

Registered Number 4730882

Molton Brown Group Limited

Report and Financial Statements

31 December 2011

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Officers and professional advisors

Directors

M Natsusaka
A Nelson-Bennett
H Yoshino
E Brockhus
C Whinney

Secretary

C Whinney

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK

Registered office

The Terrace
28 Jamestown Road
London
NW1 7AP

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

Principal activity

The principal activity of the Company is to act as a holding company and this is expected to continue in the foreseeable future

Directors

The directors who served the Company during the year and to the date of this report (unless stated otherwise) were as follows

M Natsusaka

A Nelson-Bennett

T Saito (resigned 1 March 2012)

H Yoshino (appointed 1 March 2012)

E Brockhus (appointed 1 March 2012)

C Whinney (appointed 1 March 2012)

Going Concern

The directors have prepared the financial statements on the going concern basis. There is currently a high level of volatility in the retail sector, creating uncertainty over the levels of trading and profits that will be made by the group (Kao Prestige Limited and subsidiaries) in the foreseeable future, however, the directors consider that continued focus on building the Molton Brown brand and new product development will ensure that the group is able to perform in line with forecast trading and in turn ensure the group continues to remain cash generative going forward.

As part of their going concern review, the directors have considered the liabilities of the Company and have obtained confirmation from each of the fellow group undertakings for which it has a liability, that the other party does not intend to demand repayment of the debt for at least 12 months from the date of signing these financial statements ('the foreseeable future'). The directors have also received a letter of support from Kao Corporation which confirms its intention to continue to provide support to the Company and the Group. The directors consider that this is consistent with the business model of Kao Corporation, and therefore, based upon the current and forecast level of activity in the Group's business markets, the directors have a reasonable expectation that the Company would be able to meet its liabilities as they fall due for the foreseeable future.

Directors' Report (continued)

Auditor

In the case of each of the persons who are directors of the Company at the date when this report is approved


- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves 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 remain as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by

C Whinney
Director
Date



2 May 2012

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 applicable UK Accounting Standards have been followed, 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.

Independent auditor's report

to the members of Molton Brown Group Limited

We have audited the financial statements of Molton Brown Group Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

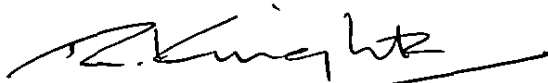
Independent auditor's report

to the members of Molton Brown Group Limited

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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report



Richard Knights (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

Date 25 2012.

Profit and loss account

for the year ended 31 December 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|--|-------|---------------|---------------|
| Operating loss | 2 | — | — |
| Interest receivable and similar income | 5 | 15 | 13 |
| Interest payable and similar charges | 6 | (995) | (889) |
| Loss on ordinary activities before taxation | | (980) | (876) |
| Tax relief on loss on ordinary activities | 7 | 260 | 245 |
| Loss for the financial year | 12 | (720) | (631) |

All operating losses are in respect of continuing operations

There are no recognised gains or losses for the year and preceding year other than as shown in the profit and loss account above

Balance sheet


at 31 December 2011

| | Notes | 2011 £'000 | 2010 £'000 |
|--|-------|---------------|---------------|
| Fixed assets | | | |
| Investments | 8 | 75,448 | 75,448 |
| Current assets | | | |
| Debtors | 9 | 260 | 245 |
| Creditors amounts falling due within one year | 10 | (95,393) | (94,658) |
| Net current liabilities | | (95,133) | (94,413) |
| Net liabilities | | (19,685) | (18,965) |
| Capital and reserves | | | |
| Called up share capital | 11,12 | 1,006 | 1,006 |
| Share premium account | 12 | 330 | 330 |
| Profit and loss account | 12 | (21,021) | (20,301) |
| Shareholders' deficit | 12 | (19,685) | (18,965) |

These financial statements of Molton Brown Group Limited (Registered number 4730882) were approved by the Board of Directors and authorised for issue on 2 May 2012

Signed on behalf of the Board of Directors

C Whinney
Director

 2 May 2012

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies

The particular accounting policies adopted are described below. All of these have been applied consistently throughout the year and the preceding year.

Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Going concern

The directors have prepared the financial statements on the going concern basis. There is currently a high level of volatility in the retail sector, creating uncertainty over the levels of trading and profits that will be made by the group (Kao Prestige Limited and subsidiaries) in the foreseeable future; however, the directors consider that continued focus on building the Molton Brown brand and new product development will ensure that the group is able to perform in line with forecast trading and in turn ensure the group continues to remain cash generative going forward.

As part of their going concern review, the directors have considered the liabilities of the Company and have obtained confirmation from each of the fellow group undertakings for which it has a liability, that the other party does not intend to demand repayment of the debt for at least 12 months from the date of signing these financial statements ('the foreseeable future'). The directors have also received a letter of support from Kao Corporation which confirms its intention to continue to provide support to the Company and the Group. The directors consider that this is consistent with the business model of Kao Corporation, and therefore, based upon the current and forecast level of activity in the Group's business markets, the directors have a reasonable expectation that the Company would be able to meet its liabilities as they fall due for the foreseeable future.

Cash flow statement

The directors have taken advantage of the exemption under Financial Reporting Standard 1 (Revised) and have not prepared a cash flow statement because the ultimate parent undertaking prepares publicly available consolidated financial statements which include the Company.

Consolidation

As permitted by s400 of the Companies Act 2006 the Company has not prepared consolidated financial statements as it is a wholly owned subsidiary undertaking of Kao Prestige Limited, a company registered in England and Wales, which prepare consolidated financial statements that include the results of the Company. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. The carrying value is reviewed for impairment when events or changes in circumstances that indicate that the carrying value may not be recoverable.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

Notes to the financial statements

for the year ended 31 December 2011

1. Accounting policies (continued)

Taxation (continued)

- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Interest income

Interest income is recognised on an accruals basis

2. Operating loss

During the years ended 31 December 2011 and 31 December 2010 the audit costs of £5,000 (2010 £5,000) have been borne by the subsidiary company, Molton Brown Limited

3. Directors' remuneration

None of the directors of the Company received emoluments in the year (2010 £nil) for their services to this Company

4 Staff costs

The average weekly number of employees (including executive directors) during the year was as follows

| | 2011 No | 2010 No |
|----------------|------------|------------|
| Administration | 3 | 3 |

The above employees are directors (note 3)

5. Interest receivable

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Interest receivable and similar income arising on amounts due from group undertakings | 15 | 13 |

Notes to the financial statements

for the year ended 31 December 2011

6. Interest payable

| | 2011 £ 000 | 2010 £ 000 |
|---|---------------|---------------|
| Interest payable and similar charges arising on amounts due to group undertakings | 995 | 889 |

7. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows

| | 2011 £'000 | 2010 £'000 |
|--------------------------------------|---------------|---------------|
| <i>Current tax</i> | | |
| Group relief recoverable (note 7(b)) | (260) | (245) |
| Total tax credit for the year | (260) | (245) |

(b) Factors affecting current tax credit for the year

The standard rate of tax for the year is a blended rate of 26.5%, based on the UK standard applicable rate of corporation tax for 2011 (2010: 28%)

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Loss on ordinary activities before tax | (980) | (876) |
| Loss on ordinary activities multiplied by standard applicable rate of corporation tax in the UK of 26.5% (2010: 28%) | (260) | (245) |
| Current tax for the year (note 7(a)) | (260) | (245) |

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011. This rate reduction was substantively enacted in March 2011.

In March 2012, the UK Government announced the main rate of UK corporation tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reductions annually to 22% by April 2014. These changes were substantively enacted on 26 March 2012.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

The Company financial information does not include any deferred tax assets or liabilities (2010: £nil).

Notes to the financial statements

for the year ended 31 December 2011

8. Investments

| | <i>Investment in Molton Brown Limited £'000</i> |
|---|---|
| Cost and net book value At 1 January 2011 and 31 December 2011 | 75,448 |

| <i>Name of company</i> | <i>Country of registration or incorporation</i> | <i>Principal activity</i> | <i>Class</i> | <i>Shares held %</i> |
|---|---|--|-----------------|--------------------------|
| <i>Subsidiary undertaking of Molton Brown Group Limited</i> | | | | |
| Molton Brown Limited | England and Wales | Luxury goods in toiletries, travel and home accessories | Ordinary | 100 |
| <i>Subsidiary companies of Molton Brown Limited</i> | | | | |
| Molton Brown Spas Limited | England and Wales | Non trading | Ordinary | 100 |
| Molton Brown Holdings (USA), Inc * | USA | Distributor | Common Stock | 100 |
| Molton Brown Asia Pte Limited | Singapore | Distributor | Ordinary | 100 |
| Molton Brown Japan Limited | Japan | Distributor | Ordinary | 100 |
| Molton Brown GmbH | Germany | Agent | Ordinary | 100 |
| Molton Brown Australia Pty Limited | Australia | Distributor | Ordinary | 100 |

* The trading results of Molton Brown Holdings (USA) Inc , includes the results of its two wholly owned subsidiaries, Molton Brown Inc and Molton Brown USA Inc

9. Debtors

| | <i>2011 £'000</i> | <i>2010 £'000</i> |
|-----------------------------|-----------------------|-----------------------|
| Amounts due within one year | | |
| Group relief receivable | 260 | 245 |

Notes to the financial statements

for the year ended 31 December 2011

10. Creditors

| | 2011 £'000 | 2010 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Amounts owed to group undertakings | 87,293 | 87,553 |
| Interest accrued due to parent undertaking | 8,100 | 7,105 |
| | <u>95,393</u> | <u>94,658</u> |

11. Called-up share capital

| | <i>Allotted, called up and fully paid</i> | |
|--|---|---------------|
| | 2011 £'000 | 2010 £'000 |
| 100,593,895 ordinary shares of 1p each | 1,006 | 1,006 |

12. Reconciliation of shareholders' funds and movements on reserves

| | <i>Called up Share capital £'000</i> | <i>Share premium account £'000</i> | <i>Profit and loss account £'000</i> | <i>Total £'000</i> |
|---|--|--|--|------------------------|
| At 1 January 2010 | 1,006 | 330 | (19,662) | (18,326) |
| Loss for the year | – | – | (631) | (631) |
| Capital contribution received from subsidiary undertaking | – | – | (8) | (8) |
| At 31 December 2010 | <u>1,006</u> | <u>330</u> | <u>(20,301)</u> | <u>(18,965)</u> |
| Loss for the year | – | – | (720) | (720) |
| At 31 December 2011 | <u>1,006</u> | <u>330</u> | <u>(21,021)</u> | <u>(19,685)</u> |

13. Related party transactions

The Company has taken advantage of the exemption included in Financial Reporting Standard No 8 'Related Party Disclosures' for wholly owned subsidiaries not to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties

Notes to the financial statements

for the year ended 31 December 2011

14. Parent undertaking and controlling party

The Company's immediate parent company is Kao Prestige Limited. The results of the Company are incorporated into the group financial statements of Kao Prestige Limited which constitutes the smallest group within which the results are consolidated. Copies of its consolidated financial statements are available from the following address:

Companies House
Crown Way
Mandy
Cardiff
CF14 3UZ

The directors consider Kao Corporation, which is incorporated in Japan, as the Company's ultimate parent company and controlling party. It has included the Company in its group financial statements, being the largest group within which the results of the Company are consolidated. Copies of its consolidated financial statements are available from the following address:

Kao Corporation
14 – 10 Nihonbashi
Kayabacho 1-Chome
Chuo-ku
Tokyo 103-8210
Japan

15. Events after the balance sheet date

As at 1 January 2012, Molton Brown Limited (wholly owned subsidiary of Molton Brown Group Limited) undertook a restructuring exercise as part of a harmonisation programme of Westernised branded businesses within the Kao Corporation global business.

This initiative resulted in the disposal of two subsidiaries, being Molton Brown Australia Pty Limited which was disposed of for £22,000 to Kao (Australia) Marketing Pty Limited. Molton Brown GmbH which was disposed of for £567,000 to Kao Professional Salon Services GmbH. Both purchasing companies are also members of the Kao Corporation Group. The gains/losses on the sale of these investments will be recognised in the 31 December 2012 financial statements of Molton Brown Limited.