1
TBS Germany GmbH	9 2	5 4	2 6	-	1 4	-	1 9	0 4
TBS (Singapore) Pte	10 7	10 2	0 8	-	2 5	1 2	- -	
TBS Int'l (Asia Pacific) Pte	1 0	-	7 7	7 4	0 1	-	0 6	1 1
TBS Hong Kong Ltd	7 9	-	-	-	-	-	-	-
TBS Mighty Ocean Co Ltd	13 0	14 4	-	-	3 5	2 5	-	-
TBS Canada Ltd	20 1	14 1	-	-	1 7	1 9	-	-
TBS GmbH (Austria)	1 8	2 2	-	-	0 5	0 3	-	-
TBS Benelux BV	3 1	1 4	1 8	-	0 7	-	0 4	0 1
The Body Shop Netherlands BV	2 5	0 9	1 5	-	0 8	-	1 5	0 3
Dibel 3	1 9	2 7	0 1	-	0 4	0 6	-	-
TBS Svenska	10 4	8 4	-	-	0 7	0 7	-	-
Cosmenatura SA	2 9	2 4	0 7	-	0 4	-	0 6	0 1
Buth-Na Bodhaige Inc	31 2	10 3	13 8	-	5 9	3 9	1 8 -	
TBS Queenshe Ltd	-	-	-	0 1	0 0	-	-	1 5
TBS Americas	6 1	9 3	0 1	-	5 2	-	-	0 6
TBS Worldwide Ltd	-	-	-	-	0 6	1 6	-	-
Cimarrones SA de CV	2 1	1 3	0 4	-	0 2	-	-	0 8
The Body Shop Global Travel Retail Ltd	1 1	-	0 1	-	0 3	-	0 1	-
Small subsidiaries	0 9	0 7	-	0 0	2 2	1 5	0 9	1 1
Moyens Communs G G Clichy	0 1	-	3 6	2 1	0 1	-	0 1	0 3
L'Oreal Marly	0 5	1 0	-	-	-	0 1	-	-
L'Oreal UK Limited	-	-	0 8	-	-	-	-	-
LeHoux et Jacques	-	-	0 2	0 2	-	-	-	-
Cosmetique Active International	-	-	-	0 1	-	-	-	0 1
L'Oreal Golden	-	-	-	1 0	-	-	-	0 1
Sanoflore Laboratoire Bio	-	-	-	1 2	-	-	-	-
Beaute Createurs France	0 1	0 1	-	-	-	-	-	-
L'Oreal USA Corporate	-	-	0 1	-	-	-	-	-

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 £0 3m (2010 £0 7m)

34 Related party transactions (continued)

Loans from related parties

	2011 £m	2010 £m
Loans from FINVAL	8 0	2 0
	8 0	2 0

Amounts repayable to related parties carry interest of 0 85% - 4 09% (2008 2 4% - 4 65%) per annum charged on the outstanding loan balances

35 Ultimate parent undertaking

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

L'Oreal 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