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Burt's Bees (UK) Limited

Report and Financial Statements

6 month period to 30 June 2008

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COMPANIES HOUSE

Burt's Bees (UK) Limited

Registered No: 06062933

Directors

Douglas P. Haensel
John Replogle

Secretary

Robert W. Wood

Auditors

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

Bankers

Barclays Bank Plc
10 – 14 High Street
Old Town
Swindon
SN1 3ED

Solicitors

Fried, Frank, Harris, Shriver & Jacobson (London) LLP
99 City Road
London
EC1Y 1AX

Registered Office

Office 39
Basepoint Business Centre
Rivermead Drive
Westlea
Swindon
Wiltshire
SN5 7EX

Directors' report

The directors present their annual report and audited financial statements for the 6 month period ended 30 June 2008.

Principal activities

The principal activity of the company is the wholesale of natural personal care products.

Business review

The company was incorporated on 23 January 2007 and commenced trading on 1 September 2007. The results of the company are detailed in the profit and loss account on page 6.

The company is a wholly owned subsidiary of Burt's Bees Inc., a company incorporated in Delaware, USA. The Burt's Bees Inc. group was acquired by The Clorox Company on 30 November 2007.

Proposed dividend

The directors do not recommend the payment of a dividend for the period (period ended 31 December 2007: £nil).

Directors

The directors who held office during the period were as follows:

Doug Haensel
John Replogle

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquires of fellow directors and of the company's auditors, each of these directors confirm that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Political and charitable contributions

The company made no political or charitable donations in the period (period ended 31 December 2007: £nil).

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Robert W. Wood
Company Secretary

Date: 19/2/9

Statement of directors' responsibilities in respect of 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 period. 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Burt's Bees (UK) Limited

We have audited the company's financial statements for the 6 month period ended 30 June 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. These financial statements 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and 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).

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 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 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.

Independent auditors' report

to the members of Burt's Bees (UK) Limited (continued)

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 30 June 2008 and of its loss for the period 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.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Bristol

Date: *23 February 2009*

Profit and loss account

for the 6 month period ended 30 June 2008

		<i>Period ended 30 June 2008</i>	<i>Period ended 31 December 2007</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover	2	1,121,965	677,169
Cost of sales		(727,305)	(457,728)
Gross profit		394,660	219,441
Administrative expenses		(528,710)	(1,190,472)
Loss on ordinary activities before taxation	3	(134,050)	(971,031)
Tax on loss on ordinary activities	5	-	-
Loss on ordinary activities after taxation	12	(134,050)	(971,031)

All results stated above are all derived from continuing activities.

Statement of total recognised gains and losses

for the 6 month period ended 30 June 2008

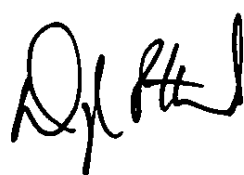
There are no recognised gains or losses other than the loss of £134,050 attributable to the shareholders for the period ended 30 June 2008 (period ended 31 December 2007: loss of £971,031).

Balance sheet

at 30 June 2008

		30 June 2008	31 December 2007
	Note	£	£
Fixed assets			
Tangible assets	6	17,826	18,629
Current assets			
Stock	7	841,242	494,021
Debtors	8	373,982	380,092
Cash at bank and in hand		193,875	317,431
		1,409,099	1,191,544
Creditors: amounts falling due within one year	9	(2,531,006)	(2,180,204)
Net current liabilities		(1,121,907)	(988,660)
Net liabilities		(1,104,081)	(970,031)
Capital and Reserves			
Called up share capital	11	1,000	1,000
Profit and loss account	12	(1,105,081)	(971,031)
Equity shareholders' deficit	12	(1,104,081)	(970,031)

Approved by the Board



Douglas P. Haensel
Director

Date: 19/2/08

Notes to the financial statements

at 30 June 2008

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Fundamental accounting concept

The financial statements have been prepared on a going concern basis because the company's parent undertaking has agreed to provide sufficient financial support to enable the company to meet its debts as they fall due.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost accounting rules.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer and office equipment	-	5 years
Furniture and fixtures	-	5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of finished goods, the value used is the price charged by the US parent.

Taxation

Deferred tax 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 a right to pay less or to receive more, tax, with the following exception:

- 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 periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 30 June 2008

1. Accounting policies (continued)

Cash flow statement

Under FRS 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Foreign currency

Transactions denominated in foreign currencies are recorded in pounds sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. There were accrued pension costs of £5,391 at 31 December 2007. The pension cost for the period ended 31 December 2007 represents contributions payable by the company to the fund and amounted to £9,351.

2. Turnover

Turnover represents the amounts (excluding value added tax and trade discounts) derived from the sale of goods and is recognised on despatch to the customer.

	<i>Period ended 30 June 2008 £</i>	<i>Period ended 31 December 2007 £</i>
UK	1,104,560	664,962
Ireland	17,405	12,207
	<u>1,121,965</u>	<u>677,169</u>

Notes to the financial statements

at 30 June 2008

3. Operating loss

Operating loss is stated after charging:

	<i>Period ended 30 June 2008 £</i>	<i>Period ended 31 December 2007 £</i>
Depreciation of tangible fixed assets - owned	2,151	2,271
Operating lease rentals	9,704	14,495
Auditors' remuneration		
- audit services	10,603	8,000
- non-audit services	5,000	6,000
Foreign exchange loss	17,355	50,831

Included in administrative expenses is £nil (period ended 31 December 2007: £475,519) in relation to deal related costs from the acquisition of the Burts Bee's Inc. by The Clorox Company on 30 November 2007.

4. Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	<i>Period ended 30 June 2008 No.</i>	<i>Period ended 31 December 2007 No.</i>
Sales	4	2
Administration	5	4
	9	6

The aggregate payroll costs of these persons were as follows:

	<i>Period ended 30 June 2008 £</i>	<i>Period ended 31 December 2007 £</i>
Wages and salaries	212,087	234,917
Social security costs	45,057	26,951
	257,144	261,868

No directors received any direct remuneration in the periods ended 30 June 2008 and 31 December 2007.

Notes to the financial statements

at 30 June 2008

5. Taxation

Factors affecting the tax charge for the current year

The current tax charge for the period differs from the standard rate of corporation tax in the prior period of 30%. The differences are explained below:

	Period ended 30 June 2008 £	Period ended 31 December 2007 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(134,050)	(971,031)
Current tax at 29% (2007: 30%)	(38,874)	(291,009)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	145	130,072
Depreciation in excess of capital allowances	89	681
Other timing differences	-	2,480
Unrelieved tax losses carried forward	38,640	157,776
Total current tax charge	-	-

Under the 2007 Finance Act, the rate of UK corporation tax was reduced from 30% to 28% with effect from 1 April 2008. As a result a blended rate of 29% was applied.

The effect on the company of these changes to the UK tax system is fully reflected in the company's financial statements for the current period.

6. Tangible fixed assets

	Office and computer equipment £	Furniture and fixtures £	Total £
<i>Cost:</i>			
At 31 December 2007	15,154	5,746	20,900
Additions during the year	889	459	1,348
At 30 June 2008	16,043	6,205	22,248
<i>Depreciation:</i>			
At 31 December 2007	(1,736)	(535)	(2,271)
Charge in the year	(1,530)	(621)	(2,151)
At 30 June 2008	(3,266)	(1,156)	(4,422)
<i>Net book value:</i>			
At 30 June 2008	12,777	5,049	17,826
At 31 December 2007	13,418	5,211	18,629

Notes to the financial statements

at 30 June 2008

7. Stocks

	<i>30 June 31 December</i>	
	<i>2008</i>	<i>2007</i>
	£	£
Finished goods for resale	841,242	494,021

8. Debtors: amounts falling due within one year

	<i>30 June 31 December</i>	
	<i>2008</i>	<i>2007</i>
	£	£
Trade debtors	370,812	370,589
Prepayments	3,170	9,503
	<u>373,982</u>	<u>380,092</u>

9. Creditors: amounts falling due within one year

	<i>30 June 31 December</i>	
	<i>2008</i>	<i>2007</i>
	£	£
Trade creditors	80,809	48,511
Amounts owed to group undertakings	2,255,588	1,889,028
Other taxes	23,472	33,851
Accruals and deferred income	171,137	208,814
	<u>2,531,006</u>	<u>2,180,204</u>

10. Deferred taxation

The unprovided deferred tax asset is as follows:

	<i>30 June 31 December</i>	
	<i>2008</i>	<i>2007</i>
	£	£
Accelerated capital allowances	-	636
Depreciation in excess of capital allowances	(905)	-
Other timing differences	2,315	2,315
Tax losses	173,358	147,258
	<u>174,768</u>	<u>150,209</u>

Notes to the financial statements

at 30 June 2008

11. Called up share capital

	30 June 2008	31 December 2007
	£	£
<i>Authorised:</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid:</i>		
1,000 ordinary shares of £1 each	1,000	1,000

12. Reconciliation of movements in shareholders' funds

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£	£	£
On incorporation	1,000	-	1,000
Loss for the period	-	(971,031)	(971,031)
At 31 December 2007	1,000	(971,031)	(970,031)
Loss for the period	-	(134,050)	(134,050)
At 30 June 2008	1,000	(1,105,081)	(1,104,081)

Notes to the financial statements

at 30 June 2008

13. Related party disclosures

The company has taken advantage of the exemptions conferred by FRS 8 from the requirements to make disclosures concerning group related parties as it is a wholly owned subsidiary undertaking.

14. Ultimate parent company

The company's immediate parent undertaking is Burt's Bees International Holdings Inc., a company incorporated in the United States of America.

In the directors' opinion the company's ultimate parent company and controlling party is The Clorox Company, a company incorporated in the United States of America. Copies of its group financial statements which include the company are available from Clorox Inc., 1221 Broadway, Oakland, CA94612.

The smallest group of which the company is part is Burt's Bees International Holdings Inc.

The largest group of which the company is part is The Clorox Company.