

Mary Kay Cosmetics (UK) Limited

Report and Financial Statements

Year Ended

31 December 2010

Company Number 2767620



Mary Kay Cosmetics (UK) Limited

**Report and financial statements
for the year ended 31 December 2010**

Contents

Page:

1	Report of the directors
3	Independent auditor's report
5	Profit and loss account
6	Balance sheet
7	Cash flow statement
8	Notes forming part of the financial statements

Directors

D Holl
T Smith
N Moore

Secretary and registered office

N Moore, 163 Eversholt Street, London NW1 1BU

Company number

2767620

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Mary Kay Cosmetics (UK) Limited

Report of the directors for the year ended 31 December 2010

The directors present their report together with the audited financial statements for the year ended 31 December 2010

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year. The company made a loss of £921,850 (2009 - £83,083) and this amount has been transferred to reserves.

The directors do not recommend the payment of a dividend (2009 - £Nil).

Principal activities, trading review and future developments

The Company offers a range of high quality facial skin care and cosmetics products through its sales force of independent beauty consultants in the United Kingdom.

Turnover has fallen by 7% compared to prior year, reflecting the wider difficult trading conditions in the UK. The Company's emphasis has been increasing the independent sales force count and their related productivity rather than the main focus being purely product-driven.

The Directors are satisfied with the trading performance in the year, however the economic conditions continue to impact the company performance.

Charitable donations

Charitable donations were made during the year of £5,000 (2009 - £10,000).

Directors

The directors of the company during the year were

D Holl
T Smith
N Moore

Going concern

Mary Kay Inc. has confirmed that it is their present intention to continue to support the company financially for at least 12 months from the date of signing these financial statements. On this basis, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis in preparing the financial statements.

Financial risk management

The company is a wholly owned subsidiary of Mary Kay Inc. and sources its product from fellow group undertakings. The company and its financial risks (including interest rate and currency risks) are managed as part of the overall Mary Kay Inc. group activities. The company seeks to minimise risks where appropriate, where not covered by group policy.

Mary Kay Cosmetics (UK) Limited

Report of the directors for the year ended 31 December 2010 (*continued*)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable 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 of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, 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 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

In preparing the directors' report advantage has been taken of the small companies exemption under the Companies Act 2006.

On behalf of the Board

T Smith


Director

Date

30/9/11

Mary Kay Cosmetics (UK) Limited

Independent auditor's report

TO THE MEMBERS OF MARY KAY COSMETICS (UK) LIMITED

We have audited the financial statements of Mary Kay Cosmetics (UK) Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 31 December 2010 and of its profit 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Mary Kay Cosmetics (UK) Limited

Independent auditor's report (*continued*)

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
- we have not received all the information and explanations we require for our audit
- the Directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



*Iain Henderson, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

30 September 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Mary Kay Cosmetics (UK) Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	1	5,012,267	5,376,594
Cost of sales		<u>(2,672,241)</u>	<u>(2,815,418)</u>
Gross profit		2,340,026	2,561,176
Distribution costs		(253,685)	(252,366)
Administrative expenses		<u>(3,070,292)</u>	<u>(2,249,004)</u>
		(983,951)	59,806
Other operating income	4	-	<u>59,595</u>
Operating (loss)/profit	4	(983,951)	119,401
Other interest receivable		325	21,752
Interest payable	5	<u>(34,357)</u>	<u>(36,063)</u>
(Loss)/profit on ordinary activities before taxation		(1,017,983)	105,090
Taxation on (loss)/profit on ordinary activities	6	<u>96,133</u>	<u>(22,007)</u>
(Loss)/profit on ordinary activities after taxation		(921,850)	<u>83,083</u>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 8 to 16 form part of these financial statements

Mary Kay Cosmetics (UK) Limited

Balance sheet
at 31 December 2010

<i>Company number 2767620</i>	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Tangible assets	7		202,120		13,922
Current assets					
Stocks	8	393,173		384,239	
Debtors					
- due within one year	9	730,157		512,075	
- due after more than one year	9	973,825		965,901	
Cash at bank and in hand		268,490		571,157	
		<u>2,365,645</u>		<u>2,433,372</u>	
Creditors: amounts falling due within one year	10	<u>4,798,885</u>		<u>3,801,564</u>	
Net current liabilities			<u>(2,433,240)</u>		<u>(1,368,192)</u>
Total assets less current liabilities			<u>(2,231,120)</u>		<u>(1,354,270)</u>
Provisions for liabilities	11		<u>(45,000)</u>		<u>-</u>
Net liabilities			<u>(2,276,120)</u>		<u>(1,354,270)</u>
Capital and reserves					
Called up share capital	12		100,000		100,000
Profit and loss account	13		<u>(2,376,120)</u>		<u>(1,454,270)</u>
Shareholders' deficit	14		<u>(2,276,120)</u>		<u>(1,354,270)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements were approved by the Board of Directors and authorised for issue on 30/9/11

T Smith

T Smith
Director

The notes on pages 8 to 16 form part of these financial statements

Mary Kay Cosmetics (UK) Limited

Cash flow statement for the year ended 31 December 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash outflow from operating activities	17		(96,922)		(189,067)
Returns on investments and servicing of finance					
Interest received		325		21,752	
Interest paid		(11,562)		(17,121)	
Net cash inflow from returns on investments and servicing of finance			(11,237)		4,631
Taxation			17,532		(7,880)
Capital expenditure					
Payments to acquire tangible fixed assets			(212,024)		(2,152)
Decrease in cash	18,19		(302,651)		(194,468)

The notes on pages 8 to 16 form part of these financial statements

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2010

1 Accounting policies

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

Going Concern

Mary Kay Inc has confirmed that it is their present intention to continue to support the company financially for at least 12 months from the date of signing these financial statements. On this basis, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis in preparing the financial statements

The following principal accounting policies have been applied

Turnover

Turnover represents sales within the UK to independent beauty consultants, exclusive of VAT

Depreciation

Depreciation is provided on all tangible fixed assets to write off their cost evenly over their expected useful lives. The annual rates of depreciation are as follows

Leasehold improvements	-	Life of lease
Computer equipment	-	25% per annum
Fixtures and fittings	-	25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Operating lease costs

Operating lease rentals are charged to the profit and loss account in the period to which they relate

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate

Pension costs

The company operates a money purchase pension scheme for employees. Company contributions are charged to the profit and loss account in the period to which they relate

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

1 Accounting policies (continued)

Dilapidations

Where leases include a clause relating to dilapidation work which must be undertaken before a property is vacated, a provision is made for the estimated costs of the dilapidation repairs, based on the current condition of the property

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial period except for fixed assets and stocks which are translated at the rates of exchange ruling when the assets were acquired. All exchange gains and losses are credited or charged to the profit and loss account

2 Employees

	2010 £	2009 £
Staff costs consist of		
Wages and salaries	804,696	724,500
Social security costs	127,108	78,279
Other pension costs	25,350	30,606
	<u>957,154</u>	<u>833,385</u>

The average number of employees during the year (including directors) was 18 (2009 - 20). All employees are involved in management and administrative activities

3 Directors

No directors were paid through the company in the year (2009 - none)

None of the directors have retirement benefits accruing under money purchase pension schemes (2009 - none)

4 Operating (loss)/profit

	2010 £	2009 £
This has been arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	23,826	13,346
Hire of plant and machinery - operating leases	99,456	87,190
Hire of other assets - operating leases	210,875	324,509
Auditors' remuneration - audit services	37,701	33,930
Exchange loss/(gain)	45,420	(317,269)
	<u></u>	<u></u>
Other operating income comprises		
Subtenant rental income	-	(59,595)
	<u></u>	<u></u>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

5 Interest payable

	2010 £	2009 £
Interest payable on intercompany balances	22,795	30,970
Other interest	11,562	5,093
	<u>34,357</u>	<u>36,063</u>

6 Taxation on profit on ordinary activities

	2010 £	2009 £
<i>Current tax</i>		
UK corporation tax on profits of the year	(54,408)	21,127
Adjustments in respect of previous years	(41,725)	880
	<u>(96,133)</u>	<u>22,007</u>

The tax assessed for the year differs to the standard rate of corporation tax in the UK. The differences are explained below

	2010 £	2009 £
(Loss)/profit on ordinary activities before tax	<u>(1,017,983)</u>	<u>105,090</u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(285,035)	29,425
Effects of		
Depreciation in excess of capital allowances	7,307	2,753
Expenses not allowable for tax purposes	20,961	9,974
Other timing differences	179,832	2,546
Prior year adjustments	(41,725)	880
Utilisation of losses	-	(23,571)
Carry back of losses	22,527	-
Group relief	(54,408)	-
Payment for group relief	54,408	-
	<u>(96,133)</u>	<u>22,007</u>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

6 Taxation on profit on ordinary activities *(continued)*

Factors that may affect future tax charges

The unprovided amounts of deferred taxation for timing differences are as follows

	2010 £	2009 £
Accelerated capital allowances	33,384	28,619
Tax losses	305,796	119,693
	<hr/>	<hr/>
Deferred tax asset	339,180	148,312
	<hr/>	<hr/>

A deferred tax asset has not been recognised as utilisation is not expected within the foreseeable future

7 Tangible assets

	Short leasehold improvements £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At 1 January 2010	234,400	315,077	549,477
Additions	212,024	-	212,024
Disposals	-	(23,012)	(23,012)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	446,424	292,065	738,489
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2010	234,400	301,155	535,555
Charge for the year	15,807	8,019	23,826
Disposals	-	(23,012)	(23,012)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	250,207	286,162	536,369
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2010	196,217	5,903	202,120
	<hr/>	<hr/>	<hr/>
At 31 December 2009	-	13,922	13,922
	<hr/>	<hr/>	<hr/>

8 Stocks

	2010 £	2009 £
Goods for resale	393,173	384,239
	<hr/>	<hr/>

There is no material difference between the replacement cost of stocks and the amount stated above

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

9 Debtors

	2010 £	2009 £
<i>Due within one year</i>		
Trade debtors	163,610	53,421
Other debtors	365,607	250,211
Prepayments	159,720	190,535
Corporation Tax	41,220	17,908
	<hr/>	<hr/>
	730,157	512,075
<i>Due after more than one year</i>		
Amounts owed by fellow subsidiary undertakings	973,825	965,901
	<hr/>	<hr/>
	1,703,982	1,477,976
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	2010 £	2009 £
Bank overdraft	2,342	2,358
Trade creditors	67,269	29,070
Amounts owed to parent undertaking	3,200,243	2,073,809
Amounts owed to fellow subsidiary undertakings	1,000,958	1,089,485
Other taxation and social security	188,069	252,899
Accruals and deferred income	340,004	353,943
	<hr/>	<hr/>
	4,798,885	3,801,564
	<hr/>	<hr/>

11 Provisions for liabilities

	Dilapidations £
At 1 January 2010	-
Capitalised within fixed assets	45,000
	<hr/>
At 31 December 2010	45,000
	<hr/>

The dilapidations provision is for alterations that will be required to leasehold improvements to return the leased property to its original condition

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

12 Share capital

	2010 Number	Authorised 2009 Number	2010 £	2009 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	2010 Number	Issued 2009 Number	2010 £	2009 £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

13 Reserves

	Profit and loss account £
At 1 January 2010	(1,454,270)
Loss for the year	(921,850)
At 31 December 2010	(2,376,120)

14 Reconciliation of movements in shareholders' deficit

	2010 £	2009 £
(Loss)/profit for the year	(921,850)	83,083
Net (increase)/decrease in shareholder's deficit	(921,850)	83,083
Opening shareholder's deficit	(1,354,270)	(1,437,353)
Closing shareholder's deficit	(2,276,120)	(1,354,270)

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

15 Commitments under operating leases

As at 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below

	2010 Land and buildings £	2010 Other £	2009 Land and buildings £	2009 Other £
Operating leases which expire				
Within one year	-	15,937	194,500	41,850
In two to five years	181,956	64,830	65,000	37,969
	<u>181,956</u>	<u>80,767</u>	<u>259,500</u>	<u>79,819</u>

16 Related party transactions

During the year, the company carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The names of the related parties, the nature of these transactions and their total value is shown below

	2010 £	2009 £
Product purchased from the manufacturer, Mary Kay Inc, for resale in the United Kingdom on normal trading terms	<u>844,721</u>	<u>913,351</u>
Consulting services provided to the company by Mary Kay Inc and fellow subsidiary undertakings		
Mary Kay Inc	<u>471,968</u>	<u>175,705</u>
Consulting services provided by the Company recharged to Mary Kay Inc and fellow subsidiary undertakings		
Pink Rose Information System Services Limited	<u>(18,000)</u>	<u>(18,000)</u>
Intercompany interest payable relating to related party transactions		
Mary Kay Inc	6,478	20,250
Tender Power Inc	18	-
Mary Kay Worldwide Inc	(1)	-
Fellow subsidiary undertakings	<u>16,300</u>	<u>10,720</u>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

16 Related party transactions (continued)

	2010 £	2009 £
Related party receivables at year end		
Mary Kay (Czech Republic) s r o	585,364	585,364
Mary Kay Cosmetic Poland Sp z o o	306,647	306,648
Pink Rose Information System Services Limited	81,814	73,889

All amounts fall due for payment in more than one year

Related party payables at year end

Mary Kay Inc	3,200,243	2,073,809
Mary Kay Cosmetics GmbH	853,963	1,089,485
Tender Power Inc	1,105	-
Mary Kay Worldwide Inc	145,890	-

17 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £	2009 £
Operating (loss)/profit	(983,951)	119,401
Depreciation	23,826	13,346
(Increase) in stocks	(8,934)	(3,584)
(Increase)/decrease in debtors	(147,080)	500,241
Increase/(decrease) in creditors	974,217	(798,358)
Increase/(decrease) in provisions	45,000	(20,113)
Net cash outflow from operating activities	(96,922)	(189,067)

18 Reconciliation of net cash flow to movement in net funds

	2010 £	2009 £
Decrease in cash in the year	(302,651)	(194,468)
Change in net funds	(302,651)	(194,468)
Net funds at 1 January	568,799	763,267
Net funds at 31 December	266,148	568,799

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

19 Analysis of net funds

	At 1 January 2010 £	Cash flow £	At 31 December 2010 £
Cash in hand and at bank	571,157	(302,667)	268,490
Overdrafts	(2,358)	16	(2,342)
	<hr/>	<hr/>	<hr/>
Total	568,799	302,651	266,148
	<hr/>	<hr/>	<hr/>

20 Ultimate parent company

The company is a wholly owned subsidiary of Mary Kay Inc, a company incorporated in the United States of America. The ultimate parent company is Mary Kay Holding Corporation, also incorporated in the United States of America.