

1327519

**REGISTRAR OF
COMPANIES**

**Original Additions (Beauty Products)
Limited**

Report and Financial Statements

Year Ended

31 December 2002



BDO

BDO Stoy Hayward
Chartered Accountants

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Annual report and financial statements for the year ended 31 December 2002

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Director

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Director

M S Lyons

Secretary and registered office

H M Makin, 8 Baker Street, London, W1U 3LL

Company number

1327519

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Report of the director for the year ended 31 December 2002

The director presents his report together with the audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The director does not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is that of distributors of beauty products.

The company had another profitable year and the director is confident that this will continue. There have been no events since the balance sheet date which materially affect the position of the company.

Donations

During the year, the company made charitable donations of £50,000 (2001 - £Nil).

Director

The director of the company during the year and his interest in the ordinary share capital of the company was as follows:

	2002 Number	2001 Number
M S Lyons	5,000	5,000

Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which 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 those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

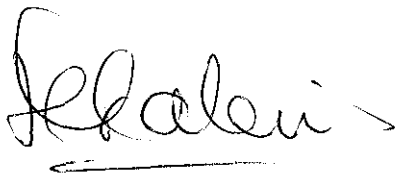
Report of the director for the year ended 31 December 2002 (*Continued*)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

H M Makin

A handwritten signature in dark ink, appearing to read 'H M Makin', with a horizontal line drawn underneath it.

Secretary

Date 200503

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Report of the independent auditors

To the shareholders of Original Additions (Beauty Products) Limited

We have audited the financial statements of Original Additions (Beauty Products) Limited for the year ended 31 December 2002 on pages 5 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of director and auditors

The director's responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

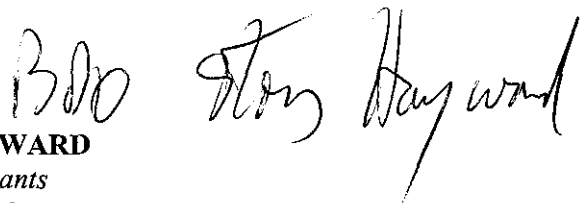
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Report of the independent auditors

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

20 May 2003

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**Profit and loss account for the year ended 31 December 2002**

	Note	2002 £	2001 £
Turnover	2	13,663,237	12,952,182
Cost of sales		7,486,788	7,471,925
Gross profit		6,176,449	5,480,257
Administrative expenses		5,392,756	5,480,694
Operating profit/(loss)	4	783,693	(437)
Interest receivable		124,190	159,547
Interest payable	5	(57,336)	(103,498)
Profit on ordinary activities before taxation		850,547	55,612
Taxation on profit on ordinary activities	7	262,267	9,357
Profit on ordinary activities after taxation		588,280	46,255
Retained profit brought forward		2,506,935	2,460,680
Retained profit carried forward		3,095,215	2,506,935

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The profit for the year represents the movement in shareholders' funds.

The notes on pages 8 to 16 form part of these financial statements

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Balance sheet at 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	8		135,173		161,741
Investments	9		1,203		1,203
			<hr/>		<hr/>
			136,376		162,944
Current assets					
Stocks	10	1,983,272		1,221,424	
Debtors - due within one year	11	2,512,456		2,211,620	
- due after more than one year	11	-		1,500,000	
Cash at bank and in hand		798,467		1,192,180	
		<hr/>		<hr/>	
		5,294,195		6,125,224	
Creditors: amounts falling due within one year	12	2,308,854		2,770,478	
		<hr/>		<hr/>	
Net current assets			2,985,341		3,354,746
Creditors: amounts falling due after more than one year	13		16,502		1,000,755
			<hr/>		<hr/>
			3,105,215		2,516,935
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14	10,000		10,000	
Profit and loss account		3,095,215		2,506,935	
		<hr/>		<hr/>	
Shareholders' funds			3,105,215		2,516,935
			<hr/>		<hr/>

All amounts within shareholders' funds are equity.

The financial statements were approved by the Board on

M S Lyons
Director

[Handwritten signature]
20/5/03

The notes on pages 8 to 16 form part of these financial statements

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Cash flow statement for the year ended 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Net cash inflow from operating activities	16		714,540		467,584
Returns on investments and servicing of finance					
Interest received		124,190		159,547	
Interest paid		(54,740)		(102,937)	
Interest element of hire purchase contract payments		(2,596)		(561)	
			66,854		56,049
Taxation					
UK corporation tax			(18,851)		(8,867)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(36,973)		(47,360)	
Sale of tangible fixed assets		6,634		18,246	
			(30,339)		(29,114)
Management of liquid resources			(249,235)		110,509
Financing					
Bank loans		(135,000)		(135,000)	
Capital element of hire purchase contract payments		(12,167)		(20,834)	
			(147,167)		(155,834)
Increase in cash	17,18		335,802		440,327

The notes on pages 8 to 16 form part of these financial statements

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation and amortisation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	25% per annum on cost
Motor vehicles	-	25% per annum on reducing balance
Fixtures, fittings and equipment	-	25% per annum on cost

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated on the cost of purchases and attributable labour and transport costs.

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at an average rate of exchange set at the beginning of the year. Exchange differences are taken into account in arriving at the operating profit.

Hire purchase commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of hire purchase commitments is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

1 Accounting policies (*Continued*)

Operating leases

Where assets are held under operating leases their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to those that are material and to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted. No adjustments have been raised as a result of the adoption of FRS 19.

Liquid resources

For the purpose of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

2 Turnover

All turnover was generated from the principal activity of the company and is attributed to the following geographical markets.

	2002 £	2001 £
United Kingdom	12,128,620	11,542,182
Rest of Europe	1,407,907	1,234,000
Rest of the World	126,710	176,000
	<hr/>	<hr/>
	13,663,237	12,952,182
	<hr/>	<hr/>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

3 Employees

	2002 £	2001 £
Staff costs (excluding director) consist of:		
Wages and salaries	1,788,849	1,929,243
Social security costs	174,685	185,436
Other pension costs	55,451	19,507
	<u>2,018,985</u>	<u>2,134,186</u>
The average number of employees during the year was as follows:		
	Number	Number
Office and management	9	9
Sales and marketing	26	28
Production and distribution	53	53
	<u>88</u>	<u>90</u>

4 Operating profit/(loss)

	2002 £	2001 £
This is arrived at after charging:		
Depreciation	74,495	108,330
Auditors' remuneration - audit services	45,000	48,000
- non audit services	18,098	5,914
Operating lease rentals charged - hire of plant and machinery	53,007	54,772
- hire of other assets	105,026	102,338
	<u></u>	<u></u>

5 Interest payable

	2002 £	2001 £
Bank loans and overdrafts	54,740	102,937
Hire purchase interest	2,596	561
	<u>57,336</u>	<u>103,498</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

6 Director's emoluments

No emoluments were paid to the director.

During the year the company purchased consultancy and other services for £800,000 (2001 - £592,000) from Malcolm Lyons (Pharmaceutical) Limited, a company controlled by M S Lyons, and paid rent of £300,000 (2001 - £250,000) to Bullsbrook Limited, a company in which M S Lyons has a material interest.

Details of balances with companies and a business which are either controlled by M S Lyons or in which he has a material interest are given in notes 12 and 13.

7 Taxation

	2002 £	2001 £
Current tax		
UK corporation tax on profits for the year	262,267	18,851
Adjustment in respect of previous years	-	(9,494)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	262,267	9,357
	<hr/>	<hr/>

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	850,547	55,612
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 20%)	255,164	11,122
Effects of:		
Expenses not deductible for tax purposes	7,674	4,849
Tax relief restricted on provisions	609	(383)
Capital allowances for year in excess of depreciation	(1,180)	3,263
Adjustment to tax charge in respect of previous years	-	(9,494)
	<hr/>	<hr/>
Current tax charge for year	262,267	9,357
	<hr/>	<hr/>

There is an unprovided deferred tax asset of £97,391 (2001 - £73,000).

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

8 Tangible assets

	Leasehold improvements £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 January 2002	499,700	41,905	553,728	1,095,333
Additions	-	36,190	14,004	50,194
Disposals	-	(8,750)	-	(8,750)
At 31 December 2002	<u>499,700</u>	<u>69,345</u>	<u>567,732</u>	<u>1,136,777</u>
<i>Depreciation</i>				
At 1 January 2002	461,540	9,148	462,904	933,592
Provided for the year	19,170	10,765	44,560	74,495
On disposals	-	(6,483)	-	(6,483)
At 31 December 2002	<u>480,710</u>	<u>13,430</u>	<u>507,464</u>	<u>1,001,604</u>
<i>Net book value</i>				
At 31 December 2002	<u>18,990</u>	<u>55,915</u>	<u>60,268</u>	<u>135,173</u>
At 31 December 2001	<u>38,160</u>	<u>32,757</u>	<u>90,824</u>	<u>161,741</u>

The net book value of tangible fixed assets includes an amount of £44,275 (2001 - £30,392) in respect of assets held under hire purchase contracts. The related depreciation charge for the year was £10,667 (2001 - £2,763).

9 Investments

	£
At 1 January 2002 and 31 December 2002	<u>1,203</u>

At 31 December 2002 the company owned the whole of the issued share capital of the following companies, all of which were dormant and registered in England and Wales:

La Chasse Cosmetique Limited
Nail Basics Limited
Salon Systems Limited
Eylure Limited
Vale of Health Organic Products Company Limited
Naturelle Limited

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

10 Stocks

	2002 £	2001 £
Finished goods and goods for resale	1,983,272	1,221,424

In the opinion of the director there is no material difference between the amount stated in the financial statements and replacement cost.

11 Debtors

	2002 £	2001 £
Amounts receivable within one year		
Trade debtors	1,613,643	2,061,518
Other debtors	760,853	22,916
Prepayments and accrued income	137,960	127,186
	2,512,456	2,211,620

Included within other debtors due within one year is £719,848 (2001 - £Nil) due from Bullsbrook Limited, a company in which M S Lyons has a material interest.

Amounts receivable after more than one year

	2002 £	2001 £
Other debtors	-	1,500,000

The amount of £1,500,000 due from Bullsbrook Limited in 2001 after more than one year has now been set off against the creditor with Bullsbrook Limited (see note 13).

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITEDNotes forming part of the financial statements for the year ended 31 December 2002 *(Continued)***12 Creditors: amounts falling due within one year**

	2002 £	2001 £
Bank loan (secured – see note 13)	-	135,000
Trade creditors	927,705	945,585
Taxation and social security	239,413	262,965
Other creditors	-	599,277
Corporation tax	262,267	18,851
Obligations under hire purchase contracts	12,061	5,504
Accruals	867,408	803,296
	<u>2,308,854</u>	<u>2,770,478</u>

Included in trade creditors is an amount of £Nil (2001 - £48,674) due to International Trading Partners, an unincorporated business controlled by M S Lyons.

Included in other creditors in 2001 is an amount owing to Bullsbrook Limited (see note 13). In 2002 this amount has been set off against the Bullsbrook Limited debtor (see note 11).

13 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loan (secured)	-	978,750
Obligations under hire purchase contracts	16,502	22,005
	<u>16,502</u>	<u>1,000,755</u>

The bank loan, which has been offset against cash balances in 2002, is secured on a freehold property owned by Bullsbrook Limited, a company in which M S Lyons has a material interest, and a subordinated floating charge over the assets of Original Additions (Beauty Products) Limited. The loan is repayable in instalments equalling £135,000 per annum. Interest is payable on the bank loan at a rate of 1.5% per annum above the bank's base rate.

Obligations under hire purchase contracts:	2002 £	2001 £
Within 1 year	12,061	5,504
2 - 5 years	16,502	22,005
	<u>28,563</u>	<u>27,509</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

14 Share capital

	Authorised		Allotted, issued, called up and fully paid	
	2002	2001	2002	2001
	£	£	£	£
10,000 ordinary shares of £1 each	10,000	10,000	10,000	10,000

15 Commitments under operating leases

As at 31 December 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	2002	2001
	£	£
Other assets (excluding land and buildings) under operating leases which expire:		
Within one year	75,412	106,164
In two to five years	45,885	90,179
	<u>121,297</u>	<u>196,343</u>

16 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2002	2001
	£	£
Operating profit/(loss)	783,693	(437)
Depreciation charge	74,495	108,330
(Profit)/loss on disposal of tangible assets	(4,367)	3,756
(Increase)/decrease in stocks	(761,848)	90,921
Decrease/(increase) in debtors	599,887	(43,159)
Increase in creditors	22,680	308,173
	<u>714,540</u>	<u>467,584</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

17 Reconciliation of net cash inflow to movement in net funds

	2002 £	2002 £	2001 £	2001 £
Increase in cash in the year	335,802		440,327	
Cash outflow from decrease in debt and lease financing	147,167		155,834	
Cash outflow/(inflow) from changes in liquid resources	249,235		(110,509)	
Change in net funds resulting from cash flows		732,204		485,652
New hire purchase contracts		(13,221)		(29,070)
Movement in net funds in the year		718,983		456,582
Opening net funds		50,891		(405,691)
Closing net funds		769,874		50,891

18 Analysis of net (debt)/funds

	At 1 January 2002 £	Cash flow £	Other non cash changes £	At 31 December 2002 £
Cash in hand and at bank	491,068	335,802		826,870
		335,802		
Debt due after 1 year	(978,750)	-	135,000	(843,750)
Debt due within 1 year	(135,000)	135,000	(135,000)	(135,000)
Hire purchase contracts	(27,509)	12,167	(13,221)	(28,563)
		147,167		
Amounts held on short term deposit	701,082	249,235		950,317
Total	50,891	744,220	(13,221)	769,874