

Mary Kay Cosmetics (UK) Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 2767620



Mary Kay Cosmetics (UK) Limited

Report and financial statements for the year ended 31 December 2020

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Directors

T Eustace
C Monroe

Registered office

30 Cowcross Street
London
EC1M 6DQ
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 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2020.

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 63.9% 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 £1,351,494 (2019 - £1,901,270 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
C Monroe

Going concern

During 2020, MK Cosmetics UK net sales grew 57% over 2019 in local currency. This is primarily due to 41% growth in the average IBC count during the year.

The 2021 forecast shows growth in net sales of 3% and growth in average IBC count of 10% versus 2020. The 2022 forecast shows growth in net sales of 16% and growth in average IBC count of 16% versus 2021.

As a business Mary Kay Cosmetics UK moved quickly to adapt to changing business conditions to support the 2020 growth strategy implemented in 2020 through all available platforms including virtual and digital media. The result of these initiatives has been a significant growth in Sales force numbers, increased activity per consultant & revenue growth. This growth has continued post lockdown restrictions easing.

Mary Kay Inc. has confirmed that it is their present intention to continue to support the company financially until at least 31 December 2022. 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.

Subsequent events

The impact of COVID-19 is a non-adjusting post balance sheet event and is not reflected in these financial statements. Due to the continued uncertainty in the current environment, the overall impact cannot be reliably estimated. The directors and senior leadership team continue to monitor COVID-19 developments carefully and take the appropriate actions in the best interests of the business.

Mary Kay Cosmetics (UK) Limited

Directors' Report for the year ended 31 December 2020

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 2020 (*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

DocuSigned by:

AC24A599A68E400...
C Monroe
Director

Date: 14 December 2021

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 for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of 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 2020 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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

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 course of 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 themselves. 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.

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 have 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, 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

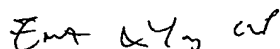
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company.
- We understood how the company is complying with those frameworks.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations as well as fraud. Our procedures involved:
 - Enquiry of management and those charged with governance as to any fraud risk framework within the entity.
 - Enquiry of management and those charged with governance around actual and potential litigation and claims.
 - Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
 - We agreed the revenue recognised to supporting documentation and vouched a sample of invoices through to cash receipt.
 - Evaluating the business rationale of significant transactions outside the normal course of business.
 - Challenging judgements made by management. This included corroborating the inputs and considering contradicting evidence.
 - Reading financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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.

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: 15 December 2021

Mary Kay Cosmetics (UK) Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £	2019 £
Turnover	2	4,766,810	2,971,233
Cost of sales		(2,718,926)	(1,536,032)
Gross profit		2,047,884	1,435,201
Distribution costs		(238,108)	(85,093)
Administrative expenses		(2,726,115)	(2,808,022)
Operating loss	5	(916,339)	(1,457,914)
Interest receivable and similar income		3,226	6,258
Interest payables and similar charges	6	(438,381)	(449,614)
Loss on ordinary activities before taxation		(1,351,494)	(1,901,270)
Taxation	7	-	-
Loss on ordinary activities after taxation		(1,351,494)	(1,901,270)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(1,351,494)</u>	<u>(1,901,270)</u>

All amounts relate to continuing activities.

Notes on pages 11 to 21 form part of these financial statements

Mary Kay Cosmetics (UK) Limited

Statement of changes in equity at 31 December 2020

	Share Capital	Profit & Loss Account	Total Capital & Reserves
At 1 January 2019	100,000	(17,656,906)	(17,556,906)
Total comprehensive loss for the year	-	(1,901,271)	(1,901,271)
At 31 December 2019	100,000	(19,558,177)	(19,458,177)
		(1,351,494)	(1,351,494)
Total comprehensive loss for the year	-		
At 31 December 2020	<u>100,000</u>	<u>(20,909,671)</u>	<u>(20,809,671)</u>


The notes on pages 11 to 21 form part of these financial statements.

Mary Kay Cosmetics (UK) Limited

Statement of financial position at 31 December 2020

	Note	2020	2019
		£	£
Fixed assets			
Property, plant and equipment	8	307,107	877
Intangible assets	9	274,491	461,269
Current assets			
Inventories	10	307,754	445,670
Trade receivables			
- due within one year	11	411,602	539,494
- due after more than one year	11	192,846	137,046
Cash at hand and in bank	12	772,170	431,116
		<u>1,684,372</u>	<u>1,553,326</u>
Creditors: amounts falling due within one year	13	(22,980,497)	(21,473,649)
Net current liabilities		<u>(21,296,125)</u>	<u>(19,920,323)</u>
Total assets less current liabilities		<u>(20,714,527)</u>	<u>(19,458,177)</u>
Creditors: amounts falling due after more than one year	14	(95,144)	-
Net liabilities		<u>(20,809,671)</u>	<u>(19,458,177)</u>
Capital and reserves			
Called up share capital	15	100,000	100,000
Profit and loss account	16	(20,909,671)	(19,558,177)
Total capital and reserves		<u>(20,809,671)</u>	<u>(19,458,177)</u>

The financial statements on pages 7 to 21 were approved by the Board of Directors and signed on its behalf by

DocuSigned by:

 AC24A599A88E400...
 C Monroe
 Director

Date: 14 December 2021

Mary Kay Cosmetics (UK) Limited

Statement of cash flows for the year ended 31 December 2020

	Note	2020 £	2019 £
Net cash generated by (used in) operations	19	343,197	(1,392,301)
Investing activities			
Payments to acquire tangible and intangible fixed assets		(329,400)	(5,497)
Cash proceeds from Property, plant and equipment disposal		-	-
Interest received		3,226	6,258
Net cash (used in) / generated from investing activities		(326,174)	761
Financing activities			
Increase in borrowings		324,030	1,136,891
Net cash generated from financing activities		324,030	1,136,891
Net increase / (decrease) in cash and cash equivalents		341,054	(254,648)
Cash and cash equivalent at 1 January		431,116	685,764
Cash and cash equivalent at 31 December	12	772,170	431,116

Mary Kay Cosmetics (UK) Limited

**Notes forming part of the financial statements
for the year ended 31 December 2020**

1 Accounting policies

1.1 Authorisation of financial statements and statement of compliance

Mary Kay Cosmetics (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 2020. The financial statements are prepared under the historical cost convention and are presented in GBP.

The financial statements of Mary Kay Cosmetics (UK) Limited for the year ended 31 December 2020 were authorised for issue by the board of directors on 14 December 2021 and the balance sheet was signed on the board's behalf by C Monroe

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 2020.

1.3 Going concern

During 2020, MK Cosmetics UK net sales grew 57% over 2019 in local currency. This is primarily due to 41% growth in the average IBC count during the year.

The 2021 forecast shows growth in net sales of 3% and growth in average IBC count of 10% versus 2020. The 2022 forecast shows growth in net sales of 16% and growth in average IBC count of 16% versus 2021.

As a business Mary Kay Cosmetics UK moved quickly to adapt to changing business conditions to support the 2020 growth strategy implemented in 2020 through all available platforms including virtual and digital media. The result of these initiatives has been a significant growth in Sales force numbers, increased activity per consultant & revenue growth. This growth has continued post lockdown restrictions easing.

Mary Kay Inc. has confirmed that it is their present intention to continue to support the company financially until at least 31 December 2022. 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 2020 *(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 2020 (*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 sources of 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 2020 (*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

	2020 £	2019 £
Staff costs consist of:		
Wages and salaries	1,069,502	1,066,695
Social security costs	122,381	108,625
Other pension costs	55,534	46,616
	<u>1,247,417</u>	<u>1,221,936</u>

The average number of employees during the year (including directors) was 24 (2019 - 23). All employees are involved in management and administrative activities.

4 Directors

No directors were paid through the company in the year (2019 - none).

None of the directors have retirement benefits accruing under money purchase pension schemes (2019 - none).

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (continued)

5	Operating loss	2020	2019
		£	£
	This has been arrived at after charging:		
	Inventory Impairment	5,877	14,277
	Depreciation of property, plant and equipment	23,169	1,314
	Amortisation of intangible fixed assets	187,393	254,471
	Hire operating leases	155,363	163,188
	Exchange (gain)/loss	(700,603)	(767,127)
	Services provided by the company's auditor		
	Fees payable for the audit	43,975	43,553
	Fees payable for other services – tax compliance	12,198	12,000
		<hr/>	<hr/>
6	Interest payable and similar charges	2020	2019
		£	£
	Interest payable on intercompany balances	438,381	449,614
		<hr/>	<hr/>
7	Tax on loss on ordinary activities	2020	2019
		£	£
	<i>Current tax</i>		
	UK corporation tax on loss of the year	-	-
	Adjustments in respect of previous years	-	-
	<i>Deferred tax</i>		
	Deferred Federal Income Tax	-	-
	The tax assessed for the year differs to the standard rate of corporation tax in the UK for the period ended 31 December 2020 of 19.00%. The differences are explained below:		
		2020	2019
		£	£
	Loss on ordinary activities before tax	(1,351,494)	(1,901,270)
	Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	(256,784)	(361,241)
	Effects of:		
	Depreciation in excess of capital allowances	-	-
	Expenses not allowable for tax purposes	106,849	92,270
	Other timing differences	-	-
	Adjustments in respect of previous years	-	-
	Unutilised losses	-	261,273
	Group relief not paid for	-	7,698
		<hr/>	<hr/>
	Deferred tax asset not provided		
	Current tax charge / credit	-	-
		<hr/>	<hr/>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 *(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%.

Factors that may affect future tax charges

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

	2020 £	2019 £
Accelerated capital allowances	230,196	173,880
Short term timing differences – Trading	-	-
Tax losses	2,946,451	2,519,955
Deferred tax asset not provided	(3,176,647)	(2,693,835)
	<u> </u>	<u> </u>
Deferred tax asset	-	-
	<u> </u>	<u> </u>

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 2020	221,289	24,657	245,946
Disposal	(221,289)		(221,289)
Additions	314,616	14,784	329,400
At 31 December 2020	314,616	39,441	354,057
	<u> </u>	<u> </u>	<u> </u>
<i>Accumulated depreciation</i>			
At 1 January 2020	221,289	23,781	245,069
Disposal	(221,289)		(221,289)
Charge for the year	21,212	1,957	23,169
At 31 December 2020	21,212	25,738	46,949
	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>			
At 31 December 2020	293,404	13,703	307,107
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019	-	877	877
	<u> </u>	<u> </u>	<u> </u>

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

9 Intangible assets

	Licences
<i>Cost</i>	
At 1 January 2020	1,600,516
Additions	<u> </u>
At 31 December 2020	1,600,516
<i>Accumulated amortisation</i>	
At 1 January 2020	1,139,247
Provided for in the year	186,778
	<u> </u>
At 31 December 2020	1,326,025
<i>Net book value</i>	
At 31 December 2020	274,491
	<u> </u>
At 31 December 2019	461,269
	<u> </u>

10 Inventories

	2020	2019
	£	£
Goods for resale	307,754	445,670
	<u> </u>	<u> </u>

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 2020 (continued)

11 Debtors

	2020 £	2019 £
<i>Due within one year</i>		
Trade debtors	45,628	2,595
Other debtors	315,212	358,389
Value added tax		11,806
Prepayments	50,763	166,704
	<u>411,602</u>	<u>539,494</u>
<i>Due after more than one year</i>		
Amounts owed by fellow subsidiary undertakings	192,846	137,046
	<u>604,448</u>	<u>676,540</u>

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

	2020 £	2019 £
Cash at bank and in hand	<u>772,170</u>	<u>431,116</u>

13 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	110,077	193,962
Amounts owed to parent undertaking	21,718,187	20,955,776
Other taxation and social security	723,252	2,742
Accruals and deferred income	428,981	321,169
	<u>22,980,497</u>	<u>21,473,649</u>

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.

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

14 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Provision of dilapidations	72,827	95,000
Deferred Rent Liability	22,317	
	<u>95,144</u>	<u>95,000</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 23 June 2028.

15 Share capital

	2020 Number	Authorised 2019 Number	2020 £	2019 £
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

	2020 Number	Issued 2019 Number	2020 £	2019 £
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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 2020, the total of future minimum lease payments under non-cancellable operating leases as set out below:

	2020 £	2019 £
Within one year	174,042	103,270
In one to five years	622,649	27,493
Over five years	172,973	
	<u>969,664</u>	<u>130,763</u>

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 2020 (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:

	2020 £	2019 £
Product purchased from the manufacturer, Mary Kay Inc, for resale in the United Kingdom	906,951	566,657
Consulting services provided to the company:		
Mary Kay Inc	625,975	699,354
Consulting services provided by the Company recharged to Mary Kay Inc and fellow subsidiary undertakings:		
Pink Rose Information System Services Limited	(18,000)	(18,000)
Intercompany interest payable relating to related party transactions: Mary Kay Inc	438,381	442,615
SaaS Implementation Fees: Mary Kay Inc	(56,974)	(25,180)
	2020 £	2019 £
Related party receivables at year end:		
Pink Rose Information System Services Limited	192,846	137,046
All amounts fall due for payment in more than one year.		
Related party payables at year end:		
Mary Kay Inc	21,718,187	20,955,776
Tender Power Inc	-	-

Mary Kay Cosmetics (UK) Limited

Notes forming part of the financial statements
for the year ended 31 December 2020 (*continued*)

19 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2020 £	2019 £
Operating loss	(916,339)	(1,457,914)
Depreciation and amortisation	209,947	255,786
Decrease / (increase) in stocks	137,916	(1,403)
(Increase) / decrease in debtors	72,092	76,968
Increase / (decrease) in creditors	839,581	(265,738)
	<hr/>	<hr/>
Net cash generated from (used in) operating activities	343,197	(1,392,301)
	<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.

21 Subsequent events

The impact of COVID-19 is a non-adjusting post balance sheet event and is not reflected in these financial statements. Due to the continued uncertainty in the current environment, the overall impact cannot be reliably estimated. The directors and senior leadership team continue to monitor COVID-19 developments carefully and take the appropriate actions in the best interests of the business.