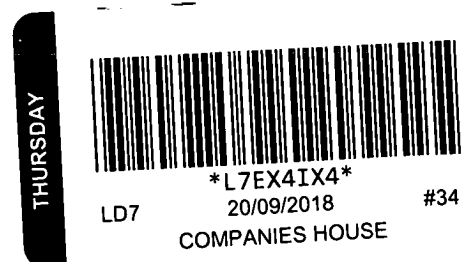


Company Registration No. 03922046

Benefit Cosmetics Limited

Annual Report and Financial Statements

For the year ended 31 December 2017



Benefit Cosmetics Limited

Report and financial statements 2017

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Benefit Cosmetics Limited

Report and financial statements 2017

Officers and professional advisers

Directors

Hugues Dusseaux
Jean-Andre Rougeot
Andrea Lansbury
Sarah Harbon

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Essex
United Kingdom
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Bankers

HSBC Bank PLC
8 Canada Square
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E14 5HQ

National Westminster Bank PLC
City of London Office
1 Princess Street
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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 9. The profit before taxation for the financial year was £8,769,408 (2016: £6,621,979).

As shown in the Company's profit and loss account on page 9, the Company's revenue has decreased in the year by 1%, primarily due to the loss of sales due to a voluntary product recall. Profit after tax increased by 33%.

The Company's balance sheet on page 10 of the financial statements shows the Company's net asset position at £50.2m at the end of the period.

Average staff numbers have decreased from 553 in 2016 to 523 in 2017.

Key performance indicators

	2017 £'000	2016 £'000	Growth %
Turnover	82,258	83,505	(1)
Operating profit	8,571	6,369	35
Profit before tax	8,769	6,622	32
Profit after tax	7,150	5,361	33
Equity shareholders' funds	50,224	43,077	17
Current assets as % of current liabilities	307%	305%	
Average number of employees	523	553	

Principal risks and uncertainties

The key commercial risks relate to the strength of other brands in the marketplace 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.

The Company and parent group continue to monitor the potential impact of Brexit on the operating model of the business. Once further clarity on the changes required are known the business will implement appropriate processes and procedures to mitigate any risks that may be identified.

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 19 September 2018 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 auditor's report for the financial year ended 31 December 2017.

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, they 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 £7,150,154 (2016: £5,360,648). The Directors did not recommend an interim dividend (2016: £nil) nor a final ordinary dividend during the financial year (2016: £nil).

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.

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 £204,143 (2016: £208,940). This donation was split equally between the national charities Refuge and Look Good Feel Better as part of the Bold is Beautiful campaign in September 2017.

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

On Friday 10th August 2018 one of the customers of the Company House of Fraser announced it was entering into administration, and the business and its assets would be sold to Sports Direct PLC. Management believe that whilst there might be some financial impact to the Company, its view is that it is not material. Management understand that House of Fraser will want to continue to trade albeit in a more streamlined business model.

Benefit Cosmetics Limited

Directors' report (continued)

Auditor

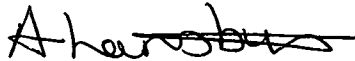
Each of the persons who is a Director at the date of approval of this report confirms that:

- 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 19 September 2018 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.

Benefit Cosmetics Limited

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Benefit Cosmetics Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Benefit Cosmetics Limited

Independent auditor's report to the members of Benefit Cosmetics Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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 or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Benefit Cosmetics Limited

Independent auditor's report to the members of Benefit Cosmetics Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Chris Donovan (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 September 2018

Benefit Cosmetics Limited

Profit and loss account Year ended 31 December 2017

	Notes	2017 £	2016 £
Revenue	4	82,257,653	83,505,064
Cost of sales		(38,212,254)	(39,564,450)
Gross profit		<u>44,045,399</u>	<u>43,940,614</u>
Distribution costs		(2,897,738)	(2,525,523)
Administrative expenses		(32,576,347)	(35,045,831)
Operating profit		<u>8,571,314</u>	<u>6,369,260</u>
Finance income	5	200,581	252,719
Finance costs	5	(2,487)	-
Profit before taxation	6	<u>8,769,408</u>	<u>6,621,979</u>
Taxation	10	(1,619,254)	(1,261,331)
Profit for the year		<u><u>7,150,154</u></u>	<u><u>5,360,648</u></u>

The above profit is from continuing operations.

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

The notes on pages 12 to 26 form an integral part of these financial statements.

Benefit Cosmetics Limited

Balance sheet As at 31 December 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	11	2,093,203	2,581,050
Investment in subsidiary	12	1	1
		<u>2,093,204</u>	<u>2,581,051</u>
Current assets			
Inventories	13	789,444	360,483
Trade and other receivables	14	70,478,447	59,721,891
Cash and cash equivalents		58,263	121,010
		<u>71,326,154</u>	<u>60,203,384</u>
Liabilities: amounts falling due within one year	15	(23,192,546)	(19,707,777)
Net current assets		<u>48,133,608</u>	<u>40,495,607</u>
Total assets less current liabilities		<u>50,226,812</u>	<u>43,076,658</u>
Equity			
Share capital	16	2,000,100	2,000,100
Retained Earnings		48,226,712	41,076,558
Equity attributable to owners of the company		<u>50,226,812</u>	<u>43,076,658</u>

The financial statements of Benefit Cosmetics Limited, registered number 03922046 were approved by the Board of Directors on 19 September 2018

The notes on pages 12 to 26 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 2017

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2016	2,000,100	35,715,910	37,716,010
Total comprehensive income	-	5,360,648	5,360,648
Balance at 31 December 2016	2,000,100	41,076,558	43,076,658
Total comprehensive income	-	7,150,154	7,147,674
Balance at 31 December 2017	2,000,100	48,226,712	50,224,332

The notes on pages 12 to 26 form an integral part of these financial statements.

Benefit Cosmetics Limited

Notes to the financial statements **Year ended 31 December 2017**

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.

Adoption of new and revised Standards

In the current financial year, the Company has not adopted any new or revised standards.

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.

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.

Benefit Cosmetics Limited

Notes to the financial statements (continued) **Year ended 31 December 2017**

2. Significant accounting policies (continued)

Basis of accounting (continued)

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 cash flows 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 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 2017**

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, directs 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.

Provisions are made for obsolete and discontinued items.

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 2017

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 2017**

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 2017

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.

Critical accounting judgements

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

Product Recall Policy

In the event of a product recall, the expected returns are included as a reduction to revenue, and the trade receivables are reduced by the estimated amount of such returns. Estimated returns are based on stock level information provided by retailers. Recalled goods are included within inventory at their net realisable value.

4. Revenue

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

	2017 £	2016 £
Revenue	82,257,653	83,505,064
	<u>82,257,653</u>	<u>83,505,064</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2017

4. Revenue (continued)

	2017 £	2016 £
Continuing operations		
Sales of goods	82,257,653	83,505,064

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

	2017 £	2016 £
United Kingdom	81,576,450	80,213,943
Rest of Europe	681,203	3,291,121
	<u>82,257,653</u>	<u>83,505,064</u>

Sales in the rest of Europe declined due to changes in the supply chain of a customer.

5. Finance charges

	2017 £	2016 £
Interest receivable and similar income	200,581	252,719
	<u>200,581</u>	<u>252,719</u>
Interest receivable and similar income		
	2017 £	2016 £
Interest receivable:		
from group undertakings	200,581	252,719
	<u>200,581</u>	<u>252,719</u>
Interest payable and similar charges	(2,487)	-
	<u>(2,487)</u>	<u>-</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2017

6. Profit before taxation

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

	2017 £	2016 £
Depreciation of owned fixed assets	1,304,181	1,301,688
Foreign exchange gain	(13,537)	(74,929)
Operating lease rentals	1,043,885	1,049,069
– land and buildings		
– plant and machinery	461,311	493,122
Staff costs (see note 8)	13,862,241	13,717,022
Cost of stock recognised as an expense	37,002,559	36,343,381
Write off of stock recognised as an expense	12,568	42,776
	<u>13,862,241</u>	<u>13,717,022</u>

7. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £23,610 (2016: £23,610).

No other fees were payable to Deloitte LLP and their associates for non-audit services to the company (2016: £nil).

8. Staff costs

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

	2017 £	2016 £
Administrative staff	89	86
Sales staff	434	467
	<u>523</u>	<u>553</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	12,621,510	12,369,463
Social security costs	958,403	1,057,101
Staff pension contributions (note 18)	282,328	290,458
	<u>13,862,241</u>	<u>13,717,022</u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2017

9. Directors' remuneration and transactions

	2017 £	2016 £
Directors' remuneration		
Emoluments	339,018	364,532
company contributions to money purchase pension schemes	34,466	77,511
	<u>373,484</u>	<u>442,043</u>

	2017 Number	2016 Number
The number of directors who:		
Are members of a money purchase pension scheme	<u>2</u>	<u>2</u>

	2017 £	2016 £
Remuneration of the highest paid director:		
Emoluments	207,680	210,734
company contributions to money purchase pension schemes	18,663	28,060
	<u>226,343</u>	<u>238,794</u>

The highest paid director is a member of the Company's defined contribution retirement benefit scheme. As at 31 December 2017 employer contributions of £1,707 (2016: £1,404) 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 2017

10. Tax charge on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge comprises:

	2017 £	2016 £
Current tax:		
UK corporation tax	1,695,968	1,369,698
Adjustments in respect of previous periods	(93,078)	(126,367)
Total current tax	<u>1,602,890</u>	<u>1,243,331</u>
Deferred tax:		
Origination and reversal of timing differences (note 10 (c))	9,687	(6,416)
Adjustment in respect of previous periods (note 10 (c))	6,677	24,416
Total deferred tax (note 10 (c))	<u>16,364</u>	<u>18,000</u>
Tax on profit on ordinary activities (note 10 (b))	<u><u>1,619,254</u></u>	<u><u>1,261,331</u></u>

(b) Factors affecting current tax charge

The differences are reconciled below:

	2017 £	2016 £
Profit on ordinary activities before taxation	<u>8,769,408</u>	<u>6,621,979</u>
Profit on ordinary activities for the financial year multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	1,687,811	1,324,396
Expenses not deductible for tax purposes	19,124	37,754
Rate differences on deferred tax	(1,280)	1,131
Adjustments to tax charge in respect of previous periods	(86,401)	(101,950)
Total tax (note 10 (a))	<u><u>1,619,254</u></u>	<u><u>1,261,331</u></u>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2017

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

(c) Deferred tax

	2017 £	2016 £
Capital allowances in arrears of depreciation	672,048	655,306
Other timing differences	(16,364)	16,742
Deferred tax asset	<u>655,684</u>	<u>672,048</u>
		£
At 31 December 2016		672,048
Profit and loss account (note 10 (a))		(9,687)
Adjustments in respect of prior years (note 10 (a))		<u>(6,677)</u>
At 31 December 2017		<u>655,684</u>

A deferred tax asset has been recognised as it is considered probable that there will be future taxable profits available.

Budget announcements

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 19% 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.

Therefore, the deferred tax asset reported at 31 December 2017 has been calculated based on the 17% 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 2017

11. Property, plant and equipment

	Leasehold improvements £	Store fittings £	Office furniture and equipment £	Motor Vehicles £	Assets under construc- tion £	Total £
Cost						
At 1 January 2017	1,438,934	8,279,809	339,975	8,400	8,873	10,075,991
Additions	-	713,884	39,200	-	62,833	815,917
At 31 December 2017	<u>1,438,934</u>	<u>8,993,693</u>	<u>379,175</u>	<u>8,400</u>	<u>71,706</u>	<u>10,891,908</u>
Depreciation						
At 1 January 2017	661,972	6,567,657	260,674	4,638	-	7,494,941
Charge for the year	253,354	991,489	56,103	2,818	-	1,303,764
At 31 December 2017	<u>915,326</u>	<u>7,559,146</u>	<u>316,777</u>	<u>7,456</u>	<u>-</u>	<u>8,798,705</u>
Net book value						
At 31 December 2017	<u>523,608</u>	<u>1,434,547</u>	<u>62,398</u>	<u>944</u>	<u>71,706</u>	<u>2,093,203</u>
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>

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2017

12. Investment in subsidiary

	£
At 31 December 2017 and 31 December 2016	<u>1</u>

The above investment represents 100% of the issued ordinary share capital of Benefit Cosmetics Ireland Limited, a private company limited by shares and registered in Ireland. The Registered office for Benefit Cosmetics Ireland is 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, D02 DH60. 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.

	2017	Profit for the year	2016	Profit for the year
	Aggregate amount of capital and reserves £	£	Aggregate amount of capital and reserves £	£
Benefit Cosmetics Ireland Limited	<u>2,776,716</u>	<u>570,788</u>	<u>2,205,928</u>	<u>332,309</u>

13. Inventories

	2017 £	2016 £
Finished goods	<u>789,444</u>	<u>360,483</u>

Included within finished goods is a provision of £809,283 (2016: £61,512). The provision has increased due returned stock recognised in inventory in 2017 with a corresponding full provision; in 2016, the returned stock was recognised at a nil value.

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

14. Trade and other receivables: Amounts falling due within one year

	2017 £	2016 £
Trade debtors	30,316,348	16,790,897
Amounts owed by group undertakings	36,437,901	41,188,613
Other taxes	-	35,934
Other receivables	3,068,514	1,034,399
Deferred tax asset (note 10 (c))	655,684	672,048
	<u>70,478,447</u>	<u>59,721,891</u>

Amounts receivable by parent undertakings carry interest at nil per cent, are unsecured and are payable on demand.

Included within other receivables is £1,239,431 (2016: nil) of recalled products that were receivable from retailers.

Benefit Cosmetics Limited

Notes to the financial statements (continued) Year ended 31 December 2017

15. Liabilities: amounts falling due within one year

	2017 £	2016 £
Trade creditors	152,603	704,098
Amounts owed to group undertakings	9,204,049	10,346,343
Corporation tax	604,466	574,103
Other taxation and social security	3,747,222	3,147,481
Other creditors	6,693,731	3,050,176
Accruals and deferred income	2,790,475	1,885,576
	<u>23,192,546</u>	<u>19,707,777</u>

Other creditors have increased due to increases in various year-end accruals.

Amounts repayable to parent undertakings carry interest at nil per cent, are unsecured and are repayable on demand.

16. Share capital

	2017 £	2016 £
Authorised, 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:

	2017 Land and buildings £	2017 Plant and machinery (other) £	2016 Land and buildings £	2016 Plant and machinery (other) £
Within one year	1,094,505	315,095	1,026,881	416,098
In two to five years	2,879,623	129,312	1,410,173	318,547
In over five years	1,919,471	-	316,600	-
	<u>5,893,599</u>	<u>444,407</u>	<u>2,753,654</u>	<u>734,645</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 £282,328 (2016: £290,458) represents contributions payable to those schemes by the company. As at 31 December 2017 contributions of £46,645 (2016: £20,005) 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 2017**

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.