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Registered number 01284170

THE BODY SHOP INTERNATIONAL PLC

FINANCIAL STATEMENTS

for the 52 week period ended 29 December 2012

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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West Sussex
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Registered number
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Solicitors
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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 29 December 2012 (2011 52 week period ended 31 December 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, the internet and through franchised outlets and travel retail It also acts as a holding Company

During 2012 the Company proved resilient in a very difficult retail market environment Revenue for the year was £431 7m (2011 £420 5m), and a post tax profit of £44 0m (2011 £40 0m) There were 306 (2011 315) stores in the UK at 29 December 2012 of which 297 (2011 304) were company owned.

Growth continued across Asia and the Middle East However the economic climate continued to hamper footfall in a number of European countries

At the end of 2012, the brand had a total of 2,837 stores in 63 countries (2011 2 748 stores in 62 countries)

Future prospects

Whilst we continue to be confronted by challenges in some markets, as a direct result of the global economic downturn, our brand strategy for 2013 will ensure that our customers remain at the heart of all business decisions

In 2012 The Body Shop made significant investment in a rebranding exercise "Beauty with Heart New and exciting products such as, the new BB cream range, were launched and have proved popular The new and improved "Pulse" store format was launched at the beginning of 2012 This improved format has resulted in an improvement in performance, foot fall and sales Further investment will be made in 2013 with more "Pulse" store formats being rolled out

Further growth in 2013 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 people worldwide

The Body Shop has been proud to announce the new Brand Activist, global superstar and cruelty-free campaigner, Leona Lewis 2013 will see the release of Leona Lewis' own Limited Edition Collection

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 2012 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

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 implemented 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 expects 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 external or 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% (2011 10 0%) of gross accounts receivable The financial and markets risks of the business are discussed further in note 33

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

Liquidity Risk – 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

The L'Oreal Group is rated by the credit rating agencies which respectively gave it, in June 2012 for Standard & Poor s Moody's and Fitch, the following short-term credit ratings A1+, Prime 1 and F1+

Market and Economic Uncertainties - As descibed previously, the company faces challenges from global economic conditions Futher deterioration in the economic climate may affect the company's results

Other Uncertainties - Like all companies The Body Shop International Plc faces the risk of losing key employees however close ties with L'oreal mitigate the potential loss of knowledge and experience

Going concern
The Directors have a reasonable expectation that the Company and the Group have adequate resources as described further in Note 1 on page 13, to continue in operational existence for the foreseeable future Accordingly, the going concern basis has been adopted in preparing the annual report and accounts

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 £39 9m (2011 £46 4m)

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 19th March 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 29 December 2012 were equivalent to 20 days (2011 22 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

We published a new version of our Values Report in 2012 To visit the Values Report please go
http //www thebodyshop com/content/pdf/global-values_report pdf

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

Our 25 Community Fair Trade suppliers positively impacts the lives of over 300,000 people across the 21 countries we trade supporting not only the farmers and workers, but their families and the communities in which they live

Ethical Trade

The Body Shop™ requires its suppliers to commit to our Ethical Trade programme, which is based on the principles of implementation of our membership of the Ethical Trading Initiative (ETI) Through a system of assessments and outreach work, we constantly review information from the supply base that tells us about the working conditions of the people who make our products with a view to continuous improvement

As a leading member company of the ETI the focus of our programme is to move 'beyond ethical assessment to a more collaborative approach This work is designed to raise standards in key areas like working hours, wages, health and safety and freedom of association It also aims to help the factories we buy from find more sustainable ways of running a productive and effective business

We continually look for ways to expand the boundaries of our programme by including other areas of our spend within its scope This work includes how we clothe our shop staff, our shop fit and how we run our print and promotions

Our Ethical Trade Programme is externally assessed regularly by the Institute of Marketecology (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)

Protecting The Planet

In 2012 we continued a number of important initiatives to Protect the Planet

The Body Shop continues as 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 are members 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)

In 2012 we continued to manage our Wood Positive programme which is designed to ensure that each year we grow and preserve more wood than we use in our packaging In collaboration with the World Land Trust, we have already reforested and preserved a total of 102 hectares in the Guapiaçu Reserve in Ecuador Our focus has now turned to the Atlantic Rainforest in Brazil, and the Southern Andes in Ecuador

In 2012, our solar PV installations on the roof of our main International Distribution Centre provided almost a quarter of our electricity needs on the site In 2012 preparations began to expand the installation to 2 further buildings

Pulse is our new retail store design that was rolled out to over 300 stores around the globe during 2012 As well as presenting a vibrant and high quality customer shopping experience, Pulse also delivers significant energy savings when compared with the previous shop fit designs In 2012 we measured energy savings of up to 40% in sample stores across our 3 international zones

Against Animal Testing

We have never and will never test finished cosmetic products or ingredients on animals and we do not ask others to test on our behalf The Body Shop was proud to be one of the first cosmetic companies to comply with the British Union for the Abolition of Vivisection's (BUAV) 'Humane Cosmetics Standard' (HCS) which is internationally recognised as the world s most stringent Against Animal Testing accreditation

In 2012 we promoted the HCS's Leaping Bunny logo in all our store windows worldwide and added another chapter to our long history of campaigning Against Animal Testing when we supported the launch of Cruelty Free International, a new international organisation created by the BUAV dedicated to ending cosmetics animal testing worldwide The Body Shop customers in 55 countries signed a global pledge supporting an end to animal testing for cosmetics forever

Our campaigns

In 2012, The Body Shop s Stop Sex Trafficking of Children and Young People campaign became the largest campaign in the company 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, over 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

THE BODY SHOP INTERNATIONAL PLC

DIRECTORS' REPORT (CONTINUED)

Charitable and community involvement

The Company donated £0 7m (2011 £1 0m) to charitable organisations in the period, of which £0 6m (2011 £0 7m) was donated to The Body Shop Foundation and the remaining £0 1m (2011 £0 3m) 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 8m (2011 £3 3m) All research and development costs have been recognised through the Profit and Loss Account

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 s418 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

THE BODY SHOP INTERNATIONAL PLC

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 Financial Reporting Standard 101 Reduced Disclosure Framework 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, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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

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 29 December 2012 which comprise the Profit and Loss account, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 35 The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 101 Reduced Disclosure Framework

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 29 December 2012 and of its profit for the 52 week period ended 29 December 2012,
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, 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) FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom
21 June 2013

THE BODY SHOP INTERNATIONAL PLC

PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 29 December 2012

	Note	2012 £m	2011 £m
Continuing operations			
Turnover	2	431 7	420 5
Cost of sales		(218 3)	(215 6)
Gross profit		213 4	204 9
Operating expenses	3	(176 0)	(168 9)
Operating profit		37 4	36 0
Interest receivable and similar income	7	15 5	15 2
Interest payable and similar charges	8	(1 8)	(1 9)
Profit on ordinary activities before tax	4	51 1	49 3
Tax	9	(7 1)	(9 3)
Profit for the financial year	27	44 0	40 0

THE BODY SHOP INTERNATIONAL PLC

STATEMENT OF CHANGES IN EQUITY

At 29 December 2012

	Equity attributable to the equity holders of the Company				
	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 2 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
Profit for the period	-	-	-	44 0	44 0
Profit recognised on cash flow hedges	-	-	(0 1)	-	(0 1)
Deferred tax on cash flow hedges	-	-	-	-	-
Deferred tax on share based payments	-	-	0 5	-	0 5
Total comprehensive income for the period	-	-	0 4	44 0	44 4
Dividends	-	-	-	(46 4)	(46 4)
Share option expenses	-	-	2 1	-	2 1
Balance at 29 December 2012	11 3	74 7	6 2	194 1	286 3

THE BODY SHOP INTERNATIONAL PLC

BALANCE SHEET

As at 29 December 2012

	Note	2012 £m	2011 £m
Fixed assets			
Goodwill	11	7 9	7 8
Other intangible assets	12	4 1	2 8
Property plant and equipment	13	44 2	47 3
Investments	14	155 9	155 4
		212 1	213 3
Current assets			
Stock	15	63 4	85 3
Debtors			
- due within one year	16	71 5	69 3
Cash at bank and in hand	17	32 0	14 5
Derivative financial instruments	19	2 0	2 3
Deferred tax asset	20	2 2	0 9
		171 1	172 3
Total assets		383 2	385 6
Creditors Amounts falling due within one year:			
Trade and other payables	22	(77 2)	(70 6)
Current tax liabilities		(2 1)	(3 7)
Obligations under finance leases	21	(1 8)	(1 8)
Borrowings	18	(1 9)	(8 0)
Derivative financial instruments	19	(3 0)	(3 2)
		(86 0)	(87 3)
Net current assets		85 1	85 0
Creditors: Amounts falling due after more than one year.			
Obligations under finance leases	21	(9 2)	(9 4)
Provisions for liabilities	23	(1 7)	(2 7)
Total liabilities		(96 9)	(99 4)
Net assets		286 3	286 2

THE BODY SHOP INTERNATIONAL PLC

BALANCE SHEET (CONTINUED)

As at 29 December 2012

	Note	2012 £m	2011 £m
Capital and reserves			
Called up share capital	24	11 3	11 3
Share premium account	25	74 7	74 7
Other reserves	26	6 2	3 7
Profit and loss account	27	194 1	196 5
Total shareholders' funds		286 3	286 2

The financial statements were approved by the Board of Directors and authorised for issue on 18/06/13

The Company's registered number is 01284170

They were signed on its behalf by

Frederic Ennabli
Director

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ending 29 December 2012

1a 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

These financial statements are separate financial statements The company is exempt from the preparation of consolidated financial statements because it is included in the group accounts of L'Oreal SA The group accounts of L'Oreal SA are available to the public and can be obtained as set out in note 35

1b Significant accounting policies

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' was issued, by the Financial Reporting Council, in November 2012 therefore the company decided on early adoption of the standard and the financial statements have therefore been prepared in accordance with FRS 101

Details of the parent in whose consolidated financial statements the company is included are shown in note 35 to the financial statements

As permitted by FRS 101, exemptions from applying the following requirements have been adopted

a) IFRS 2 'Share based Payment' paragraphs 45(b) and 46-52,
b) IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' paragraphs 33(b) and 33(c)
c) IFRS 7 'Financial Instruments Disclosures',
d) IAS 1 Presentation of Financial Statements paragraphs 10(d), 10(f), 39(c) and 134-136
e) IAS 1 'Presentation of Financial Statements' paragraph 38 (requirement to present comparative information) in respect of
   a IAS 16 'Property, Plant and Equipment' paragraph 73(e)
   b IAS 38 'Intangible Assets' paragraph 118(e), and
   c IAS 40 'Investment Property' paragraphs 76 and 79(d)
f) IAS 7 'Statement of Cash Flows ,
g) IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31,
h) IAS 16 'Property Plant and Equipment' paragraph 74(c),
i) IAS 24 'Related Party Disclosures' paragraph 17,
j) IAS 36 'Impairment of Assets' paragraphs 134(d)-(f) and 135(c)-(e) and
k) IAS 38 Intangible Assets' paragraph 122(e)

The company has also taken advantage of the exemption from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the L'Oreal group where those party to the transaction are wholly owned by a member of the group

Going concern

The Company has no external finance, has net assets and is in a cash-positive position The directors have confirmed that they have no intention to wind up the Company within 12 months from the date of signing the accounts The directors therefore have reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future and for this reason, they have continued to adopt the going concern basis in preparing the annual report and financial statements

Revenue recognition

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 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

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

1c Accounting policies (continued)

Sale of goods - online
Revenue is recognised upon despatch of the goods Online sales are all 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

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

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 in cash generating units 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

Stock
Stocks 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

1c Accounting policies (continued)

Trade and other receivables

Trade and 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)

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 Profit and Loss account 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

1c **Accounting policies (continued)**

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'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 Oreal 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 Oreal 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

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 'Financial Instruments Recognition and Measurement' 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

1d Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements under Financial reporting standard 101 'Reduced disclosure framework' 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, intangible and tangible fixed assets, stock provisions, debtors provisions and derivative valuation

Fair value of derivatives
The directors use their judgement in selecting an appropriate valuation techniques for financial instruments Valuation techniques commonly used by market practitioners are applied For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument This may require estimation of the future foreign exchange rates, and also the appropriate discount rate

Trade receivables provisioning
Trade and other receivables are stated at their nominal amount less expected impairment losses With respect to all provisions that are based on estimates, there is a risk that actual losses incurred will vary significantly from management expectation at the balance sheet date, if historical loss rates are not a good indicator of the actual credit risk profile of the year end receivables

Stock provisioning
Where necessary provision is made for obsolete, slow moving and damaged stock or stock shrinkage The provision for obsolete, slow moving and damaged stock represents the difference between the cost of the stock and its replacement value The stock shrinkage provision is based on a combination of both an estimate of the inventory missing at the reporting date using historical shrinkage experience as well as the profile of aged stocks For further details on the provisions for inventory, refer to note 15

Impairment of intangible and tangible fixed assets
There were no impairments recorded in the current or preceding year The principal assumptions applied by management in arriving at the value in use of each cash generating unit are detailed in note 11 of the financial statements Whilst the impairment review has been conducted based on the best available estimates at the impairment review date, the Group notes that actual events may vary from management expectation

Dilapidations provisions
The majority of the Company's premises are leased under operating leases Leases include end of lease rectification clauses which impose certain requirements on the Company to complete repairs and maintenance, or re-decoration activities if required The Company provides for repairs and maintenance obligations as it becomes aware of any significant amounts that will be required The Company does not provide for amounts where the potential exposure cannot be reliably measured and accordingly does not anticipate potential repairs and maintenance on the portfolio of stores Additionally, the Company maintains the stores to a high standard and completes any necessary repairs and maintenance on a timely basis, addressing any events that require expenditure throughout the lease period as and when required Such costs are expensed as incurred

2 Turnover

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Sale of goods	396 1	383 4
Royalties	30 6	32 1
Freight income	5 0	5 0
	431 7	420 5
Other operating income		
Interest receivable and similar income (note 7)	15 5	15 2
	447 2	435 7

Business and geographical segments

Information is presented for the business segments above An element of the company s revenue is generated through sale of goods to franchisees based across the world Given the nature of the franchisee relationship the company's revenue has not been split by geographical market as it would be prejudicial to the interests of the Company

3 Operating expenses

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Operating costs relating to Company-owned shops, The Body Shop At Home™ and the internet	92 2	88 1
Selling and distribution costs	16 6	15 6
Administrative expenses	67 2	65 2
	176 0	168 9

4 Profit on ordinary activities

Profit on ordinary activities for the period has been arrived at after (crediting)/charging

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Net foreign exchange losses	0 2	1 3
Research and development	3 8	3 3
Depreciation of tangible fixed assets	8 7	8 5
Depreciation of tangible fixed assets held under finance leases	1 3	1 3
Reversal of impairment of tangible fixed assets	-	(0 7)
Amortisation of intangible assets	1 4	1 3
Loss on disposal of tangible fixed assets	0 9	0 1
Stock written off	2 3	1 4
Bad debts written off	-	0 1
Operating lease rentals - Land and buildings	30 2	28 7
Operating lease rentals - Other	0 7	0 8

4 Profit on ordinary activities (continued)

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Auditor's remuneration		
Fees payable to the company s auditor for the audit of the company's annual accounts	0 3	0 3
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 4	0 3
	0 7	0 6

5 Staff costs and numbers

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

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Wages	57 1	55 9
Social security and other taxes	6 7	5 1
Pension	2 6	2 8
Share based payments	2 1	1 0
	68 5	64 8

The average number of employees during the period was as follows

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Administration	501	574
Distribution / manufacturing	123	122
Shops	2,395	2,269
	3,019	2,965

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 29 December 2012

6 Directors' remuneration

The total amounts for directors remuneration was as follows

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Emoluments	1 6	0 7
	1 6	0 7

There were no directors in the Company defined contribution pension scheme in either period
No director was issued share options during the period (2011 one director)
Two directors exercised share options during the period (2011 none)
During the year two directors received shares under long term incentive schemes (2011 one director)
The emoluments of the highest paid director were £1m (2011 £0 7m)
The Board consider the directors to constitute key management personnel

7 Interests receivable and similar income

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Dividends received	15 5	15 1
Interest revenue		
Loans and receivables (including cash and bank balances)	-	0 1
	15 5	15 2

8 Interest payable and similar charges

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Interest payable on bank overdrafts and intercompany loans	0 6	0 7
Interest on obligations under finance leases	1 2	1 2
	1 8	1 9

9 Tax

Analysis of charge in period

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Current tax		
Current period charge	9 0	9 7
Prior period credit	(0 1)	(0 2)
	8 9	9 5
Deferred tax		
Current period (credit)/charge	(1 4)	(0 2)
Prior period credit	(0 4)	
Total tax charge	7 1	9 3

Tax on items charged to equity

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Deferred tax on share based payments	0 5	0 1
Deferred tax on cash flow hedges	-	(0 3)
	0 5	(0 2)

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

	52 weeks to 29 Dec 2012 £m	52 weeks to 1 Jan 2011 £m
Profit on ordinary activities before tax	51 1	49 3
Profit on ordinary activities multiplied by the rate of UK corporation tax of 24 5% (2011 26 5%)	12 5	13 1
Effects of		
Expenses not deductible for tax purposes	0 9	0 7
Non taxable dividends	(3 8)	(4 0)
Overseas tax suffered	1 5	1 0
Double taxation relief	(1 4)	(1 0)
Other	(2 1)	(0 2)
Prior period adjustment	(0 5)	(0 3)
Total taxation	7 1	9 3

10 Dividends

	52 weeks to 29 Dec 2012 £m	52 weeks to 1 Jan 2011 £m
Amounts recognised as distributions to equity holders in the period		
Final dividend for the period ended 31 December 2011 of 20 5p per share paid in 2012	46 4	-
Final dividend for the period ended 1 January 2011 of 15 8p per share paid in 2011	-	35 8
	46 4	35 8
Proposed final dividend for the period ended 29 December 2012 of 17 6p per share	39 9	-
Proposed final dividend for the period ended 31 December 2011 of 20 5p per share	-	46 4

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

Cost	**£m**
At 1 January 2012	7 8
Additions	0 1
At 29 December 2012	7 9
Carrying amount	
At 29 December 2012	7 9
At 31 December 2011	7 8

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% (2011 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% (2011 7 8%) has been used in discounting the projected cashflows This 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

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 1 January 2012	12 7
Additions	2 5
Asset reclassification (note 13)	0 2
At 29 December 2012	15 4
Amortisation	
At 1 January 2012	9 9
Charge for the period	1 4
At 29 December 2012	11 3
Carrying amount	
At 29 December 2012	4 1
At 31 December 2011	2 8

13 Property, plant and equipment

	Freehold properties	Short term leasehold property	Plant and equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 January 2012	0 4	56 2	70 5	127 1
Additions	-	1 0	7 0	8 0
Disposals	-	(0 5)	(6 1)	(6 6)
Asset reclassification (note 12)	-	0 1	(0 3)	(0 2)
At 29 December 2012	0 4	56 8	71 1	128 3
Accumulated depreciation				
At 1 January 2012	0 1	31 7	48 0	79 8
Charge for the period	-	1 9	8 1	10 0
Impairment	-	-	-	-
Disposals	-	(0 4)	(5 3)	(5 7)
At 29 December 2012	0 1	33 2	50 8	84 1
Carrying amount				
At 29 December 2012	0 3	23 6	20 3	44 2
At 1 January 2012	0 3	24 5	22 5	47 3

13 Property, plant and equipment (continued)

Impairment loss

Fixed assets are reviewed annually for impairment The Impairment tests are conducted as described in Note 11

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 2m (2011 £10 9m)

At 31 December 2012 the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0 7m (2011 £0 9m)

14 Subsidiaries

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Cost of investments in subsidiaries (less provisions)		
Bought forward	155 4	155 5
Increase in provisions against subsidiary undertakings	-	(0 6)
Provisions against subsidiary undertakings written back	0 5	0 5
Carried forward	155 9	155 4

The Company's principal subsidiaries at 29 December 2012 were

		% Holding of ordinary shares	Country of incorporation and operation	Aggregate amount of share capital and reserves as at 29 Dec 12 £m	Retained profit or (loss) for the period ended 29 Dec 2012 £m
	The Body Shop Queenslie Limited	100	Great Britain	3 0	(1 5)
	The Body Shop Worldwide Limited	100	Great Britain	9 0	1 7
	The Body Shop Global Travel Retail Limited	100	Great Britain	(0 1)	(0 1)
	The Body Shop Canada Limited	100	Canada	10 1	2 6
	Skin & Hair Care Preparations Inc	100	USA	88 4	1 0
*i	Buth-Na-Bodhaige Inc	100	USA	4 5	(66 9)
	The Body Shop (Singapore) Pte Ltd	100	Singapore	5 8	5 7
	The Body Shop International (Asia Pacific) Pte Ltd	100	Singapore	1 3	1 2
	The Body Shop Hong Kong Limited	100	Hong Kong	18 7	6 2
*ii	Mighty Ocean Company Limited	100	Hong Kong	11 8	11 7
*iii	The Body Shop (France) SARL	100	France	5 9	(1 8)
	The Body Shop Beteiligungs GmbH	100	Germany	9 5	2 5
	The Body Shop Benelux BV	100	Netherlands	(0 1)	(0 1)
*iv	The Body Shop Netherlands BV	100	Netherlands	(0 3)	(0 3)
	The Body Shop GmbH	100	Austria	8 4	8 3
*iii	B S Denmark A/S	100	Denmark	1 8	-
	The Body Shop Svenska AB	100	Sweden	7 2	7 2
	Cosmenatura SA	100	Spain	1 9	1 4
	Dibel SA	100	Portugal	3 0	0 3
*v	Dibel 3 SA	100	Portugal	0 3	-

THE BODY SHOP INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 29 December 2012

14 Subsidiaries (continued)

*i 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
*ii Denotes that Mighty Ocean is indirectly owned by The Body Shop International Plc, direct ownership is held by The Body Shop Hong Kong Limited
*iii 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
*iv 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
*v Denotes that Dibel 3 SA is indirectly owned by The Body Shop International Plc, direct ownership is held by Dibel SA

Investments	**Principal activity**
The Body Shop Queenslie Limited	This company is now non-trading but holds the debt owed by Soapworks Ltd
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
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 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
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

14 Subsidiaries (continued)

Dibel 3 SA	This company trades in The Body Shop® products in Portugal through its parent Dibel SA
The Body shop Monaco SARL	This company trades in The Body Shop® products in Monaco
The Body Shop Luxembourg SARL	This company trades in The Body Shop® products in Luxembourg
The Millenium Administration Company Limited	This company is dormant
The Body Shop Retail Properties Limited	This company trades in The Body Shop® products in England
The Body Shop (Isle of Man) Limited	This company trades in The Body Shop® products in Isle of Man
GA Holdings (Guernsey) Limited	This company trades in The Body Shop® products in Guernsey
GA Holdings (1979) Limited	This company trades in The Body Shop® products in Jersey
The Body Shop On-line (II) Limited	This company is dormant
Th Body Shop International Pension Trustee Company Limited	This company is dormant

15 Stocks

	As at 29 Dec 2012 £m	As at 1 Jan 2011 £m
Finished goods	63 4	85 3

There is no material difference between the balance sheet value of stocks and their replacement cost

16 Debtors

	52 weeks to 29 Dec 2012 £m	52 weeks to 31 Dec 2011 £m
Amounts falling due within one year		
Amount receivable for the sale of goods	34 3	30 8
Allowance for doubtful debts	(3 4)	(3 1)
	30 9	27 7
Amounts owed by subsidiary undertakings	26 2	27 9
Prepayments and accrued income	12 1	12 4
Other debtors	2 3	1 3
	71 5	69 3

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 29 December 2012

17 Cash and cash equivalents

	As at 29 Dec 2012 £m	As at 31 Dec 2011 £m
Cash and cash equivalents	32 0	14 5

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 29 Dec 2012 £m	As at 31 Dec 2011 £m
Unsecured borrowing		
Loans from related parties	1 9	8 0
Amount due for settlement within 12 months	1 9	8 0

	Sterling £m	Euros £m
31 December 2011		
Loans from related parties	6 0	2 0
29 December 2012		
Loans from related parties	-	1 9

Amounts repayable to related parties of the Company carry interest of 0 98% - 1 16% (2011 0 97% - 1 82%) 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 31st December 2012 are included in accruals

19 Derivative financial instruments

	As at 29 Dec 2012 £m	As at 31 Dec 2011 £m
Derivatives that are designated and effective as hedging instruments carried at fair value		
Forward foreign currency contracts held as assets	2 0	2 3
Forward foreign currency contracts held as liabilities	(3 0)	(3 2)
Net position at the balance sheet date	(1 0)	(0 9)

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

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 1 January 2011	(2 7)	0 4	0 7	(1 6)
Charge to income	0 2	-	-	0 2
Charge to equity	-	0 1	(0 3)	(0 2)
As 1 January 2012	(2 5)	0 5	0 4	(1 6)
Credit to income	0 9	0 9	(0 1)	1 7
Charge to equity	-	0 5	-	0 5
As 29 December 2012	(1 6)	1 9	0 3	0 6

	As at 29 Dec 2012 £m	As at 1 Jan 2011 £m
Deferred tax liabilities (see note 23)	(1 6)	(2 5)
Deferred tax assets	2 2	0 9
	0 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, which provides for a reduction in the main rate of corporation tax from 26% to 25% effective from 1 April 2012, was substantively enacted on 19 July 2011 A further reduction to 24% took effect under the Provisional Collection of Taxes Act 1968 (PCTA), when it was included within The Finance Act 2012 budget resolutions, which were passed on 26 March 2012

The Finance Act 2012 also provided a further reduction in the main rate of corporate tax from 24% to 23% effective from 1 April 2013, which was substantively enacted on 3 July 2012

The Finance Act 2013 provides a further reduction in the main rate of corporate tax from 23% to 21% effective from 1 April 14 As this was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period

The Government intends to enact a further reduction in the main tax rate of 1%, down to 20% by 1 April 2015

21 Obligations under finance leases

	Minimum lease payments		Present value of lease	
	2012	2011 £m	2012	2011 £m
Amounts payable under finance leases				
Within one year	1 8	1 8	1 8	1 8
In the second to fifth years inclusive	7 0	7 0	4 9	4 9
After five years	15 6	17 4	4 3	4 6
	24 4	26 2	11 0	11 3
Less future finance charges	(13 4)	(14 9)	n/a	n/a
Present value of lease obligations	11 0	11 3	11 0	11 3
Less Amount due for settlement within 12 months (shown under current liabilities)			(1 8)	(1 8)
Amount due for settlement after 12 months			9 2	9 5

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 29 December 2012, the average effective borrowing rate was 16 33% (2011 16 33%) 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 Trade and other payables

	As at 29 Dec 2012 £m	As at 31 Dec 2011 £m
Trade payables	25 8	27 4
Social security and other taxes	5 4	5 5
Other payables	3 0	7 6
Accrued expenses	16 3	18 1
Deferred income	2 8	3 0
Amounts due to subsidiary undertakings	23 9	9 0
	77 2	70 6

23 Provisions

	2012	2011
Onerous contracts	0 1	0 2
Deferred tax (see note 20)	1 6	2 5
	1 7	2 7

	Onerous contracts £m	Deferred Tax £m	Total £m
At 1 January 2012	0 2	2 5	2 7
Provision utilised in the period	(0 1)	(0 9)	(1 0)
At 29 December 2012	0 1	1 6	1 7

The onerous contracts relate to buildings which the Company no longer occupy The affected lease agreements expire within 2 to 26 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 8%, 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 29 December 2012 £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 29 December 2012 and 31 December 2011	74 7

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

THE BODY SHOP INTERNATIONAL PLC

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For the 52 weeks ending 29 December 2012

26 Other reserves

	Hedging reserve £m	Share based payments £m	Total £m
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 1 January 2012	(0 3)	4 0	3 7
Share option expenses	-	2 1	2 1
Deferred tax on share based payments	-	0 5	0 5
Foreign currency forward contracts	(0 1)	-	(0 1)
Balance at 29 December 2012	(0 4)	6 6	6 2

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 Profit and Loss account

	£m
Balance at 1 January 2011	192 3
Dividends paid	(35 8)
Net profit for the period	40 0
Balance at 1 January 2012	196 5
Dividends paid	(46 4)
Net profit for the period	44 0
Balance at 29 December 2012	194 1

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 29 Dec 2012 £m	As at 31 Dec 2011 £m
Minimum lease payments under operating leases recognised as an expense in the period	30 9	29 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 29 Dec 2012 £m	As at 31 Dec 2011 £m
Within one year	28 0	28 3
In the second to fifth years inclusive	74 1	79 0
After five years	28 3	33 3
	130 4	140 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

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

	As at 29 Dec 2012 £m	As at 31 Dec 2011 £m
Income from sub-leases recognised in the period	1 1	1 1

31 Share based payments

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

Equity-settled share option schemes

In accordance with IFRS 2 'Share-based payment", the value of the options granted calculated at the grant date is charged to the profit and loss account 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 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 weighted average share price at the date of exercise for share options exercised during the period was €71 96 The options outstanding at 31 December 2012 had a weighted average exercise price of €73 90

The impact on the result of the period of application of standard IFRS 2 is booked on the Operating expenses line of the Profit and loss account The company recognised total expenses in the year of £2 1m (2011 £1 3m) related to equity settled share based payments transactions

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 6m (2011 £2 8m) Other creditors includes an accrual of £0 3m (2011 £0 4m) in respect of accrued pension contributions

33 Financial Instruments

Categories of financial instruments	As at 29 Dec 2012 £m	As at 31 Dec 2011 £m
Financial assets at fair value		
Foreign Exchange Forward Contracts (Principal value)		
Buy Contracts	(39 7)	(52 2)
Sell Contracts	61 1	44 1
	21 4	(8 1)
Financial liabilities at fair value		
Foreign Exchange Forward Contracts (Principal value)		
Buy Contracts	(61 9)	(44 9)
Sell Contracts	60 2	85 3
	(1 7)	40 4

33 Financial Instruments (continued)

Changes in value of financial instruments at fair value

Profit for the year has been arrived at after charging/(crediting)	As at 29 Dec 2012 £m	As at 31 Dec 2011 £m
Financial assets at fair value		
Foreign Exchange Forward Contracts (Fair Value through P&L)		
Buy Contracts	0 1	(0 0)
Sell Contracts	0 0	(0 2)
	0 1	(0 2)
Financial liabilities at fair value		
Foreign Exchange Forward Contracts (Fair Value through P&L)		
Buy Contracts	0 1	0 2
Sell Contracts	(0 1)	(0 0)
	(0 0)	0 2

Changes in fair value recognised in a revaluation reserve of financial instruments classified as avalaible for sale are presented in note 19

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of derivative instruments are calculated using quoted prices Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts

Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts
It is the policy of the Company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 80 per cent to 100 per cent of the exposure generated The Company also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to12 months within 80 per cent to 100 per cent of the exposure generated Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place

34 Related party transactions

Loans from related parties

	2012 £m	2011 £m
Loans from FINVAL	1 9	8 0
	1 9	8 0

Amounts repayable to related parties carry interest of 0 98% - 1 16% (2011 0 85% - 4 09%) per annum charged on the outstanding loan balances

35 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