

Mary Kay Cosmetics (U.K.) Limited

Report and Financial Statements

For the year ended

31 December 2021

Company Number 2767620

FRIDAY



ACXYYKM8

A08

01/03/2024

#157

COMPANIES HOUSE

Mary Kay Cosmetics (U.K.) Limited

**Report and financial statements
for the year ended 31 December 2021**

Contents

Page:

1	Directors' report
4	Independent auditors' report
8	Statement of financial position
9	Statement of changes in equity
10	Statement of comprehensive income
11	Statement of cash flows
12	Notes to the financial statements

Directors

T Eustace
C Monroe

Registered office

30 Cowcross Street
London
EC1M 6DQ
United Kingdom

Company number

2767620

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2 AF
United Kingdom

Bankers

JP Morgan Bank, N.A.
25 Bank Street
London
E14 5JP
United Kingdom

Mary Kay Cosmetics (U.K.) Limited

Directors' Report For the year ended 31 December 2021

The Directors present their report together with the audited financial statements for the year ended 31 December 2021.

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 16% 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's performance.

Results

The statement of comprehensive income is set out on page 8 and shows the loss for the year. The Company made a loss after taxation of £2,168,110 (2020 - £1,351,494) 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 2021, the Company's revenue fell by 16% over 2020. This is primarily due to a decline in the average Independent Beauty Consultants count during the year.

For 2022, the Company experienced a further reduction in revenue and average consultant count. This trend continued through 2023.

As a business the Company has experienced volatility due to widespread economic uncertainty and high inflation. The Company moved quickly to adapt to changing business conditions to support growth through all available platforms including virtual and digital media. There is a strong focus on highlighting the Mary Kay opportunity and financial rewards of the direct selling channel. There is also a focus on cost control and improvement in return on investment. The business expects to grow sales force count, increase activity per consultant and grow revenue in 2024. This growth is expected to continue into the first quarter of 2025 with year-over-year increases in sales force count and turnover along with continued focus on cost controls.

Mary Kay Inc. has confirmed that it is their present intention to continue to support the Company financially for a period to 31 March 2025. 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.

Mary Kay Cosmetics (U.K.) Limited

**Directors' Report
For the year ended 31 December 2021**

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 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 (U.K.) Limited

**Directors' Report
For the year ended 31 December 2021 (*continued*)**

Statement of 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 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. Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report that complies with that law and those regulations.

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.

This report was approved by the board and signed on its behalf by:



C Monroe
Director

Date: 27 February 2024

Independent auditors' report to the members of Mary Kay Cosmetics (U.K.) Limited

Opinion

We have audited the financial statements of Mary Kay Cosmetics (U.K.) Limited (the 'Company') for the year ended 31 December 2021 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 2021 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 for a period to 31 March 2025.

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.

Independent auditors' report to the members of Mary Kay Cosmetics (U.K.) Limited (continued)

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.

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 this gives rise to 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 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 the directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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.

Independent auditors' report to the members of Mary Kay Cosmetics (U.K.) Limited (continued)

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.

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:

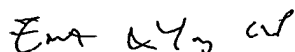
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company.
- We understood how the Company is complying with those frameworks.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur.
- 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.

Independent auditors' report to the members of Mary Kay Cosmetics (U.K.) 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: 28 February 2024

Mary Kay Cosmetics (U.K.) Limited

**Statement of financial position
As at 31 December 2021**

	Note	2021 £	2020 £
Turnover	2	4,008,298	4,766,810
Cost of sales		(2,126,640)	(2,718,926)
Gross profit		<u>1,881,658</u>	<u>2,047,884</u>
Distribution costs		(179,420)	(238,108)
Administrative expenses		(3,707,785)	(2,726,115)
Operating loss	5	<u>(2,005,547)</u>	<u>(916,339)</u>
Interest receivable and similar income		-	3,226
Interest payables and similar charges	6	(162,563)	(438,381)
Loss on ordinary activities before taxation		<u>(2,168,110)</u>	<u>(1,351,494)</u>
Taxation	7	-	-
Loss on ordinary activities after taxation		<u>(2,168,110)</u>	<u>(1,351,494)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(2,168,110)</u>	<u>(1,351,494)</u>

All amounts relate to continuing activities.

Notes on pages 12 to 22 form part of these financial statements.

Mary Kay Cosmetics (U.K.) Limited

**Statement of changes in equity
For the year ended 31 December 2021**

	Share Capital	Profit and Loss Account	Total Capital and Reserves
At 1 January 2020	100,000	(19,558,177)	(19,458,177)
Total comprehensive loss for the year	-	(1,351,494)	(1,351,494)
At 31 December 2020	100,000	(20,909,671)	(20,809,671)
Total comprehensive loss for the year	-	(2,168,110)	(2,168,110)
At 31 December 2021	100,000	(23,077,781)	(22,977,781)

The notes on pages 12 to 22 form part of these financial statements.

Mary Kay Cosmetics (U.K.) Limited

**Statement of financial position
As at 31 December 2021**

	Note	2021 £	2020 £
Fixed assets			
Property and equipment	8	272,498	307,107
Intangible assets	9	91,281	274,491
Total fixed assets		363,779	581,598
Current assets			
Inventories	10	611,175	307,754
Debtors:			
Amounts falling due within one year	11	277,834	411,602
Amounts falling due after more than one year	11	-	192,846
Cash at bank and in hand	12	729,249	772,170
Total current assets		1,618,258	1,684,372
Creditors: amounts falling due within one year	13	(24,879,989)	(22,980,497)
Net current liabilities		(23,261,731)	(21,296,125)
Total assets less current liabilities		(22,897,952)	(20,714,527)
Creditors: amounts falling due after more than one year	14	(79,829)	(95,144)
Net Liabilities		(22,977,781)	(20,809,671)
Capital and reserves			
Called up share capital	15	100,000	100,000
Profit and loss account	16	(23,077,781)	(20,909,671)
Total equity		(22,977,781)	(20,809,671)

The financial statements on pages 8 to 22 were approved by the Board of Directors and signed on its behalf by:

Cheryl Monroe

C Monroe
Director

Date: 27 February 2024

Mary Kay Cosmetics (U.K.) Limited

**Statement of cash flows
for the year ended 31 December 2021**

	Note	2021 £	2020 £
Net cash used in operating activities	19	(2,173,266)	343,197
Investing activities			
Payments to acquire tangible and intangible fixed assets		(6,432)	(329,400)
Interest received			3,226
Net cash generated used in investing activities		(6,432)	(326,174)
Financing activities			
Increase in borrowings		2,136,777	324,030
Net cash generated from financing activities		2,136,777	324,030
Net (decrease)/increase in cash and cash equivalents		(42,921)	341,054
Cash and cash equivalent at 1 January		772,170	431,116
Cash and cash equivalent at 31 December	12	729,249	772,170

The notes on pages 12 to 22 form part of these financial statements.

Mary Kay Cosmetics (U.K.) Limited

**Notes to the financial statements
For the year ended 31 December 2021**

1 Accounting policies

1.1 General information and authorisation of financial statements

Mary Kay Cosmetics (U.K.) Limited is a limited liability company incorporated and domiciled in England and Wales. The address of its registered office is 30 Cowcross Street, London, EC1M 6DQ.

The Company is a direct seller of skin care and color cosmetics. With several thousand independent beauty consultants, the Company offers individuals to earn extra income by running their own independent business selling Mary Kay branded products.

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue by the board of directors on 27 February 2024 and the balance sheet was signed on the board's behalf by C Monroe.

1.2 Basis of preparation of the financial statements

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 2021. The financial statements are prepared under the historical cost convention and are presented in GBP.

The following principal accounting policies have been applied:

1.3 Going concern

During 2021, the Company's revenue fell by 16% over 2020. This is primarily due to a decline in the average Independent Beauty Consultants count during the year.

For 2022, the Company experienced a further reduction in revenue and average consultant count. This trend continued through 2023

As a business the Company has experienced volatility due to widespread economic uncertainty and high inflation. The Company moved quickly to adapt to changing business conditions to support growth through all available platforms including virtual and digital media. There is a strong focus on highlighting the Mary Kay opportunity and financial rewards of the direct selling channel. There is also a focus on cost control and improvement in return on investment. The business expects to grow sales force count, increase activity per consultant and grow revenue in 2024. This growth is expected to continue into the first quarter of 2025 with year-over-year increases in sales force count and turnover along with continued focus on cost controls.

Mary Kay Inc. has confirmed that it is their present intention to continue to support the Company financially for a period to 31 March 2025. 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 (U.K.) Limited

**Notes to the financial statements
For the year ended 31 December 2021 (continued)**

1 Accounting policies (continued)

1.5 Property and equipment

Property 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 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.

If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in Statement of comprehensive income.

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
----------	---	-----------------------

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. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of comprehensive income.

Mary Kay Cosmetics (U.K.) Limited

**Notes to the financial statements
For the year ended 31 December 2021 (continued)**

1 Accounting policies (continued)

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.
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

1.9 Provision

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value at a rate intended to reflect the time value of money where the effect of time value of money is material.

1.10 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, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

1.11 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.

Mary Kay Cosmetics (U.K.) Limited

**Notes to the financial statements
For the year ended 31 December 2021 (continued)**

1 Accounting policies (continued)

1.11 Judgement and key sources of estimation uncertainty (continued)

Provisions for inventories

Inventory reserves recorded for obsolete, damaged, or inventory that expires in the next 6 months. Obsolete inventory is not available for sale. When inventory is destroyed, it is written off against the allowance. Reserves are also recorded for excess inventory, defined as more than 12 months demand. When excess inventory is sold, the reserve is reversed.

Recoverability of the debtors

The Company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability the directors have considered factors such as the aging of the debtors, past experience of recoverability and related parties counterpart.

1.12 Called up share capital

Called up share capital represents the nominal value of shares that have been issued. This reserve contains the balance of retained earnings to carry forward, net of distributed dividends.

1.13 Financial instruments

Cash and cash equivalents

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.

1.14 Operating leases: the Company as a lessee

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 statement of comprehensive income account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

1.15 Pension costs

The company operates a money purchase pension scheme for employees. Company contributions are charged to the statement of comprehensive income account in the period to which they relate.

1.16 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.

Mary Kay Cosmetics (U.K.) Limited

Notes to the financial statements

For the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

1.17 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.

1.18 Foreign currency translation

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 statement of comprehensive income account.

2 Turnover

Turnover are attributable to operations which geographically originate in the United Kingdom. The analysis of the Company's turnover for the year from continuing operations is as follows:

	2021	2020
	£	£
Sale of goods	3,956,713	4,766,810

3 Employees

Staff costs consist of:	2021	2020
	£	£
Wages and salaries	1,245,404	1,158,188
Social security costs	125,980	122,381
Other pension costs	59,278	55,534
Other benefits	79,068	76,201
	<u>1,509,730</u>	<u>1,412,304</u>

The average number of employees during the year (including directors) are 27 (2020 - 24).
All employees are involved in management and administrative activities.

4 Directors

No directors were paid through the Company in the year (2020 - nil) as borne by Mary Kay Group.
None of the directors have retirement benefits accruing under money purchase pension schemes (2020 - nil).

Mary Kay Cosmetics (U.K.) Limited

Notes to the financial statements
For the year ended 31 December 2021 (continued)

5 Operating loss

	2021	2020
	£	£
Inventory provision (reversal)	52,717	(5,877)
Depreciation of property and equipment	41,041	23,169
Amortisation of intangible fixed assets	183,210	187,393
Hire operating leases	110,958	148,288
Exchange (gain)/loss	264,030	(700,603)
Services provided by the Company's auditor		
Fees payable for the audit	44,000	43,975
Fees payable for other services - tax compliance	12,500	12,198

6 Interest payable and similar charges

	2021	2020
	£	£
Interest on intercompany balances	162,563	438,381

7 Tax on loss on ordinary activities

	2021	2020
	£	£
<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 2021 and 2020 differs to the standard rate of corporation tax in the UK for the period ended 31 December 2021 and 31 December 2020 of 19.00%. The differences are explained below:

	2021	2020
	£	£
Loss on ordinary activities before tax	(2,168,110)	(1,351,494)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	(411,941)	(256,784)
Effects of:		
Expenses not allowable for tax purposes	37,663	106,849
Deferred tax asset not provided	374,278	149,935
Current tax charge / credit	-	-

Mary Kay Cosmetics (U.K.) Limited

Notes to the financial statements
For the year ended 31 December 2021 (continued)

7 Tax on loss on ordinary activities (continued)

As at 31 December 2021 and 2020, unprovided amounts of deferred taxation for timing differences are as follows:

	2021	2020
	£	£
Accelerated capital allowances	352,710	230,196
Short term timing differences – trading	18,437	-
Tax losses	4,307,143	2,946,451
Deferred tax asset not provided	(4,678,290)	(3,176,647)
Deferred tax asset	-	-

Deferred tax asset has not been recognised as utilisation is uncertain within the foreseeable future. The Company has unrecognised deferred tax assets at 31 December 2021 of £4,678,290 (2020: £3,176,647).

In accordance with the Company's stated accounting policy for deferred tax, the deferred tax asset is recognised in the financial statements to the extent that the Directors consider that suitable future taxable profits will arise against which the underlying timing differences can be deducted

Factors affecting current and future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

8 Property and equipment

	Short leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
<i>Cost</i>			
At 1 January 2021	314,616	39,441	354,057
Additions	486	5,946	6,432
At 31 December 2021	315,102	45,387	360,489
<i>Accumulated depreciation</i>			
At 1 January 2021	21,212	25,738	46,950
Charge for the year	39,193	1,848	41,041
At 31 December 2021	60,405	27,586	87,991
<i>Net book value</i>			
At 31 December 2021	254,696	17,801	272,498
At 31 December 2020	293,404	13,703	307,107

Mary Kay Cosmetics (U.K.) Limited

Notes to the financial statements
For the year ended 31 December 2021 (continued)

9 Intangible assets

	Licences £
Cost	
At 1 January 2021	1,600,516
At 31 December 2021	1,600,516
Accumulated amortisation	
At 1 January 2021	1,326,025
Amortisation provided for the year	183,210
At 31 December 2021	1,509,235
Net book value	
At 31 December 2021	91,281
At 31 December 2020	274,491

10 Inventories

	2021 £	2020 £
Goods for resale	611,175	307,754
Provision for obsolescence	(32,645)	(5,577)

Inventory reserves recorded for obsolete, damaged, or inventory that expires in the next 6 months. Obsolete inventory is not available for sale. When inventory is destroyed, it is written off against the allowance. Reserves are also recorded for excess inventory, defined as more than 12 months demand. When excess inventory is sold, the reserve is reversed.

11 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	119,958	45,628
Other debtors	-	315,212
Prepayments	157,876	50,763
	277,834	411,602
Amounts falling due after more than one year	-	192,846

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.

Mary Kay Cosmetics (U.K.) Limited

Notes to the financial statements
For the year ended 31 December 2021 (continued)

12 Cash at bank and in hand

	2021 £	2020 £
Cash at bank	<u>729,249</u>	<u>772,170</u>

13 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	28,445	110,077
Amounts owed to parent undertaking	23,854,964	21,718,187
Other taxation and social security	488,650	723,252
Accruals and deferred income	507,930	428,981
	<u>24,879,989</u>	<u>22,980,497</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.

14 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Provision for dilapidations	(73,747)	(72,827)
Deferred rent liability	(6,082)	(22,317)
	<u>(79,829)</u>	<u>(95,144)</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.

Provision for dilapidations	£
As at 1 January 2021	72,827
Interest	920
As at 31 December 2021	<u>73,747</u>

Mary Kay Cosmetics (U.K.) Limited

Notes to the financial statements
For the year ended 31 December 2021 (continued)

15 Share capital

	2021 Number	Authorised 2020 Number	2021 £	2020 £
Ordinary shares of £1 each	500,000	500,000	500,000	500,000
				=

	2021 Number	Issued 2020 Number	2021 £	2020 £
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, the total of future minimum lease payments under non-cancellable operating leases as set out below:

	2021 £	2020 £
Within one year	174,716	174,042
In two to five	684,732	622,649
Over five	34,596	172,973
	894,044	969,664

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:

	2021 £	2020 £
Product purchased from the manufacturer, Mary Kay Inc, for resale in the United Kingdom	1,008,245	906,951
Consulting services provided to the company: Mary Kay Inc.	697,480	625,975

Mary Kay Cosmetics (U.K.) Limited

**Notes to the financial statements
For the year ended 31 December 2021 (continued)**

	2021 £	2020 £
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. (Note 6)	162,563	438,381
SaaS Implementation Fees: Mary Kay Inc	-	56,974
Related party receivables at year end:		
Pink Rose Information System Services Limited	-	192,846
Related party payables at year end:		
Mary Kay Inc.	(23,854,449)	(21,718,187)
Tender Power Inc.	(515)	-

19 Reconciliation of operating loss to net cash generated (used in) from operating activities

	2021 £	2020 £
Profit before tax	(2,168,110)	(916,339)
Depreciation and amortisation	224,251	209,947
Decrease in provisions	(15,315)	-
(Increase) / decrease in stocks	(303,421)	137,916
Decrease / (increase) in debtors	326,614	72,092
(Decrease) / increase in creditors	(237,285)	839,581
Net cash (used in) generated from operating activities	<u>(2,173,266)</u>	<u>343,197</u>

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.