

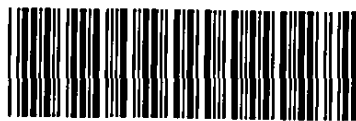
Company Registration No 4647334 (England and Wales)

FRESH COSMETICS LIMITED

DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

SATURDAY



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**FRESH COSMETICS LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	N M J G Cordier      (Resigned 18 September 2007) L O Glazman A Roytberg
<b>Secretary</b>	St James Secretariat Limited
<b>Company number</b>	4647334
<b>Registered office</b>	30 St James's Street London SW1A 1HB
<b>Auditors</b>	Green & Peter Chartered Accountants and Registered Auditors The Limes 1339 High Road Whetstone N20 9HR
<b>Business address</b>	92 Marylebone High Street London W1U 4RD
<b>Bankers</b>	The Royal Bank of Scotland Plc Chelmsford Branch 26 High Street Chelmsford CM1 1YJ

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**FRESH COSMETICS LIMITED**

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## **FRESH COSMETICS LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2006**

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The directors present their report and financial statements for the year ended 31 December 2006

#### **Principal activities**

The principal activity of the company continued to be that of sale of skincare and beauty products

In March 2006, the group reorganisation resulted in a rationalisation of the UK company's outlets

#### **Directors**

The following directors have held office since 1 January 2006

N M J G Cordier	(Resigned 18 September 2007)
L O Glazman	
A Roytberg	
L A Gordon	(Resigned 31 December 2006)
H Dusseaux	(Resigned 31 December 2006)

#### **Directors' interests**

The directors' interests in the shares of the company were as stated below

	Ordinary shares of £1 each	
	31 December 2006	1 January 2006
N M J G Cordier	-	-
A Roytberg	-	-
L O Glazman	-	-
L A Gordon	-	-
H Dusseaux	-	-

#### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Green & Peter be reappointed as auditors of the company will be put to the Annual General Meeting

**FRESH COSMETICS LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

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**Directors' responsibilities**

The directors are responsible for preparing 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Statement of disclosure to auditor**

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

L O Glazman  
Director



26 November 2007

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**FRESH COSMETICS LIMITED**

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF FRESH COSMETICS LIMITED**

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We have audited the financial statements of Fresh Cosmetics Limited for the year ended 31 December 2006 set out on pages 5 to 11. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

**Basis of audit opinion**

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

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

However, as disclosed in the audit report for the year ended 31 December 2005, we were not made available sufficient evidence to enable us to verify the value of that year's closing stock of £285,930 and consequently this year's opening stock. Any adjustment to opening stock that may have been necessary could increase or reduce the loss for the year ended 31 December 2006. The directors have made available sufficient evidence in respect of the closing stock for the year ended 31 December 2006.

**FRESH COSMETICS LIMITED**

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**TO THE SHAREHOLDERS OF FRESH COSMETICS LIMITED**

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**Qualified opinion arising from the limitation in audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the value of closing stock for the year ended at 31 December 2005, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985

Except for the limitation on our audit work relating to the valuation of the opening stock

- we have obtained all the information and explanations that we considered necessary for the purpose of our audit,
- we were able to determine that proper accounting records had been maintained,
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Green & Peter

28 November 2007

Chartered Accountants

**Registered Auditor**

The Limes

1339 High Road

Whetstone

N20 9HR

**FRESH COSMETICS LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £	2005 £
Turnover	2	401,263	1,330,295
Cost of sales		(270,070)	(964,354)
<b>Gross profit</b>		131,193	365,941
Distribution costs		(306,596)	(787,347)
Administrative expenses		141,461	(680,111)
<b>Operating loss</b>	3	(33,942)	(1,101,517)
Other interest receivable and similar income	4	3,572	3,241
Interest payable and similar charges	5	(84,273)	(28,714)
<b>Loss on ordinary activities before taxation</b>		(114,643)	(1,126,990)
Tax on loss on ordinary activities	6	-	-
<b>Loss for the year</b>	12	(114,643)	(1,126,990)

**FRESH COSMETICS LIMITED**

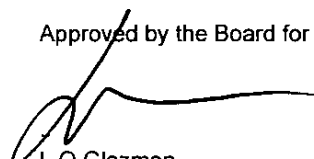
**BALANCE SHEET**

**AS AT 31 DECEMBER 2006**

	Notes	2006 £	£	2005 £	£
<b>Fixed assets</b>					
Tangible assets	7		150,746		180,450
<b>Current assets</b>					
Stocks		37,531		285,930	
Debtors	8	644,924		802,365	
Cash at bank and in hand		108,275		229,818	
		<u>790,730</u>		<u>1,318,113</u>	
<b>Creditors amounts falling due within one year</b>	9	<u>(2,828,632)</u>		<u>(3,271,076)</u>	
<b>Net current liabilities</b>			<u>(2,037,902)</u>		<u>(1,952,963)</u>
<b>Total assets less current liabilities</b>			<u>(1,887,156)</u>		<u>(1,772,513)</u>
<b>Capital and reserves</b>					
Called up share capital	11		100		100
Profit and loss account	12		<u>(1,887,256)</u>		<u>(1,772,613)</u>
<b>Shareholders' funds</b>			<u>(1,887,156)</u>		<u>(1,772,513)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Approved by the Board for issue on 26 November 2007

  
L O Glazman  
Director

## **FRESH COSMETICS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

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#### **1 Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements have been prepared on a going concern basis because the company's parent undertaking has agreed to provide such support as is necessary to enable the company to meet its liabilities as and when they fall due

##### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

##### **1.3 Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

##### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Land and buildings Leasehold	10 years on a straight-line basis
Equipments	3 years on a straight-line basis
Fixtures and fittings	3 years on a straight-line basis

##### **1.5 Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

##### **1.6 Stock**

Stocks are stated at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition, as follows

Raw materials, consumables and goods for resale - purchase cost on a first in, first out basis

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

##### **1.7 Pensions**

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

**FRESH COSMETICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**1 Accounting policies (Continued)**

**1.8 Deferred taxation**

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

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

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

**1.9 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

**2 Turnover**

In the year to 31 December 2006 0% (2005 - 20%) of the company's turnover was to markets outside the United Kingdom

<b>3 Operating loss</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>

Operating loss is stated after charging

Depreciation of tangible assets

Auditors' remuneration

31,354	81,532
5,250	5,000

<b>4 Investment income</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>

Bank interest

2,518	3,241
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<b>5 Interest payable</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>

Included in interest payable is the following amount

On amounts payable to group companies

84,273	28,714
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**FRESH COSMETICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**6 Taxation**

The company has estimated losses of £ 1,773,430 (2005 - £ 1,674,956) available for carry forward against future trading profits

The company has a deferred tax asset of £544,322 relating to decelerated capital allowances of £12,293 and unrelieved tax losses carried forward of £532,029, which has not been recognised since the benefit of the tax losses will only accrue when future taxable profits are generated by the company

**7 Tangible fixed assets**

	Land and buildings Short Term Leasehold £	Plant and machinery etc £	Total £
Cost			
At 1 January 2006	193,611	94,368	287,979
Additions	1,650	-	1,650
Disposals	-	(58,650)	(58,650)
At 31 December 2006	195,261	35,718	230,979
Depreciation			
At 1 January 2006	29,639	77,890	107,529
On disposals	-	(58,650)	(58,650)
Charge for the year	19,471	11,883	31,354
At 31 December 2006	49,110	31,123	80,233
Net book value			
At 31 December 2006	146,151	4,595	150,746
At 31 December 2005	163,972	16,478	180,450

**8 Debtors**

	2006 £	2005 £
Trade debtors	-	103,518
Amounts owed by group undertakings	623,633	637,137
Other debtors	21,291	61,710
	644,924	802,365

**FRESH COSMETICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2006**

<b>9 Creditors amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade creditors	5,635	70,514
Amounts owed to group undertakings	2,661,717	3,001,646
Taxation and social security	17,187	16,547
Other creditors	144,093	182,369
	<u>2,828,632</u>	<u>3,271,076</u>

**10 Pension costs**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	<u>750</u>	<u>3,266</u>

**11 Share capital**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

**12 Statement of movements on profit and loss account**

	<b>Profit and loss account £</b>
Balance at 1 January 2006	(1,772,613)
Loss for the year	(114,643)
Balance at 31 December 2006	<u>(1,887,256)</u>

## **FRESH COSMETICS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006**

#### **13 Financial commitments**

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Operating leases which expire in over five years	<u>42,000</u>	<u>42,000</u>

#### **14 Control**

The company's immediate parent undertaking is Fresh Inc, a company incorporated in the United States of America

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

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

#### **15 Related party transactions**

During the year the company purchased goods from its immediate parent undertaking Fresh Inc to a value of £2,906 and was recharged for freight costs, consultancy services and accrued interest expense amounting to £94,978. Fresh Inc is owed £2,661,717 at the year end. It also returned goods to its fellow subsidiary undertaking Fresh SAS to a value of £3,192. The balance due from Fresh SAS at the year end is £623,633.