

Company Registration No. 03922046

Benefit Cosmetics Limited

Report and Financial Statements

For the year ended 31 December 2015

Benefit Cosmetics Limited

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Benefit Cosmetics Limited

Report and financial statements 2015

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Benefit Cosmetics Limited

Report and financial statements 2015

Officers and professional advisers

Directors

Hugues Dusseaux
Jean-Andre Rougeot
Andrea Lansbury
Sarah Harbon

Registered Office

Marconi Building
New Street
Chelmsford
Essex
CM1 1PH

Bankers

HSBC Bank PLC
8 Canada Square
London
E14 5HQ

National Westminster Bank PLC
City of London Office
1 Princess Street
London
EC2R 8PA

Solicitors

Birketts LLP
Brierly Place
New London Road
Chelmsford
Essex
CM2 0AP

Auditor

Deloitte LLP
Chartered Accountants and Registered Auditor
London

Benefit Cosmetics Limited

Strategic report

The Directors, in preparing this Strategic report, have complied with s414C of the Companies Act 2006.

Financial results and future prospects

The Company's results for the financial year are set out in the profit and loss account on page 7. The profit before taxation for the financial year was £10,888,226 (2014: £7,977,407).

As shown in the Company's profit and loss account on page 7, the Company's revenue has increased in the year by 12%, primarily due to the strong performance of new launches. Profit after tax increased by 46% due to a largely stable cost base and the increase in revenue.

The Company's balance sheet on page 8 of the financial statements shows the Company's net asset position at £37.7m at the end of the period.

Average staff numbers have increased from 447 in 2014 to 499 in 2015.

Key performance indicators

	2015 £'000	2014 £'000	Growth %
Turnover	78,942	70,445	12%
Operating profit	8,137	7,825	4%
Profit before tax	10,888	7,977	36%
Equity shareholders' funds	37,716	28,690	31%
Current assets as % of current liabilities	269%	234%	15%
Average number of employees	499	447	12%

Principal risks and uncertainties

The key commercial risks relate to the strength of other brands in the market place and the condition of the retail market, with interest rates and fiscal drivers influencing consumer spending.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

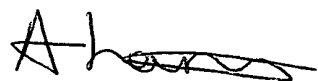
The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Future developments

The Company plans a major new launch of 48 product lines in 2016 and expand both its wholesale and retail operations in 2016. The Company will increase the number of counters in large department stores by extending its offering of brow bar services. The Company will also reinvigorate and focus on marketing and digital media strategies to increase brand awareness and market share.

Approval

This report was approved by the Board of Directors on 30 September 2016 and signed on its behalf by:



Andrea Lansbury

Director

Benefit Cosmetics Limited

Directors' report

The directors present their report and financial statements for the financial year ended 31 December 2015.

Future developments

Details of future developments can be found in the Strategic report on page 2 and form part of this report by cross reference.

Going concern

The Directors expect the Company to continue to generate positive cash flows on its own account. On the basis of assessment of the Company's forecasted financial position the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, thus continue to adopt the going concern basis of accounting in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policy note.

Principal risks and uncertainties

Details of principal risks and uncertainties can be found in the Strategic report on page 2 and form part of this report by cross reference.

Results and dividends

The profit for the financial year, after taxation, amounted to £9,026,212 (2014: profit £6,214,816). The Directors did not recommend an interim dividend (2014: £nil) nor a final ordinary dividend during the financial year (2014: £nil).

Principal activities and review of the business

The principal activity of the Company during the financial year was the wholesale and distribution of cosmetic, skincare and fragrance products in the United Kingdom.

Directors of the Company

The current Directors are shown on page 1.

Charitable donations

During the financial year the Company made charitable donations of £210,074 (2014: £1,700). £206,777 (2014: £891) of this was donated to the national charities Refuge and Look Good Feel Better as part of the Bold is Beautiful campaign in May 2015, the balance to local charities serving the communities in which the Company operates.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

Regular meetings are held between local management and employees to allow a free flow of information and ideas. These meetings also provide employees with an opportunity to give feedback or inquire about any topics of concern.

Benefit Cosmetics Limited

Directors' report (continued)

First time adoption of FRS 101

The Company has undergone transition from reporting under previous UK GAAP to FRS 101 'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101.

The company meets the definition of a qualifying entity, and therefore as permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. The ultimate parent subsidiary was notified of, and did not object to, disclosure exemptions.

The impact of the transition is discussed further in note 20.

Auditor


Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 30 September 2016 and signed on behalf of the Board by:



Andrea Lansbury
Director

Benefit Cosmetics Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". 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 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;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of these 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 auditor's report to the members of Benefit Cosmetics Limited

We have audited the financial statements of Benefit Cosmetics Limited for the year ended 31 December 2015 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

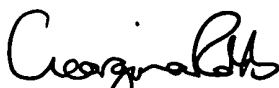
Opinion on matters prescribed by the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Georgina Robb FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

30 Sept 2016

Benefit Cosmetics Limited

Profit and loss account Year ended 31 December 2015

	Notes	2015 £	2014 £
Revenue	4	78,942,340	70,445,488
Cost of sales		(35,454,889)	(31,108,502)
Gross profit		<u>43,487,451</u>	<u>39,336,986</u>
Distribution costs		(2,138,447)	(1,852,908)
Administrative expenses		(33,211,339)	(29,658,507)
Operating profit		<u>8,137,665</u>	<u>7,825,571</u>
Dividends received		2,546,250	-
Interest receivable and similar income	5	208,309	152,095
Interest payable and similar charges	5	(3,998)	(259)
Profit before taxation		<u>10,888,226</u>	<u>7,977,407</u>
Taxation	10	(1,862,014)	(1,762,591)
Profit and total comprehensive income for the financial year attributable to owners of the company		<u><u>9,026,212</u></u>	<u><u>6,214,816</u></u>

The above profit is from continuing operations.

There are no recognised gains or losses other than as shown above. Accordingly no statement of comprehensive income is presented.

The notes on pages 10 to 24 form an integral part of these financial statements.

Benefit Cosmetics Limited

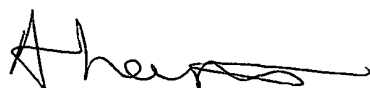
Balance Sheet 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	11	2,253,692	1,945,390
Investments	12	1	1
		<u>2,253,693</u>	<u>1,945,391</u>
Current assets			
Stocks	13	263,919	452,629
Debtors	14	56,138,332	46,131,714
Cash at bank		61,436	80,629
		<u>56,463,687</u>	<u>46,664,972</u>
Creditors: amounts falling due within one year	15	(21,001,370)	(19,920,565)
Net current assets		<u>35,462,317</u>	<u>26,744,407</u>
Total assets less current liabilities		<u>37,716,010</u>	<u>28,689,798</u>
Capital and reserves			
Called up share capital	16	2,000,100	2,000,100
Profit and loss account		35,715,910	26,689,698
Shareholders' funds		<u>37,716,010</u>	<u>28,689,798</u>

The financial statements of Benefit Cosmetics Limited, registered number 03922046 were approved by the Board of Directors on 30 September 2016.

The notes on pages 10 to 24 form an integral part of these financial statements.

Signed on behalf of the Board of Directors



Andrea Lansbury
Director

Benefit Cosmetics Limited

Statement of changes in equity 31 December 2015

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2014	2,000,100	20,474,882	22,474,982
Profit for the year	-	6,209,177	6,209,177
Effect of change in accounting framework (see note 20)		5,639	5,639
Balance at 31 December 2014	2,000,100	26,689,698	28,689,798
Profit for the year	-	9,026,212	9,026,212
Balance at 31 December 2015	2,000,100	35,715,910	37,716,010

The notes on pages 10 to 24 form an integral part of these financial statements.

Benefit Cosmetics Limited

Notes to the financial statements Year ended 31 December 2015

1. General Information

Basis of preparation

Benefit Cosmetics Limited (the company) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic and Directors' reports on pages 2 to 4. The company is a private company limited by shares and is registered in England and Wales.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016. The impact of the transition is disclosed in note 20.

2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 December 2015 the company has undergone transition from reporting under previous UK GAAP to FRS 101 'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Benefit Cosmetics Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

2. Significant accounting policies (continued)

Basis of accounting (continued)

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Benefit Cosmetics LLC. Details of the parent in whose consolidated financial statements the company is included are shown in note 19 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Benefit Cosmetics LLC. The group accounts of Benefit Cosmetics LLC are available to the public and can be obtained as set out in note 19. The principal accounting policies adopted are set out below.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The directors' report also describes the financial position of the company and the principal risks and uncertainties the company is exposed to.

The company is part of the LVMH Group which operates under an "Automatic Short-term Cash-pool system". The various companies of the LVMH Group pool their cash operations in order to rationalise the management of available funds and financial requirements existing within the Group. The effect of the Cash-pool system within the LVMH Group is that Benefit Cosmetics Ltd does not have an external third party cash balance.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Fixed Assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements – 5 years

Store fittings – 3 years

Office furniture and equipment – 3 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Benefit Cosmetics Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

2. Significant accounting policies (continued)

Fixed asset investments

Fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

Current tax, including UK corporation tax, is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.'

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Benefit Cosmetics Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

2. Significant accounting policies (continued)

Taxation (continued)

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Turnover from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The company may accept the return of unsold or outdated products from their customers. Where this practice is applied, revenue and the corresponding trade receivables are reduced by the amount of such returns. The estimated rate of returns is based on statistics of historical returns.

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the financial year. Differences between contributions payable in the financial year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Benefit Cosmetics Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

2. Significant accounting policies (continued)

Foreign currencies (continued)

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

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, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are spread on a straight-line basis over the lease term.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Provisions

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

2. Significant accounting policies (continued)

Operating profit

Operating profit is stated before finance costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Returns policy

The company may accept the return of unsold or outdated products from its customers. Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns. The estimated rate of returns is based on statistics of historical returns.

4. Turnover

An analysis of the company's turnover is as follows:

	Year ended 2015 £	Year ended 2014 £
Continuing operations		
Sales of goods	78,942,340	70,445,488

An analysis of the Company's turnover by class of business and geographical market is set out below.

	Third party 2015 £	2014 £	Total 2015 £	2014 £
United Kingdom	76,208,687	70,241,522	76,208,687	70,241,522
Rest of Europe	2,733,653	203,966	2,733,653	203,966
Rest of the World	-	-	-	-
	<u>78,942,340</u>	<u>70,445,488</u>	<u>78,942,340</u>	<u>70,445,488</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

5. Finance charges

	2015 £	2014 £
Interest payable and similar charges	(3,998)	(259)
Interest receivable and similar income	208,309	152,095
	<u>204,311</u>	<u>151,836</u>

Interest receivable and similar income

	2015 £	2014 £
Interest receivable:		
from bank deposits	10	-
from group undertakings	207,829	150,967
on overpayment of corporation tax	470	1,128
	<u>208,309</u>	<u>152,095</u>

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015 £	2014 £
Depreciation of owned fixed assets	1,176,964	2,005,764
Foreign exchange loss	54,966	46,708
Loss on disposal of fixed assets	12,951	26,530
Operating lease rentals	996,184	917,562
– land and buildings		
– plant and machinery	410,195	352,042
Staff costs (see note 8)	<u>12,269,074</u>	<u>10,795,292</u>

7. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £31,010 (2014: £29,000).

No other fees were payable to Deloitte LLP and their associates for non-audit services to the company.

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

8. Staff costs

The monthly average number of employees (including executive directors) during the financial year was:

	2015 £	2014 £
Administrative staff	80	68
Sales staff	419	379
	<u>499</u>	<u>447</u>

Their aggregate remuneration comprised;

	2015 £	2014 £
Wages and salaries	11,104,758	9,763,912
Social security costs	972,806	877,947
Staff pension contributions (note 18)	191,510	153,433
	<u>12,269,074</u>	<u>10,795,292</u>

9. Directors' remuneration and transactions

	2015 £	2014 £
Directors' remuneration		
Emoluments	306,865	275,610
company contributions to money purchase pension schemes	33,365	22,174
	<u>340,230</u>	<u>297,784</u>

	2015 Number	2014 Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>

	2015 £	2014 £
Remuneration of the highest paid director:		
Emoluments	172,444	147,311
company contributions to money purchase pension schemes	13,727	12,669
	<u>186,171</u>	<u>159,980</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

9. Directors' remuneration and transactions (continued)

The highest paid director is a member of the company's defined contribution retirement benefit scheme. As at 31 December 2015 employer contributions of £1,160 (2014: £1,096) due in respect of the individual in the current reporting period had not been paid over to the scheme and are included in 'Other creditors' (note 15).

There were no transactions with directors other than the receipt of emoluments which would need to be disclosed in these financial statements.

10. Tax charge on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge comprises:

	2015 £	2014 £
Current tax:		
UK corporation tax	1,826,681	2,066,572
Adjustments in respect of previous periods	1,119	8,982
Total current tax (note 10 (b))	1,827,800	2,075,554
Deferred tax:		
Origination and reversal of timing differences (note 10 (c))	(37,792)	(304,861)
Adjustment in respect of previous periods (note 10 (c))	72,006	(6,371)
Total deferred tax (note 10 (c))	34,214	(311,232)
Tax on profit on ordinary activities	1,862,014	1,762,591

(b) Factors affecting current tax charge

The differences are reconciled below:

	2015 £	2014 £
Profit on ordinary activities before taxation	10,888,226	7,977,407
Profit on ordinary activities for the financial year multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	2,204,413	1,715,142
Disallowed expenses and non-taxable income	(465,910)	25,539
Capital allowances in arrears of depreciation	82,049	325,983
Adjustments in respect of previous periods	1,119	7,251
Other timing differences	6,129	1,639
Total current tax (note 10 (a))	1,827,800	2,075,554

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

10. Tax charge on profit on ordinary activities (continued)

(c) Deferred tax

	2015 £	2014 £
Capital allowances in arrears of depreciation	672,568	710,894
Other timing differences	17,480	13,368
	<u>690,048</u>	<u>724,262</u>
Deferred tax asset		£
At 31 December 2014		724,262
Profit and loss account (note 10 (a))		37,792
Adjustments in respect of prior years (note 10 (a))		(72,006)
		<u>690,048</u>
At 31 December 2015		

Budget announcements

The standard rate of corporation tax reduced from 21% to 20% from 1 April 2015. The Finance Act 2015 confirmed further reductions in the standard rate of corporation tax to 19% from 1 April 2017 and to 18% effective from 1 April 2020.

The deferred tax asset reported at 31 December 2015 has been calculated based on the 18% tax rate, as this was the rate that was substantively enacted at the balance sheet date.

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

11. Tangible fixed assets

	Leasehold improvements	Store fittings	Office furniture and equipment	Motor Vehicles	Assets under construction	Total
	£	£	£	£	£	£
Cost						
At 1 January 2014	793,828	6,154,547	464,466	-	12,994	7,425,835
Additions	-	960,466	-	-	25,954	986,420
Disposals	(258,081)	(224,848)	(172,397)	-	(8,663)	(663,989)
Transfers	-	2,166	-	-	(2,166)	-
At 31 December 2014	535,747	6,892,331	292,069	-	28,119	7,748,266
Additions	630,801	740,260	118,397	8,400	-	1,497,858
Disposals	(14,998)	(646,278)	-	-	-	(661,276)
Transfers	-	19,246	-	-	(19,246)	-
At 31 December 2015	1,151,550	7,005,559	410,466	8,400	8,873	8,584,848
Depreciation						
At 1 January 2014	337,627	3,748,659	336,613	-	-	4,422,899
Provided during the year	199,186	1,729,888	76,690	-	-	2,005,764
Disposals	(251,971)	(203,068)	(170,748)	-	-	(625,787)
At 31 December 2014	284,842	5,275,479	242,555	-	-	5,802,876
Provided during the year	148,686	982,495	43,946	1,837	-	1,176,964
Disposals	(14,998)	(633,686)	-	-	-	(648,684)
At 31 December 2015	418,530	5,624,288	286,501	1,837	-	6,331,156
Net book value						
At 31 December 2015	733,020	1,381,271	123,965	6,563	8,873	2,253,692
At 31 December 2014	250,905	1,616,852	49,514	-	28,119	1,945,390

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

12. Fixed asset investments

	£
At 31 December 2014 and 31 December 2015	1

The above investment represents 100% of the issued ordinary share capital of Benefit Cosmetics Ireland Limited, a company registered in Ireland. Benefit Cosmetics Ireland's principal activity is the wholesale of cosmetics and skincare products within Ireland.

13. Stocks

	2015 £	2014 £
Finished goods	263,919	452,629

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

14. Debtors

	2015 £	2014 £
Trade debtors	17,590,299	15,101,965
Amounts owed by group undertakings	36,376,668	29,588,335
Other taxes	31,072	-
Other debtors	1,450,245	717,152
Deferred tax asset (note 10 (c))	690,048	724,262
	<u>56,138,332</u>	<u>46,131,714</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

15. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	1,330,863	1,232,033
Amounts owed to group undertakings	10,289,806	9,215,950
Corporation tax	811,194	1,366,500
Other taxation and social security	3,095,093	2,652,327
Other creditors	3,323,920	3,355,864
Accruals and deferred income	2,150,494	2,097,891
	<u>21,001,370</u>	<u>19,920,565</u>

16. Issued share capital

	2015 £	2014 £
Allotted, called up and fully paid		
2,000,100 ordinary shares of £1 each	<u>2,000,100</u>	<u>2,000,100</u>

17. Commitments under operating leases

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015		2014	
	Land and buildings £	Plant and machinery (other) £	Land and buildings £	Plant and machinery (other) £
Within one year	1,167,517	227,552	864,613	245,002
In two to five years	2,109,818	174,039	1,510,243	130,039
In over five years	-	-	548	-
	<u>3,277,335</u>	<u>401,591</u>	<u>2,375,404</u>	<u>375,041</u>

18. Retirement benefit schemes

The company operates a defined contribution retirement benefit 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 total cost charged to administrative expenses of £191,510 (2014: £153,433) represents contributions payable to those schemes by the company. As at 31 December 2015 contributions of £18,979 (2014: £16,507) due in respect of the current reporting period had not been paid over to the schemes and are included in 'Other creditors' (note 15).

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2015

19. Ultimate parent undertaking and controlling party

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

Benefit Cosmetics LLC, a company incorporated in the 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 225 Bush Street, 20th Floor, San Francisco, CA 94104.

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.

20. Explanation of transition to FRS 101

This is the first year that the company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the financial year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

Reconciliation of equity

Note	At 1 January 2014 £	At 31 December 2014 £
Equity reported under UK GAAP	22,474,984	28,684,159
Adjustments to equity on transition to FRS 101		
1 Deferred rent	-	5,639
Equity reported under FRS 101	<u>22,474,984</u>	<u>28,689,798</u>

Notes to the reconciliation of equity at 1 January 2014

The adjustment to equity reflects the adjustment made to the deferred rent balance at 31 December 2014 as calculated under FRS 101.

Reconciliation of total comprehensive income for the year ended 31 December 2014

Note	£
Total comprehensive income for the financial year ended 31 December 2014	6,209,176
1 Deferred rent	5,639
Total comprehensive income for the financial year under FRS 101	<u>6,214,816</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) **Year ended 31 December 2015**

20. Explanation of transition to FRS 101 (continued)

Notes to the reconciliation of profit or loss for 2014

The adjustment to total comprehensive income reflects the increased rent cost which should have been released to operating expenses as a result of the adjustment made to the deferred rent balance at 31 December 2014 as calculated under FRS 101.

Comparatives

Comparative information has been reclassified where necessary to conform to current year presentation.