

Mary Kay Cosmetics (UK) Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 2767620

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Mary Kay Cosmetics (UK) Limited

Report and financial statements for the year ended 31 December 2017

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Directors

T Eustace
N Moore
C Steingruber

Secretary

N Moore

Registered office

163, Eversholt Street,
London
NW1 1BU
United Kingdom

Company number

2767620

Auditors

Ernst & Young LLP
Chartered Accountants and Statutory Auditors
1 More London Place
London
SE1 2 AF
United Kingdom

Bankers

Barclays Bank Plc
Leicester
LE87 2BB
United Kingdom

Mary Kay Cosmetics (UK) Limited

Directors' Report for the year ended 31 December 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

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 decreased by 23% 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. To support continued growth in sales force count and productivity, the company is focusing on brand awareness, education activities for sales force and customer servicing.

The directors are satisfied with the trading performance in the year, taking account of the economic conditions that continue to impact the company performance.

Results

The statement of comprehensive income is set out on page 6 and shows the loss for the year. The company made a loss after taxation of £1,209,847 (2016 - £3,018,465 loss) and this amount has been deducted from reserves.

Directors

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

T Eustace
N Moore – resigned on 25/09/17
C Steingruber

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

Directors' Report for the year ended 31 December 2017 (*continued*)

Statement of directors' responsibilities

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 prepared 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.

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.

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and the company is therefore exempt from the requirement to prepare a Strategic Report.

On behalf of the Board



C Steingruber
Director

Date: **24 SEP 2018**

Independent auditors' report to the members of Mary Kay Cosmetics (UK) Limited

Opinion

We have audited the financial statements of Mary Kay Cosmetics (UK) Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement cash flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report to the members of Mary Kay Cosmetics (UK) Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

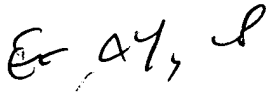
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

***Independent auditors' report to the members of Mary Kay Cosmetics (UK) Limited
(continued)***

Use of our report

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.



Gordon Cullen

Senior Statutory Auditor

For and on behalf of Ernst & Young LLP, Statutory Auditor

London, United Kingdom

Date: 24/9/18

Mary Kay Cosmetics (UK) Limited

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	2	3,550,491	4,581,386
Cost of sales		(1,736,054)	(2,323,598)
Gross profit		1,814,437	2,257,788
Distribution costs		(112,372)	(145,936)
Administrative expenses		(2,708,378)	(5,025,014)
Operating loss	5	(1,006,313)	(2,913,162)
Interest receivable and similar income		708	277
Interest payables and similar charges	6	(204,242)	(105,580)
Loss on ordinary activities before taxation		(1,209,847)	(3,018,465)
Taxation	7	-	-
Loss on ordinary activities after taxation		(1,209,847)	(3,018,465)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(1,209,847)</u>	<u>(3,018,465)</u>

All amounts relate to continuing activities.

Notes on pages 10 to 20 form part of these financial statements

Mary Kay Cosmetics (UK) Limited

Statement of changes in equity at 31 December 2017

	Share Capital	Profit & Loss Account	Total Capital & Reserves
At 1 January 2016	100,000	(9,929,996)	(9,829,996)
Total comprehensive loss for the year	-	(3,018,465)	(3,018,465)
At 31 December 2016	100,000	(12,948,461)	(12,848,461)
Total comprehensive loss for the year	-	(1,209,847)	(1,209,847)
At 31 December 2017	<u>100,000</u>	<u>(14,158,308)</u>	<u>(14,058,308)</u>

The notes on pages 10 to 20 form part of these financial statements.

Mary Kay Cosmetics (UK) Limited

Statement of financial position at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Property, plant and equipment	8	3,507	5,729
Intangible assets	9	209,917	381,437
Current assets			
Inventories	10	398,872	344,520
Trade receivables			
- due within one year	11	527,021	552,973
- due after more than one year	11	122,826	92,715
Cash at hand and in bank	12	353,151	840,554
		1,401,870	1,830,762
Creditors: amounts falling due within one year	13	(15,628,602)	(15,021,389)
Net current liabilities		(14,226,732)	(13,190,627)
Total assets less current liabilities		(14,013,308)	(12,803,461)
Creditors: amounts falling due after more than one year	14	(45,000)	(45,000)
Net liabilities		(14,058,308)	(12,848,461)
Capital and reserves			
Called up share capital	15	100,000	100,000
Profit and loss account	16	(14,158,308)	(12,948,461)
Total capital and reserves		(14,058,308)	(12,848,461)

The financial statements on pages 6 to 20 were approved by the Board of Directors and signed on its behalf by



C Steingruber
Director

Date: 24 SEP 2018

Mary Kay Cosmetics (UK) Limited

Statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Net cash used in operating activities	19	(1,035,675)	(2,457,144)
Investing activities			
Payments to acquire tangible and intangible fixed assets		-	(15,453)
Cash proceeds from Property, plant and equipment disposal		-	2,275
Interest received		709	277
Net cash generated from/(used in) investing activities		709	(12,901)
Financing activities			
Increase in borrowings		547,563	2,477,503
Net cash generated from financing activities		547,563	2,477,503
Net (decrease)/increase in cash and cash equivalents		(487,403)	7,458
Cash and cash equivalent at 1 January		840,554	833,096
Cash and cash equivalent at 31 December	12	353,151	840,554

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017

1 Accounting policies

1.1 Authorisation of financial statements and statement of compliance

Mary Kay Cosmetic (UK) Limited is a limited liability company incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard (FRS 102) applicable in the UK and Republic of Ireland as it applies to the financial statements of the company for the year ended 31 December 2017. The financial statements are prepared under the historical cost convention and are presented in GBP.

The financial statements of Mary Kay Cosmetic (UK) Limited for the year ended 31 December 2017 were authorised for issue by the board of directors on ~~24 SEP 2018~~ 2018 and the balance sheet was signed on the board's behalf by C Steingruber.

1.2 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

1.3 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.

1.4 Turnover

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

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Short leasehold improvements	-	Life of lease
Fixtures, fittings and equipment	-	25% of cost per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.6 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Licenses	-	20% of cost per annum
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If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. A provision for damaged, excess and obsolete inventories is calculated based on an annual review of inventories.

1.8 Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to continue.

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.9 Impairment of non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates, the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

1.10 Judgement and key resources if estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Dilapidation provision and provision for sales returns

1.11 Financial instruments

Cash

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

The carrying value of all financial assets are measured at fair value. The carrying value of financial liabilities are measured at amortised cost.

1.12 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.

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

1.13 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.

1.14 Provision for 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.

1.15 Provision for Sales Returns

Where Sales Returns consist of returns of previously sold products in exchange for cash, a provision is made for the estimated recording of liability for future sales returns.

1.16 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

	2017 £	2016 £
Staff costs consist of:		
Wages and salaries	1,079,357	1,136,634
Social security costs	113,504	124,615
Other pension costs	49,828	22,017
	<u>1,242,689</u>	<u>1,283,266</u>

The average number of employees during the year (including directors) was 26 (2016 - 29). All employees are involved in management and administrative activities.

4 Directors

No directors were paid through the company in the year (2016 - none).

None of the directors have retirement benefits accruing under money purchase pension schemes (2016 - none).

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

5	Operating loss	2017 £	2016 £
	This has been arrived at after charging:		
	Depreciation of property, plant and equipment	2,222	12,779
	Amortisation of intangible fixed assets	171,520	214,330
	Loss from property, plant and equipment disposal	-	15,808
	Hire operating leases	158,510	260,093
	Exchange loss	(844,564)	1,461,523
	Services provided by the company's auditor		
	Fees payable for the audit	31,985	38,800
	Fees payable for other services – tax compliance	13,000	11,000

6	Interest payable and similar charges	2017 £	2016 £
	Interest payable on intercompany balances	204,242	105,580

7	Tax on loss on ordinary activities	2017 £	2016 £
	<i>Current tax</i>		
	UK corporation tax on loss of the year	-	-
	Adjustments in respect of previous years	-	-
	Total current tax credit	-	-

The tax assessed for the year differs to the standard rate of corporation tax in the UK for the period ended 31 December 2017 of 19.25% (2016: 20.00%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	(1,209,847)	(3,018,465)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	(232,854)	(603,693)
Effects of:		
Depreciation in excess of capital allowances	-	-
Expenses not allowable for tax purposes	38,332	20,650
Other timing differences	-	-
Adjustments in respect of previous years	-	-
Unutilised losses	162,809	583,043
Group relief not paid for	31,713	-
Current tax charge / credit	-	-

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

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

Factors affecting current and future tax charges

The Corporation Tax main rate for 1 April 2017 is set at 19%, and from 1 April 2020 is set for 17%.

Factors that may affect future tax charges

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

	2017 £	2016 £
Accelerated capital allowances	90,645	61,109
Short term timing differences – Trading	666	925
Tax losses	1,833,536	1,719,007
Deferred tax asset not provided	(1,924,847)	(1,781,041)
	<hr/>	<hr/>
Deferred tax asset	-	-
	<hr/>	<hr/>

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

8 Property, plant and equipment

	Short leasehold improvements £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At 1 January 2017	221,289	24,658	245,947
Additions	-	-	-
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2017	221,289	24,658	245,947
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>			
At 1 January 2017	220,382	19,836	240,218
Charge for the year	907	1,315	2,222
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2017	221,289	21,151	242,440
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2017	-	3,507	3,507
	<hr/>	<hr/>	<hr/>
At 31 December 2016	907	4,822	5,729
	<hr/>	<hr/>	<hr/>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

9 Intangible assets

	Licences
<i>Cost</i>	
At 1 January 2017	861,565
Additions	-
	<hr/>
At 31 December 2017	861,565
	<hr/>
<i>Accumulated amortisation</i>	
At 1 January 2017	480,128
Provided for in the year	171,520
	<hr/>
At 31 December 2017	651,648
	<hr/>
<i>Net book value</i>	
At 31 December 2017	209,917
	<hr/>
At 31 December 2016	381,437
	<hr/>

10 Inventories

	2017	2016
	£	£
Goods for resale	398,872	344,520
	<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 2017 (*continued*)

11 Debtors

	2017 £	2016 £
<i>Due within one year</i>		
Trade debtors	16,371	48,314
Other debtors	356,077	362,048
Prepayments	154,573	142,611
	<hr/>	<hr/>
	527,021	552,973
<i>Due after more than one year</i>		
Amounts owed by fellow subsidiary undertakings	122,826	92,715
	<hr/>	<hr/>
	649,847	645,688
	<hr/>	<hr/>

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.

12 Cash at bank and in hand

	2017 £	2016 £
Cash at bank and in hand	<u>353,151</u>	<u>840,554</u>

13 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	55,196	68,683
Amounts owed to parent undertaking	15,119,128	14,373,968
Amounts owed to fellow subsidiary undertakings	6,889	244
Other taxation and social security	151,716	208,034
Accruals and deferred income	295,673	370,460
	<hr/>	<hr/>
	15,628,602	15,021,389
	<hr/>	<hr/>

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.

14 Creditors: amounts falling due after more than one year

	As at 2017 and 2016 £
Provision of dilapidations	<u>45,000</u>

The dilapidations provision is for alterations that will be required to leasehold improvements to return the leased property to its original condition. The property lease expires on 9 July 2020.

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

15 Share capital

	2017 Number	Authorised 2016 Number	2017 £	2016 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
	2017 Number	Issued 2016 Number	2017 £	2016 £
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

16 Profit and loss account

This reserve records the accumulated profit and loss attributable to the shareholders.

17 Commitments and contingencies

As at 31 December 2017, the total of future minimum lease payments under non-cancellable operating leases as set out below:

	2017 £	2016 £
Within one year	244,520	252,540
In two to five years	323,080	506,948
	567,600	759,488

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

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

18 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:

	2017 £	2016 £
Product purchased from the manufacturer, Mary Kay Inc, for resale in the United Kingdom	<u>678,493</u>	<u>619,555</u>
Consulting services provided to the company:		
Mary Kay Inc	<u>601,811</u>	<u>517,725</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>204,242</u>	<u>105,580</u>
Tender Power Inc	<u>-</u>	<u>-</u>
	2017 £	2016 £
Related party receivables at year end:		
Pink Rose Information System Services Limited	<u>122,826</u>	<u>92,715</u>
All amounts fall due for payment in more than one year.		
Related party payables at year end:		
Mary Kay Inc	15,119,128	14,373,968
Tender Power Inc	<u>6,889</u>	<u>224</u>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

19 Reconciliation of operating loss to net cash inflow from operating activities

	2017 £	2016 £
Operating loss	(1,006,313)	(2,913,161)
Depreciation and amortisation	173,742	227,109
(Increase) / decrease in stocks	(54,352)	173,456
(Increase) / decrease in debtors	(4,159)	132,984
Decrease in creditors	(144,593)	(93,340)
Loss from disposal of property, plant and equipment	-	15,808
	<hr/>	<hr/>
Net cash used in operating activities	(1,035,675)	(2,457,144)
	<hr/>	<hr/>

20 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.