

THE BODY SHOP INTERNATIONAL PLC

Preliminary Results for the 52 weeks to 25 February 2006

Continued growth in retail sales; profit in line with expectations

- Continued growth in global retail sales: total +7%, comparable +4%
- Operating profit up 6%, in line with forecast
- Further roll-out of new store format
- Continuing growth in The Body Shop At Home and e-commerce channels
- Net debt reduced to £12.7m
- New market openings in Russia and Jordan
- EPS marginally lower at 13.6 pence, after higher effective tax rate
- Total dividend of 6.6 pence, up 16%

“Our overall retail sales performance demonstrates the global strength of The Body Shop brand. We achieved a 6% increase in operating profit, in line with the forecast we made in January. The roll out of our new store format has progressed during the year and we have continued to grow The Body Shop At Home and e-commerce channels in line with our multi-channel strategy. We have also expanded into new markets, with store openings taking place in both Russia and Jordan during the year.

The Body Shop is celebrating 30 years of trading this year, having grown over that period into a substantial global branded retailer operating in 54 countries. Over the last four years, operating profit and earnings per share have improved substantially and we continue to manage the business for sustainable long-term performance.”

Adrian Bellamy
Executive Chairman

Peter Saunders
Chief Executive Officer

For media enquiries, please contact:

The Body Shop International PLC
Shelley Simmons, Tel: 01903 844040

Brunswick Group
William Cullum, Tel: 020 7404 5959

For investor enquiries, please contact:

Angela Bawtree, Tel: 01903 846333

Financial Highlights		
52 weeks to 25 February 2006		
		Change on 2005
Operating profit	£41.5m	+6%
Profit before tax	£37.6m	+5%
Earnings per share	13.6p	-1%
Total dividend	6.6p	+16%
Net debt	£12.7m	-£7.1m

Letter from the Executive Chairman and Chief Executive Officer

Overview

Our overall retail sales performance demonstrates the global strength of The Body Shop brand. We continued to achieve a robust sales performance in Asia Pacific and Europe, Middle East and Africa. As we reported in our Christmas Trading Update, the US and UK regions did not achieve the targeted rate of growth during the important Christmas period and this impacted the group's profit outcome for the year. We achieved a 6% increase in operating profit, in line with the forecast we made in January.

The roll out of our new store format has progressed during the year and we have continued to grow The Body Shop At Home and e-commerce channels in line with our multi-channel strategy. Our investment programme in SAP is now largely complete. We have also expanded into new markets, with store openings taking place in both Russia and Jordan during the year.

Since the year end, a recommended cash offer has been made by L'Oréal to acquire the entire issued share capital of The Body Shop for 300 pence per share. We believe that L'Oréal's significant strengths in the management and development of global brands, combined with our skills as a global retailer with strong values and commitments, will be a powerful combination in the cosmetics and personal care market place.

The Body Shop is celebrating 30 years of trading this year, having grown over that period into a substantial global branded retailer operating in 54 countries. Over the last four years, operating profit and earnings per share have improved substantially and we continue to manage the business for sustainable long-term performance.

Results Summary

We achieved positive growth in both total retail sales and comparable store sales in three of our four regions and in most of our markets. Overall, total retail sales were up 7% to £772.0 million and comparable store sales grew by 4%. Worldwide, a net 88 new stores were opened in the year, bringing the total to 2,133. Sales through The Body Shop At Home were up 14%, whilst our e-commerce channel in the USA more than doubled sales.

In the Americas region, total retail sales growth of 4% was enhanced by positive growth in The Body Shop At Home and e-commerce. Comparable store sales of -1% reflect a decline of 2% in the USA, together with an improvement to +1% in Canada from -3% in the previous year. As we reported in January, retail sales in the Americas region underperformed expectations during the Christmas period. This was driven in part by lower traffic levels in the shopping malls, compounded by execution issues in our inventory supply chain that led to some out-of-stock positions. A special task force was put in place last autumn to resolve these execution issues. Good progress has now been made and we expect the situation to be fully resolved over the next three months.

Asia Pacific continued to achieve strong sales growth during the year, with total retail sales up 11% and comparable store sales up 6%. The benefits of strong brand positioning and in-store execution were helped by generally improving economies in the region. Countries achieving particularly strong comparable store sales growth included Malaysia (+17%), Indonesia (+17%), Taiwan (+11%), Singapore (+9%),

Japan (+7%) and Hong Kong (+6%). Korea showed an improvement to +2% from – 8% in the previous year. In Australia, comparable store sales were flat but strong growth continued to be achieved in The Body Shop At Home.

Europe, Middle East & Africa performed well with both total retail sales and comparable store sales growing by 7%. Highlights included continuing strong comparable store sales growth in the Middle East (+11%) and the Nordic region (+12%). In Western and Southern Europe, good positive growth was achieved in France (+11%), Spain (+6%), Holland (+6%) and Germany (+3%), whilst the trend continued to improve in Italy (-2%). Our store base in Eastern Europe, although small, is performing well. Stores were opened in two new franchised markets in the region during the year: Jordan and Russia. We now have six stores in major Russian cities, with another 11 openings planned for the current year. This market offers The Body Shop an exciting development opportunity as one of the world's fastest growing cosmetics markets.

In the UK and Republic of Ireland, total retail sales grew by 3%, with comparable store sales up 2%. The comparable store sales performance reflects growth of 3% in the UK, with a decline of 1% in the Republic of Ireland. The growth in the UK was achieved despite a challenging trading environment during the Christmas period. The Body Shop At Home performed well, with growth of 15% year on year.

Gross margins improved on the same period last year, although operating margins were somewhat lower, principally due to non-recurring costs of over £4 million. These non-recurring items comprised reorganisation and other costs that have been incurred to improve performance and reduce future operating costs. Operating profit rose 6% to £41.5 million, in line with the forecast we made in January.

We achieved operating cash flow of £71.2 million, after a reduction of £8.5 million in working capital. This includes a 12% reduction in inventory year on year, reflecting efficiencies gained from our investment in information systems. We are continuing our ongoing capital investment programme in new stores, store refurbishments and information systems, with £32.0 million having been invested during the year. This represented the second year of our 3-year £100 million investment programme announced two years ago. We ended the year with net debt of £12.7 million.

After a higher effective tax rate, earnings per share were marginally lower than in the previous year at 13.6 pence, in line with our forecast.

Following the recent recommended cash offer by L'Oréal to acquire the entire issued share capital of The Body Shop, the Board has resolved to pay a second interim dividend of 4.4 pence per share in lieu of a final dividend. Together with the first interim dividend of 2.2 pence, this makes a total of 6.6 pence, 16% higher than in the previous year.

Brand Position and Image

Over the last year, we have made further progress with our strategy to differentiate The Body Shop by developing a 'masstige' positioning for the brand. We seek to provide customers with a shopping experience that combines excellent service with a comprehensive range of naturally-inspired personal care products offering high performance benefits and competitive pricing.

In order to deliver this 'masstige' experience for our customers, we have continued to focus on product innovation, the roll out of our new store design and the development

of improved customer service programmes for our sales associates and The Body Shop At Home consultants.

Our strategy in product development is to innovate across our various product ranges and categories to encourage multiple purchases and higher transaction values. New product activity during the year included a range of introductions including:

- *Spa Wisdom*, a range of luxurious home-spa products containing six natural ingredients sourced through our Community Trade programme;
- a Passion Fruit Bath and Body range;
- strong seasonal trend make-up collections;
- three additional new lines in our heritage Vitamin E skin care range;
- four additions to the core home fragrance range with Mango, Coconut, Papaya and Almond, together with four new seasonal oils;
- an improved holiday gift programme for Christmas, incorporating a selection of seasonal bath and body products from our limited edition Vanilla Spice, Cranberry and Candied Citrus ranges;
- a Strawberry Bath and Body range;
- six additions to our Almond Bath and Body range;
- a new Cassis Rose fragrance range.

For the current year, we are excited about the strong pipeline of new products coming through, including a major new-look make-up collection and a skin care range using Aloe Vera sourced through our Community Trade programme.

Our *Love Your Body* loyalty programme continues to grow, with more than 2.1 million cards sold in 16 countries by the year end. The programme is proving highly successful in raising average transaction values in store and we are now starting to promote the use of the card through our e-commerce channel in the USA. The programme will be extended to a further 13 markets in the current year.

Store Development

Our new store design, developed to provide customers with an improved shopping experience, continues to be rolled out across our four regions. At the year end, there were 154 stores reflecting the new design, of which approximately half were new and half were refurbished stores.

A key element of the new store design is a new make-up merchandising fixture, which is now installed in almost all stores around the world. This new fixture will support the launch of our new make-up collection, which is being accompanied by an intensive staff development programme.

We are continuing with our expansion of The Body Shop brand into new markets, with stores having opened in Russia and Jordan last year. We have also progressed with our plans to open in India, with the first store due to open there this summer. Store openings in Pakistan and Poland are also planned for the current year.

Developing a Multi-Channel Organisation

Central to our strategy is the development of a multi-channel organisation that allows us to service our customers in dedicated stores, in our customers' homes through The Body Shop At Home and via the internet.

The Body Shop At Home continues to show positive growth in the three markets in which it currently operates: the USA, the UK and Australia. We believe this direct sales channel offers significant growth opportunities for The Body Shop in both existing and new markets. Plans are progressing for the launch of The Body Shop At Home in Germany during the current financial year.

Our e-commerce site in the USA (www.thebodyshop.com) has outperformed expectations since its launch in September 2004, more than doubling sales and making a contribution to profit in its first full year of operation. We are on target to launch an e-commerce site in the UK during the autumn, in time for the key Christmas trading period.

Systems Development

Our investment programme in information systems is designed to gain maximum efficiencies by leveraging one back office system across our three sales channels.

The most significant element of this investment programme is the global implementation of SAP. The implementation is now largely complete, having been successfully rolled out on budget and on time to a number of our company-owned markets. It is now in the process of being extended to the remaining company-owned markets, including the USA where an earlier version of SAP has been in place for the last six years and will be upgraded to the current version in mid 2007. We have already started to realise productivity gains from our investment programme in SAP and are confident of achieving the targeted return on investment.

Franchising and Acquisitions

Franchising continues to play an important role in the growth and development of The Body Shop, with sales through franchised stores representing 54% of total retail sales. We value the contribution that our franchisees bring to our global organisation through their significant market experience, energy and expertise.

Over the past two years, as a small number of our franchisees have wanted to pursue other interests or to retire, we have had the opportunity to make strategic acquisitions in some key markets. Following the purchase of the head franchise businesses in Hong Kong and Canada in the 2005 financial year, we acquired the companies operating The Body Shop in the Netherlands, Belgium and Luxembourg in March 2005.

All three of these acquisitions have performed ahead of our expectations and have enhanced earnings per share in the first year of ownership. We expect to gain further benefits from these acquisitions as we continue to develop the brand in these markets and achieve the additional synergies to be gained through integration with our existing regional structure.

Our Values – Making a Difference

The Group donated £1.0 million to charitable organisations last year, of which £0.7 million was donated to The Body Shop Foundation and the remaining £0.3 million to other organisations.

We have continued to actively promote our values and to improve our social and environmental performance over the past year. This includes strengthening our in-store customer communications, telling customers the stories behind our values with a particular focus on our Community Trade programme.

Global campaigns continue to raise awareness and funds to support social issues that are important to customers. The '*Stop Violence in the Home*' campaign has now been launched in 40 countries and has raised over £500,000 for domestic violence charities in the past year. In the Americas, US customers donated over 100,000 old mobile phones to raise funds for the National Coalition Against Domestic Violence (NCADV). In Canada, the campaign raised funds to support the long-standing partnership with the Canadian Women's Foundation. In Asia Pacific, The Body Shop in Singapore launched the campaign with six high profile public buses carrying the '*Stop Violence in the Home*' branding. Throughout Europe, a special edition lip care stick became a best seller and customers donated thousands of products and gifts which The Body Shop staff distributed to local women's shelters. In the UK, customers donated over 60,000 mobile phones, which have been transformed into personal safety alarms for vulnerable women or recycled to raise funds for the pioneering "FonesForSafety" initiative.

Our UK stores have also supported the Make Poverty History campaign through the sale of over 200,000 white wristbands, raising in excess of £100,000 for the campaign.

We have significantly strengthened our stakeholder engagement during the past year in areas such as violence against children, chemicals in products, fair trade, ethical trade, sustainable ingredients and Against Animal Testing. We have also published an independently verified Values Report, which contains clear targets for improvement in the areas identified as strategic priorities.

Recommended Cash Offer by L'Oréal

On 17 March 2006, the boards of The Body Shop and L'Oréal reached agreement on the terms of a recommended cash offer by L'Oréal to acquire the entire issued share capital of The Body Shop for 300 pence per share. The offer values The Body Shop at approximately £652 million. Further information is set out in the offer document, which was sent to shareholders on 12 April 2006.

On 4 May 2006 L'Oréal announced that, as at 1.00 pm on 3 May 2006, being the first closing date of the offer, valid acceptances had been received in respect of 79.4% of the existing issued ordinary share capital of The Body Shop. Together with the 22.8 million shares in The Body Shop already held by L'Oréal, L'Oréal had therefore acquired or received valid acceptances of the offer in respect of 89.9% of the existing issued share capital at this time. L'Oréal also announced that the offer would remain open for acceptance until 1.00 pm on 31 May 2006.

We believe that L'Oréal's significant strengths in the management and development of global brands, combined with our skills as a global retailer with strong values and commitments, will be a powerful combination in the cosmetics and personal care market place. It is intended that The Body Shop will retain its existing identity and values and operate independently within the L'Oréal group, led by the current management team.

Current Trading and Outlook

In the first eight weeks of the current year, sales trends are slightly ahead of those reported for the last full year, with total retail sales up 8% and comparable store sales up 5%.

Over the last four years, our operating profit and earnings per share have improved substantially and we continue to manage the business for sustainable long-term performance. We look forward to continuing to work together with our employees, franchisees and The Body Shop consultants to fulfil The Body Shop's potential as a global retail brand.

Adrian Bellamy
Executive Chairman

Peter Saunders
Chief Executive Officer

5 May 2006

Operating Review

In this review, all comparisons between the 2006 and 2005 financial years relate to the 52 week period to 25 February 2006 and the 52 week period to 26 February 2005.

Retail Sales

In the 52 weeks ended 25 February 2006, total retail sales across all channels increased by 7% to £772.0 million (2005: £724.0 million), with comparable store sales up 4%. Retail sales through The Body Shop At Home increased by 14% to £53.4 million (2005: £46.9 million). Sales performance by region is shown below:

Sales Performance				
52 weeks to 25 February 2006				
	Store Sales	The Body Shop At Home	Total Retail Sales	Comparable Store Sales
Americas	+3%	+9%	+4%	-1%
Asia Pacific	+10%	+24%	+11%	+6%
Europe, Middle East & Africa	+7%	-	+7%	+7%
UK & Republic of Ireland	+2%	+15%	+3%	+2%
Total	+6%	+14%	+7%	+4%

After 88 net store openings during the year, the number of stores worldwide totalled 2,133 (2005: 2,045) at the year end, of which 815 (2005: 733) were company-owned and the remainder franchised.

Operating Performance

Group turnover increased by 16% to £485.8 million (2005: £419.0 million), with 69% (2005: 69%) representing retail sales through company-owned stores, The Body Shop At Home in company-owned markets and the internet. The balance of group turnover principally represents wholesale sales to franchisees.

Gross profit increased by 17% to £318.5 million (2005: £272.7 million), with gross margins increasing to 65.6% (2005: 65.1%). After deducting the direct costs associated with operating company-owned stores, The Body Shop At Home in

company-owned markets and sales via the internet, the profit contribution rose 12% to £155.9 million (2005: £139.7 million).

Other operating expenses were £114.4 million (2005: £100.5 million). Operating expenses for the year include in excess of £4.0 million in non-recurring costs, primarily comprising: reorganisation and redundancies; costs relating to the recently acquired franchise businesses in Canada and Benelux; and exceptional inventory write-offs principally relating to the US supply chain issues. Operating margins were 8.5% compared with 9.4% in the previous year, with operating profit increasing to £41.5 million (2005: £39.2 million).

Profit before tax increased by 5% to £37.6 million (2005: £35.7 million).

Geographical Analysis

Americas

	2006	2005	
Stores at year end	444	429	
Store openings (net)	15	13	
Company-owned stores	373	351	
	£m	£m	Change
Store sales	152.4	147.9	+3%
The Body Shop At Home	23.4	21.5	+9%
Total retail sales	175.9	169.4	+4%
Turnover	161.0	142.3	+13%
Operating profit	17.4	21.9	-20%

Total retail sales growth of 4% was enhanced by positive growth in The Body Shop At Home and e-commerce. Comparable store sales of -1% reflect a decline of 2% in the USA, together with an improvement to +1% in Canada from -3% in the previous year. The four stores in Mexico performed strongly.

Retail sales in the USA underperformed expectations during the Christmas trading period. This was driven in part by lower traffic levels in the shopping malls, compounded by execution issues in the inventory supply chain that lead to some out-of-stock positions. In order to resolve these issues, a special task force was put in place last autumn and good progress has now been made in rectifying the situation.

The e-commerce site in the USA (www.thebodyshop.com) has outperformed expectations since its launch in September 2004, more than doubling sales and making a contribution to profit in its first full year of operation.

The movement in operating profit reflects the additional costs incurred as a result of the supply chain execution issues experienced in the second half of last year, including provision of resources from the global centre and additional costs relating to air freight and expediting goods to stores.

Asia Pacific

	2006	2005	
Stores at year end	605	554	
Store openings (net)	51	30	
Company-owned stores	68	60	
	£m	£m	Change
Store sales	201.3	182.3	+10%
The Body Shop At Home	10.4	8.4	+24%
Total retail sales	211.7	190.7	+11%
Turnover	86.1	64.4	+34%
Operating profit	27.2	20.1	+35%

The Asia Pacific region continued to achieve strong sales growth, with total retail sales up 11% and comparable store sales up 6%. The benefits of strong brand positioning and in-store execution were helped by generally improving economies in the region. Countries achieving particularly strong comparable store sales growth included Malaysia (+17%), Indonesia (+17%), Taiwan (+11%), Singapore (+9%), Japan (+7%) and Hong Kong (+6%). Korea showed an improvement to +2% from – 8% in the previous year. In Australia, comparable store sales were flat but strong growth continued to be achieved in The Body Shop At Home (+24%).

The growth in regional turnover and operating profit reflects the continuing positive trend in retail sales, together with particularly strong growth in wholesale sales and favourable product mix.

Europe, Middle East & Africa

	2006	2005	
Stores at year end	779	758	
Store openings (net)	21	4	
Company-owned stores	132	94	
	£m	£m	Change
Store sales	218.4	203.3	+7%
The Body Shop At Home	-	-	
Total retail sales	218.4	203.3	+7%
Turnover	94.2	74.4	+27%
Operating profit	19.1	16.0	+19%

Both total retail sales and comparable store sales grew by 7%. Highlights included continuing strong growth in the Middle East (+11%) and the Nordic region (+12%). In Western and Southern Europe, good positive growth was achieved in France (+11%), Spain (+6%), Holland (+6%) and Germany (+3%), whilst the trend continued to improve in Italy (-2%). The store base in Eastern Europe, although small, is performing well. Stores were opened in two new franchised markets during the year, Jordan and Russia. In Russia, there were six stores in place by the year end, with another 11 openings planned for the current year.

The increase in regional turnover and operating profit has been achieved as a result of positive underlying sales trends, strong growth in wholesale sales and the acquisition of the Benelux head franchise businesses in March 2005.

UK & Republic of Ireland

	2006	2005	
Stores at year end *	305	304	
Store openings (net)	1	-9	
Company-owned stores	242	228	
	£m	£m	Change
Store sales	146.4	143.6	+2%
The Body Shop At Home	19.6	17.0	+15%
Total retail sales	166.0	160.6	+3%
Turnover	144.5	137.9	+5%
Operating profit	13.2	13.3	-1%

* These store numbers exclude 138 (2005: 101) concessions in pharmacies.

Total retail sales grew by 3%, with comparable store sales up by 2%. The comparable store sales performance reflects growth of 3% in the UK, with a decline of 1% in the Republic of Ireland. The growth in the UK was achieved despite a challenging trading environment during the Christmas period.

The Body Shop At Home progressed well, with growth of 15% during the year. Opportunities for cross-channel marketing between the stores and The Body Shop At Home continue to be developed.

The movement in regional turnover reflects the growth in retail sales, with operating profit broadly level year on year.

Interest and Exchange Rates

The net interest charge of £3.9 million relates to average net debt of £26.3 million over the year (2005: £42.2 million). The balance sheet showed net debt of £12.7 million at the period end, compared with net debt of £19.8 million at the end of the previous year.

The currencies to which the Group is principally exposed are the US dollar and the Euro. In addition, there is exposure to the currencies of Singapore, Hong Kong and Canada.

The results of overseas subsidiaries have been translated at an average sterling/dollar rate of \$1.80 (2005: \$1.84) and an average sterling/euro rate of €1.47 (2005: €1.47). The movement in exchange rates year on year has had a minimal impact on profit before tax.

Taxation, Earnings per Share and Dividends

The tax charge for the year is £8.4 million, giving an effective rate of 22.3% (2005: 19.3%). The effective tax rate reflects continued benefit from the utilisation and recognition of brought forward operating losses and temporary differences in the US business. In line with IAS 12, these losses and temporary differences are recognised as a deferred tax asset in the period under review, which has the effect of reducing the effective tax rate.

Earnings per share were 13.6 pence (2005: 13.8 pence) on a weighted average number of shares of 210.5 million (2005: 206.6 million), which excludes the shares held by The Body Shop International Employee Share Trust.

As previously announced, the Board has resolved to pay a second interim dividend of 4.4 pence per share in lieu of a final dividend (2005: final dividend of 3.8 pence per share). This second interim dividend will be paid on 3 July 2006 to shareholders who were on the register at 24 March 2006. Together with the first interim dividend of 2.2 pence, the total for the year is 6.6 pence (2005: 5.7 pence) per share.

Cash Flow

The Group generated net cash inflow from operating activities of £71.2 million (2005: £68.7 million). Movement in working capital was helped by a £7.3 million reduction in inventory to £54.8 million (2005: £62.1 million), reflecting efficiencies gained through the investment in supply chain management systems.

Capital expenditure (excluding acquisitions) amounted to £32.0 million (2005: £20.9 million), with approximately two thirds invested in new stores and store refurbishments and the majority of the balance in information systems.

Acquisition expenditure of £4.4 million includes the purchase of the Benelux head franchise businesses in March 2005.

Definitions:

Total retail sales – Sales to consumers through all stores, The Body Shop At Home and the internet. Retail sales figures are stated at comparable exchange rates, with prior year figures being restated where appropriate.

Comparable store sales – Sales by all stores which have been trading for more than one year, excluding sales through pharmacy concessions.

Turnover – Group revenue derived from a combination of retail sales (excluding sales taxes) through company-owned stores, The Body Shop At Home in company-owned markets and the internet, together with wholesale revenue and royalties from franchisees.

Consolidated Income Statement

For the 52 weeks ended 25 February 2006

	Total 2006 £m	Total 2005 £m
Revenue	485.8	419.0
Cost of sales	(167.3)	(146.3)
Gross profit	318.5	272.7
Operating expenses	(277.0)	(233.5)
Operating profit	41.5	39.2
Finance income	1.3	1.3
Finance costs	(5.2)	(4.8)
Profit on ordinary activities before taxation	37.6	35.7
Taxation	(8.4)	(6.9)
Profit for the financial period	29.2	28.8
Attributable to:		
Equity holders of the parent	28.6	28.5
Minority interest	0.6	0.3
	29.2	28.8
Earnings per share (Note 2)		
- Basic earnings per ordinary share	13.6p	13.8p
- Diluted earnings per ordinary share	13.2p	13.3p

Group Balance Sheet

At 25 February 2006

	25 Feb 2006	26 Feb 2005
	£m	<i>Restated</i> £m
Assets		
Non-current assets		
Property, plant and equipment	90.3	73.1
Intangible assets	9.4	9.8
Goodwill	53.5	47.8
Deferred tax assets	10.9	8.6
Non-current receivables	4.6	4.7
Total non-current assets	168.7	144.0
Current assets		
Inventories	54.8	62.1
Trade and other receivables	40.3	32.4
Derivatives	0.1	0.2
Cash and cash equivalents	53.8	41.6
Total current assets	149.0	136.3
Total assets	317.7	280.3
Liabilities		
Current liabilities		
Trade and other payables	(57.1)	(49.7)
Interest-bearing loans and borrowings	(51.1)	(45.6)
Obligations under finance leases	(2.3)	(2.4)
Tax payable	(6.9)	(8.0)
Provisions	(0.8)	(0.8)
Total current liabilities	(118.2)	(106.5)
Non-current liabilities		
Interest-bearing loans and borrowings	(0.2)	(0.3)
Obligations under finance leases	(12.9)	(13.1)
Provisions	(0.6)	(1.4)
Total non-current liabilities	(13.7)	(14.8)
Total liabilities	(131.9)	(121.3)
Net assets	185.8	159.0
Equity		
Called up share capital	10.9	10.7
Share premium account	65.9	62.3
Reserve for own shares	(6.1)	(6.1)
Translation reserve	2.3	-
Other reserves	5.5	1.2
Retained earnings	105.8	89.8
Equity attributable to equity holders of the parent	184.3	157.9
Minority interests	1.5	1.1
Total equity	185.8	159.0

These financial statements were approved by the Board on 5 May 2006.

Group Cash Flow

	52 weeks to 25 Feb 2006	52 weeks to 26 Feb 2005 <i>Restated</i>
	£m	£m
Cash flows from operating activities		
Operating profit	41.5	39.2
Adjustments:		
Depreciation	15.0	14.0
Loss on disposal of property, plant and equipment	1.5	0.8
Loss on disposal of intangible assets	-	0.1
Amortisation	2.4	2.1
Impairment of assets	0.2	-
Share option charge	1.4	1.4
Exchange movement	0.7	1.0
Changes in working capital (excluding the effects of acquisitions):		
(Increase)/decrease in inventories	11.7	(0.3)
(Increase)/decrease in trade and other receivables	(5.7)	5.9
Increase in trade and other payables	3.3	4.7
(Decrease) in provisions	(0.8)	(0.1)
Cash generated from operations	71.2	68.8
Interest received	1.3	1.3
Interest paid	(5.2)	(4.8)
Income tax paid	(9.5)	(6.5)
Net cash from operating activities	57.8	58.8
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(4.4)	(19.3)
Purchase of property, plant and equipment	(32.0)	(20.9)
Purchase of intangible assets	(2.0)	(4.6)
Net cash used in investing activities	(38.4)	(44.8)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	3.8	2.4
Proceeds from borrowings	1.9	19.9
Capital element of finance lease rental payments	(0.3)	(0.5)
Dividends paid to Company's equity holders	(12.6)	(11.7)
Net cash used in financing activities	(7.2)	10.1
Net increase in cash and cash equivalents	12.2	24.1
Cash and cash equivalents at the beginning of the period	41.6	17.5
Cash and cash equivalents at the end of the period	53.8	41.6

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						Total equity £m
	Share capital £m	Share premium £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Minority interest £m	
Balance at 29 February 2004	10.4	54.7	(3.6)	-	73.0	-	134.5
Changes in equity for 2004/2005:							
Employee share option scheme	-	-	4.3	-	-	-	4.3
Shares issued:							
Cash	0.3	2.1	-	-	-	-	2.4
Other than cash	-	5.5	-	-	-	-	5.5
Business combination	-	-	-	-	-	0.8	0.8
Dividends	-	-	-	-	(11.7)	-	(11.7)
Puttable minority interest	-	-	(5.6)	-	-	-	(5.6)
Net income recognised directly in equity	0.3	7.6	(1.3)	-	(11.7)	0.8	(4.3)
Profit for the period	-	-	-	-	28.5	0.3	28.8
Total recognised income and expense for the period	0.3	7.6	(1.3)	-	16.8	1.1	24.5
Balance at 26 February 2005	10.7	62.3	(4.9)	-	89.8	1.1	159.0
Balance at 27 February 2005	10.7	62.3	(4.9)	-	89.8	1.1	159.0
Changes in equity for 2005/2006:							
Employee share option scheme	-	-	4.3	-	-	-	4.3
Shares issued	0.2	3.6	-	-	-	-	3.8
Dividends	-	-	-	-	(12.6)	-	(12.6)
Currency translation differences	-	-	-	2.3	-	(0.2)	2.1
Net income recognised directly in equity	0.2	3.6	4.3	2.3	(12.6)	(0.2)	(2.4)
Profit for the period	-	-	-	-	28.6	0.6	29.2
Total recognised income and expense for the period	0.2	3.6	4.3	2.3	16.0	0.4	26.8
Balance at 25 February 2006	10.9	65.9	(0.6)	2.3	105.8	1.5	185.8

Segmental Analysis

	2006	2005
Shop Numbers		
Americas	444	429
Asia Pacific	605	554
Europe, Middle East & Africa	779	758
UK & Republic of Ireland*	305	304
	2,133	2,045
 Comparable Store Sales		
Americas	-1%	0%
Asia Pacific	+6%	+5%
Europe, Middle East & Africa	+7%	+2%
UK & Republic of Ireland	+2%	0%
	+4%	+2%
	£m	Restated £m
 Retail Sales		
Americas	175.9	169.4
Asia Pacific	211.7	190.7
Europe, Middle East & Africa	218.4	203.3
UK & Republic of Ireland	166.0	160.6
	772.0	724.0
 Turnover		
Americas	161.0	142.3
Asia Pacific	86.1	64.4
Europe, Middle East & Africa	94.2	74.4
UK & Republic of Ireland	144.5	137.9
	485.8	419.0
 Operating Profit		
Americas	17.4	21.9
Asia Pacific	27.2	20.1
Europe, Middle East & Africa	19.1	16.0
UK & Republic of Ireland	13.2	13.3
Central services	(35.4)	(32.1)
Operating profit	41.5	39.2

*These numbers exclude 138 (2005:101) concessions in pharmacies.

Notes to the Accounts

1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB as adopted by the EU) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Company has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards.

The accounting policies followed in this preliminary financial report are the same as those published by the Group on 1 September 2005 within the 'Adoption of International Financial Reporting Standards', which is available on the Group's web site (www.thebodyshopinternational.com). IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied with effect from 29 February 2004 in preparing these financial statements. As a result, the comparative information has been adjusted to conform to IFRS.

These financial statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the 52 weeks ended 25 February 2006 and 26 February 2005 is extracted from the Group's financial statements to those dates. The financial statements for both periods have received unqualified auditors' reports, those for the 52 weeks ended 26 February 2005 having been filed with the Registrar of Companies and those for 25 February 2006 to be filed in due course.

2) Earnings per share

	£m	2006 EPS	£m	2005 EPS
Profit attributable to equity holders of the Company	28.6	13.6p	28.5	13.8p
		2006		2005
Weighted average number of shares in issue (millions)		210.5		206.6
Dilutive effect of share options (millions)		6.6		6.7
		<u>217.1</u>		<u>213.3</u>
Diluted earnings per share		13.2p		13.3p

The weighted average excludes 4,573,645 (2005: 4,573,645) shares held by the Employee Share Trust.

3) Annual General Meeting and Report and Accounts

The Annual General Meeting will be held at 11.00am on Thursday 27 July 2006 at The Body Shop International PLC, Watersmead, Littlehampton BN17 6LS. The Annual Report and Accounts will be sent to shareholders on, or close to, 8 June 2006.