

**Company Registration No. 03922046**

**Benefit Cosmetics Limited**

**Report and Financial Statements**

**For the year ended 31 December 2016**



# **Benefit Cosmetics Limited**

## **Report and financial statements 2016**

<b>Contents</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>3</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

# **Benefit Cosmetics Limited**

## **Report and financial statements 2016**

### **Officers and professional advisers**

#### **Directors**

Hugues Dusseaux  
Jean-Andre Rougeot  
Andrea Lansbury  
Sarah Harbon

#### **Registered Office**

Marconi Building  
New Street  
Chelmsford  
Essex  
United Kingdom  
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  
Statutory Auditor  
London  
United Kingdom

# 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 8. The profit before taxation for the financial year was £6,621,979 (2015: £10,888,226).

As shown in the Company's profit and loss account on page 8, the Company's revenue has increased in the year by 6%, primarily due to new launches. Profit after tax decreased by 41% due to the receipt of a dividend in the prior period.

The Company's balance sheet on page 9 of the financial statements shows the Company's net asset position at £43.1m at the end of the period.

Average staff numbers have increased from 499 in 2015 to 553 in 2016.

### Key performance indicators

	2016 £'000	2015 £'000	Growth %
Turnover	83,505	78,942	6%
Operating profit	6,369	8,138	(22%)
Profit before tax	6,622	10,888	(39%)
Profit after tax	5,361	9,026	(41%)
Equity shareholders' funds	43,077	37,716	14%
Current assets as % of current liabilities	305%	269%	14%
Average number of employees	553	499	11%

### 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.

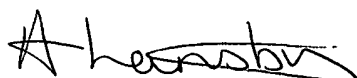
The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

### Future developments

The Company 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 21 September 2017 and signed on its behalf by:



Andrea Lansbury

Director

# **Benefit Cosmetics Limited**

## **Directors' report**

The directors present their report on the affairs of the company together with financial statements and the auditors report for the financial year ended 31 December 2016.

### **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, being at least 12 months from the date of approval of these financial statements, 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 policies 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 £5,360,648 (2015: £9,026,212). The Directors did not recommend an interim dividend (2015: £nil) nor a final ordinary dividend during the financial year (2015: £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 primarily 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 £299,046 (2015: £210,074). £298,746 (2015: £206,777) of this was donated to the national charities Refuge and Look Good Feel Better as part of the Bold is Beautiful campaign in September 2016, 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.

### **Important events since the financial year end**

There have been no significant events affecting the company since the financial year end.

## **Benefit Cosmetics Limited**

### **Directors' report (continued)**

#### **Auditor**

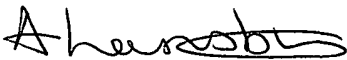
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 21 September 2017 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; 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 2016 which comprise the Profit and loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes set 1 to 19. 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 Financial Reporting Standard 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 the 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 the 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 2016 and of its profit for the period 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 other matter 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report and the Directors' Report.

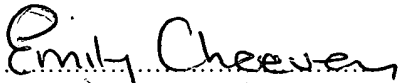


## Independent auditor's report to the members of Benefit Cosmetics Limited

### 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.



Emily Cheevers FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

21 September 2017

## Benefit Cosmetics Limited

### Profit and loss account Year ended 31 December 2016

	Notes	2016 £	2015 £
<b>Turnover</b>	4	83,505,064	78,942,340
Cost of sales		(39,564,450)	(35,454,889)
<b>Gross profit</b>		43,940,614	43,487,451
Distribution costs		(2,525,523)	(2,138,447)
Administrative expenses		(35,045,831)	(33,211,339)
<b>Operating profit</b>		6,369,260	8,137,665
Dividends received		-	2,546,250
Interest receivable and similar income	5	252,719	208,309
Interest payable and similar charges	5	-	(3,998)
<b>Profit on ordinary activities before taxation</b>	6	6,621,979	10,888,226
Taxation	10	(1,261,331)	(1,862,014)
<b>Profit and total comprehensive income for the financial year attributable to owners of the company</b>		5,360,648	9,026,212

The above profit is from continuing operations.

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

The notes on pages 11 to 25 form an integral part of these financial statements.

# Benefit Cosmetics Limited

## Balance sheet

As at 31 December 2016

	Notes	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	11	2,581,050	2,253,692
Investments	12	1	1
		<u>2,581,051</u>	<u>2,253,693</u>
<b>Current assets</b>			
Stocks	13	360,483	263,919
Debtors	14	59,721,891	56,138,332
Cash at bank and in hand		121,010	61,436
		<u>60,203,384</u>	<u>56,463,687</u>
<b>Creditors: amounts falling due within one year</b>	15	(19,707,777)	(21,001,370)
<b>Net current assets</b>		<u>40,495,607</u>	<u>35,462,317</u>
<b>Total assets less current liabilities and net assets</b>		<u>43,076,658</u>	<u>37,716,010</u>
<b>Capital and reserves</b>			
Called up share capital	16	2,000,100	2,000,100
Profit and loss account		41,076,558	35,715,910
<b>Shareholders' funds</b>		<u>43,076,658</u>	<u>37,716,010</u>

The financial statements of Benefit Cosmetics Limited, registered number 03922046 were approved by the Board of Directors on 21 September 2017.

The notes on pages 11 to 25 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 For the year ended 31 December 2016**

	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance at 1 January 2015</b>	2,000,100	26,689,698	28,689,798
Profit for the year	-	9,026,212	9,026,212
<b>Balance at 31 December 2015</b>	2,000,100	35,715,910	37,716,010
Profit for the year	-	5,360,648	5,360,648
<b>Balance at 31 December 2016</b>	<u>2,000,100</u>	<u>41,076,558</u>	<u>43,076,658</u>

The notes on pages 11 to 25 form an integral part of these financial statements.

# **Benefit Cosmetics Limited**

## **Notes to the financial statements** **Year ended 31 December 2016**

### **1. General information**

Benefit Cosmetics Limited (the company) is a company incorporated in the United Kingdom under the Companies Act. 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.

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

These are:

- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012-2014 Cycle

### **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 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

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**

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 2016**

### **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 LVMH Moët Hennessy-Louis Vuitton SE. The group accounts of LVMH Moët Hennessy-Louis Vuitton SE 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 for the foreseeable future, being at least 12 months from the date of approval of these financial statements.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence and generate positive cashflows indefinitely. 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 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

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 of scrappage 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 2016**

### **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 2016**

### **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 2016**

### **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 2016

### 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 delivery 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.

#### Key sources of estimation uncertainty

The Directors do not consider there to be any key assumptions concerning the future, and other key sources of estimation uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 4. Turnover and revenue

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

	2016 £	2015 £
Turnover	83,505,064	78,942,340
Interest receivable and similar income	252,719	208,309
Dividends received	-	2,546,250
Total turnover and revenue	<u>83,757,783</u>	<u>81,696,899</u>
	2016 £	2015 £
Continuing operations		
Sales of goods	<u>83,505,064</u>	<u>78,942,340</u>

# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 4. Turnover and revenue (continued)

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

	2016 £	2015 £
United Kingdom	80,213,943	76,208,687
Rest of Europe	3,291,121	2,733,653
	<u>83,505,064</u>	<u>78,942,340</u>

### 5. Finance charges

	2016 £	2015 £
Interest receivable and similar income	<u>252,719</u>	<u>208,309</u>
	<u>252,719</u>	<u>208,309</u>
<b>Interest receivable and similar income</b>		
	2016 £	2015 £
Interest receivable:		
from bank deposits	-	10
from group undertakings	252,719	207,829
on overpayment of corporation tax	-	470
	<u>252,719</u>	<u>208,309</u>
Interest payable and similar charges	<u>-</u>	<u>3,998</u>
	<u>-</u>	<u>3,998</u>

# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	2016 £	2015 £
Depreciation of owned fixed assets	1,301,688	1,176,964
Foreign exchange (gain)/ loss	(74,929)	54,966
Loss on disposal of fixed assets	-	12,951
Operating lease rentals	1,049,069	996,184
— land and buildings	493,122	410,195
— plant and machinery	13,717,022	12,269,074
Staff costs (see note 8)	36,343,381	32,849,107
Cost of stock recognised as an expense	42,776	9,557
Write off of stock recognised as an expense	-	(175,463)
Reversal of write off of stock	-	-

### 7. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £23,610 (2015: £31,010).

No other fees were payable to Deloitte LLP and their associates for non-audit services to the company (2015: £nil).

### 8. Staff costs

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

	2016 £	2015 £
Administrative staff	86	80
Sales staff	467	419
	553	499

Their aggregate remuneration comprised;

	2016 £	2015 £
Wages and salaries	12,369,463	11,104,758
Social security costs	1,057,101	972,806
Staff pension contributions (note 18)	290,458	191,510
	13,717,022	12,269,074

# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 9. Directors' remuneration and transactions

	2016 £	2015 £
<b>Directors' remuneration</b>		
Emoluments	364,532	306,865
company contributions to money purchase pension schemes	77,511	33,365
	<u>442,043</u>	<u>340,230</u>

	2016 Number	2015 Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>

	2016 £	2015 £
<b>Remuneration of the highest paid director:</b>		
Emoluments	210,734	172,444
company contributions to money purchase pension schemes	28,060	13,727
	<u>238,794</u>	<u>186,171</u>

The highest paid director is a member of the company's defined contribution retirement benefit scheme. As at 31 December 2016 employer contributions of £1,404 (2015: £1,160) 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.

# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 10. Tax charge on profit on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge comprises:

	2016 £	2015 £
Current tax:		
UK corporation tax	1,369,698	1,826,681
Adjustments in respect of previous periods	(126,367)	1,119
Total current tax	1,243,331	1,827,800
Deferred tax:		
Origination and reversal of timing differences (note 10 (c))	(6,416)	(37,792)
Adjustment in respect of previous periods (note 10 (c))	24,416	72,006
Total deferred tax (note 10 (c))	18,000	34,214
Tax on profit on ordinary activities (note 10 (b))	1,261,331	1,862,014

#### (b) Factors affecting current tax charge

The differences are reconciled below:

	2016 £	2015 £
Profit on ordinary activities before taxation	6,621,979	10,888,226
Profit on ordinary activities for the financial year multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	1,324,396	2,204,413
Expenses not deductible for tax purposes	37,754	98,423
Non-taxable income	-	(518,664)
Rate differences on deferred tax	1,131	4,717
Adjustments to tax charge in respect of previous periods	(101,950)	73,125
Total tax (note 10 (a))	1,261,331	1,862,014

# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

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

#### (c) Deferred tax

	2016 £	2015 £
Capital allowances in arrears of depreciation	655,306	672,568
Other timing differences	16,742	17,480
	<hr/>	<hr/>
Deferred tax asset	672,048	690,048
	<hr/>	<hr/>
		£
At 31 December 2015		690,048
Profit and loss account (note 10 (a))		6,416
Adjustments in respect of prior years (note 10 (a))		(24,416)
		<hr/>
At 31 December 2016		672,048
		<hr/>

#### Budget announcements

The Finance (No. 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provides for a further reduction in the main rate of corporation tax to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The deferred tax asset reported at 31 December 2016 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 2016

### 11. Tangible assets

	Leasehold improvements £	Store fittings £	Office furniture and equipment £	Motor Vehicles £	Assets under construc- tion £	Total £
<b>Cost</b>						
At 1 January 2016	1,151,550	7,005,559	410,466	8,400	8,873	8,584,848
Additions	287,384	1,319,464	22,198	-	-	1,629,046
Disposals	-	(45,214)	(92,689)	-	-	(137,903)
At 31 December 2016	<u>1,438,934</u>	<u>8,279,809</u>	<u>339,975</u>	<u>8,400</u>	<u>8,873</u>	<u>10,075,991</u>
<b>Depreciation</b>						
At 1 January 2016	418,530	5,624,288	286,501	1,837	-	6,331,156
Provided during the year	243,442	988,583	66,862	2,801	-	1,301,688
Disposals	-	(45,214)	(92,689)	-	-	(137,903)
At 31 December 2016	<u>661,972</u>	<u>6,567,657</u>	<u>260,674</u>	<u>4,638</u>	<u>-</u>	<u>7,494,941</u>
<b>Net book value</b>						
At 31 December 2016	<u>776,962</u>	<u>1,712,152</u>	<u>79,301</u>	<u>3,762</u>	<u>8,873</u>	<u>2,581,050</u>
At 31 December 2015	<u>733,020</u>	<u>1,381,271</u>	<u>123,965</u>	<u>6,563</u>	<u>8,873</u>	<u>2,253,692</u>



# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 12. Investments

	£
At 31 December 2016 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. Consolidated financial statements have not been prepared as per note 2.

### 13. Stocks

	2016 £	2015 £
Finished goods	360,483	263,919

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

### 14. Debtors: Amounts falling due within one year

	2016 £	2015 £
Trade debtors	16,790,897	17,590,299
Amounts owed by group undertakings	41,188,613	36,376,668
Other taxes	35,934	31,072
Other debtors	1,034,399	1,450,245
Deferred tax asset (note 10 (c))	672,048	690,048
	59,721,891	56,138,332

# Benefit Cosmetics Limited

## Notes to the financial statements (continued) Year ended 31 December 2016

### 15. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	704,098	1,330,863
Amounts owed to group undertakings	10,346,343	10,289,806
Corporation tax	574,103	811,194
Other taxation and social security	3,147,481	3,095,093
Other creditors	3,050,176	3,323,920
Accruals and deferred income	1,885,576	2,150,494
	<u>19,707,777</u>	<u>21,001,370</u>

### 16. Called up share capital

	2016 £	2015 £
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:

	2016		2015	
	Land and buildings £	Plant and machinery (other) £	Land and buildings £	Plant and machinery (other) £
Within one year	1,026,881	416,098	1,167,517	227,552
In two to five years	1,410,173	318,547	2,109,818	174,039
In over five years	316,600	-	-	-
	<u>2,753,654</u>	<u>734,645</u>	<u>3,277,335</u>	<u>401,591</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 £290,458 (2015: £191,510) represents contributions payable to those schemes by the company. As at 31 December 2016 contributions of £20,005 (2015: £18,979) 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 2016**

#### **19. Ultimate parent undertaking and controlling party**

The directors regard LVMH Moët Hennessy-Louis Vuitton SE, 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 their registered address 225 Bush Street, 20th Floor, San Francisco, CA 94104.

LVMH Moët Hennessy-Louis Vuitton SE 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 their registered address 22 Avenue Montaigne, 75008 Paris, France.