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## **Mary Kay Cosmetics (UK) Limited**

Report and Financial Statements

Year Ended

31 December 2012

Company Number 2767620



# **Mary Kay Cosmetics (UK) Limited**

**Report and financial statements  
for the year ended 31 December 2012**

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## **Directors**

D Holl  
C Steingruber  
N Moore

## **Secretary and registered office**

N Moore, 163 Eversholt Street, London, United Kingdom, NW1 1BU

## **Company number**

2767620

## **Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
First Point  
Buckingham Gate  
London Gatwick Airport  
Gatwick  
West Sussex  
RH6 0NT

# **Mary Kay Cosmetics (UK) Limited**

## **Report of the directors for the year ended 31 December 2012**

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The directors present their report together with the audited financial statements for the year ended 31 December 2012

### **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 £896,892 (2011 - £1,097,206) and this amount has been deducted from to reserves

The directors do not recommend the payment of a dividend (2011 - £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 increased by 4% compared to prior year. The company's emphasis has been on 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, taking account of the economic conditions that continue to impact the company performance

### **Charitable donations**

Charitable donations were made during the year of £2,308 (2011 - £1,714)

### **Directors**

The directors of the company during the year and up to the date of signing of the financial statements were

D Holl

T Smith (Retired 22 March 2013)

N Moore

C Steingruber (Appointed 21 March 2013)

### **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

### **Directors Indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors

# Mary Kay Cosmetics (UK) Limited

## Report of the directors for the year ended 31 December 2012 (*continued*)

### Directors' responsibilities statement

The directors are responsible for preparing the Report of the Directors 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 year.

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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 Auditors

Each 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.

During the year BDO LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed by the directors in their place. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### On behalf of the Board



C Steingruber  
Director  
26 September 2013

# **Mary Kay Cosmetics (UK) Limited**

## **Independent auditor's report**

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### **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 2012 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).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on Page 2, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **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 of the Directors to identify material inconsistencies with the audited financial statements. 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 31 December 2012 and of its loss and cash flows 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 Report of the Directors' 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*)

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#### 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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors

*Peter Latham*

Peter Latham (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

*30 September 2013*

# Mary Kay Cosmetics (UK) Limited

## Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
<b>Turnover</b>	2	<b>4,707,279</b>	4,535,509
Cost of sales		<u>(2,445,418)</u>	<u>(2,455,230)</u>
<b>Gross profit</b>		<b>2,261,861</b>	2,080,279
Distribution costs		(171,252)	(200,710)
Administrative expenses		<u>(3,007,331)</u>	<u>(3,029,228)</u>
<b>Operating loss</b>	5	<b>(916,722)</b>	(1,149,659)
Interest receivable and similar income		386	202
Interest payable and similar charges	6	<u>(14,985)</u>	<u>(19,548)</u>
<b>Loss on ordinary activities before taxation</b>		<b>(931,321)</b>	(1,169,005)
Taxation on loss on ordinary activities	7	<u>34,429</u>	<u>71,799</u>
<b>Loss on ordinary activities after taxation</b>		<b><u>(896,892)</u></b>	<b><u>(1,097,206)</u></b>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

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

# Mary Kay Cosmetics (UK) Limited

## Balance sheet at 31 December 2012

<b>Company number 2767620</b>	<b>Note</b>	<b>2012 £</b>	<b>2012 £</b>	<b>2011 £</b>	<b>2011 £</b>
<b>Fixed assets</b>					
Tangible assets	8		124,445		153,973
<b>Current assets</b>					
Stocks	9	454,145		292,660	
Debtors					
- due within one year	10	673,037		865,384	
- due after more than one year	10	1,150,559		1,073,487	
Cash at bank and in hand		640,415		498,018	
		<u>2,918,156</u>		<u>2,729,549</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>7,267,819</u>		<u>6,211,848</u>	
<b>Net current liabilities</b>			<u>(4,349,663)</u>		<u>(3,482,299)</u>
<b>Total assets less current liabilities</b>			<u>(4,225,218)</u>		<u>(3,328,326)</u>
<b>Provisions for liabilities</b>	12		<u>(45,000)</u>		<u>(45,000)</u>
<b>Net liabilities</b>			<u>(4,270,218)</u>		<u>(3,373,326)</u>
<b>Capital and reserves</b>					
Called up share capital	13		100,000		100,000
Profit and loss account	14		<u>(4,370,218)</u>		<u>(3,473,326)</u>
<b>Shareholders' deficit</b>	15		<u>(4,270,218)</u>		<u>(3,373,326)</u>

The financial statements on pages 5 to 16 were approved by the Board of Directors and authorised for issue on 26 September 2013

  
C Steingruber  
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 2012

	Note	2012 £	2012 £	2011 £	2011 £
<b>Net cash inflow from operating activities</b>	18		128,460		222,679
<b>Returns on investments and servicing of finance</b>					
Interest received		184		202	
<b>Net cash inflow from returns on investments and servicing of finance</b>			184		202
<b>Taxation</b>			26,312		7,698
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets			(12,646)		-
<b>Increase in cash</b>	19,20		142,310		230,579

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 2012

### 1 Accounting policies

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

The principal accounting policies are set out below and have been applied consistently throughout the year

#### *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 and have provided a letter of support reflecting this. 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

#### *Turnover*

Turnover represents sales within the UK to independent beauty consultants, exclusive of VAT. Turnover is recognised on receipt of goods by the customer, after payment has been taken at which point the risks and rewards are transferred to the customer

#### *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
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. A provision for damaged, excess and obsolete stock is calculated based on an annual review of stock

#### *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 in to 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 2012 (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 Turnover

Turnover, loss before tax and net liabilities are attributable to operations which geographically originate in the United Kingdom

## 3 Employees

	2012 £	2011 £
Staff costs consist of		
Wages and salaries	866,431	797,551
Social security costs	91,921	143,339
Other pension costs	21,452	21,705
	<u>979,804</u>	<u>962,595</u>

The average number of employees during the year (including directors) was 19 (2011 - 19). All employees are involved in management and administrative activities

## 4 Directors

No directors were paid through the company in the year (2011 - none)

None of the directors have retirement benefits accruing under money purchase pension schemes (2011 - none)

## 5 Operating loss

	2012 £	2011 £
This has been arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	42,174	48,145
Hire of plant and machinery - operating leases	116,936	120,966
Hire of other assets - operating leases	181,956	149,753
<b>Services provided by the company's auditor</b>		
Fees payable for the audit	31,600	38,246
Fees payable for other services – tax compliance	5,900	-
Exchange (gain)/loss	<u>(179,492)</u>	<u>3,890</u>

## Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (*continued*)

### 6 Interest payable and similar charges

	2012 £	2011 £
Interest payable on intercompany balances	14,985	19,548
	<u>14,985</u>	<u>19,548</u>

### 7 Tax on loss on ordinary activities

	2012 £	2011 £
<i>Current tax</i>		
UK corporation tax on profits of the year	(36,569)	(76,871)
Adjustments in respect of previous years	2,140	5,072
	<u>(34,429)</u>	<u>(71,799)</u>

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

	2012 £	2011 £
Loss on ordinary activities before tax	(931,321)	(1,169,005)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%)	(228,174)	(309,706)
Effects of:		
Depreciation in excess of capital allowances	16,255	13,265
Expenses not allowable for tax purposes	3,153	6,015
Other timing differences	146	(871)
Adjustments in respect of previous years	2,140	5,072
Unutilised losses	172,051	214,426
Group relief	(36,569)	(76,871)
Receipt for group relief	36,569	76,871
	<u>(34,429)</u>	<u>(71,799)</u>

#### Factors affecting current and future tax charges

The Finance Act 2013, which was substantially enacted on 2 July 2013, included legislation reducing the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. The Finance Act 2012, which was substantially enacted on 17 July 2012, included legislation reducing the main rate of corporation tax from 24% to 23% from 1 April 2013.

# Mary Kay Cosmetics (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

### 7 Tax on loss on ordinary activities (continued)

#### Factors that may affect future tax charges

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

	2012 £	2011 £
Accelerated capital allowances	35,198	22,099
STTD's – Trading	531	
Tax losses	626,022	492,779
Deferred tax asset	661,751	514,878

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

### 8 Tangible assets

	Short leasehold improvements £	Fixtures, fittings and Equipment £	Total £
<i>Cost</i>			
At 1 January 2012	446,424	292,065	738,489
Additions	4,258	8,388	12,646
<b>At 31 December 2012</b>	<b>450,682</b>	<b>300,453</b>	<b>751,135</b>
<i>Depreciation</i>			
At 1 January 2012	294,695	289,821	584,516
Charge for the year	40,075	2,099	42,174
<b>At 31 December 2012</b>	<b>334,770</b>	<b>291,920</b>	<b>626,690</b>
<i>Net book value</i>			
At 31 December 2012	115,912	8,533	124,445
At 31 December 2011	151,729	2,244	153,973

### 9 Stocks

	2012 £	2011 £
Goods for resale	454,145	292,660

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 2012 (*continued*)

## 10 Debtors

	2012 £	2011 £
<i>Due within one year</i>		
Trade debtors	89,932	59,033
Other debtors	411,703	391,518
Prepayments	171,402	216,566
Tax and social security	-	169,815
Corporation Tax	-	28,452
	<b>673,037</b>	<b>865,384</b>
<i>Due after more than one year</i>		
Amounts owed by fellow subsidiary undertakings	1,150,559	1,073,487
	<b>1,823,596</b>	<b>1,938,871</b>

Amounts owed from group undertakings are unsecured, interest free, under no fixed repayment terms, financing in nature and are not expected to be recovered in the next 12 months

## 11 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank overdraft	1,378	1,291
Trade creditors	28,990	103,965
Amounts owed to parent undertaking	5,841,881	4,416,320
Amounts owed to fellow subsidiary undertakings	818,758	834,788
Other taxation and social security	216,656	477,622
Accruals and deferred income	360,156	377,862
	<b>7,267,819</b>	<b>6,211,848</b>

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is calculated on any payments over 60 days at a rate equal to 130% of the short term applicable federal rate as published monthly by the United States Internal Revenue Service

## 12 Provisions for liabilities

	Dilapidations £
At 1 January 2012 and 31 December 2012	45,000

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 2012 (continued)

## 13 Share capital

	2012 Number	Authorised 2011 Number	2012 £	2011 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	2012 Number	Issued 2011 Number	2012 £	2011 £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

## 14 Reserves

	Profit and loss Account £
At 1 January 2012	(3,473,326)
Loss for the year	(896,892)
At 31 December 2012	(4,370,218)

## 15 Reconciliation of movements in shareholders' deficit

	2012 £	2011 £
Loss for the year	(896,892)	(1,097,206)
Net increase in shareholders' deficit	(896,892)	(1,097,206)
Opening shareholders' deficit	(3,373,326)	(2,276,120)
Closing shareholders' deficit	(4,270,218)	(3,373,326)

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 16 Commitments and contingencies

As at 31 December 2012, the company had annual commitments under non-cancellable operating leases as set out below

	2012 Land and buildings £	2012 Other £	2011 Land and buildings £	2011 Other £
Operating leases which expire				
Within one year	-	23,610	65,000	27,779
In two to five years	181,956	69,395	116,956	82,423
	<u>181,956</u>	<u>93,005</u>	<u>181,956</u>	<u>110,202</u>

The company has a guarantee in favour of HM Customs and Excise of £60k

## 17 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

	2012 £	2011 £
Product purchased from the manufacturer, Mary Kay Inc, for resale in the United Kingdom	<u>892,229</u>	<u>684,517</u>
Consulting services provided to the company		
Mary Kay Inc	<u>637,494</u>	<u>446,874</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	12,577	14,863
Tender Power Inc	9	5
Mary Kay Worldwide Inc	-	380
Fellow subsidiary undertakings	<u>2,399</u>	<u>4,300</u>



# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 (continued)

## 17 Related party transactions (continued)

	2012 £	2011 £
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	306,647
Pink Rose Information System Services Limited	258,548	161,762
	<hr/>	<hr/>
All amounts fall due for payment in more than one year		
Related party payables at year end		
Mary Kay Inc	5,841,881	4,416,320
Mary Kay Cosmetics GmbH	814,903	834,788
Tender Power Inc	3,855	-
	<hr/>	<hr/>

## 18 Reconciliation of operating loss to net cash inflow from operating activities

	2012 £	2011 £
Operating loss	(916,722)	(1,149,659)
Depreciation	42,174	48,145
Decrease in stocks	(161,485)	100,513
Increase in debtors	115,275	(170,786)
Increase in creditors	1,049,218	1,394,466
	<hr/>	<hr/>
Net cash inflow from operating activities	128,460	222,679
	<hr/>	<hr/>

## 19 Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
Increase in cash in the year	142,310	230,579
	<hr/>	<hr/>
Change in net funds	142,310	230,579
	<hr/>	<hr/>
Net funds at 1 January	496,727	266,148
	<hr/>	<hr/>
Net funds at 31 December	639,037	496,727
	<hr/>	<hr/>

## Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2012 *(continued)*

### 20 Analysis of net funds

	At 1 January 2012 £	Cash flow £	At 31 December 2012 £
Cash in hand and at bank	498,018	142,397	640,415
Overdrafts	(1,291)	(87)	(1,378)
	<hr/>	<hr/>	<hr/>
Total	496,727	142,310	639,037
	<hr/>	<hr/>	<hr/>

### 21 Ultimate parent company

The immediate parent undertaking is Mary Kay Inc, a company incorporated in the United States of America

The ultimate parent undertaking is Mary Kay Holding Corporation, also incorporated in the United States of America, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Mary Kay Holding Corporation consolidated financial statements can be obtained from 16251 Dallas Parkway, Addison, TX 75001