

Simple Health & Beauty Group Limited
(formerly Accantia Group Limited)

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

Registered number 4883233

**Simple Health & Beauty Group Limited
(formerly Accantia Group Limited)**

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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 Simple Health & Beauty Group Limited..... | 14 |
| Consolidated profit and loss account for the year ended 31 December 2008..... | 15 |
| Balance sheets as at 31 December 2008 | 16 |
| Group cash flow statement for the year ended 31 December 2008 | 17 |
| Notes to the financial statements for the year ended 31 December 2008 | 18 |

**Simple Health & Beauty Group Limited
(formerly Accantia Group Limited)**

**Directors and advisors
for the year ended 31 December 2008**

Directors

P J Hatherly
G M Percy
M A Thompson
D G Williams
S Pathakji
A L Pike
D Penn
C K Curvey

Secretary

P J Hatherly

Independent auditors

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

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Bankers

Bank of Scotland
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Edinburgh
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Simple Health & Beauty Group Limited (formerly Accantia Group Limited)

Directors' report for the year ended 31 December 2008

The directors present their report and consolidated audited financial statements for the year ended 31 December 2008.

Principal activities and review of business

The principle activity of the Company is to act as a holding company for the Group whose principal activity is the sale of health and beauty products. On 27 March 2009 the Company changed its name to Simple Health & Beauty Group Limited.

Against a challenging economic and financial backdrop, the Company's performance has been exceptional. Top line sales growth of 11%, driven by the UK, following on from 2007's strong growth is very pleasing and it is clear that the Company's main brand, Simple, has great resonance with consumers who recognise its differentiated market position.

Simple Health & Beauty Group Limited's core business is in the UK, where it competes within the Health & Beauty market. The consumer and retail customer dynamics of this market shape, to a large extent, the financial performance of the Company. The total market, valued at c.£5bn in 2008, showed annual growth of 0.9%, some way below the 2000-08 CAGR of 4.0%.

There are a number of product categories contained within the Health & Beauty market, the largest of which is skincare, and more specifically Female Facial Skincare, which has shown over time a growth rate ahead of the market as a whole. The Female Facial Skincare market, valued at £0.4bn, has shown strong growth and is forecast to continue doing so – despite the economic downturn and slowing of consumer expenditure.

Within this category Simple grew by 13% in 2008, significantly ahead of the market at 2%. Simple is now the third largest brand in value terms with a share of 12%, having overtaken Nivea Visage during the year and halved the gap between itself and the No.2 player, L'Oreal. In unit terms, Simple overtook Olay during 2008 to become the largest brand in the market with a share of 14%. Both of these trends have continued into 2009.

We are reasonably confident about the near term opportunities since, as is well documented, health and personal care products relative to many areas of discretionary consumer spend tend to be relatively unaffected.

Many product categories can be described as 'must buys', whilst others play an important role in promoting self-esteem. It is recognised, however, that consumers, whilst choosing to continue to spend within the category, do have choices including which brands they buy and where they buy them from. Simple Skincare, representing 63% of Group turnover, is performing very strongly and continuing to attract new users (an increase of 1m in 2008 over the prior year) as a result of our emphasis on understanding and then delivering both customer and consumer requirements.

In 2008 the Bar Soap market continued to show year on year decline, as consumers continue to switch from a convenience platform towards liquid cleansing – in the form of both liquid soaps and shower products. In the traditional Bar Soap market Simple, with its clear and distinctive competitive point of difference, is performing significantly better than the category as a whole and continues to grow market share.

To ensure that the Group benefits from the previously mentioned consumer trends the Simple brand also has an increasing presence in the liquid soap and shower markets.

2008 also saw continued growth in our international markets, with an expanding presence in Scandinavia and a test launch into a targeted retailer in the USA. Early feedback confirms the directors' view that the Simple brand resonates equally overseas as it does in the UK, representing a significant opportunity for future growth.

The continuing trend of business failure and consolidation within the toiletries manufacturing environment has presented challenges from an operational perspective and a number of supply changes have been made. It is pleasing to note that consumers remained unaffected by these events.

Simple Health & Beauty Group Limited (formerly Accantia Group Limited)

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

Principal activities and review of business (continued)

2009 has started positively, with underlying UK sales growth continuing at levels achieved in 2008. Simple's skincare market share has continued to increase despite the continued slow down of the market as a whole.

Financial Review

2008 represented another year of growth for the Group, with each of its main KPI's showing good progress.

| Turnover (£m) | 2008 | 2007 | Growth |
|-------------------------|---------------|---------------|--------|
| Gross Sales | 72.3 | 65.8 | 10% |
| Volume-based promotions | <u>(10.9)</u> | <u>(10.7)</u> | |
| Net Sales | <u>61.4</u> | <u>55.1</u> | 11% |
| UK | 54.0 | 48.2 | 12% |
| International | <u>7.3</u> | <u>6.9</u> | 6% |
| Total | <u>61.4</u> | <u>55.1</u> | 11% |

Net sales increased by 11% in 2008 driven by volume growth in consumer units of 13%, offset by the impact of pricing associated with discontinued products.

UK sales grew strongly at 12%, however an excellent result in Scandinavia was offset by a challenging retail environment in the Republic of Ireland resulting in overall international growth of 6%.

| Profit (£m) | 2008 | 2007 | Growth |
|---|------|------|--------|
| Operating profit before goodwill amortisation and exceptional items | 19.1 | 18.9 | 1% |
| EBITA* | 20.9 | 19.3 | 8% |

*Earnings before interest, tax, amortisation of intangible assets and exceptional and other specific items

The Board uses EBITA as a key measure for its operational profit achievement and 2008 delivered a pleasing 8% growth. Implicit in the growth has been an increase in advertising and promotional investment behind the Group's brands which has driven the UK sales growth.

Sterling's weakness together with some raw material cost increases has played its part in placing pressure on gross profitability but, where possible, cost saving initiatives have been implemented to mitigate this.

The Board has made a conscious effort over the last 2 years to invest in one of our greatest assets, our colleagues. This investment is paying dividends and is behind the development of our brands. We are well placed to continue to grow the business.

During the year, the Group incurred research and development costs of £418,000 (2007: £456,000).

In 2008 the Company incurred operating exceptional expense following a decision to close its Spa business in Covent Garden.

