BeneFit Cosmetics Limited

Report and Financial Statements

31 December 2005 3022(?)

Registered No: 3922046

Directors
Jean Danielson
Jane Ford
Susan McDonald
Nicolas Cordier
Hugues Dusseaux

Secretaries
Susan McDonald
Laura Enos

Auditors
Ernst & Young LLP
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2005.

Results and dividends

The profit for the year, after taxation, amounted to £656,291 (2004 - profit of £608,151). The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year was the wholesale and distribution of cosmetic and skincare products in the United Kingdom. The company is also continuing to provide sales support and marketing services for its US parent in the wholesale of cosmetics in Europe. The company opened its first UK store in late 2004.

The company performed in line with expectations.

Future developments

The company plans to continue expanding its retail operations in 2006.

Events since the balance sheet date

On 30 March 2006, the authorised share capital of the company was increased, by ordinary resolution of the company, by £2,000,000 by the creation of 2,000,000 ordinary shares of £1.00 each. On the same date, 2,000,000 ordinary shares of £1.00 each were issued and fully paid at a price per share of £1.00.

Directors

The directors who served the company during the year were as follows:

Jean Danielson	
Jane Ford	
Susan McDonald	
Nicolas Cordier	
Diane Miles	(resigned 1 June 2006)
Hugues Dusseaux	
Tim Warner	(resigned 3 March 2005)

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Susan McDonald
Secretary

25 OCT 2006

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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' report
to the members of BeneFit Cosmetics Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of BeneFit Cosmetics Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London 26 October 2006.

Profit and loss account
for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	2	25,500,112	21,393,017
Cost of sales		17,037,082	13,934,509
Gross profit		8,463,030	7,458,508
Distribution costs		950,968	779,169
Administrative expenses		6,554,131	5,838,127
Operating profit	3	957,931	841,212
Interest receivable	6	25,624	29,512
Profit on ordinary activities before taxation		983,555	870,724
Tax on profit on ordinary activities	7	327,264	262,573
Profit retained for the financial year		656,291	608,151

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £656,291 attributable to the shareholders for the year ended 31 December 2005 (2004 - profit of £608,151).

Balance sheet
at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	8	1,029	1,353
Tangible assets	9	2,081,433	1,579,719
		2,082,462	1,581,072
Current assets			
Stocks	10	5,177,206	5,023,671
Debtors	11	3,987,200	2,888,183
Cash at bank		2,477,327	1,338,937
		11,641,733	9,250,791
Creditors: amounts falling due within one year	12	10,764,819	8,514,624
Net current assets		876,914	736,167
Total assets less current liabilities		2,959,376	2,317,239
Provisions for liabilities and charges	14	–	14,154
		2,959,376	2,303,085
Capital and reserves			
Called up share capital	16	100	100
Profit and loss account	17	2,959,276	2,302,985
Equity shareholders' funds	17	2,959,376	2,303,085

Director

25 OCT 2006

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary and the consolidated financial statements in which the company is included are publicly available.

Fixed assets

All fixed assets are initially recorded at cost.

Intangible assets

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided to write off the value of the intangible fixed assets over a period of three years. The carrying values of intangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying values may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	-	5 years
Store fittings	-	3 to 5 years
Office furniture and equipment	-	3 to 7 years
Motor vehicles	-	3 years

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.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements
at 31 December 2005

1. Accounting policies (continued)
Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs
The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover
Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in the UK, Ireland, France and Germany in respect of sales of cosmetics and amounts received and receivable from the company's parent undertaking in respect of sales and marketing support in the UK and Europe. It all relates to continuing activities.

3. Operating profit
This is stated after charging:

		2005	*2004*
		£	£
Auditors' remuneration	- audit services	34,500	30,230
	- non audit services	10,230	5,000
Depreciation of owned fixed assets		663,527	521,904
Amortisation		324	13
		663,851	521,917
Loss on disposal of fixed assets		–	107,257
Operating lease rentals	- land and buildings	232,986	114,826
	- plant and machinery	101,475	87,861

Notes to the financial statements
at 31 December 2005

4. Staff costs

	2005	2004
	£	£
Wages and salaries	2,464,583	1,290,235
Social security costs	260,050	131,199
Staff pension contributions (note 13)	20,341	10,498
	2,744,974	1,431,932

The monthly average number of employees during the year was as follows:

	2005	2004
	No.	No.
Administrative staff	21	12
Sales staff	194	59
	215	71

5. Directors' emoluments

	2005	2004
	£	£
Emoluments	58,500	56,500

6. Interest receivable

	2005	2004
	£	£
Bank interest receivable	25,624	29,512

7. Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005	2004
	£	£
Current tax:		
UK corporation tax	330,188	272,466
Tax under/(over) provided in previous years	13,609	(813)
Total current tax (note 7(b))	343,797	271,653
Deferred tax:		
Origination and reversal of timing differences (note 14)	(16,533)	(9,080)
Tax on profit on ordinary activities	327,264	262,573

Notes to the financial statements
at 31 December 2005

7. Taxation (continued)
(b) Factors affecting current tax charge

The differences are reconciled below:

	2005 £	*2004* £
Profit on ordinary activities before taxation	983,555	870,724
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 30% (2004 - 30%)	295,066	261,217
Disallowed expenses and non-taxable income	26,435	10,034
Capital allowances in arrears of depreciation	10,125	415
Adjustments in respect of previous periods	13,609	(813)
Other timing differences	(1,438)	800
Total current tax (note 7(a))	343,797	271,653

(c) Deferred tax

	2005 £	*2004* £
Capital allowances in advance of depreciation	(21,655)	(37,486)
Other timing differences	24,034	23,332
Deferred tax asset/(liability)	2,379	(14,154)

8. Intangible fixed assets

	Website licence £
Cost:	
At 1 January 2005 and 31 December 2005	2,000
Amortisation:	
At 1 January 2005	647
Charge during the year	324
At 31 December 2005	971
Net book value:	
At 31 December 2005	1,029
At 1 January 2005	1,353

Notes to the financial statements
at 31 December 2005

9. Tangible fixed assets

	Leasehold improvements £	*Store fittings* £	*Office furniture and equipment* £	*Motor vehicles* £	*Total* £
Cost:					
At 1 January 2005	167,448	2,172,469	110,343	5,000	2,455,260
Additions	29,268	1,382,210	43,053	–	1,454,531
Transfer to Benefit SAS	(5,441)	(411,231)	(13,871)	–	(430,543)
At 31 December 2005	191,275	3,143,448	139,525	5,000	3,479,248
Depreciation:					
At 1 January 2005	28,729	806,276	35,536	5,000	875,541
Provided during the year	25,389	605,984	32,154	–	663,527
Transfer to Benefit SAS	–	(139,418)	(1,835)	–	(141,253)
At 31 December 2005	54,118	1,272,842	65,855	5,000	1,397,815
Net book value:					
At 31 December 2005	137,157	1,870,606	73,670	–	2,081,433
At 1 January 2005	138,719	1,366,193	74,807	–	1,579,719

10. Stocks

	2005 £	*2004* £
Finished goods	5,177,206	5,023,671

The difference between purchase price of stocks and their replacement cost is not material.

11. Debtors

	2005 £	*2004* £
Trade debtors	3,211,903	2,606,378
Amounts owed by group undertakings	437,610	243,340
Other debtors	335,308	38,465
Deferred tax asset	2,379	–
	3,987,200	2,888,183

Notes to the financial statements
at 31 December 2005

12. Creditors: amounts falling due within one year

	2005	*2004*
	£	*£*
Trade creditors	181,919	349,999
Amounts owed to parent undertakings	8,693,962	6,432,254
Corporation tax	243,797	147,467
Other taxation and social security	784,829	545,426
Other creditors	535,918	844,827
Accruals and deferred income	324,394	194,651
	10,764,819	8,514,624

13. Pensions

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in 'Other creditors' (note 12), are £2,179 (2004 - £1,888).

14. Provisions for liabilities and charges

	Deferred taxation
	£
At 1 January 2005	14,154
Profit and loss movement arising during the year	(8,687)
Adjustment in respect of prior years	(7,846)
At 31 December 2005 (note 11)	(2,379)

15. Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below:

		2005		*2004*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*
Operating leases which expire:				
Within one year	295,855	82,723	186,521	54,632
In two to five years	243,464	65,814	141,342	40,628
In over five years	60,120	–	39,500	–
	599,439	148,537	367,363	95,260

Notes to the financial statements
at 31 December 2005

16. Share capital

		Authorised
	2005	*2004*
	£	*£*
Ordinary shares of £1 each	100,000	100,000

	Allotted, called up and fully paid			
	2005			*2004*
	No.	*£*	*No.*	*£*
Ordinary shares of £1 each	100	100	100	100

17. Reconciliation of shareholders' funds and movement on reserves

	Share capital	*Profit and loss account*	*Total share-holders' funds*
	£	*£*	*£*
At 1 January 2004	100	1,694,834	1,694,934
Profit for the year	–	608,151	608,151
At 31 December 2004	100	2,302,985	2,303,085
Profit for the year	–	656,291	656,291
At 31 December 2005	100	2,959,276	2,959,376

18. Related party transactions

The company is a wholly owned subsidiary of BeneFit Cosmetics LLC and has taken advantage of the exemption in FRS 8 from disclosing transactions with companies in the BeneFit Cosmetics LLC group.

The company sold goods in the normal course of business to Sephora UK Limited and Sephora SA for £324,277 (2004 - £904,478), and owed Sephora SA £272 (2004 - £217,817) at the year end.

The company sold goods in the normal course of business to La Samaritaine SA for £8,760 (2004 - £25,802), and was owed £444 (2004 - £25,802) by the company at the year end.

The company was recharged £810,735 (2004 - £590,592) for administrative expenses by LVMH Parfums & Kosmetik and owed that company £109,292 (2004 - £211,532) at the year end.

The company provided administrative services to Fresh Cosmetics Limited and Fresh SAS during the year, for which it was paid £11,577 (2004 - £374,036) and was owed £6,222 (2004 - £nil) by those companies at the year end.

The company purchased services from and was recharged for administrative expenses by Parfums Givenchy Limited during the year, for which it paid £109,954 (2004 - £80,428) and owed that company £15,580 (2004 - £8,150) at the year end.

The above companies are all fellow subsidiary undertakings in the LVMH Moët Hennessy-Louis Vuitton SA group.

The company was recharged £228,181 (2004 - £600,353) for administrative expenses by LVMH Moët Hennessy-Louis Vuitton SA and owed that company £nil (2004 - £219,620) at the year end.

Notes to the financial statements

at 31 December 2005

19. Post balance sheet events

On 30 March 2006, the authorised share capital of the company was increased, by ordinary resolution of the company, by £2,000,000 by the creation of 2,000,000 ordinary shares of £1.00 each. On the same date, 2,000,000 ordinary shares of £1.00 each were issued and fully paid at a price per share of £1.00.

20. Ultimate parent company

The directors regard LVMH Moët Hennessy-Louis Vuitton SA, a company incorporated in France, as the ultimate parent undertaking.

BeneFit Cosmetics LLC, a company incorporated in USA is the parent of the smallest group of which the company is a member and for which group financial statements are prepared. Copies of these financial statements can be obtained from 685, Market Street, 7th Floor, San Francisco, CA 94105.

LVMH Moët Hennessy-Louis Vuitton SA is the parent undertaking of the largest group of which BeneFit Cosmetics Limited is a member and for which group financial statements are drawn up. Copies of these group financial statements are available from 22 Avenue Montaigne, 75008 Paris, France.