

Registered number: 01284170

**THE BODY SHOP INTERNATIONAL PLC**

**FINANCIAL STATEMENTS**

**for the 52 week period ended 28 December 2013**

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# **THE BODY SHOP INTERNATIONAL PLC**

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# **THE BODY SHOP INTERNATIONAL PLC**

## **COMPANY INFORMATION**

### **Directors**

Jeremy Schwartz (Chief Executive Officer)  
Christian Mulliez  
Geoff Skingsley

### **Secretary**

Catherine Regan

### **Auditor**

Deloitte LLP  
Chartered Accountants and Registered Auditor  
Reading, United Kingdom

### **Registered office**

Watersmead  
Littlehampton  
West Sussex  
BN17 6LS

### **Registered number**

01284170

### **Solicitors**

Baker & McKenzie  
100 New Bridge Street  
London  
EC4V 6JA

### **Principal bankers**

Barclays Bank PLC  
Deutsche Bank AG

# THE BODY SHOP INTERNATIONAL PLC

## STRATEGIC REPORT

The directors present their Strategic report and the affairs of the group for the year ended 28 December 2013

### Strategic report

The Company develops, distributes and sells naturally inspired beauty products, make up and skin care under "The Body Shop" trademark and other Company owned intellectual property. The Company distributes and sells such products through its own shops, home sales, e-commerce and through franchised outlets and travel retail. It also acts as a holding Company.

The board of directors monitor the effectiveness of the Company's operations by considering various key performance indicators. The main indicators are revenue, net profit and store numbers. Revenue for the year was £435.7m (2012: £431.7m), post tax profit was £46.4m (2012: £44.0m) and there were 292 (2012: 306) stores in the UK at 28 December 2013, of which 283 (2012: 297) were company owned.

In addition to the above the directors also consider the growth of the brand. At the end of 2013, the brand had a total of 3,044 stores including franchise stores in 64 countries (2012: 2,837 stores in 63 countries). The strategic body, skincare and makeup categories grew driven by iconic ranges and innovations such as Honeymania bodycare with organic Community Fair Trade honey from Ethiopia.

In December 2013 the Company acquired 51% of Body Store SA in Brazil with the option of increasing its shareholdings to 80% by 2019. Brazil is the largest economy in Latin America with a population of 200 million people; its beauty market has experienced a consistent and sustained expansion and as such has become the fourth largest beauty market in the world. The founder of Body Store SA, Tobias Chanan, will remain CEO of the group with the objective to expand the business through the franchise channel. The Company will propose to Brazilian consumers a range of The Body Shop's most popular products complemented by new products developed locally with L'Oréal's Research Centre in Rio de Janeiro, in accordance with The Body Shop's strict requirements and values.

The Body Shop secured good Christmas trading around its "Give Joy" programme. The multi-channel strategy delivered sustained growth in ecommerce, particularly in the United Kingdom and in the United States. Geographically, the main markets which contributed to the brand's development were South Asia and Northern Europe.

### 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:

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.

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.

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 focus on innovation 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 excluded. 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.

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 Company'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.

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.

# THE BODY SHOP INTERNATIONAL PLC

## STRATEGIC REPORT (CONTINUED)

**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.

**Market and Economic Uncertainties** - Retail conditions are improving but unforeseen 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'Oréal mitigate the potential loss of knowledge and experience.

### Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including liquidity risks, currency risks and credit risks.

The use of financial derivatives is governed by the board of directors. The company does not use derivatives financial instrument for speculative purposes.

**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'Oréal Group's liquidity risk is managed with the primary aim of ensuring continued financing and optimising the financial cost of debt.

The L'Oréal Group is rated by the credit rating agencies which respectively gave it, in June 2013 and August 2013, for Standard & Poor's, Moody's and Fitch, the following short-term credit ratings: A1+, Prime 1 and F1+.

**Currency risks** – Due to its international sales, the fluctuation of main currencies may therefore have an impact on the Company's results. In order to limit currency risk, the Company adopts a conservative approach of hedging at year-end a significant portion of annual requirements for the following year through forward purchases or sales contracts or through options. Requirements are established for the following year on the basis of the operating budgets of each subsidiary. These requirements are then reviewed regularly throughout the year in progress. In order to benefit from better visibility of the flows generated, currency risk management is centralised with the Treasury Department at L'Oréal SA which uses a specific tool for centralising the subsidiaries' requirements by currency (FX report).

**Credit risks** – They may result from non-collection of receivables due to cash problems encountered by customers. The amount considered as posing a risk of non-collection has been provided for, as set out in note 16, representing 10.0% (2012: 10.0%) of gross accounts receivable.

### Our Values Agenda

We will soon be publishing our new values report, however until then you can still refer to our report published in 2012 via the following link:

[http://www.thebodyshop.com/content/pdf/global-values\\_report.pdf](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 26 Community Fair Trade suppliers positively impact the lives of over 300,000 people across the 22 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 The Body Shop International PLC's expenditure 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).

##### Protecting The Planet

In 2013 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.

Our Wood Positive programme has continued to develop and so far has preserved 132 hectares of forest and restored 56 hectares of degraded land. This has helped increase forest cover, which is essential for an abundance of wildlife and for local communities. This year we are on track to meeting the programme's objectives, including the expansion of activities to Mexico.

# THE BODY SHOP INTERNATIONAL PLC

## STRATEGIC REPORT (CONTINUED)

We are also moving ahead with our own renewable energy generation. In 2011 The Body Shop installed the largest self-funded roof top PV scheme in the UK and in April 2013 we generated 1m kWh of electricity - enough to power nearly 300 homes for a year. Despite the reductions in the UK government's Feed in Tariffs (FITs), in 2013 we boosted our PV array at our Watersmead site by expanding on to the roofs of two more buildings. We now have around 5,800 panels (1.1 MWp) and we generate on average 30 per cent of the site's electricity needs.

We launched our first Pulse store in London in 2012, and by the end of 2013 we had rolled out over 800 Pulse stores across the globe and boosted sales as a result. Pulse gives stores a fresh and vibrant "boutique" look, and a green "makeover" too. Highlights include:

- Shop Fit supplied by FSC certified sources
- Flooring from sustainable materials – No PVC
- Continued energy efficiencies from replacement lighting and HVAC systems

### 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 is 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.

### Our campaigns

With over 20 years of campaigning against animal testing The Body Shop has supported the launch of Cruelty Free International, an 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. Finally On 11 March 2013, we celebrated the end of animal testing for cosmetics in Europe. The European Union banned the sale and import of animal tested products and ingredients, reaping repercussions around the world.

Following this in October 2013, Cruelty Free International received one million signatures from The Body Shop customers and presented them to the Association of Southeast Asian Nations (ASEAN), generating debate and the potential for change.

### Future prospects

Whilst we continue to be confronted by challenges in some markets our strategy for 2014 will ensure that our customers remain at the heart of all business decisions.

The new and improved "Pulse" store format was launched at the beginning of 2012. This new format has resulted in an improvement in performance, footfall and sales. In 2014 we will continue to develop the new store format to improve the in-store experience for the customer.

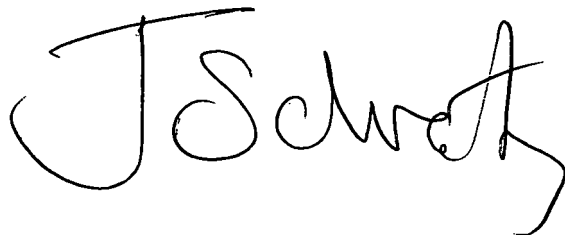
Further growth in 2014 will come from the launch of an increasing number of innovative products. The Body Shop will continue to seek out natural, effective ingredients from all four corners of the globe as part of its Community Trade programme which improves the living conditions of people worldwide.

The Body Shop will continue its geographical development with our new partners in Brazil, bringing over 100 new stores into our store portfolio in collaboration with Body Store SA and local franchise partners. Our entry into the Brazilian market is of strategic importance and we will continue to develop our activities there.

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 2013 which is available from the registered office at 14, rue Royale, 75008 Paris - France.

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



Jeremy Schwartz  
Director

# THE BODY SHOP INTERNATIONAL PLC

## DIRECTORS' REPORT

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 28 December 2013 and the balance sheet of the Company at 28 December 2013.

In accordance with section 414C(11) of the Act, the directors have included within the strategic report information regarding the below matters as the directors consider they are of strategic importance to the company;

- financial risk management objectives and policies;
- and future developments;

### Directors

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

Jeremy Schwartz (Chief Executive Officer) - appointed 5 September 2013

Frederic Ennabli (Chief Executive Officer) - resigned 9 September 2013

Sophie Gasperment (Executive Chairman) - resigned 9 September 2013

Lady Sylvia Jay - resigned 31 July 2013

Christian Mulliez

Geoff Skingsley

### Results and dividends

The Company is wholly owned by L'Oréal SA, incorporated in France, which itself prepares consolidated accounts, so 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 £21.5m (2012: £39.9m).

### Capital structure

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

### 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.

### 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.

## THE BODY SHOP INTERNATIONAL PLC

### DIRECTORS' REPORT (CONTINUED)

#### 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 occurred to the date of signing.

#### Research and development

The direct cost of research and development expenditure was £4.5m (2012: £3.8m). All research and development costs have been recognised through the Profit and Loss Account.

#### Auditor

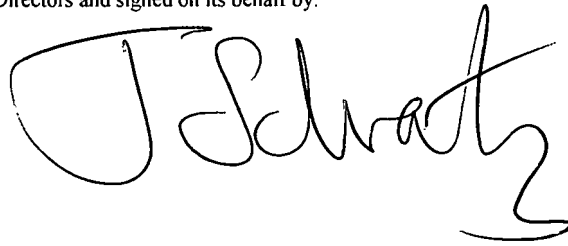
Each of the persons who is a Director at the date of approval of this annual report confirms that:

- 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:

A handwritten signature in black ink, appearing to read 'J Schwartz', with a large, stylized flourish at the end.

Jeremy Schwartz  
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 year ended 28 December 2013 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 28 December 2013 and of its profit for the 52 week period ended 28 December 2013;
- 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.

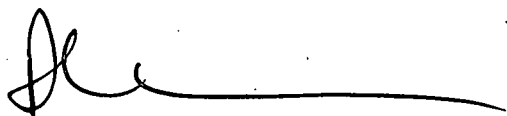
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and 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 FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, United Kingdom

25 June 2014

# THE BODY SHOP INTERNATIONAL PLC

## PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 28 December 2013

	Note	2013 £m	2012 £m
<b>Continuing operations</b>			
Turnover	2	435.7	431.7
Cost of sales		(216.2)	(218.3)
<b>Gross profit</b>		<u>219.5</u>	<u>213.4</u>
Operating expenses	3	(176.9)	(176.0)
<b>Operating profit</b>		<u>42.6</u>	<u>37.4</u>
Interest receivable and similar income	7	15.3	15.5
Interest payable and similar charges	8	(0.9)	(1.8)
<b>Profit on ordinary activities before tax</b>	4	<u>57.0</u>	<u>51.1</u>
Tax	9	(10.6)	(7.1)
<b>Profit for the financial year</b>	27	<u><u>46.4</u></u>	<u><u>44.0</u></u>

# THE BODY SHOP INTERNATIONAL PLC

## STATEMENT OF CHANGES IN EQUITY

At 28 December 2013

	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
<b>Balance at 31 December 2011</b>	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
<b>Total comprehensive income for the period</b>	-	-	0.4	44.0	44.4
Dividends	-	-	-	(46.4)	(46.4)
Share option expenses	-	-	2.1	-	2.1
<b>Balance at 29 December 2012</b>	11.3	74.7	6.2	194.1	286.3
Profit for the period	-	-	-	46.4	46.4
Profit recognised on cash flow hedges	-	-	0.9	-	0.9
Deferred tax on cash flow hedges	-	-	-	-	-
Deferred tax on share based payments	-	-	1.1	-	1.1
<b>Total comprehensive income for the period</b>	-	-	2.0	46.4	48.4
Dividends	-	-	-	(39.9)	(39.9)
Share option expenses	-	-	(0.7)	-	(0.7)
<b>Balance at 28 December 2013</b>	11.3	74.7	7.5	200.6	294.1

# THE BODY SHOP INTERNATIONAL PLC

## BALANCE SHEET

As at 28 December 2013

		2013 £m	2012 £m
	Note		
<b>Fixed assets</b>			
Goodwill	11	7.2	7.9
Other intangible assets	12	5.6	4.1
Property, plant and equipment	13	42.8	44.2
Investments	14	189.9	155.9
		<u>245.5</u>	<u>212.1</u>
<b>Current assets</b>			
Stock	15	66.5	63.4
Debtors			
- due within one year	16	77.7	71.5
Cash at bank and in hand	17	18.6	32.0
Derivative financial instruments	19	4.7	2.0
Deferred tax asset	20	1.8	2.2
		<u>169.3</u>	<u>171.1</u>
<b>Total assets</b>		<u>414.8</u>	<u>383.2</u>
<b>Creditors: Amounts falling due within one year:</b>			
Trade and other payables	22	(79.6)	(77.2)
Current tax liabilities		(3.4)	(2.1)
Obligations under finance leases	21	(1.8)	(1.8)
Borrowings	18	(22.0)	(1.9)
Derivative financial instruments	19	(4.6)	(3.0)
		<u>(111.4)</u>	<u>(86.0)</u>
<b>Net current assets</b>		<u>57.9</u>	<u>85.1</u>
<b>Creditors: Amounts falling due after more than one year:</b>			
Obligations under finance leases	21	(8.2)	(9.2)
Provisions for liabilities	23	(1.1)	(1.7)
		<u>(120.7)</u>	<u>(96.9)</u>
<b>Total liabilities</b>		<u>(120.7)</u>	<u>(96.9)</u>
<b>Net assets</b>		<u>294.1</u>	<u>286.3</u>

# THE BODY SHOP INTERNATIONAL PLC

## BALANCE SHEET (CONTINUED)

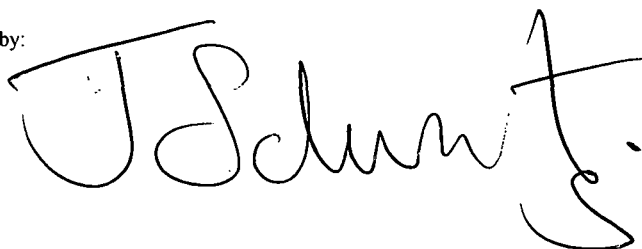
As at 28 December 2013

	Note	2013 £m	2012 £m
<b>Capital and reserves</b>			
Called up share capital	24	11.3	11.3
Share premium account	25	74.7	74.7
Other reserves	26	7.5	6.2
Profit and loss account	27	200.6	194.1
<b>Total shareholders' funds</b>		<u>294.1</u>	<u>286.3</u>

The financial statements were approved by the Board of Directors and authorised for issue on ...24/06/14....

The Company's registered number is 01284170.

They were signed on its behalf by:



Jeremy Schwartz  
Director

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ending 28 December 2013

### 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's activities together with the factors likely to affect its future development and position are set out in the Strategic report on page 2 to 4.

The Company is expected to generate positive cashflows on its own activities for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors having assessed responses of the Company's parent, L'Oreal SA, to the enquiries have no reason to believe a material uncertainty exists that may cast significant doubt about the ability of The Body Shop group to continue as a 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.

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 1c Accounting policies (continued)

Revenue is recognised as follows:

#### *Sale of goods - wholesale*

Revenue is recognised when the following conditions are satisfied:

- o The significant risks and rewards of ownership has been transferred to the buyer,
- o There is no unfulfilled obligation that could affect the wholesaler or the distributor's acceptance,
- o The amount of revenue can be measured reliably,
- o It is probable that the economic benefits associated with the transaction will flow to the Company,
- o The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *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.

#### *Sale of goods - online*

Revenue is recognised upon despatch of the goods. 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.

#### *Dividend income*

Dividend income from subsidiaries is recognised when payment is received.

#### *Rental income*

Rental income is recognised on a straight line basis over the term of the relevant lease.

### **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.

The Company considers that the CGUs have indefinite useful lives as the Company is a significant operator in a well-established business together with the proven and long term demand for the Company's services.

### **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.

### **Investments**

Investments in subsidiaries and associated companies are included in the balance sheet at historic costs and are reviewed annually for impairment.



# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 1c Accounting policies (continued)

#### 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 asset's 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

#### 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:

- o Freehold property - over 50 years,
- o Short term leasehold property - over the period of the respective leases,
- o Plant and equipment - over 2 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.

#### 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

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

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 1c Accounting policies (continued)

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

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

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 1c Accounting policies (continued)

#### 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.

## THE BODY SHOP INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 29 December 2012

**1d Critical accounting judgments and key sources of estimation uncertainty (continued)**

*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.

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 2 Turnover

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Sale of goods	401.8	396.1
Royalties	28.4	30.6
Freight income	5.5	5.0
	<u>435.7</u>	<u>431.7</u>
Other operating income		
Dividend received (note 7)	15.3	15.5
Rental income	0.8	1.1
	<u>451.8</u>	<u>448.3</u>

#### 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 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Operating costs relating to Company-owned shops, The Body Shop At Home™ and the internet	93.1	92.2
Selling and distribution costs	16.4	16.6
Administrative expenses	67.4	67.2
	<u>176.9</u>	<u>176.0</u>

### 4 Profit on ordinary activities

Profit on ordinary activities for the period has been arrived at after charging:

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Net foreign exchange losses	0.7	0.2
Research and development	4.5	3.8
Depreciation of tangible fixed assets	7.8	8.7
Depreciation of tangible fixed assets held under finance leases	1.3	1.3
Amortisation of intangible assets	2.0	1.4
Loss on disposal of tangible fixed assets	0.8	0.9
Stock written off	1.1	2.3
Operating lease rentals - Land and buildings	27.2	30.2
Operating lease rentals - Other	0.5	0.7

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 4 Profit on ordinary activities (continued)

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	0.2	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	0.4
	<u>0.6</u>	<u>0.7</u>

### 5 Staff costs and numbers

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

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Wages	60.7	57.1
Social security and other taxes	6.1	6.7
Pension	3.0	2.6
Share based payments	(0.7)	2.1
	<u>69.1</u>	<u>68.5</u>

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

	52 weeks to 28 Dec 2013	52 weeks to 29 Dec 2012
Administration	565	501
Distribution / manufacturing	129	123
Shops	2,303	2,395
	<u>2,997</u>	<u>3,019</u>

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 6 Directors' remuneration

The total amounts for directors' remuneration was as follows:

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Emoluments	1.9	1.6
	<u>1.9</u>	<u>1.6</u>

There was 1 director in the Company defined contribution pension scheme (2012: none).

No director was issued share options during the period (2012: none).

Two directors exercised share options during the period (2012: 2).

Two directors were awarded performance shares (2012: 2).

The emoluments of the highest paid director were £0.9m (2012: £1m).

The Board consider the directors to constitute key management personnel.

### 7 Interest receivable and similar income

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Dividends received	15.3	15.5
	<u>15.3</u>	<u>15.5</u>

### 8 Interest payable and similar charges

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Interest payable on bank overdrafts and intercompany loans	0.2	0.6
Interest on obligations under finance leases	0.7	1.2
	<u>0.9</u>	<u>1.8</u>

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 9 Tax

Analysis of charge in period

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Current tax		
Current period (credit)/charge	10.6	9.0
Prior period (credit)/charge	0.2	(0.1)
	<u>10.8</u>	<u>8.9</u>
Deferred tax		
Current period (credit)/charge	(0.1)	(1.4)
Prior period (credit)/charge	(0.1)	(0.4)
	<u>(0.2)</u>	<u>(1.8)</u>
Total tax charge	<u>10.6</u>	<u>7.1</u>
Tax on items charged to equity		
	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Deferred tax on share based payments	1.1	0.5
Deferred tax on cash flow hedges	-	-
	<u>1.1</u>	<u>0.5</u>

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

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Profit on ordinary activities before tax	57.0	51.1
Profit on ordinary activities multiplied by the rate of UK corporation tax of 23.25% (2012: 24.5%)	13.3	12.5
Effects of:		
Expenses not deductible for tax purposes	1.5	0.9
Non-taxable dividends	(3.6)	(3.8)
Overseas tax suffered	1.4	1.5
Double taxation relief	(1.4)	(1.4)
Other	(0.7)	(2.1)
Prior period adjustment	0.1	(0.5)
Total taxation	<u>10.6</u>	<u>7.1</u>

The Finance Act 2013, which provides for a reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.



# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 10 Dividends

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the period ended 29 December 2012 of 17.6p per share paid in 2013	39.9	-
Final dividend for the period ended 31 December 2011 of 20.5p per share paid in 2012	-	46.4
	<u>39.9</u>	<u>46.4</u>
Proposed final dividend for the period ended 28 December 2013 of 9.48p per share	21.5	-
Proposed final dividend for the period ended 29 December 2012 of 17.6p per share	-	39.9
	<u>21.5</u>	<u>39.9</u>

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
<b>Cost</b>	
At 30 December 2012	7.9
<b>Additions</b>	0.0
<b>Disposals</b>	(0.7)
	<u>7.2</u>
At 28 December 2013	<u>7.2</u>
<b>Carrying amount</b>	
At 28 December 2013	<u>7.2</u>
At 30 December 2012	<u>7.9</u>

#### 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 geographical districts. 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% (2012: 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 8% (2012: 7.8%) has been used in discounting the projected cash flows. 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 BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 12 Other intangible assets

	Software £m
<b>Cost</b>	
At 30 December 2012	15.4
Additions	3.0
Asset reclassification (note 13)	0.5
At 28 December 2013	18.9
<b>Amortisation</b>	
At 30 December 2012	11.3
Charge for the period	2.0
At 28 December 2013	13.3
<b>Carrying amount</b>	
At 28 December 2013	5.6
At 30 December 2012	4.1

### 13 Property, plant and equipment

	Freehold properties £m	Short term leasehold property £m	Plant and equipment £m	Total £m
<b>Cost or valuation</b>				
At 30 December 2012	0.4	56.8	71.1	128.3
Additions	-	0.5	8.5	9.0
Disposals	-	(0.2)	(7.0)	(7.2)
Asset reclassification (note 12)	-	0.1	(0.6)	(0.5)
At 28 December 2013	0.4	57.2	72.0	129.6
<b>Accumulated depreciation</b>				
At 30 December 2012	0.1	33.2	50.8	84.1
Charge for the period	-	1.9	7.2	9.1
Disposals	-	(0.1)	(6.3)	(6.4)
At 28 December 2013	0.1	35.0	51.7	86.8
<b>Carrying amount</b>				
At 28 December 2013	0.3	22.2	20.3	42.8
At 30 December 2012	0.3	23.6	20.3	44.2

Assets under construction of £1.4m (2012: £1.4m) are included within Plant & Equipment. Assets under construction are not depreciated.

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 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 £9.4m (2012: £10.2m).

At 28 December 2013, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £0.6m (2012: £0.7m).

### 14 Subsidiaries

	52 weeks to 28 Dec 2013 £m	52 weeks to 29 Dec 2012 £m
<b>Cost of investments in subsidiaries (less provisions)</b>		
Bought forward	155.9	155.4
Increase in provisions against subsidiary undertakings	(0.2)	-
Provisions against subsidiary undertakings written back	0.2	0.5
Additions	34.0	-
Carried forward	189.9	155.9

On 19 December 2013 the Company acquired 51% of The Body Store SA a Brazilian entity for £34m with an option to extend its holding up to 80% by 2019.

The Company's principal subsidiaries at 28 December 2013 were:

	% Holding of ordinary shares	Country of incorporation and operation	Aggregate amount of share capital and reserves as at 28 Dec 13 £m	Retained profit or (loss) for the period ended 28 Dec 2013 £m
The Body Shop Queenslie Limited	100	Great Britain	3.1	(1.5)
The Body Shop Worldwide Limited	100	Great Britain	9.0	1.7
The Body Shop Global Travel Retail Limited	100	Great Britain	0.3	0.3
The Body Shop Canada Limited	100	Canada	11.7	4.8
Skin & Hair Care Preparations Inc.	100	USA	85.5	0.9
*i Buth-Na-Bodhaige Inc.	100	USA	6.0	(63.2)
The Body Shop (Singapore) Pte Ltd	100	Singapore	4.6	4.5
The Body Shop International (Asia Pacific) Pte Ltd	100	Singapore	1.4	1.2
The Body Shop Hong Kong Limited	100	Hong Kong	18.3	6.1
*ii Mighty Ocean Company Limited	100	Hong Kong	9.0	8.9
*iii The Body Shop (France) SARL	100	France	6.2	(1.6)
The Body Shop Beteiligungs GmbH	100	Germany	10.1	2.1
The Body Shop Benelux BV	100	Netherlands	(0.1)	(0.1)
*iv The Body Shop Netherlands BV	100	Netherlands	(0.3)	(0.4)
The Body Shop GmbH	100	Austria	8.6	8.4
*iii B S Denmark A/S	100	Denmark	1.9	0.1
The Body Shop Svenska AB	100	Sweden	6.5	6.6
Cosmenatura SA	100	Spain	2.0	1.5
Dibel SA	100	Portugal	3.1	0.4
Body Store SA	51	Brazil	2.3	(1.5)

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 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.

#### 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

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 14 Subsidiaries (continued)

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
Body Store SA	This company trades in Body Store® products in Brazil

### 15 Stocks

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
Finished goods	66.5	63.4

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

### 16 Debtors

	52 weeks to 28 Dec 2013 £m	As at 29 Dec 2012 £m
<b>Amounts falling due within one year:</b>		
Amount receivable for the sale of goods	38.5	34.3
Allowance for doubtful debts	(2.5)	(3.4)
	36.0	30.9
 Amounts owed by subsidiary undertakings	28.5	26.2
Prepayments and accrued income	11.8	12.1
Other debtors	1.4	2.3
	77.7	71.5

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 17 Cash and cash equivalents

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
Cash and cash equivalents	18.6	32.0

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 28 Dec 2013 £m	As at 29 Dec 2012 £m
<b>Unsecured borrowing</b>		
Loans from related parties	22.0	1.9
Amount due for settlement within 12 months	22.0	1.9
	<b>Sterling £m</b>	<b>Euros £m</b>
29 December 2012		
Loans from related parties	-	1.9
28 December 2013		
Loans from related parties	20.0	2.0

Amounts repayable to related parties of the Company carry interest of 0.50 - 0.99% (2012: 0.98% - 1.16%) 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 28 December 2013 are included in accruals.

### 19 Derivative financial instruments

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
<b>Derivatives that are designated and effective as hedging instruments carried at fair value</b>		
Forward foreign currency contracts held as assets	4.7	2.0
Forward foreign currency contracts held as liabilities	(4.6)	(3.0)
Net position at the balance sheet date	0.1	(1.0)

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

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 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 2012	(2.5)	0.5	0.4	(1.6)
Charge 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
Credit to income	0.5	(0.4)	-	0.1
Charge to equity	-	1.1	-	1.1
As 28 December 2013	(1.1)	2.6	0.3	1.8

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
Deferred tax liabilities (see note 23)	-	(1.6)
Deferred tax assets	1.8	2.2
	1.8	0.6

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 21 Obligations under finance leases

	Minimum lease payments		Present value of lease	
	2013	2012	2013	2012
	£m	£m	£m	£m
Amounts payable under finance leases:				
Within one year	1.8	1.8	1.2	1.8
In the second to fifth years inclusive	7.0	7.0	3.9	4.9
After five years	13.8	15.6	4.9	4.3
	<u>22.6</u>	<u>24.4</u>	<u>10.0</u>	<u>11.0</u>
Less: future finance charges	(12.6)	(13.4)	n/a	n/a
Present value of lease obligations	<u>10.0</u>	<u>11.0</u>	<u>10.0</u>	<u>11.0</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(1.8)	(1.8)
Amount due for settlement after 12 months			<u>8.2</u>	<u>9.2</u>

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 28 December 2013, the average effective borrowing rate was 8% (2012: 16.33%). 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 28 Dec 2013 £m	As at 29 Dec 2012 £m
Trade payables	26.1	25.8
Social security and other taxes	8.0	5.4
Other payables	2.9	3.0
Accrued expenses	18.7	16.3
Deferred income	2.8	2.8
Amounts due to subsidiary undertakings	21.1	23.9
	<u>79.6</u>	<u>77.2</u>

The above intercompany balances have no fixed repayment period and were non interest bearing in both periods.



# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

23 Provisions	2013	2012	
Onerous contracts	1.1	0.1	
Deferred tax (see note 20)	0.0	1.6	
	<u>1.1</u>	<u>1.7</u>	
	<u>1.1</u>	<u>1.7</u>	
	<b>Property related provisions</b>	<b>Deferred Tax</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 30 December 2012	0.1	1.6	1.7
Provision utilised/created in the period	1.0	(1.6)	(0.6)
At 28 December 2013	<u>1.1</u>	<u>-</u>	<u>1.1</u>

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 8%, being the weighted average cost of capital (WACC) determined by L'Oréal SA and as detailed further in note 11.

## 24 Share capital

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
Issued and fully paid: 226,710,201 ordinary shares of £0.05 each	<u>11.3</u>	<u>11.3</u>
The Company has one class of ordinary shares which carry no right to fixed income.		

## 25 Share premium account

	Share premium £m
Balance at 28 December 2013 and 29 December 2012	<u>74.7</u>

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

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 26 Other reserves

	Hedging reserve £m	Share based payments £m	Total £m
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
Share option expenses	-	(0.7)	(0.7)
Deferred tax on share based payments	-	1.1	1.1
Foreign currency forward contracts	0.9	-	0.9
Balance at 28 December 2013	0.5	7.0	7.5

#### 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 2012	196.5
Dividends paid	(46.4)
Net profit for the period	44.0
Balance at 29 December 2012	194.1
Dividends paid	(39.9)
Net profit for the period	46.4
Balance at 29 December 2012	200.6

### 28 Post balance sheet events

No material post balance sheet events have occurred.

### 29 Contingent liabilities and guarantees

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

Bank guarantees are also in place in respect of various suppliers of the company including rent guarantees of £0.8m, duty drawback of £0.9m and duty deferment of £0.4.

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 30 Operating lease arrangements

The Company as lessee

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
Minimum lease payments under operating leases recognised as an expense in the period	27.8	30.9

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 28 Dec 2013 £m	As at 29 Dec 2012 £m
Within one year	26.3	28.0
In the second to fifth years inclusive	68.9	74.1
After five years	28.8	28.3
	124.0	130.4

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 28-Dec 2013 £m	As at 29 Dec 2012 £m
Income from sub-leases recognised in the period	0.8	1.1

## THE BODY SHOP INTERNATIONAL PLC

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

#### 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 €70.66. The options outstanding at 31 December 2013 had a weighted average exercise price of €77.81.

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 credit in the year of £1m (2012: £2.1m expense) 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 £3.0m (2012: £2.6m). Other creditors includes an accrual of £0.8m (2012: £0.3m) in respect of accrued pension contributions.

#### 33 Financial Instruments

	As at 28 Dec	As at 29 Dec
Categories of financial instruments	2013	2012
	£m	£m
<b>Financial assets at fair value</b>		
Foreign Exchange Forward Contracts (Principal value)		
Buy Contracts	(0.9)	(39.7)
Sell Contracts	101.2	61.1
	<u>100.3</u>	<u>21.4</u>
<b>Financial liabilities at fair value</b>		
Foreign Exchange Forward Contracts (Principal value)		
Buy Contracts	(84.4)	(61.9)
Sell Contracts	16.2	60.2
	<u>(68.2)</u>	<u>(1.7)</u>

On the 19 December 2013 the Company acquired 51% of Body Store SA a Brazilian entity for £34m. In addition the Company acquired a written put option and a written call option to extend its holding up to 80% by 2019. These options should be recognised at open market fair value. Management have considered the terms and conditions of these options and a range of valuation techniques. Based on this, the options have been assessed to have a fair value of nil at 31st December 2013. This valuation will be reviewed annually.

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 33 Financial Instruments (continued)

#### Changes in value of financial instruments at fair value

	As at 28 Dec 2013 £m	As at 29 Dec 2012 £m
Profit for the year has been arrived at after charging/(crediting):		
<b>Financial assets at fair value</b>		
Foreign Exchange Forward Contracts (Fair Value through Profit & Loss Account):		
Buy Contracts	0.0	0.1
Sell Contracts	0.2	0.0
	<u>0.2</u>	<u>0.1</u>
<b>Financial liabilities at fair value</b>		
Foreign Exchange Forward Contracts (Fair Value through Profit & Loss Account):		
Buy Contracts	0.0	0.1
Sell Contracts	0.0	(0.1)
	<u>0.0</u>	<u>(0.0)</u>

Changes in fair value recognised in a revaluation reserve of financial instruments classified as available 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 to 12 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.

# THE BODY SHOP INTERNATIONAL PLC

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the 52 weeks ending 28 December 2013

### 34 Related party transactions

#### Loans from related parties

	2013 £m	2012 £m
Loans from FINVAL	22.0	1.9
	<u>22.0</u>	<u>1.9</u>

Amounts repayable to related parties carry interest of 0.50% - 0.99% (2012: 0.98% - 1.16%) per annum charged on the outstanding loan balances.

The Company has taken the exemption permitted by FRS 101 to omit transactions entered into between two or more members of the group where both members are wholly owned subsidiaries of the group.

Transactions with directors of the Company are disclosed with Note 6.

### 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.