CBee (Europe) Limited

Report and Financial Statements

30 June 2015

Directors
Giles Malone
Emma Atkinson (appointed 30/6/2015)
Eric Reynolds (resigned 30/6/2015)

Secretary
Charlotte Bailey

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

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

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Eton House, 2nd Floor
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Strategic Report

The Directors present their strategic report for the year ended 30 June 2015.

Principal activities and review of the business

The principal activity of the company is the distribution and wholesale of natural health and beauty products in UK and Europe, the distribution of cat litter products under the Ever Clean brand and the distribution of Clorox Cleaning brands throughout Europe and Algeria.

The company is a wholly owned subsidiary of Burt's Bees International Holdings Inc., a company incorporated in Delaware, USA. Burt's Bees International Holdings Inc. is a wholly owned subsidy of The Clorox Company.

Key performance indicators:

	2015	2014	Change %
Revenue - £m	20.58	18.03	+14.1
Gross Profit £m	5.68	5.54	+2.5
(Loss)/Profit before tax £m	(3.22)	0.15	-2247
Shareholder's Funds/(Deficit) £m	1.36	4.58	-70.3
Headcount	32	30	+6.7

- Revenue increased by 14.1% to £20.58M (2014: £18.03M). Growth in the UK and Europe markets was offset by a reduction in Algeria
- Gross Profit increased by 2.5% but gross margins declined by 3.2% driven by a number of factors including increased trade support, restructuring costs in the Cat Litter business, unfavourable movements in foreign exchange currencies and product/country mix
- Selling & Administration costs increased by 65% driven by increased brand building expenses, higher headcount and staff costs and unfavourable currency movements
- Operating Profit declined from a small profit in 2014 ($0.2M) to an operating loss of $3.2M in 2015

Principal risks and uncertainties

The principal risks and uncertainties facing CBee (Europe) Limited can be broadly grouped as competitive, credit, liquidity and foreign exchange risk.

- *Competitive risks*

CBee (Europe) Limited faces competition from a number of other companies for sales in each of the regions in which it trades. The company seeks to maintain existing relationships with customers, and manage pricing and margins to protect the trading results of the business.

- *Credit risk*

Credit risk is the risk that one of the company's debtors fails to re-pay amounts due, causing loss to the company. CBee (Europe) Limited's credit policy is aimed at minimising such losses by trading strictly to set credit limits and credit terms. The company also regularly monitors its receivables to focus collection procedures on potentially risky balances. Provisions for overdue and doubtful debts are made if necessary.

- *Liquidity risk*

The company retains sufficient cash to ensure it has adequate funds available for operations as agreed with the parent company's treasury management committee. The company has no external debt.

- *Foreign exchange rate risk*

CBee (Europe) Limited operates in a number of different countries and currencies, and therefore is exposed to exchange rate risks that arise from transactions in currencies other than its functional currency. We do not mitigate this risk at a local level. The Clorox Company manages this risk at a global level.

On behalf of the Board

Giles Malone
Director
3/3 2016

Directors' report

The directors present their report for the year ended 30 June 2015.

Directors

The directors who served the company during the year and up to the date of this report were:

Eric Reynolds
Giles Malone
Emma Atkinson

Dividends

The directors do not recommend the payment of a dividend for the year (2015 – £nil).

Future developments

The Directors believe there is potential to grow in all major brands over the next few years and have developed strategies focussed on growing top line sales and improving operating margins.

Financial Instruments

In September 2013, a $5,000,000 loan was provided by Clorox Switzerland to pay down some of the intercompany balance with Burt's Bees International Holdings Inc. This is accruing interest at the higher of Libor+1% and the Swiss Safe Harbour rate.

Financial Instruments give rise to foreign currency, interest rate, credit, price and liquidity risk. Information on how these risks arise is set out above, as are the objectives, policies and processes for their management and the methods used to measure each risk.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position and the principle risks and uncertainties are described above and in the strategic report.

The company is a wholly owned subsidiary of Burt's Bees International Holdings Inc., a company incorporated in Delaware, USA.

At the year end, the company has net current assets of £4,092,252 (2014 – net current assets of £6,956,821) and shareholders' funds of £1,358,484 (2014-shareholders' funds £4,576,042). Included in long term creditors is a loan of $5,000,000 from Clorox Switzerland (2014 – $5,000,000 from Clorox Switzerland). This loan is guaranteed by the parent company, the Clorox Company, until expiry in September 2018.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors are in the process of finalising the three year financial projections for CBee (Europe) Ltd and having obtained confirmation of ongoing support from the parent company (the Clorox company), have no reason to believe that material uncertainty exists. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' Report (Continued)

Disclosure of information to the auditors

So far as the directors at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the auditor is unaware. Having made enquiries of the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

On behalf of the Board

Giles Malone
Director
3 March, 2016

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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 CBee (Europe) Limited

We have audited the financial statements of CBee (Europe) Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. 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 set out on page 5, 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 Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 30 June 2015 and 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (Continued)

to the members of CBee (Europe) 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
- information and explanations we require for our audit have not been received.

Ernst & Young LLP

Nicholas Jacques (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

7 March 2016

Profit and loss account

for the year ended 30 June 2015

	Notes	*2015* £	*2014* £
Turnover	2	20,583,472	18,027,940
Cost of sales		(14,902,905)	(12,483,803)
Gross Profit		5,680,567	5,544,137
Administrative expenses		(8,830,336)	(5,352,595)
Operating Loss/profit		(3,149,769)	191,542
Interest payable	4	(67,789)	(41,632)
Loss/profit before taxation	3	(3,217,558)	149,910
Tax	7	–	–
Loss/profit for the financial year	15	(3,217,558)	149,910

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 30 June 2015

There are no recognised gains or losses other than the losses attributable to the shareholders of the company of £3,217,558 in the year ended 30 June 2015 (2014 – profit of £149,910).

Balance sheet
at 30 June 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	8	443,232	554,371
		443,232	554,371
Current assets			
Stock	9	2,183,362	1,807,737
Debtors	10	6,778,328	6,665,380
Cash at bank and in hand	11	1,644,141	1,780,134
		10,605,831	10,253,251
Creditors: Amounts falling due within one year	12	(6,513,579)	(3,296,430)
Net current assets		4,092,252	6,956,821
Total assets less current liabilities		4,535,484	7,511,192
Creditors: Amounts falling due after one year	13	(3,177,000)	(2,935,150)
Net assets		1,358,484	4,576,042
Capital and reserves			
Called up share capital	14	7,725,290	7,725,290
Profit and loss account	15	(6,366,806)	(3,149,248)
Capital Reserve	15	-	-
Shareholders' funds	15	1,358,484	4,576,042

Approved for and on behalf of the board:

Director

Name: Giles Malone

Date: 3 March 2016

Registered No. 06062933

Notes to the financial statements

at 30 June 2015

1. Accounting policies

Basis of preparation

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

Going Concern

At the year end, the company has net assets of £1,358,485 (2014 – net liabilities of £4,576,042) and shareholders' funds of £1,358,485 (2014-shareholders' deficit of £4,576,042). Included in creditors is a loan of $5,000,000 from Clorox Switzerland (2014 – $5,000,000 from Clorox Switzerland). This loan is guaranteed by the parent company, the Clorox Company, until expiry in September 2018.

The directors are in the process of finalising the three year financial projections for CBee (Europe) Ltd and having obtained confirmation of ongoing support from the parent company (the Clorox company), have no reason to believe that material uncertainty exists.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Statement of cash flows

The company has taken advantage of the exemption available under FRS 1 not to prepare a statement of cash flows.

Related party disclosures

The company has taken advantage of the exemption, in paragraph 3(c) of FRS 8: Related Party Disclosures, from disclosing transactions with wholly owned related parties that are part of The Clorox Company group.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Computer and office equipment	–	5 years
Furniture and fixtures	–	5 years
Leasehold property	–	Over the shorter of remaining life of the lease period and 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Notes to the financial statements

at 30 June 2015

1. Accounting policies (continued)

Deferred taxation

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:

- 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.

Revenue Recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and VAT.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

The effect of the time value of money is not material and therefore the provisions are not discounted.

Pensions

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.

Share Based Payments

FRS 20 "Share Based Payments" requires the fair value of options and share awarded to the company's employees by the ultimate parent undertaking, which ultimately vest, to be charged to the company's profit and loss account over the vesting or performance period. For equity - settled transactions the fair value is determined at the date of the grant using an appropriate pricing model. For cash settled transactions the fair value is determined at the grant date and at balance sheet date thereafter until the awards are settled. If an award fails to vest as a result of certain types of performance condition not being satisfied, the charge to the profit and loss account will be adjusted to reflect this.

As in the prior year, the directors have determined that the fair value of the share based payment awards in the ultimate parent company granted to the company's current employees is not material and therefore these financial statements do not include a share based payment expense or related detailed disclosures as required by FRS 20. As at 30 June 2015, there were 23,389 (2014: 6,660) outstanding share options held by employees of which 8,610 were granted in the year. There are a total of 1,048 (2014: 3,248) restricted shares held by employees.

Notes to the financial statements

at 30 June 2015

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to distribution and wholesale of natural health and beauty products in UK and Europe, the distribution of cat litter products under the Ever Clean brand and the distribution of Clorox Cleaning brands throughout Europe, as stated in the strategic report.

An analysis of turnover by geographical market is given below:

	2015	*2014*
	£	*£*
UK	4,972,682	4,659,074
Algeria	120,292	453,667
Rest of the World	15,490,498	12,915,199
	20,583,472	18,027,940

3. Operating (loss)/profit

This is stated after charging/(crediting)

	2015	*2014*
	£	*£*
Depreciation of owned fixed assets	112,793	94,135
Operating lease rentals – land and buildings	206,220	181,232
Auditor's remuneration – audit services	33,500	33,000
Net loss/(gain) on foreign currency translation	611,287	(528,620)
Severance fees	233,824	19,724
Management recharge income	(1,499,667)	(1,340,504)

4. Interest payable

	2015	*2014*
	£	*£*
Intercompany Interest Expense	67,789	41,632

In September 2013, a $5,000,000 loan was provided by Clorox Switzerland to pay down some of the intercompany balance with Burt's Bees International Holdings Inc. This is accruing interest at the higher of Libor+1% and the Swiss Safe Harbour rate.

Notes to the financial statements

at 30 June 2015

5. Directors' remuneration

	2015	*2014*
	£	*£*
Aggregate emoluments	439,850	172,610
Company pensions contributions to money purchase scheme	11,102	10,778
	450,952	183,388

In respect of highest paid director:

	2015	*2014*
	£	*£*
Aggregate emoluments	261,819	136,751
Company pensions contributions to money purchase scheme	-	10,778
	261,819	147,529

The highest paid director did not exercise share options during the year.

	No.	*No.*
Number of directors who exercised share options	1	0
Members of money purchase pension scheme	1	1

6. Staff costs

	2015	*2014*
	£	*£*
Wages and salaries	3,381,976	2,821,825
Social security costs	703,489	474,118
Pension costs	117,366	113,520
	4,202,831	3,409,463

These staff costs include costs for employees (and one director) who also perform services for other group companies. The costs relating directly to services attributable to the company have not been separately identified and therefore the full costs are disclosed. The costs relating to group services are recovered within a management recharge for all the costs borne by the entity relating to functions for group entities.

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Sales	11.5	13.0
Administration	20.5	17.0
	32.0	30.0

Notes to the financial statements

at 30 June 2015

7. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2015	2014
	£	£
Current tax:		
UK corporation tax	-	-
Total current tax (note 6(b))	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Tax charge on profit on ordinary activities	-	-

(b)Factors affecting current tax charge

	2015	2014
	£	£
Profit/(loss) on ordinary activities before taxation	(3,217,558)	149,910
Profit/(loss) on ordinary activities at standard UK rate of corporation tax of 20.75% (2014 – 22.50%)	(667,665)	33,732
Expenses not deductible for tax purposes	17,220	10,915
Capital allowances in excess of depreciation	14,865	(1,586)
Tax losses (relieved)/carried forward	635,581	(43,061)
Total current tax (note 6(a))	-	-

(c) Deferred tax

	2015	2014
	£	£
Unrecognised deferred tax asset		
Capital allowances in advance of depreciation	-	-
Other timing differences	924,780	487,146
Tax on profit / (loss) on ordinary activities	924,780	487,146

Notes to the financial statements

at 30 June 2015

7. Tax (continued)

For the years ended June 30, 2015 and 2014, the Company was subject to UK corporation tax at a rate of 20.75% (21% during the 9 months to April 1, 2015 and 20% during the 3 months to June 30, 2015).

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.

The Finance Act 2013, which includes a reduction in the UK corporate tax rate to 20% from 1 April 2015, was substantively enacted on 2 July 2013. The company has recognised the impact of the rate change which is substantively enacted at the time in its financial statements therefore all deferred tax assets and liabilities have been measured in the financial statements at the existing 20% rate.

8. Tangible fixed assets

	Leasehold Property	*Office and computer equipment* £	*Furniture and fixtures* £	*Total* £
Cost:				
At 1 July 2014	475,046	158,449	157,338	790,833
Additions	-	13,114	-	13,114
Disposals	-	-	(35,810)	(35,810)
At 30 June 2015	475,046	171,563	121,528	768,137
Depreciation:				
At 1 July 2014	(114,346)	(49,049)	(73,067)	(236,462)
Charge in the year	(47,811)	(39,907)	(25,075)	(112,793)
Disposals	-	-	24,350	24,350
At 30 June 2015	(162,157)	(88,956)	(73,792)	(324,905)
Net book value:				
At 30 June 2015	312,889	82,606	47,736	443,232
At 1 July 2014	360,700	109,400	84,271	554,371

Notes to the financial statements

at 30 June 2015

9. Stocks

	2015	2014
	£	£
Finished goods and goods for resale	2,183,362	1,807,737

10. Debtors

	2015	2014
	£	£
Trade debtors	5,014,516	4,547,350
Amounts owed by group undertakings	1,364,686	1,266,927
Prepayments and other debtors	342,282	488,676
Other taxes	56,844	362,427
	6,778,328	6,665,380

11. Cash at bank and in hand

	2015	2014
	£	£
Bond Guarantee	500,286	500,000
Cash at Bank	1,143,855	1,280,134
	1,644,141	1,780,134

A Bond guarantee facility for £500,000 has been arranged with Barclays Bank in January 2014 which has been secured with £500,000 cash which cannot be drawn by CBee Europe Ltd. This is to finance import taxes for products purchased from the ultimate parent, The Clorox Company.

12. Creditors: amounts falling due within one year

	2015	2014
	£	£
Trade creditors	728,836	1,012,572
Amounts owed to group undertakings	2,946,658	809,392
Accruals and deferred income	2,838,085	1,474,466
	6,513,579	3,296,430

Notes to the financial statements
at 30 June 2015

13. Creditors: amounts falling due after one year

	2015	*2014*
	£	*£*
Amounts owed to group undertakings	3,177,000	2,935,150
	3,177,000	2,935,150

In September 2014, a $5,000,000 loan was provided by Clorox Switzerland to pay down some of the intercompany balance with Burt's Bees International Holdings Inc. This is accruing interest at the higher of Libor+1% and the Swiss Safe Harbour rate. Interest is paid annually in June. This loan is wholly repayable in more than 3 years from the financial period end of 30 June 2015, being due for repayment in September 2018.

14. Issued share capital

		2015		*2014*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	7,725,290	7,725,290	7,725,290	7,725,290

15. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Capital reserve*	*Profit and loss account*	*Total share-holders' funds/(deficit)*
	£	*£*	*£*	*£*
At 1 July 2013	1,000	2,749,270	(3,299,158)	(548,888)
Additional Contribution	-	150,277	-	150,277
Bonus Issue	2,899,547	(2,899,547)	-	-
Share Issue	4,824,743	-	-	4,824,743
Profit for the year at 30 June 2014	-	-	149,910	149,910
	7,725,290	-	(3,149,248)	4,576,042
Loss for the year at 30 June 2015	-	-	(3,217,558)	(3,217,558)
	7,725,290	-	(6,366,806)	1,358,484

16. Pensions

The company operates a defined contribution pension scheme. The total pension cost for the year was £117,366 (2014 – £113,520). There were £nil (2014 –£nil) outstanding amounts payable to the scheme as at 30 June 2015.

Notes to the financial statements

at 30 June 2015

17. Commitments under operating leases

At 30 June 2015 the company had annual commitments under non-cancellable operating leases as set out below:

	2015 Land and buildings £	*2014 Land and buildings £*
Operating leases which expire:		
Within one year	17,604	–
In two to five years	-	17,604
In over five years	155,331	155,331
	172,935	172,935

18. Related party transactions

The company is exempt under Financial Reporting Standard No.8 from disclosing transactions with other group companies as the company is a wholly owned subsidiary of the Burt's Bees International Holdings Inc. group.

19. Ultimate parent undertaking and controlling party

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 undertaking 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, CA 94612.

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

The largest group of which the company is a member is The Clorox Company which is also the only group in which the company's results are consolidated.