

Accantia Group Holdings Limited
Annual report and financial statements
for the year ended 31 December 2008

Registered number: 4945078



Accantia Group Holdings Limited

Annual report and financial statements for the year ended 31 December 2008

	Page
Directors and advisors for the year ended 31 December 2008	1
Directors' report for the year ended 31 December 2008	2
Independent auditors' report to the members of Accantia Group Holdings Limited	4
Profit and loss account for the year ended 31 December 2008	5
Balance sheet as at 31 December 2008	6
Notes to the financial statements for the year ended 31 December 2008	7

Accantia Group Holdings Limited

Directors and advisors for the year ended 31 December 2008

Directors

P J Hatherly
G M Percy

Secretary

P J Hatherly

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Registered office

4th Floor
Chadwick House
Blenheim Court
Solihull
West Midlands
B91 2AA

Bankers

Bank of Scotland
Corporate Banking
CityMark
150 Fountainbridge
Edinburgh
EH3 9DE

Accantia Group Holdings Limited

Directors' report for the year ended 31 December 2008

The Directors present their report and audited financial statements for the year ended 31 December 2008. The Directors report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985.

Principal activities, review of business and future developments

The Company acts as a holding company. The Company's investments are set out in note 9.

Results and dividends

The loss for the year attributable to shareholders amounts to £19,224,000 (2007: Profit £24,274,000) and is dealt with in the profit and loss account. The Directors do not recommend the payment of a dividend (2007: £nil).

Charitable and political contributions

The Company made no charitable or political contributions during the year (2007: £nil).

Directors

The Directors of the Company at the date of this report are those listed on page 1. The Directors who served during the year were as follows:

G M Percy
P J Hatherly

Going Concern

The Group successfully re-financed its bank debt in 2007 with new facilities being in place, underwritten by Bank of Scotland, at the end of the first quarter 2007. These facilities were successfully syndicated at the beginning of June 2007 securing an effective reduction in the Group's weighted average cost of capital. It was noted that interest in the syndication was at twice the required level, supporting management's belief in Accantia's strong business model. Given the Group's strong operating results since refinancing, coupled with good working capital management, voluntary prepayments of senior debt amounting to £7m have been facilitated, bringing the total repaid to £10m. Given this, plus support and financing from other Group subsidiaries, the financial statements of the Company have been prepared on a going concern basis.

Employees

There were no employees of the Company during the year other than the Directors, (2007: none).

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that sets out specific guidelines to manage these risks and the circumstances where it would be appropriate to use financial instruments to manage these.

Liquidity risk

The Company maintains short-term debt finance and intercompany funding arrangements that are designed to ensure the company has sufficient available funds for operations.

Accantia Group Holdings Limited

Directors' report for the year ended 31 December 2008 (continued)

Interest rate cash flow risk

The Company has both interest bearing assets (including cash balances) and interest bearing liabilities, all of which earn interest at a variable rate. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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). The financial statements are required by law to 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.


The directors are responsible for keeping proper accounting records that 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 1985. 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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board


P J Hatherly
Director
28 April 2009

Independent auditors' report to the members of Accantia Group Holdings Limited

We have audited the financial statements of Accantia Group Holdings Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Directors and Advisors page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham*

29 April 2009

Accantia Group Holdings Limited

Profit and loss account for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Other operating income		4,911	281
Administration expenses		(4,150)	(17)
Operating exceptional items	4	(241)	(41)
Total administrative expenses		(4,391)	(58)
Operating (loss)/profit	2	520	223
Income from shares in group undertakings		1,200	140,472
Amounts written-off investments	4	-	(87,952)
Profit on disposal of fixed asset investment	5	-	296
Profit before interest		1,720	53,039
Interest receivable and similar income	6	2,274	372
Interest payable and similar charges	6	(23,610)	(29,284)
(Loss)/profit on ordinary activities before taxation		(19,616)	24,127
Tax credit on (loss)/profit on ordinary activities	7	392	147
(Loss)/profit for the financial year	16/17	(19,224)	24,274

There are no recognised gains and losses other than those in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical cost equivalents.

The (loss)/profit for the year is derived from the continuing operations of the Company.


The notes on pages 7 to 16 form part of these financial statements.

Accantia Group Holdings Limited

Balance sheet as at 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	8	1,456	1,474
Investments	9	200,341	150,341
		201,797	151,815
Current assets			
Debtors	10/11	101,770	138,198
Cash at bank and in hand		-	-
		101,770	138,198
Creditors: amounts falling due within one year	12	(132,462)	(110,042)
Net current (liabilities)/assets		(30,692)	28,156
Total assets less current liabilities		171,105	179,971
Creditors: amounts falling due after more than one year	13	(194,975)	(184,617)
Net liabilities		(23,870)	(4,646)
Capital and reserves			
Called up share capital	14	10	10
Share premium account	15	92,313	92,313
Profit and loss account	16	(116,193)	(96,969)
Total shareholders' deficit	17	(23,870)	(4,646)

The financial statements on pages 5 to 16 were approved by the Board on 28 April 2009 and signed on its behalf by:



G M Percy
Director

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies

The financial statements have been prepared on a going concern basis (see Directors' Report).

Format of financial statements

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is a wholly owned subsidiary undertaking of a body registered in England and Wales and is therefore exempt from the requirement to prepare group accounts under S228 of the Companies Act 1985 and from the requirement to prepare a cash flow statement under FRS 1 (Revised 1996).

The Company has also taken advantage of the exemptions in FRS 8, Related Party Disclosures, from disclosing transactions with related parties that are also members of the Accantia Group.

Borrowings

All borrowings are initially stated at the fair value of the consideration received after the deduction of loan finance costs. In accordance with Financial Reporting Standard No.4 ('FRS 4'), these costs are charged to the profit and loss account over the estimated life of the relevant borrowings.

Intangible fixed assets

Acquired trademarks are capitalised and amortised on a straight-line basis over their estimated remaining useful life of up to 20 years.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost or valuation less provisions for impairment. Investments are deemed to be potentially impaired where net assets fall below carrying value.

Deferred taxation

Deferred tax is recognised on accelerated capital allowances and short-term timing differences that have originated but not reversed by the balance sheet date and is calculated at the average tax rates expected to apply in the period in which the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

2 Operating (loss)/profit

The audit fee is borne by other group undertakings.

	Note	2008 £'000	2007 £'000
Operating (loss)/profit is stated after charging/(crediting):			
Amortisation of trade marks	8	139	11
Professional fees		132	6
Licence fee income		(4,911)	(281)

3 Directors' emoluments

The Company has no employees other than the Directors (2007: nil). The Directors of the Company are paid by other group undertakings. The Directors do not believe it is practicable to apportion these amounts between their services as Directors of the Company and their services as Directors or employees of other group undertakings.

4 Exceptional items

The Company incurred the following exceptional costs:

	Note	2008 £'000	2007 £'000
Impairment of fixed asset investments	(a)	-	87,952
Reorganisation	(b)	241	41
Total exceptional costs		241	87,993

(a) The Company has impaired the cost of its investment in subsidiary undertakings down to recoverable amount in accordance with its accounting policies.

(b) Costs incurred in simplifying the group structure.

5 Profit on disposal of fixed asset investment

In 2006 the Company disposed of its investment in Accantia (South Africa) (Pty) Limited, recording a loss on disposal of £8,807,000.

In 2007 actual costs related to the disposal were lower than provided, and hence £296,000 was released to profit.

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

6 Net interest and similar charges

	2008	2007
	£'000	£'000
Interest payable and similar charges:		
Bank loans and overdrafts	10,119	10,236
Interest accrual on investor loan stock and PIK notes (see note 13)	12,927	12,904
Inter-company interest	-	3,238
Amortisation of debt issue costs	564	2,906
	23,610	29,284
Interest receivable and similar income:		
Bank accounts	(366)	(372)
Inter-company interest	(1,908)	-
	(2,274)	(372)
Net interest payable and similar charges	21,336	28,912

7 Tax credit on (loss)/profit on ordinary activities

(a) Analysis of tax credit in the year

	2008	2007
	£'000	£'000
Current tax:		
UK Corporation tax on loss for the year	-	-
Total current tax (note 7b)	-	-
Deferred taxation:		
Current year deferred tax movement	242	(213)
Movement in deferred tax rate	-	67
Adjustments in respect of prior years	150	(1)
Total deferred tax (note 7c)	392	(147)
Tax on loss on ordinary activities	392	(147)

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Tax credit on (loss)/profit on ordinary activities (continued)

b) Factors affecting tax credit for the year	2008	2007
	£'000	£'000
The tax assessed for the year is higher (2007: lower) than the standard rate of corporation tax in the UK (28%) (2007: 30%). The differences are explained below:		
(Loss)/profit on ordinary activities before taxation	(19,616)	24,127
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2007: 30%)	(5,492)	7,238
Effects of:		
Loss carried forward	-	1,263
Other timing differences	242	214
Group relief surrendered	3,431	5,309
Utilisation of tax losses	(260)	-
Income not subject to taxation	(336)	(42,227)
Expenses not deductible for tax purposes	2,415	28,203
Current tax credit for the year (note 7a)	-	-

Due to the Finance Act 2007, the standard rate of taxation reduced from 30% to 28% with effect from April 2008. This means the effective tax rate for the year is 28.5%.

c) Provision for deferred taxation	2008	2007
	£'000	£'000

Movements in the net deferred tax asset were as follows:

Balance at 1 January	939	792
Credit for the year (note 7a)	392	147
Balance at 31 December	1,331	939

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

8 Intangible Fixed Assets

	Trademarks
	£'000
Cost	
At 1 January 2008	1,485
Additions	121
At 31 December 2008	1,606
Depreciation	
At 1 January 2008	(11)
Charge for the year	(139)
At 31 December 2008	(150)
Net book amount at 31 December 2008	1,456
Net book amount at 31 December 2007	1,474

9 Investments

	£'000
Shares in subsidiary undertakings:	
Cost	
At 1 January 2008	318,987
Addition	50,000
At 31 December 2008	368,987
Impairment	
At 1 January 2008	(168,646)
At 31 December 2008	(168,646)
Net book amount at 31 December 2008	200,341
Net book amount at 31 December 2007	150,341

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Investments (continued)

Details of the subsidiary companies during the year are as follows:

	Country of registration and operation	Nature of business	Proportion of shares held %	Type of Shares
Accantia Limited	England and Wales	Holding company	100	£1 ordinary 0.5p ordinary A
Accantia (Holdings) Limited **	England and Wales	Holding company	100	£1 ordinary
Accantia (Overseas) Limited	England and Wales	Dormant	100	Limited by guarantee
Simple Health & Beauty Limited (formerly Accantia Personal Hygiene (Holdings) Limited)	England and Wales	Holding company	100	25p ordinary
Accantia Toiletries Limited	England and Wales	Supply of health & beauty products	100	£1 ordinary
Accantia Health & Beauty Limited*	England and Wales	Agency company	100	£1 ordinary £1 convertible preferred ordinary £1 cumulative irredeemable preference

During the year the Company successfully applied for the subsidiaries detailed below to be removed from Companies House register:

	Country of registration and operation	Nature of business	Proportion of shares held %	Type of Shares
Simply Natural Limited*	England and Wales	Dormant	100	£1 ordinary
Cidal Products Limited*	England and Wales	Dormant	100	£1 ordinary

* Indirect holdings

** During the year the Company acquired a direct holding in Accantia (Holdings) Limited from a subsidiary having previously had an indirect holding.

10 Debtors: amounts falling due within one year

	2008	2007
	£'000	£'000
Amounts due from group undertakings	100,439	137,259
Deferred tax	1,331	939
	101,770	138,198

Amounts due from group undertakings are repayable on demand.

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Debtors: amounts falling due after more than one year

Deferred tax asset is analysed as follows:

	Amount recognised		Amount not recognised	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Other timing differences	1,331	939	-	-
Losses	-	-	2,318	3,123
	1,331	939	2,318	3,123

The directors consider utilisation of certain deferred tax assets to be remote and have therefore decided they should not be recognised in the financial statements.

12 Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Bank loans	4,750	2,500
Unamortised issue costs	(564)	(498)
Bank overdraft	21,958	9,964
Amounts owed to group undertakings	105,410	97,860
Accruals and deferred income	8	-
Accrued interest	900	216
	132,462	110,042

Amounts owed to group undertakings are repayable on demand.

13 Creditors: amounts falling due after more than one year

	2008	2007
	£'000	£'000
Bank loans	101,617	104,824
PIK loan	25,444	21,652
Unsecured loan notes	69,752	60,610
Unamortised issue costs	(1,838)	(2,469)
	194,975	184,617

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Creditors: amounts falling due after more than one year (continued)

The maturity analysis of the group's bank and other borrowings as set out in the agreement is as follows:

	2008	2007
	£'000	£'000
Within one year	4,750	2,500
Between 1 and 2 years	4,000	3,500
Between 2 and 5 years	10,250	14,250
Over 5 years	182,563	169,336
	201,563	189,586
Unamortised issue costs	(2,402)	(2,967)
	199,161	186,619

Deep discounted bonds, loan notes and PIK loan

Under an instrument dated 22 January 2004, the Company issued deep discounted secured bonds with a nominal value of £152,754,700 at an issue price of £25,000,000. These bonds were repaid on re-financing of the group's bank debt on 29 March 2007.

Under an instrument dated 22 January 2004, the Company issued £50,000,000 fixed rate subordinated unsecured loan notes 2014. They are redeemable at a value to give the holder a 14% per annum return for the period from issue to redemption.

Under an instrument dated 11 June 2007, the Company was provided with a PIK term loan facility of £20,000,000 by European Capital S.A. SICAR. The loan facility is due for repayment on or before 17 November 2017. Interest is payable at 10.5% plus LIBOR rolling up on a six monthly basis. A share pledge has been issued as security by a subsidiary company.

Bank loans

On 29 March 2007, the Company refinanced its loan and mezzanine borrowings with its existing bankers.

The loan agreement entered into on 29 March 2007 provides the Company with a term loan of £28million repayable in instalments and maturing in 2013, a term loan of £30million repayable in instalments and maturing in 2014, a term loan of £30million repayable in instalments and maturing in 2015, a term loan of £10million repayable in instalments and maturing in 2016 and a revolving facility of £5m until 2013.

All facilities bear an interest rate of LIBOR plus a margin that ranges from 2.00% to 4.50%. The Company also pays a 0.75% facility fee in respect of the unused portion of the revolving facility. The revolving facility is available to finance working capital requirements and for general corporate purposes. Whilst no amounts have been drawn down on the revolving facility, £130,000 has been allocated to HMRC and credit card guarantees.

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Creditors: amounts falling due after more than one year (continued)

The Mezzanine agreement entered into on 29 March 2007 provides the Group with a term loan facility of £17million maturing in 2016. The Mezzanine facility bears interest at LIBOR plus 8.25% of which 4.25% is rolled-up and added to the principal.

The loan and Mezzanine agreements require the Company to comply with certain financial and non-financial covenants. The financial covenants include limitations on capital expenditure and require the maintenance of certain minimum ratios of earnings before interest, taxes, depreciation and amortisation to interest payable, plus debt servicing cashflows to operating cash.

14 Called up share capital

	2008 £'000	2007 £'000
Authorised		
993,850 Ordinary shares of 1p each	10	10
Allotted, called up and fully paid		
993,850 Ordinary shares of 1p each	10	10

15 Share Premium Account

	2008 £'000
Issue of 993,750 1p shares at premium (£983,813)	984
Issue of 100 1p shares at premium (£91,329,030)	91,329
Balance at 31 December	92,313

16 Profit and loss account

	2008 £'000
Balance at 1 January	(96,969)
Loss for the financial year	(19,224)
Balance at 31 December	(116,193)

Accantia Group Holdings Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Reconciliation of movements in total shareholders' deficit

	2008	2007
	£'000	£'000
(Loss)/profit for the year	(19,224)	24,274
Net change to shareholders' deficit	(19,224)	24,274
Opening shareholders' deficit	(4,646)	(28,920)
Closing shareholders' deficit	(23,870)	(4,646)

18 Contingent liabilities

The Company, together with Simple Health & Beauty Group Limited and certain group undertakings, has entered into banking guarantees in respect of the net overdrafts of the other parties to the guarantee. At 31 December 2008, the Company's contingent liability under the guarantee amounted to £106,368,000 (2007: £107,324,000). The Company acts as a guarantor for Accantia (Overseas) Limited – a company limited by guarantee. At 31 December 2008, the net assets of Accantia (Overseas) Limited amounted to £200 (2007: £4,000).

The Company's assets are subject to a debenture effective 29 March 2007 executed by the Accantia Group with several financial institutions, which create a first fixed and floating charge over the Company's total assets.

19 Related party transactions

During the year accrued interest on loan notes with Duke Street Capital V Limited and related parties amounted to £8,241,000 (2007: £8,403,000). Interest on loan notes also accrued to directors of Accantia Group Limited amounting to £385,000 (2007: £405,000).

In 2007, loan notes were repaid to Duke Street Capital V Limited and related parties amounting to £22,788,000 and directors of Accantia Group Limited amounting to £1,297,000.

20 Immediate parent company and ultimate controlling party

Accantia Group Holdings Limited is a wholly owned subsidiary of Simple Health & Beauty Group Limited, a company incorporated in Great Britain and registered in England and Wales. Simple Health & Beauty Group Limited is the smallest and largest undertaking to consolidate this company. The directors deem the ultimate controlling undertaking to be Duke Street Capital V Limited as general partner of the Duke Street Capital V Fund.

Copies of the Simple Health & Beauty Group financial statements can be obtained by writing to the Company Secretary.