

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**



# **ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

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**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

**COMPANY INFORMATION**

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<b>DIRECTORS:</b>	R Steele S Zussman M Zussman A Toms M Taylor
<b>SECRETARY:</b>	H M Makin
<b>REGISTERED OFFICE:</b>	Ventura House Bullsbrook Road Hayes Middlesex UB4 0UJ
<b>COMPANY NUMBER:</b>	5094961
<b>AUDITORS:</b>	Nexia Smith & Williamson Imperial House 18-21 Kings Park Road Southampton SO15 2AT
<b>BUSINESS AND TAX ADVISORS:</b>	Smith & Williamson Limited Imperial House 18-21 Kings Park Road Southampton SO15 2AT
<b>SOLICITORS:</b>	Taylor Wessing Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0DX
<b>BANKERS:</b>	National Westminster Bank plc Regent Street Branch 250 Regent Street London W1A 4RY

# **ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

## **DIRECTORS' REPORT**

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The directors present their report and the audited consolidated financial statements for the year ended 31 December 2006

### **RESULTS AND DIVIDENDS**

The group profit for the year, after taxation, amounted to £1,168,067

No dividends were declared for the year under review or during the prior year

### **PRINCIPAL ACTIVITIES**

The group's principal activity during the current and previous period was that of the design, production and distribution of beauty products. The company's principal brands are Elegant Touch, Salon Systems, Eylure and Wax-A-Way.

### **CHAIRMAN'S STATEMENT AND BUSINESS REVIEW**

2006 was a year of consolidation for us, building upon the progress made since the MBO in 2004 with a view to positioning our business for the next stage of growth.

Over the last thirty months since the MBO much has been achieved. We have moved warehouse and offices, installed a new computer system, reduced our overheads and headcount, reduced the number of stock SKU's, commenced our move towards full service stock delivery, extended our product range, improved our brand presentation and started to service new export markets. Whilst these activities have taken time and resource we have maintained Elegant Touch as the leading false nail brand and Eylure as the leading false eyelash brand in the UK and Italy, furthermore in the UK we remain the dominant brand supplier to the Professional Beauty Trade Cash and Carry market through our Salon System brand. We are a branded product company within the Beauty sector.

2006 saw some planned cost increases over 2005 which have had a short term effect on operating profits. Having put further resources into our business we are now planning for major growth in our three principal markets in 2007 – Consumer, Professional and Export. Our major brands – Elegant Touch, Perfect 10 and City Chick (Nails), and Eylure (False Eyelashes) and WaxAway (Depilatory Products) and Salon System (Professional) are well positioned for growth. We continue to invest in the professionalism of our management team with a view to achieving a sound succession plan within the business.

We have continued to pay down the borrowings ahead of schedule, at the year end our net borrowings were £1.5 million below the figure at the start of the year. We are currently considering our capacity to take on further debt with a view to optimising our financing structure. We continue to maintain a prudent financial approach with most of our foreign exchange forward commitments covered by forward contracts.

We look forward to the future with confidence.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

### **FINANCIAL RISK AND USE OF FINANCIAL INSTRUMENTS**

The group makes use of financial instruments in two areas to protect its margins and limit risk. These are as follows:

#### *1 Mitigation of foreign currency risk*

An appreciable portion of the group's purchases are made in US dollars, and to protect the value of these purchases against currency fluctuations, approximately 50% of the value of the previous year's dollar purchases are protected by forward foreign exchange contracts. There were forward contracts totaling \$4,125,000 in place at 31 December 2006 at an average cost of \$1.86/£1 compared to the market rate at 31<sup>st</sup> December of \$1.9571/£1.

Cont'd

## ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

### DIRECTORS' REPORT

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#### FINANCIAL RISK AND USE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### 2 Mitigation of interest rate risk

The second measure that the group takes relates to interest cover protection on the Senior debt loans from the Royal Bank of Scotland. The interest chargeable on the loans is based on LIBOR which can fluctuate. To limit the exposure to fluctuation, the company has a 'collar and cap' protection restricting the rate of interest payable on approximately 75% of the loan. The interest on the remainder of the loan is payable at a variable rate.

#### DIRECTORS AND THEIR INTERESTS

The following directors have held office since 1 January 2006 and their interest in the share capital of the company were as follows

	Appointed	Resigned	Ordinary shares class B of £1 each		Preference shares of £1 each	
			31.12.06	1.1.06	31.12.06	1.1.06
R Steele	2 July 2005	-	15	15	13,102	13,102
S Zussman	2 July 2005	-	135	135	118,360	118,360
M Zussman	2 July 2005	-	113	113	98,487	98,487
A Toms	2 July 2005	-	24	24	20,964	20,964
M Taylor	2 July 2005	-	113	113	98,487	98,487

The directors have no other interests in the issued share capital of the company other than those stated above

#### AUDITORS

During the year our auditors, Nexia Audit Limited changed their name to Nexia Smith & Williamson Audit Limited and now trade as Nexia Smith & Williamson

In accordance with section 385 of the Companies Act 1985, a resolution for the reappointment of Nexia Smith & Williamson as auditors of the group is to be proposed at the forthcoming Annual General Meeting

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent, and
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

**DIRECTORS' REPORT**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

Each director of the company has confirmed that, in fulfilling their duties as a director, they have,

- Taken all necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information, and
- So far as they are aware, there is no relevant audit information of which the auditors have not been made aware

**SIGNED ON BEHALF OF THE BOARD**

A handwritten signature in black ink, appearing to read 'S Zussman', followed by a long horizontal line.

S Zussman  
Director

Dated 2 April 2007

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

We have audited the group and parent company accounts ('the accounts') of Original Additions (Beauty Products) Limited for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 26. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts 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 Directors' Report is not consistent with the accounts, 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

### **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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion the accounts

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31 December 2006 and of the profit of the group for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985,
- are consistent with the information given in the directors report

*Nexia Smith & Williamson*

**NEXIA SMITH & WILLIAMSON**  
Chartered Accountants  
Registered Auditors  
Imperial House  
18-21 Kings Park Road  
Southampton  
SO15 2AT

Dated 16 May 2007

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2006**

	Note	2006 £	2005 £
<b>TURNOVER</b>	2	17,637,357	17,145,541
Cost of sales		(9,440,635)	(8,546,429)
Gross profit		8,196,722	8,599,112
Administrative expenses		(5,708,976)	(5,211,880)
<b>OPERATING PROFIT</b>	3	2,487,746	3,387,232
Interest payable and similar charges	4	(534,632)	(642,718)
Interest receivable and similar income		54,155	60,078
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,007,269	2,804,592
Tax on profit on ordinary activities	5	(830,202)	(947,177)
<b>Retained profit for the year</b>	15	1,177,067	1,857,415

There are no recognised gains and losses for the period other than those passing through the profit and loss account

All activities of the group are classed as continuing



**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

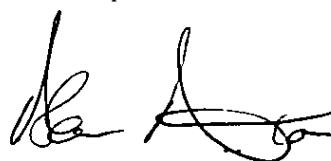
**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2006**

	Note	2006	2005 £
<b>FIXED ASSETS</b>			
Intangible assets	6	6,461,863	6,831,679
Tangible assets	7	280,251	244,848
		<u>6,742,114</u>	<u>7,076,527</u>
<b>CURRENT ASSETS</b>			
Stocks	9	2,554,489	2,429,899
Debtors	10	2,776,324	3,250,885
Cash at bank and in hand		1,730,563	1,025,434
		<u>7,061,376</u>	<u>6,706,218</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(3,642,814)	(5,903,240)
<b>NET CURRENT ASSETS</b>		<u>3,418,562</u>	<u>802,978</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,160,676	7,879,505
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	(5,719,357)	(4,623,019)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	(5,722)	(1,618)
<b>NET ASSETS</b>		<u>4,435,597</u>	<u>3,254,868</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	360,221	360,200
Share premium account	15	70,422	66,781
Profit and loss account	15	4,004,954	2,827,887
<b>TOTAL SHAREHOLDERS' FUNDS</b>	16	<u>4,435,597</u>	<u>3,254,868</u>

These financial statements were approved by the Board of Directors on 2 April 2007  
Signed on behalf of the Board of Directors



S Zussman – Director



A Toms – Director

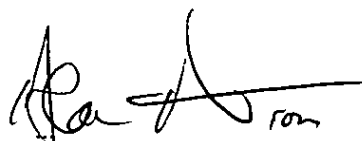
**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****COMPANY BALANCE SHEET****As at 31 December 2006**

	Note	2006	2005 £
<b>FIXED ASSETS</b>			
Intangible assets	6	6,461,863	6,831,679
Tangible assets	7	280,251	244,848
Investments	8	11,202	11,202
		<u>6,753,316</u>	<u>7,087,729</u>
<b>CURRENT ASSETS</b>			
Stocks	9	2,554,489	2,429,899
Debtors	10	2,775,122	3,249,683
Cash at bank and in hand		1,730,563	1,025,434
		<u>7,060,174</u>	<u>6,705,016</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(3,652,814)</u>	<u>(5,913,240)</u>
<b>NET CURRENT ASSETS</b>		<u>3,407,360</u>	<u>791,776</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,160,676</u>	<u>7,879,505</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	<u>(5,719,357)</u>	<u>(4,623,019)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(5,722)</u>	<u>(1,618)</u>
<b>NET ASSETS</b>		<u>4,435,597</u>	<u>3,254,868</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	360,221	360,200
Share premium account	15	70,422	66,781
Profit and loss account	15	4,004,954	2,827,887
<b>TOTAL SHAREHOLDERS' FUNDS</b>	16	<u>4,435,597</u>	<u>3,254,868</u>

These financial statements were approved by the Board of Directors on 2/4/07  
Signed on behalf of the Board of Directors



S Zussman – Director



A Toms – Director

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 31 December 2006**

	Note	2006 £	2005 £
Net cash inflow from operating activities	18	3,466,226	2,109,172
Returns on investment and servicing of finance	19	(480,477)	(582,640)
Taxation		(1,386,666)	(699,219)
Capital expenditure and financial investment	19	(93,954)	(189,993)
Cash inflow before financing		1,505,129	637,320
Financing	19	(800,000)	(1,651,450)
Net cash inflow / (outflow) after financing		705,129	(1,014,130)

**Reconciliation of net cash flow to movement in net debt (note 20)**

	2006 £	2006 £
Increase in cash in the period	705,129	
Cash outflow from decrease in debt	800,000	
Change in net debt resulting from cash flows		1,505,129
Other non cash changes Share capital accounted for as a liability (note 14)		3,662
Net debt as at 1 January 2006		(6,297,585)
Net debt as at 31 December 2006		(4,788,794)

## **ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2006**

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#### **1. ACCOUNTING POLICIES**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

##### **Basis of consolidation**

The group financial statements consolidate the financial statements of Original Additions (Beauty Products) Limited and its subsidiary undertakings drawn up to 31 December annually

No profit and loss account is presented for Original Additions (Beauty Products) Limited as permitted by Section 230 of the Companies Act 1985. The profit after tax of the parent company for the year ended 31 December 2006 is disclosed in the notes to the accounts

##### **Turnover**

Turnover is stated net of value added tax and trade discounts, and represents amounts invoiced to third parties for goods and services in the normal course of business

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Leasehold improvements	-	Over the term of the lease
Plant & machinery	-	25% straight line
Fixtures, fittings and equipment	-	25% straight line

##### **Stocks**

Stocks are valued at the lower of cost and net realisable value and are shown net of provisions for slow moving and obsolete stocks. Cost includes materials, costs of assembly, freight and duty costs. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

##### **Deferred taxation**

Deferred tax is provided on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Any assets and liabilities recognised have not been discounted

##### **Investments**

Fixed asset investments are stated at cost less provision for diminution in value

##### **Leasing and hire purchase commitments**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

##### **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account

##### **Pensions**

The group and company operate a number of money purchase pension schemes for the benefit of the directors and employees. The assets of these schemes are held separately from those of the group and company. Contributions to these schemes are charged to the profit and loss account as incurred

##### **Goodwill**

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of twenty years

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 1. ACCOUNTING POLICIES (continued)

#### Financial liabilities and equity

Under the principles of FRS25 *Financial Instruments Presentation and disclosure*, financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Where the financial instrument is a contract which gives rise only to a residual interest in the assets of the group or the company it is accounted for as equity and included within shareholders' funds. All other financial instruments are classified as financial liabilities and are included within creditors.

### 2. TURNOVER

#### Geographical market

	2006 £	2005 £
United Kingdom	15,934,663	15,354,840
Rest of Europe	1,260,188	1,315,638
Rest of the world	442,506	475,063
	<hr/>	<hr/>
	17,637,357	17,145,541
	<hr/>	<hr/>

The turnover and profit before taxation is attributable to the principal activity of the group as detailed in the directors' report. The directors consider there to be only one class of business.

### 3. OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging / (crediting)		
Auditors' remuneration	27,000	20,810
Non audit services (paid to related company of the auditors)	8,960	3,614
Depreciation of owned fixed assets	88,773	44,661
Amortisation of goodwill	369,816	369,822
Operating lease rentals – land and buildings	280,000	392,500
– plant and machinery	58,223	59,483
Profit on disposal of fixed assets	(1,200)	(150)
	<hr/>	<hr/>

### 4. INTEREST PAYABLE

	2006 £	2005 £
On bank loans and overdrafts	<hr/> 534,632	<hr/> 642,718

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2006****5 TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Tax on profit on ordinary activities**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
U K corporation tax – current year	814,491	872,535
- previous period	11,607	(12,090)
Current tax charge	826,098	860,445
Deferred tax charge/ (credit) for current year	4,104	86,732
	830,202	947,177
<b>(b) Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	2,007,269	2,804,592
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30%	602,181	841,378
Effects of		
Disallowed expenses	218,244	118,853
Capital allowances in excess of depreciation	(5,880)	(68,434)
Other short term timing differences	(54)	(19,262)
Under/(over) provision in prior period	11,607	(12,090)
	223,917	19,067
Current tax charge	826,098	860,445

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2006**

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**6 INTANGIBLE FIXED ASSETS**

The group and the company

	<b>Purchased Goodwill £</b>
<b>Cost</b>	
As at 1 January 2006 and 31 December 2006	7,386,411
	<hr/>
<b>Amortisation</b>	
As at 1 January 2006	554,732
Charge for the period	369,816
	<hr/>
At 31 December 2006	924,548
	<hr/>
<b>Net book value</b>	
At 31 December 2006	6,461,863
	<hr/>
At 31 December 2005	6,831,679
	<hr/>

**.ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2006****7 TANGIBLE FIXED ASSETS**

The group and the company

	<b>Leasehold improvements</b>	<b>Plant &amp; machinery, fixtures, fittings and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
As at 1 January 2006	19,998	652,732	672,730
Additions	-	124,176	124,176
Disposals	-	(127,828)	(127,828)
At 31 December 2006	19,998	649,080	669,078
<b>Depreciation</b>			
As at 1 January 2006	10,281	417,601	427,882
Charge for the year	2,916	85,857	88,773
Disposals	-	(127,828)	(127,828)
At 31 December 2006	13,197	375,630	388,827
<b>Net book value</b>			
At 31 December 2006	6,801	273,450	280,251
At 31 December 2005	9,717	235,131	244,848



# **ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2006**

### **8 INVESTMENTS**

The company

	<b>Shares in group undertakings £</b>
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	11,222,433
<b>Provision for diminution in value</b>	
At 1 January 2006 and at 31 December 2006	11,211,231
<b>Net book value</b>	
At 31 December 2006 and 31 December 2005	11,202

The investments represent holdings in the following subsidiary undertakings

<b>Subsidiary undertakings</b>	<b>Description of shares held</b>		<b>Capital and reserves £</b>	<b>Loss for the year £</b>
	<b>Class</b>	<b>Percentage</b>		
Eylure Limited	Ordinary £1	100	2	-
Naturelle Limited	Ordinary £1	100	-	-
City Chick Limited	Ordinary £1	100	100	-
Nail Basics Limited	Ordinary £1	100	100	-
Salon Systems Limited	Ordinary £1	100	1,000	-
OA(BP) Limited	Ordinary £1	100	10,000	-

All companies are registered and incorporated in England and Wales

All the companies have the same year end as Original Additions (Beauty Products) Limited

All the subsidiaries of the company have been dormant throughout the year

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2006****9 STOCKS**

The group and the company

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Raw materials	859,802	843,650
Finished goods	1,623,929	1,487,191
Goods in transit	70,758	99,058
	<hr/>	<hr/>
	2,554,489	2,429,899
	<hr/>	<hr/>

**10 DEBTORS**

The group

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	2,427,115	2,784,520
Other debtors	1,202	1,202
Prepayments and accrued income	348,007	465,163
	<hr/>	<hr/>
	2,776,324	3,250,885
	<hr/>	<hr/>

The company

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	2,427,115	2,784,520
Prepayments and accrued income	348,007	465,163
	<hr/>	<hr/>
	2,775,122	3,249,683
	<hr/>	<hr/>

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2006****11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

The group

	2006 £	2005 £
Other loans (see note 13)	800,000	2,700,000
Trade creditors	1,649,488	1,490,855
Corporation tax	304,491	865,059
Other taxation and social security	373,256	452,000
Accruals and deferred income	515,579	395,326
	<hr/>	<hr/>
	3,642,814	5,903,240
	<hr/>	<hr/>

The company

	2006 £	2005 £
Other loans (see note 13)	800,000	2,700,000
Trade creditors	1,649,488	1,490,855
Amounts due to subsidiary undertakings	10,000	10,000
Corporation tax	304,491	865,059
Other taxation and social security	373,256	452,000
Accruals and deferred income	515,579	395,326
	<hr/>	<hr/>
	3,652,814	5,913,240
	<hr/>	<hr/>

**12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

The group and the company

	2006 £	2005 £
Other loans (see note 13)	5,689,400	4,589,400
Share capital accounted for as a liability (see note 14)	29,957	33,619
	<hr/>	<hr/>
	5,719,357	4,623,019
	<hr/>	<hr/>

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 13 BORROWINGS

The group and the company

	2006 £	2005 £
<b>Analysis of loan repayments:</b>		
<i>Not wholly repayable within five years other than by instalments</i>		
Royal Bank of Scotland	-	2,700,000
<i>Wholly repayable within five years</i>		
TriVest VCT plc loan notes	890,000	890,000
Barclays Unquoted Investments Limited loan notes	3,699,400	3,699,400
Royal Bank of Scotland	1,900,000	-
	<hr/>	<hr/>
	6,489,400	7,289,400
Included in current liabilities	(800,000)	(2,700,000)
	<hr/>	<hr/>
	5,689,400	4,589,400
	<hr/>	<hr/>
<b>Loan maturity analysis:</b>		
Due in less than one year	800,000	2,700,000
Due in one to two years	4,499,400	-
Due in more than two but less than five years	1,190,000	4,589,400
	<hr/>	<hr/>
	6,489,400	7,289,400
	<hr/>	<hr/>

#### Unsecured loans wholly repayable within five years

The "A Loan Stock" held by TriVest VCT plc amounts to £890,000 and is due for repayment on or before 31 December 2009

The "Fixed Rate Unsecured Loan Notes 2008" held by Barclays Unquoted Investments Limited amounts to £3,699,400 and is due for repayment by 31 December 2008

#### Unsecured loans not wholly repayable within five years other than by instalments

The Royal Bank of Scotland unsecured loan of £4,700,000 (£1,900,000 outstanding at the balance sheet date) drawn down on 2 July 2005 is repayable six-monthly at a rate of £400,000 every six months. The final repayment of £300,000 was due on 30 June 2010 but following early capital repayments the final payment will fall due on 30 June 2009. Interest is payable at six-monthly intervals at a rate of 2% above LIBOR.

As a result of a technical breach of one of the financial covenants as at 31 December 2005, in accordance with FRS25, the entirety of this loan was reclassified as falling due within one year. Following that year end, the Royal Bank of Scotland confirmed that they were aware of this breach and confirmed that they would not demand repayment in the foreseeable future.

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 14 SHARE CAPITAL

	Number of shares	2006 £	2005 £
Authorised			
Ordinary shares class A of £1 each	472	472	472
Ordinary shares class B of £1 each	400	400	400
Ordinary shares class C of £1 each	128	128	128
Deferred shares of £1 each	128	128	128
Preference shares of £1 each	359,400	359,400	359,400
		<u>360,528</u>	<u>360,528</u>
Called up, allotted and fully paid			
Ordinary shares class A of £1 each	472	472	472
Ordinary shares class B of £1 each	400	400	400
Ordinary shares class C of £1 each	128	128	128
Deferred shares of £1 each	128	128	128
Preference shares of £1 each	359,400	359,400	359,400
		<u>360,528</u>	<u>360,528</u>
Less Share capital accounted for as a liability (see below)		(307)	(328)
		<u>360,221</u>	<u>360,200</u>

#### *Share capital accounted for as a liability*

Deferred shares carry no voting or distribution rights. The repurchase of these shares will be at the earliest possible date that is lawful to do so in accordance with the company's Articles of Association, at par per share plus any premium paid.

Under the terms of the Articles of Association, certain earnings conditions having been satisfied, 179 of the issued Ordinary shares classes A and C will be converted immediately prior to sale, liquidation or listing of the company, into Deferred shares. These shares will then be repurchased at par plus any attributable premium paid on their initial issue.

Under FRS25, financial instruments are accounted for as either equity or a liability in accordance with their substance as opposed to their legal form.

The existing Deferred shares together with the Ordinary A and C shares which are subject to the above conversion, together with the associated share premium have been reclassified as liabilities.

The impact of these required adjustments is to reclassify £307 (2005: £328) of the nominal value of shares in issue together with the attributable part of the share premium account £29,650 (2005: £33,291), to long term liabilities.

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 14 SHARE CAPITAL (continued)

#### *Voting rights*

Preference shareholders are entitled to attend and to speak but not to vote at general meetings

Ordinary shareholders of any class are entitled to attend, speak and vote at general meetings All Ordinary shares in issue rank *pari passu*

#### *Distribution rights*

No dividends will be declared for any classes of shares until the accounting period ending 31 December 2009 at the earliest, under the provisions of the Articles of Association adopted by the company on 2 July 2004

On winding up of the company, preference shares take precedence for repayment (at par) ahead of ordinary shareholders Ordinary shares are treated as one class and rank equally in respect of the distribution on wind up of any surplus assets and retained profits

### 15 STATEMENT OF MOVEMENTS ON RESERVES

The group and the company

	Share premium account £	Profit and loss account £	Total £
Balance at 1 January 2006	66,781	2,827,887	2,894,668
Retained profit for the year	-	1,177,067	1,177,067
Adjustments to account for share capital as a liability (see note 14)	3,641	-	3,641
Balance at 31 December 2006	70,422	3,995,954	4,066,376

### 16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The group and the company

	2006 £	2005 £
Profit for the financial period	1,177,067	1,857,415
Reclassification of share capital as a liability (see note 14)	3,662	(33,619)
Net addition to shareholders' funds	1,180,729	1,823,796
Opening shareholders' funds	3,254,868	1,431,072
Closing shareholders' funds	4,435,597	3,254,868

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 17 PROVISIONS FOR LIABILITIES AND CHARGES

The group and the company

		Deferred tax liability £
Balance at 1 January 2006		1,618
Profit & Loss charge for the year		4,104
Balance at 31 December 2006		<u>5,722</u>
The deferred tax liability/(asset) is made up as follows		
	2006 £	2005 £
Fixed asset timing differences	7,315	3,143
Other short term timing differences	(1,593)	(1,525)
	<u>5,722</u>	<u>1,618</u>

### 18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	2,487,746	3,387,232
Depreciation charges	88,773	44,661
Amortisation charges	369,816	369,822
Increase in stocks	(124,590)	(214,788)
Decrease/(Increase) in debtors	474,561	(1,256,588)
Increase/(Decrease) in creditors	171,120	(221,017)
Profit on disposal of fixed assets	(1,200)	(150)
	<u>3,466,226</u>	<u>2,109,172</u>

### 19 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £	2005 £
<b>Returns on investments and servicing of finance</b>		
Interest received	54,155	60,078
Interest paid	(534,632)	(642,718)
	<u>(480,477)</u>	<u>(582,640)</u>
<b>Capital expenditure and financial investment</b>		
Payment to acquire tangible fixed assets	(95,154)	(190,143)
Receipt from sale of tangible fixed assets	1,200	150
	<u>(93,954)</u>	<u>(189,993)</u>

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 19 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (cont.)

	2006 £	2005 £
<b>Financing</b>		
Debt due beyond one year		
Unsecured loan notes repayable in instalments by 2010		
Repayments in year	(800,000)	(1,600,000)
Directors loans due for repayment after more than one year	-	(51,450)
	<u>(800,000)</u>	<u>(1,651,450)</u>

### 20 ANALYSIS OF NET DEBT

	At 1 Jan 2006 £	Cash flow £	Non cash flow movements £	At 31 Dec 2006 £
Cash at bank and in hand	1,025,434	705,129	-	1,730,563
Debt due within one year	(2,700,000)	800,000	1,100,000	(800,000)
Debt due after one year	(4,589,400)	-	(1,100,000)	(5,689,400)
Reclassification of share capital as a liability (see note 14)	(33,619)	-	3,662	(29,957)
Total	<u>(6,297,585)</u>	<u>1,505,129</u>	<u>3,662</u>	<u>(4,788,794)</u>

### 21 PENSION COSTS

	2006 £	2005 £
Contributions payable by the company for the period	<u>67,507</u>	<u>43,036</u>
Contributions outstanding at the balance sheet date amounted to	<u>5,309</u>	<u>5,487</u>



**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****For the year ended 31 December 2006****22 FINANCIAL COMMITMENTS**

The group and the company

At 31 December 2006, the group and the company had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expiry date				
Within one year	-	-	-	9,731
Between two and five years	-	-	56,502	43,492
In over five years	280,000	280,000	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	280,000	280,000	56,502	53,223
	<hr/>	<hr/>	<hr/>	<hr/>

**23 CAPITAL COMMITMENTS**

At 31 December 2006, the group and the company had capital commitments as follows

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Contracted but not provided for in the financial statements	<hr/> 280,000	<hr/> 19,500

**24 EMPLOYEES****Number of employees**

The average monthly number of employees (including directors) during the year was

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Production and distribution	30	30
Sales and marketing	18	24
Office and administration	7	7
	<hr/>	<hr/>
	55	61
	<hr/>	<hr/>

**Employment costs**

	<b>£</b>	<b>£</b>
Wages and salaries	1,756,102	1,757,736
Social security costs	195,492	195,872
Other pension costs	67,507	43,036
	<hr/>	<hr/>
	2,019,101	1,996,644
	<hr/>	<hr/>

# ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2006

### 24 EMPLOYEES (continued)

Directors' emoluments including estimated value of benefits in kind

	2006 £	2005 £
Emoluments	492,185	475,750
Pension contributions	42,323	40,891
	<hr/>	<hr/>
	534,508	516,641
	<hr/>	<hr/>

Four directors have retirement benefits accruing under personal pension schemes (2005 Four)

Emoluments disclosed above include the following amounts paid to the highest paid director

	2006 £	2005 £
Emoluments	154,714	149,548
Pension contributions	13,859	13,390
	<hr/>	<hr/>
	168,573	162,938
	<hr/>	<hr/>

### 25 CONTROL

In the opinion of the directors, there is no single controlling party

### 26 RELATED PARTY TRANSACTIONS

Exemption as conferred by Financial Reporting Standard No 8 has been claimed from making related party disclosures in respect of group transactions

During the year, R Steele, the chairman of the group, provided services to the group amounting to £28,980 (2005 £28,460), through Adsum Limited, a company of which he is a director and shareholder

**ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED****COMPANY PROFIT AND LOSS ACCOUNT****Year ended 31 December 2006**

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	2006 £	2005 £
<b>TURNOVER</b>	17,637,357	17,145,541
Cost of sales	(9,440,635)	(8,546,429)
	<hr/>	<hr/>
Gross profit	8,196,722	8,599,112
Administrative expenses	(5,708,976)	(5,211,880)
	<hr/>	<hr/>
<b>OPERATING PROFIT/ (LOSS)</b>	2,487,746	3,387,232
Interest payable and similar charges	(534,632)	(642,718)
Other interest receivable and similar income	54,155	60,078
	<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2,007,269	2,804,592
Tax on profit on ordinary activities	(830,202)	(947,177)
	<hr/>	<hr/>
<b>Retained profit for the year</b>	1,177,067	1,857,415
	<hr/>	<hr/>

This page does not form part of the statutory financial statements