

Fresh Cosmetics Limited

Annual report and financial statements

For the year ended 31 December 2021

Registered number: 04647334



Fresh Cosmetics Limited

Annual report and financial statements For the year ended 31 December 2021

| Contents | Page |
|--|-------------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Directors' responsibilities statement | 5 |
| Independent auditor's report | 6 |
| Profit and loss account | 10 |
| Balance sheet | 11 |
| Statement of changes in equity | 12 |
| Notes to the financial statements | 13 |

Fresh Cosmetics Limited

Officers and professional advisers

Directors

A-V Bruel (resigned 24.08.2021)
G Charfi
S. M-P David Roy
T Rouget
A.M.D Collinet (appointed 24.08.2021)

Company Secretary

T Rouget

Registered Office

LVMH Perfumes and Cosmetics
11-13 Old Esher Road
Hersham
Surrey
KT12 4NH

Trading Address

92 Marylebone High Street
London
W1U 4RD

Bankers

Barclays Bank PLC
Leicestershire
LE87 2BB

Solicitors

Browne Jacobson LLP
15th Floor
6 Bevis Marks
London
EC3A 7BA

Independent Auditor

Constantin
Chartered Accountants and Statutory Auditor
25 Hosier Lane,
London,
EC1A 9LQ
United Kingdom

Fresh Cosmetics Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 December 2021.

This Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Principal activity

The principal activity of the company continued to be the sale and marketing of skincare preparations.

Results

The profit for the year, after taxation amounted to £5,560 (2020: £34,442).

Review of the business

The company's key financial and other performance indicators during the year were as follows:

| | 2021 £000 | 2020 £000 | Change % |
|--|--------------|--------------|-------------|
| Turnover | 7,404 | 6,712 | 10 |
| Profit before tax | 6 | 34 | -84 |
| Profit after tax | 6 | 34 | -84 |
| Shareholders' deficit | (3,263) | (3,268) | (-) |
| Current ratio (Current assets as % of current liabilities) | 0.52 | 0.44 | 19 |
| Average number of employees | 40 | 42 | (6) |

Turnover increased by 10% due to stores reopening at the beginning of 2021 after the Covid-19 pandemic.

The directors do not recommend the payment of a dividend (2020: £nil).

Directors

The directors, who served throughout the year and to the date of this report except as noted, were as follows:

A-V Bruel (resigned 24.08.2021)
S. M-P David Roy
G Charfi
T Rouget
A.M.D Collinet (appointed 24.08.2021)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Fresh Cosmetics Limited

Directors' report (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit and liquidity are described in the Business review above.

The company has financial and group resources together with a number of contracts with established customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks despite the current uncertain economic outlook. Additionally, to reduce any limitation to risk there is a letter of support in place from the parent company.

The directors have reviewed the company's future working capital, cash requirements and revenue projections, the sensitivities of which have been reviewed against the current economic climate. They are of the opinion that the 2021-2022 forecasts, which take into account possible changes in trading performance in the current economic environment, show that the company should be able to operate within its current level of cash and working capital, without the requirement for any external finance for the foreseeable future, being a period of at least 12 months from approval of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The COVID-19 outbreak and resulting measures taken by UK government to contain the virus had a negative effect on our business in 2021. The main risks that result from the situation regarding COVID-19 are:

- Revenues and profitability: The retail activity was closed at the beginning of 2021. With a slow reopening of store during 2021. There has also been a significant extra cost due to the need to purchase PPE Equipment as per the health and safety guidelines.
- Government assistance: Furlough Scheme and Business Rates holiday which was only available to the retail outlets and not to the office spaces and the risk that this may not be prolonged.
- Internal controls: Internal controls have been reviewed to able to work from home to reduce the risk that the entity may be more vulnerable to risks of errors or fraud. Continuous communication has been transmitted to employees to remind them.

Key performance indicators

Fresh UK Limited manages its operations through its wholesale business and ecommerce activities. The directors believe that the key performance indicators for the company as shown above are appropriate for an understanding of the development, performance and position of the business.

Principal risks and uncertainties

The company's activities expose it to a number of financial risks including price risk, credit risk and liquidity risk.

Price risk

The company does not consider the selling or purchase price to be a major risk because of the historical stability of prices for the products in which it trades.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributed to its trade receivables. The company insures the majority of customers through credit insurance to protect the trade receivables in the changing competitive and current economic climate.

Liquidity risk

The company is funded through its retained profits and the LVMH Moët Hennessey-Louis Vuitton SE cash pooling arrangements. The directors monitor funding requirements to ensure the company has sufficient available funds for its operations.

The company has financial resources together with a number of contracts with established customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks despite the current uncertain economic outlook due to the recent referendum decision by the UK to withdraw from the EU.

Fresh Cosmetics Limited

Directors' report (continued)

Covid-19 risk

The World Health Organisation declared the Coronavirus disease a pandemic on 11 March 2020, followed by a UK quarter of 2021. The company remains solvent and may benefit from its parent companies significant financial resources should it need to.

Future developments

The Directors have a positive expectation of growth for 2022 in the UK. This will be supported by re-enforcing the marketing plan and distribution network.

The group is following closely the evolution of the situation in Ukraine and Russia. The consequences of the conflict and of international sanctions against Russia, as well as the sanctions from Russia against European countries cannot be precisely evaluated at the moment. No impact of this conflict has been identified or reported.

Brexit

There was no particular impact for 2022.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as a director, in order to be aware of any relevant audit information, and to establish that the company's auditors are aware of that information.

Auditor

Constantin Limited have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The Directors have taken advantage of the small companies' exemption from preparing a Strategic Report.

Approved by the Board and signed on its behalf by:



T Rouget
Director

Date: 28th September 2022

Registered office:

11-13 Old Esher Road
Hersham
Surrey
KT12 4NH

Fresh 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 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:

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Fresh Cosmetics Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 15.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to material misstatement in the financial statements themselves. 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 this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. 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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 directors' report.

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

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.

Thierry de Gennes, ACA (Senior statutory auditor)
for and on behalf of Constantin
Chartered Accountants and Statutory Auditor



25 Hosier Lane,
London,
EC1A 9LQ
United Kingdom

Date:
28th September 2022

Fresh Cosmetics Limited

Profit and loss account For the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|--|------|-------------|-------------|
| Turnover | 3 | 7,404,023 | 6,711,831 |
| Cost of sales | | (1,946,823) | (1,956,239) |
| Gross profit | | 5,457,200 | 4,755,592 |
| Other income | 4 | 182,856 | 276,362 |
| Distribution costs | | (4,867,723) | (4,410,104) |
| Administrative expenses | | (732,106) | (530,743) |
| Operating profit/(loss) | 5 | 40,227 | 91,107 |
| Finance costs | | - | - |
| Interest payable and similar charges | 7 | (34,667) | (56,665) |
| Profit on ordinary activities before taxation | | 5,560 | 34,442 |
| Tax on profit on ordinary activities | 8 | - | - |
| Profit for the financial year | | 5,560 | 34,442 |

All the results derive from continuing operations.

The company had no recognised gains and losses in either year other than those indicated above, and therefore, no separate statement of other comprehensive income has been presented.

The notes on pages 13 to 24 form part of these financial statements.

Fresh Cosmetics Limited

Balance sheet As at 31 December 2021

| | Note | 2021 £ | 2020 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 17,841 | 52,279 |
| Tangible assets | 10 | 888,164 | 1,359,715 |
| | | <u>906,005</u> | <u>1,411,994</u> |
| Current assets | | | |
| Stocks | 11 | 588,596 | 554,868 |
| Debtors | 12 | 3,467,300 | 2,604,969 |
| | | <u>4,055,896</u> | <u>3,159,838</u> |
| Creditors: amounts falling due within one year | 13 | <u>(7,831,910)</u> | <u>(7,249,034)</u> |
| Net current liabilities | | <u>(3,776,014)</u> | <u>(4,089,196)</u> |
| Total assets less current liabilities | | <u>(2,870,009)</u> | <u>(2,677,203)</u> |
| Non-Current Liabilities | | <u>(392,583)</u> | <u>(590,949)</u> |
| | | <u>(3,262,592)</u> | <u>(3,268,152)</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 100 | 100 |
| Profit and loss account | | <u>(3,262,692)</u> | <u>(3,268,252)</u> |
| | | <u>(3,262,592)</u> | <u>(3,268,152)</u> |

The financial statements of Fresh Cosmetics Limited (registered number 04647334) were approved by the board of directors and authorised for issue on 28.09.2022

The notes on pages 13 to 24 form part of these financial statements.

They were signed on its behalf by:

Thomas Rouget

T Rouget
Director

Fresh Cosmetics Limited

Statement of changes in equity At 31 December 2021

| | Note | Called-up share capital £ | Profit and loss account £ | Total £ |
|-------------------------------|------|------------------------------------|------------------------------------|--------------------|
| At 1 January 2020 | | 100 | (3,302,694) | (3,302,594) |
| Profit for the financial year | | - | 34,442 | 34,442 |
| | | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | | 100 | (3,268,252) | (3,268,152) |
| Profit for the financial year | | - | 5,560 | 5,560 |
| | | <hr/> | <hr/> | <hr/> |
| At 31 December 2021 | | <u>100</u> | <u>(3,262,692)</u> | <u>(3,262,592)</u> |

The notes on pages 13 to 24 form part of these financial statements.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies

General information and basis of accounting

Fresh Cosmetics Limited (the company) is a company incorporated in England and Wales under the Companies Act 2006 that is limited by shares. 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 Directors Report on page 2 to 4.

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

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and those relating to legal changes and has applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, 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 relevant, equivalent disclosures have been given in the group accounts of LVMH Moët Hennessey-Louis Vuitton SE. The group accounts of LVMH Moët Hennessey-Louis Vuitton SE are available to the public and can be obtained as set out in note 15.

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.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit and liquidity are described in the Business review above.

The company has financial and group resources together with a number of contracts with established customers and suppliers. As a consequence, the directors believe that the company is well placed to manage its business risks despite the current uncertain economic outlook. Additionally, to reduce any limitation to risk there is a letter of support in place from the parent company.

The directors have reviewed the company's future working capital, cash requirements and revenue projections, the sensitivities of which have been reviewed against the current economic climate. They are of the opinion that the 2021-2022 forecasts, which take into account possible changes in trading performance in the current economic environment, show that the company should be able to operate within its current level of cash and working capital, without the requirement for any external finance for the foreseeable future, being a period of at least 12 months from approval of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The COVID-19 outbreak and resulting measures taken by UK government to contain the virus had a negative effect on our business in 2021. The main risks that result from the situation regarding COVID-19 are:

Revenues and profitability: The retail activity was closed at the beginning of 2021. With a slow reopening of store during 2021. There has also been a significant extra cost due to the need to purchase PPE Equipment as per the health and safety guidelines.

- Government assistance: Furlough Scheme and Business Rates holiday which was only available to the retail outlets and not to the office spaces and the risk that this may not be prolonged.
- Internal controls: Internal controls have been reviewed to able to work from home to reduce the risk that the entity may be more vulnerable to risks of errors or fraud. Continuous communication has been transmitted to employees to remind them.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Basis of preparation

The financial statements are prepared under the basis of going concern because the company has financial resources together with a number of contracts with established customers and suppliers. Additionally, the company is in a net liability position as a result has received a letter of support from the parent company.

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

Turnover and revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied: the company has transferred the significant risks and rewards of ownership to the buyer; this is at point of sale for own retail stores and on delivery for wholesale outlets.

- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

| | |
|---------------------|-----------|
| Website development | - 3 years |
|---------------------|-----------|

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

| | |
|----------------------------|---------------------------------|
| Land & buildings leasehold | - 10 years |
| Plant & machinery | - 3 years |
| Leasehold improvements | - Over the period of the leases |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments are explained below.

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

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

Fresh Cosmetics Limited does not participate in the LVMH Simplified Group Relief Arrangement.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other 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.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Deferred tax (continued)

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 profit and loss account, 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.

Leases

The entity assesses whether a contract is or contains a lease, at inception of the contract. The entity recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Leases (continued)

The entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The entity did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administration expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The entity has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the entity allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

1. Accounting policies (continued)

Government Grants

Government grants are recognised on the accrual model. The grants monies receivable in the year relate to compensation for staff costs under the furlough scheme, already incurred and recognised as an expense in the profit and loss account.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those 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.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements include estimation, where applicable, for items relating to:

- Tangible and intangible fixed assets - estimated useful lives
- Stock - net realisable value
- Rent - predictions of rent review increases.

3. Turnover

Turnover is attributable to one continuing activity, the sale of skincare and beauty products, and arises wholly within the United Kingdom.

4. Other income

The other income of £182,856 (2020: £276,362) has been received in 2021 for the Coronavirus Job Retention Scheme (CJRS) offered by HMRC.

5. Operating profit

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Operating profit/(loss) is stated after charging: | | |
| Depreciation of tangible fixed assets | 473,701 | 602,192 |
| Operating lease rentals | 9,619 | 6,273 |
| Amortisation of website development | 34,438 | 39,184 |
| Foreign currency exchange differences | (120) | 1,742 |
| | <u> </u> | <u> </u> |
| The analysis of the auditor's remuneration is as follow: | | |
| Fees payable to the company's auditor for the audit of the company's annual financial statements and other services | <u>9,320</u> | <u>8,260</u> |

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

6. Directors' remuneration and staff costs

Directors' remuneration

The directors received no remuneration for the services to the company during the year (year ended 31 December 2020: £nil).

The directors of the company who served during the year were also directors of a number of the companies within the LVMH Group and as such remuneration of directors is borne by a fellow subsidiary company.

There were no pension costs prepaid or accrued at year end.

Staff costs

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Staff costs during the year were as follows: | | |
| Wages and salaries | 1,463,078 | 1,276,213 |
| Social security costs | 155,372 | 158,554 |
| Other pension costs | 68,387 | 50,250 |
| | <u>1,686,837</u> | <u>1,485,016</u> |

Average number of persons employed during the year (including directors) are as follows:

| | | |
|------------------------|-----------|-----------|
| Sales and Distribution | 23 | 29 |
| Administration | 17 | 15 |
| | <u>40</u> | <u>44</u> |

7. Interest payable and similar charges

| | 2021 £ | 2020 £ |
|-------------------------------|---------------|---------------|
| Bank charges | 48,894 | 35,362 |
| Loans from group undertakings | 25,972 | 44,772 |
| Interest on IFRS16 leases | 8,695 | 11,894 |
| | <u>83,561</u> | <u>92,028</u> |

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

8. Tax on profit on ordinary activities

The tax (credit) comprises:

| | 2021 £ | 2020 £ |
|---|-----------|-----------|
| Current tax on profit on ordinary activities | | |
| UK Corporation tax | - | - |
| Total current tax | - | - |

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year. The charge for the year can be reconciled to the profit in the profit and loss accounts as follows:

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Profit/(Loss) on ordinary activities before tax | 5,560 | 34,442 |
| Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2020: 19%) | 1,056 | 6,544 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 7,765 | 10,649 |
| Movement in deferred tax not recognised | (8,821) | (17,193) |
| Adjustments to tax charge in respect of prior periods | - | - |
| Unrelieved tax losses carried forward | - | - |
| Group relief | - | - |
| Total tax charge for year | - | - |

Factors that may affect future tax charges

The UK corporation tax rate was previously enacted to reduce to 17% from 1 April 2020. However, Finance Act 2020, which was substantively enacted on 11 March 2020, repealed this rate reduction and the corporation tax rate will remain at 19% from 1 April 2020.

The closing deferred tax assets and liabilities have been calculated at 19%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

Finance Act 2021 received Royal Assent on 10 June 2021 which has enacted an increase in the UK corporation tax rate to 25% from 1 April 2023. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this increased rate but as this had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

A potential deferred tax asset of £469,770 (2019: £467,669) relating to tax losses carried forward, fixed asset timing differences and other short-term timing differences has not been recognised as there is uncertainty about its recoverability.

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

9. Intangible fixed assets

| | Website development £ |
|---------------------------------|-----------------------------|
| Cost | |
| At 1 January 2021 | 205,484 |
| Additions | - |
| At 31 December 2021 | <u>205,484</u> |
| Accumulated depreciation | |
| At 1 January 2021 | 153,205 |
| Charge for the year | 34,438 |
| At 31 December 2021 | <u>187,643</u> |
| Net book value | |
| At 31 December 2021 | <u>17,841</u> |
| At 31 December 2020 | <u>52,279</u> |

10. Tangible fixed assets

| | Leasehold improvements | Land and Buildings | Plant and Machinery | ROU (Land and Building) | Total |
|---------------------------------|---------------------------|-----------------------|------------------------|----------------------------|------------------|
| | £ | £ | £ | £ | £ |
| Cost or Valuation | | | | | |
| At 1 January 2021 | - | 1,802,495 | 263,909 | 1,157,506 | 3,223,909 |
| Additions | - | 37,903 | 79,178 | 6,776 | 123,857 |
| Disposals | - | (219,164) | (25,352) | - | (244,516) |
| At 31 December 2021 | <u>-</u> | <u>1,621,234</u> | <u>317,735</u> | <u>1,164,282</u> | <u>3,103,250</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2021 | - | 1,200,673 | 247,557 | 415,964 | 1,864,195 |
| Charge for the year | - | 240,151 | 22,571 | 210,980 | 473,701 |
| Disposals | - | (122,809) | - | - | (122,809) |
| At 31 December 2021 | <u>-</u> | <u>1,318,015</u> | <u>270,128</u> | <u>626,944</u> | <u>2,215,087</u> |
| Net book value | | | | | |
| At 31 December 2021 | <u>-</u> | <u>303,218</u> | <u>47,607</u> | <u>537,338</u> | <u>888,163</u> |
| At 31 December 2020 | <u>-</u> | <u>601,821</u> | <u>16,352</u> | <u>741,542</u> | <u>1,359,714</u> |

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

11. Stocks

According to the directors the replacement cost of stocks is not materially different from the value at which they are stated in the accounts.

| | 2021 £ | 2020 £ |
|-------------------------------------|----------------|----------------|
| Finished goods and goods for resale | <u>588,596</u> | <u>554,868</u> |

12. Debtors

| | 2021 £ | 2020 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 2,685,254 | 1,165,881 |
| Amounts owed by group undertakings | 730,607 | 1,245,916 |
| Other debtors | 30 | 30,550 |
| Prepayments and accrued income | <u>51,409</u> | <u>162,622</u> |
| | <u>3,467,300</u> | <u>2,604,969</u> |

Included above are financial instruments held at undiscounted cost amounting to £3,467,300 (2020: £2,604,969).

13. Creditors: amounts falling due within one year

| | 2021 £ | 2020 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 1,354,201 | 673,186 |
| Amounts owed to group undertakings | 619,153 | 702,181 |
| Other taxation and social security | 436,252 | 355,507 |
| Other creditors | 10,102 | 9,518 |
| Accruals and deferred income | 1,156,030 | 838,580 |
| Bank overdraft | 4,049,686 | 4,466,257 |
| Lease Liability | <u>206,486</u> | <u>203,805</u> |
| | <u>7,831,910</u> | <u>7,249,034</u> |

Amounts owed to group undertakings are unsecured, interest free and are repaid in accordance with the terms specified in the governing distribution agreement

Included above are financial instruments held at undiscounted costs amounting to £7,831,910 (2020: £7,249,034).

Fresh Cosmetics Limited

Notes to the financial statements For the year ended 31 December 2021

14. Called up share capital

| | 2021 | 2020 |
|--|------|------|
| | £ | £ |
| Shares classified as equity: | | |
| Called up, authorised, allotted and fully paid: | | |
| 100 ordinary shares of £1 each | 100 | 100 |

15. Ultimate parent undertaking and controlling party

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 SE, a company incorporated in France, as the ultimate parent undertaking.

LVMH Moët Hennessy-Louis Vuitton SE, 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.