

**REGISTRAR OF  
COMPANIES**

**Mary Kay Cosmetics (UK) Limited**

Report and Financial Statements

Year Ended

31 December 2009

Company Number 2767620

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# Mary Kay Cosmetics (UK) Limited

## Report and financial statements for the year ended 31 December 2009

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### Directors

D Holl  
T Smith  
N Moore

### Secretary and registered office

N Moore, 4<sup>th</sup> – 5<sup>th</sup> Floor, 28 Savile Row, London, W1S 2EU

### 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 2009**

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The directors present their report together with the audited financial statements for the year ended 31 December 2009

### **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 profit of £83,083 (2008 – loss of £932,585) and this amount has been transferred to reserves.

The directors do not recommend the payment of a dividend (2008 - £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 1% compared to prior year, despite continued 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 £10,000 (2008 - £10,000)

### **Directors**

The directors of the company during the year were

D Holl  
T Smith  
N Moore

### **Going concern**

Mary Kay Inc. has indicated that it will 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 2009 (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,
- 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.


### 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 27<sup>th</sup> September 2010

# 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 2009 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 sections 495 and 496 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 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

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.

### 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 2009 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*)

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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 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

Date

27/9/2010

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 2009

	Note	2009 £	2008 £
<b>Turnover</b>	1	<b>5,376,594</b>	5,321,613
Cost of sales		<b>(2,815,418)</b>	(2,678,909)
<b>Gross profit</b>		<b>2,561,176</b>	2,642,704
Distribution costs		<b>(252,366)</b>	(241,992)
Administrative expenses		<b>(2,249,004)</b>	(3,502,543)
		<b>59,806</b>	(1,101,831)
Other operating income	4	<b>59,595</b>	144,886
<b>Operating profit/(loss)</b>	4	<b>119,401</b>	(956,945)
Other interest receivable		<b>21,752</b>	27,181
Interest payable	5	<b>(36,063)</b>	(94,426)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>105,090</b>	(1,024,190)
Taxation on profit/(loss) on ordinary activities	6	<b>(22,007)</b>	91,605
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>83,083</b>	(932,585)

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 17 form part of these financial statements

# Mary Kay Cosmetics (UK) Limited

## Balance sheet at 31 December 2009

<b>Company number 2767620</b>	<b>Note</b>	<b>2009 £</b>	<b>2009 £</b>	<b>2008 £</b>	<b>2008 £</b>
<b>Fixed assets</b>					
Tangible assets	7		13,922		25,116
<b>Current assets</b>					
Stocks	8	384,239		380,655	
Debtors - due within one year	9	512,075		703,281	
- due after more than one year	9	965,901		1,289,063	
Cash at bank and in hand		571,157		768,499	
		<u>2,433,372</u>		<u>3,141,498</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>3,801,564</u>		<u>4,583,854</u>	
<b>Net current liabilities</b>			<u>(1,368,192)</u>		<u>(1,442,356)</u>
<b>Total assets less current liabilities</b>			<u>(1,354,270)</u>		<u>(1,417,240)</u>
<b>Provisions for liabilities</b>	11		-		20,113
			<u>(1,354,270)</u>		<u>(1,437,353)</u>
<b>Capital and reserves</b>					
Called up share capital	12		100,000		100,000
Profit and loss account	13		(1,454,270)		(1,537,353)
<b>Shareholders' deficit</b>	14		<u>(1,354,270)</u>		<u>(1,437,353)</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 27<sup>th</sup> September 2010



T Smith  
Director

The notes on pages 8 to 17 form part of these financial statements



# Mary Kay Cosmetics (UK) Limited

## Cash flow statement for the year ended 31 December 2009

	Note	2009 £	2009 £	2008 £	2008 £
<b>Net cash (outflow)/inflow from operating activities</b>	17		(189,067)		135,733
<b>Returns on investments and servicing of finance</b>					
Interest received		21,752		27,181	
Interest paid		(17,121)		(178,834)	
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			4,631		(151,653)
<b>Taxation</b>			(7,880)		(28,890)
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets			(2,152)		(24,738)
<b>Decrease in cash</b>	18,19		(194,468)		(69,548)

The notes on pages 8 to 17 form part of these financial statements

# Mary Kay Cosmetics (UK) Limited

## Notes forming part of the financial statements for the year ended 31 December 2009

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### 1 Accounting policies

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

Mary Kay Inc has indicated that it will 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

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (Continued)

## 1 Accounting policies (Continued)

### *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.

### *Onerous leases*

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

### *Dilapidations*

Where leases include a clause relating to dilapidation work which must be undertaken before a property is vacated, 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

	2009 £	2008 £
Staff costs consist of		
Wages and salaries	724,500	716,842
Social security costs	78,279	76,876
Other pension costs	30,606	27,569
	<hr/>	<hr/>
	833,385	821,287
	<hr/>	<hr/>

The average number of employees during the year (including directors) was 20 (2008 - 19). All employees are involved in management and administrative activities.

## 3 Directors

No directors were paid through the company in the year (2008 - none).

None of the directors have retirement benefits accruing under money purchase pension schemes (2008 - none).

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (*Continued*)

## 4 Operating profit/(loss)

	2009 £	2008 £
This has been arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	13,346	6,937
Hire of plant and machinery - operating leases	87,190	66,215
Hire of other assets - operating leases	324,509	408,500
Auditors' remuneration - audit services	33,930	33,900
Exchange (gain) / loss	(317,269)	936,279
	<hr/>	<hr/>
Other operating income comprises		
Subtenant rental income	(59,595)	(144,886)
	<hr/>	<hr/>

## 5 Interest payable

	2009 £	2008 £
Interest payable on intercompany balances	30,970	87,631
Other interest	5,093	6,795
	<hr/>	<hr/>
	36,063	94,426
	<hr/>	<hr/>

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (*Continued*)

## 6 Taxation on profit on ordinary activities

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax on profits of the year	21,127	(85,500)
Adjustments in respect of previous years	880	(6,105)
	<hr/>	<hr/>
Total current tax charge/(credit)	22,007	(91,605)
	<hr/>	<hr/>

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

	2009 £	2008 £
Profit/(loss) on ordinary activities before tax	105,090	(1,024,190)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 28.5%)	29,425	(291,894)
Effects of		
Qualifying depreciation in excess of capital allowances for the period	2,753	1,977
Expenses not allowable for tax purposes	9,974	16,260
Imputed taxable income	2,546	15,860
Prior year adjustments	880	(6,105)
Losses utilised carried forward on which no deferred tax was/is recognised	(23,571)	174,042
Difference in tax rates on losses carried back	-	(1,745)
	<hr/>	<hr/>
Current tax charge/(credit) for year	22,007	(91,605)
	<hr/>	<hr/>

### *Factors that may affect future tax charges*

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

	2009 £	2008 £
Accelerated capital allowances	28,619	27,727
Tax losses	119,693	170,989
	<hr/>	<hr/>
Deferred tax asset	148,312	198,716
	<hr/>	<hr/>

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

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (*Continued*)

## 7 Tangible assets

	Short leasehold improvements £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At 1 January 2009	234,400	312,925	547,325
Additions	-	2,152	2,152
	<hr/>	<hr/>	<hr/>
At 31 December 2009	<b>234,400</b>	<b>315,077</b>	<b>549,477</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2009	234,400	287,809	522,209
Charge for the year	-	13,346	13,346
	<hr/>	<hr/>	<hr/>
At 31 December 2009	<b>234,400</b>	<b>301,155</b>	<b>535,555</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2009	-	13,922	13,922
	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	25,116	25,116
	<hr/>	<hr/>	<hr/>

## 8 Stocks

	2009 £	2008 £
Goods for resale	384,239	380,655
	<hr/>	<hr/>

## 9 Debtors

	2009 £	2008 £
<i>Due within one year</i>		
Trade debtors	53,421	47,652
Other debtors	250,211	378,476
Prepayments	190,535	241,482
Corporation Tax	17,908	35,671
	<hr/>	<hr/>
	512,075	703,281
<i>Due after more than one year</i>		
Amounts owed by fellow subsidiary undertakings	965,901	1,289,063
	<hr/>	<hr/>
	<b>1,477,976</b>	<b>1,992,344</b>
	<hr/>	<hr/>

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (*Continued*)

## 10 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank overdraft	2,358	5,232
Trade creditors	29,070	66,343
Amounts owed to parent undertaking	2,073,809	2,711,403
Amounts owed to fellow subsidiary undertakings	1,089,485	1,166,284
Other taxation and social security	252,899	279,476
Accruals and deferred income	353,943	276,841
Sub-tenant rental deposits	-	78,275
	<u>3,801,564</u>	<u>4,583,854</u>

## 11 Provisions for liabilities

	Onerous lease £
At 1 January 2009	20,113
Utilised in year	(20,113)
	<u>-</u>
At 31 December 2009	<u>-</u>

The onerous lease provision arose on a property lease and reflected management's best estimate of the onerous element of the expenditures required to settle the present value of the lease obligations. The lease was exited in May 2009.

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (*Continued*)

## 12 Share capital

	2009 Number	Authorised 2008 Number	2009 £	2008 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	2009 Number	Issued 2008 Number	2009 £	2008 £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

## 13 Reserves

	Profit and loss account £
At 1 January 2009	(1,537,353)
Profit for the year	83,083
At 31 December 2009	(1,454,270)

## 14 Reconciliation of movements in shareholders' deficit

	2009 £	2008 £
Profit for the year	83,083	(932,585)
Net increase/(decrease) in shareholder's deficit	83,083	(932,585)
Opening shareholder's deficit	(1,437,353)	(504,768)
Closing shareholder's deficit	(1,354,270)	(1,437,353)



# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (Continued)

## 15 Commitments under operating leases

As at 31 December 2009, the company had annual commitments under non-cancellable operating leases as set out below

	2009 Land and buildings £	2009 Other £	2008 Land and buildings £	2008 Other £
Operating leases which expire				
Within one year	194,500	41,850	149,000	32,319
In two to five years	65,000	37,969	259,500	64,228
	<u>259,500</u>	<u>79,819</u>	<u>408,500</u>	<u>96,547</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

	2009 £	2008 £
Product purchased from the manufacturer, Mary Kay Inc, for resale in the United Kingdom on normal trading terms	<u>913,351</u>	<u>787,629</u>
Consulting services provided to the company by Mary Kay Inc and fellow subsidiary undertakings		
Mary Kay Inc	<u>175,705</u>	<u>166,998</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	<u>20,250</u>	<u>60,252</u>
Fellow subsidiary undertakings	<u>10,720</u>	<u>27,379</u>

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (Continued)

## 16 Related party transactions (Continued)

	2009 £	2008 £
Related party receivables at year end		
Tov Mary Kay (Ukraine) Limited	-	315,996
Mary Kay (Czech Republic) s r o	585,364	585,364
Mary Kay Cosmetic Poland Sp z o o	306,648	306,647
Pink Rose Information System Services Limited	73,889	81,056
	<hr/>	<hr/>
All amounts fall due for payment in more than one year		
Related party payables at year end:		
Mary Kay Inc	2,073,809	2,711,403
Mary Kay Cosmetics GmbH	1,089,485	1,166,284
	<hr/>	<hr/>

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

	2009 £	2008 £
Operating profit/(loss)	119,401	(956,945)
Depreciation	13,346	6,937
Increase in stocks	(3,584)	(44,814)
Decrease in debtors	500,241	446,246
(Decrease)/increase in creditors	(798,358)	767,475
Decrease in provisions	(20,113)	(83,166)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(189,067)	135,733
	<hr/>	<hr/>

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

	2009 £	2008 £
Decrease in cash in the year	(194,468)	(69,548)
	<hr/>	<hr/>
Change in net funds	(194,468)	(69,548)
	<hr/>	<hr/>
Net funds at 1 January	763,267	832,815
	<hr/>	<hr/>
Net funds at 31 December	568,799	763,267
	<hr/>	<hr/>

# Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 December 2009 (*Continued*)

## 19 Analysis of net funds

	At 1 January 2009 £	Cash flow £	At 31 December 2009 £
Cash in hand and at bank	768,499	(197,342)	571,157
Overdrafts	(5,232)	2,874	(2,358)
	<hr/>	<hr/>	<hr/>
Total	763,267	(194,468)	568,799
	<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.