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# **Benefit Cosmetics Limited**

## **Report and Financial Statements**

31 December 2009

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24/09/2010  
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# Benefit Cosmetics Limited

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Registered No 3922046

## **Directors**

Jean Danielson  
Jane Ford  
Nicolas Cordier  
Hugues Dusseaux  
Jean-Andre Rougeot  
Yongyi Ying

## **Secretary**

Yongyi Ying

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **Bankers**

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

## **Solicitors**

Laytons  
Carmelite  
50 Victoria Embankment  
Blackfriars  
London EC4Y 0LS

## **Registered Office**

Marble Arch House  
66-68 Seymour Street  
London W1H 5AF

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

### Results and dividends

The profit for the year, after taxation, amounted to £6,101,199 (2008 – profit £1,873,661) The directors do not recommend the payment of any dividends (2008 £nil)

### Principal activities and review of the business

The principal activity of the company during the year was the wholesale and distribution of cosmetic and fragrance products in the United Kingdom The company continued to provide sales, marketing and logistics support for the expansion of wholesaling operations across Europe

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

	2009 £'000	2008 £'000	Change %
Turnover	50,892	45,920	+11%
Operating profit	6,268	2,937	+113%
Profit before tax	7,895	2,711	+191%
Equity shareholders' funds	15,353	9,251	+66%
Current assets as % of current liabilities	234%	133%	+76%
Average number of employees	342	317	+8%

### Future developments

The company plans to continue expanding both its wholesale and retail operations in 2010 The company will increase the number of counters in large department stores by extending its offering of brow waxing services

### Going concern

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

### Principal risks and uncertainties

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

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

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

## **Directors' report**

### **Directors of the company**

The current directors are shown on page 1

Sarah Garner resigned on 2 February 2009

Charles Whinney was appointed on 2 February 2009 and resigned on 12 February 2010

Yongyi Ying was appointed on 15 February 2010

### **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.

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



Yongyi Ying  
Director

## Statement of directors' responsibilities

The directors are responsible for preparing the Director's 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). 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,
- 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Benefit Cosmetics Limited**

We have audited the financial statements of Benefit Cosmetics Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, 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 (United Kingdom Generally Accepted Accounting Practice).

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 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 directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Independent auditors' report**

**to the members of Benefit Cosmetics Limited**

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or
- 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

*Ernst & Young LLP*

Gordon Cullen (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London

Date *24/9/10*

**Profit and loss account****for the year ended 31 December 2009**

	Notes	2009 £	2008 £
<b>Turnover</b>	2	50,891,832	45,920,021
Cost of sales		(22,836,573)	(22,395,633)
<b>Gross profit</b>		28,055,259	23,524,388
Distribution costs		(1,673,643)	(1,264,642)
Administrative expenses		(20,114,108)	(19,322,668)
<b>Operating profit</b>	3	6,267,508	2,937,078
Dividends receivable		1,648,532	–
Interest receivable and similar income	6	18,757	139,150
Interest payable and similar charges	7	(39,708)	(364,898)
<b>Profit on ordinary activities before taxation</b>		7,895,089	2,711,330
Tax	8	(1,793,890)	(837,669)
<b>Profit retained for the financial year</b>	18	6,101,199	1,873,661

**Statement of total recognised gains and losses****for the year ended 31 December 2009**

The above profit is from continuing operations

There are no recognised gains or losses other than the profit of £6,101,199 attributable to the shareholders of the company for the year ended 31 December 2009 (2008 – profit of £1,873,661)



**Balance sheet**

at 31 December 2009

	Notes	2009 £	2008 £ (Restated)
<b>Fixed assets</b>			
Intangible assets	9	—	—
Tangible assets	10	3,135,511	3,616,684
Investments	11	1	1
		<u>3,135,512</u>	<u>3,616,685</u>
<b>Current assets</b>			
Stocks	12	7,691,468	6,168,113
Debtors	13	9,654,898	6,734,067
Cash at bank		4,022,303	9,594,646
		<u>21,368,669</u>	<u>22,496,826</u>
<b>Creditors:</b> amounts falling due within one year	14	(9,151,506)	(16,862,035)
		<u>12,217,163</u>	<u>5,634,791</u>
<b>Net current assets</b>			
		<u>15,352,675</u>	<u>9,251,476</u>
<b>Total assets less current liabilities</b>			
		<u>15,352,675</u>	<u>9,251,476</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,000,100	2,000,100
Profit and loss account	18	13,352,575	7,251,376
		<u>15,352,675</u>	<u>9,251,476</u>
<b>Shareholders' funds</b>	18	<u>15,352,675</u>	<u>9,251,476</u>


Yongyi Ying  
Director

Date

23/9/2010

## Notes to the financial statements

at 31 December 2009

### 1. Accounting policies

#### *Basis of preparation*

The financial statements of the company were approved for issue by the Board of Directors on 23 September 2010

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Prior year restatements*

In current year payroll taxes amounting to £178,393 is included within other taxation and social security. In 2008, an amount of £182,366 of this nature previously included in accruals and deferred income has now been reclassified to other taxation and social security. This has resulted in an increase in other taxation and social security from £960,999 to £1,143,365 and a decrease in accruals and deferred income from £606,686 to £424,320.

In current year, purchase clearing account is grouped under other creditors. In 2008, purchase clearing amount of £57,029 previously netted against other debtors has been reclassified to other creditors. This has resulted in an increase in other debtors from £510,138 to £567,167 and an increase in other creditors from £1,449,906 to £1,506,935.

The above reclassification is impacting only balance sheet line items.

#### *Statement of cash flows*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is a wholly owned subsidiary and the group financial statements in which the company is included are publicly available.

#### *Basis of consolidation*

In accordance with the exemption allowed by section 400 of the Companies Act 2006, the company has not presented group financial statements. These financial statements therefore provide information about the company as an individual undertaking and not about its group.

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold improvements	–	5 years
Store fittings	–	3 to 5 years
Office furniture and equipment	–	3 to 7 years
Motor vehicles	–	3 years

Assets under construction are not depreciated until brought into use.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 December 2009

### 1. Accounting policies (continued)

#### *Intangible assets*

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided to write off the value of the intangible fixed assets over a period of three years. The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

#### *Fixed asset investments*

The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

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

#### *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 exceptions:

- 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,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured 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.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *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.

#### *Pension costs*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

## Notes to the financial statements

at 31 December 2009

### 1. Accounting policies (continued)

#### 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

#### Returns policy

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.

### 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group undertakings in respect of sales of cosmetics and fragrances and services. All amounts relate to continuing activities and can be analysed as follows:

	<i>United Kingdom</i>		<i>Rest of Europe</i>		<i>Total</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	£	£	£	£	£	£
Third party	41,128,609	38,592,460	4,655,005	3,837,349	45,783,614	42,429,809
Group undertakings	–	–	5,108,218	3,490,212	5,108,218	3,490,212
	<u>41,128,609</u>	<u>38,592,460</u>	<u>9,763,223</u>	<u>7,327,561</u>	<u>50,891,832</u>	<u>45,920,021</u>

### 3. Operating profit

This is stated after charging/(crediting)

	<i>2009</i>	<i>2008</i>
	£	£
Auditors' remuneration – audit services	41,000	32,638
– non audit services (tax services)	1,750	12,775
Depreciation of owned fixed assets	1,015,163	1,054,246
Foreign exchange gain	(127,801)	(492,567)
Loss on disposal of fixed assets	18,670	82,554
Operating lease rentals – land and buildings	651,737	640,416
– plant and machinery	196,491	187,527
	<u>                    </u>	<u>                    </u>

## Notes to the financial statements

at 31 December 2009

### 4. Directors' emoluments

	2009	2008
	£	£
Aggregate remuneration in respect of qualifying services	148,707	90,100

During 2009, £17,500 (2008 £nil) was payable to one director as compensation for loss of office

### 5. Staff costs

	2009	2008
	£	£
Wages and salaries	6,791,519	5,804,676
Social security costs	632,698	540,184
Staff pension contributions (note 15)	92,494	96,080
	<u>7,516,711</u>	<u>6,440,940</u>

The monthly average number of employees during the year was as follows

	2009	2008
	No	No
Administrative staff	34	38
Sales staff	308	279
	<u>342</u>	<u>317</u>

### 6. Interest receivable and similar income

	2009	2008
	£	£
Bank interest receivable	18,757	139,150

### 7. Interest payable and similar charges

	2009	2008
	£	£
Interest payable to group undertakings	39,708	364,898

## Notes to the financial statements

at 31 December 2009

### 8. Tax

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

The tax charge is made up as follows

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax	1,818,957	814,605
Adjustments in respect of previous periods	15,090	46,716
Total current tax (note 8(b))	1,834,047	861,321
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 8 (c))	(40,157)	(23,652)
Tax on profit on ordinary activities	1,793,890	837,669

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

The differences are reconciled below

	2009 £	2008 £
Profit on ordinary activities before taxation	7,895,089	2,711,330
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 28% (2008 – 28.5%)	2,210,625	772,729
Disallowed expenses and non-taxable income	(409,344)	60,550
Capital allowances in (advance)/arrear of depreciation	(2,671)	22,159
Adjustments in respect of previous periods	15,090	46,716
Other timing differences	20,347	(40,833)
Total current tax (note 8(a))	1,834,047	861,321

## Notes to the financial statements

at 31 December 2009

### 8. Tax (continued)

#### (c) Deferred tax

	2009 £	2008 £
Capital allowances in arrears of depreciation	75,746	55,936
Other timing differences	42,908	22,561
Deferred tax asset (note 13)	<u>118,654</u>	<u>78,497</u>
		£
At 31 December 2008		78,497
Profit and loss account (note 8 (a))		52,628
Adjustments in respect of prior years (note 8 (a))		(12,471)
At 31 December 2009		<u>118,654</u>

#### Factors that may affect future tax charges

As announced in the Emergency Budget on 22 June 2010, the main rate of UK corporation tax will decrease from 28% by 1% for four years from April 2011. These rate changes will affect the amount of future cash payments to be made by the company. Changes to the UK capital allowances regime will also impact the capital allowances the company can claim.

The estimated impact of the proposed reduction in the main rate of corporation tax on the recognised deferred tax asset arising in respect of decelerated capital allowances and other timing differences would be a reduction of between £4,238 and £16,951.

### 9. Intangible fixed assets

	Website licence £
Cost	
At 1 January 2009 and 31 December 2009	<u>2,000</u>
Amortisation	
At 1 January 2009 and 31 December 2009	<u>2,000</u>
Net book value	
At 31 December 2008 and 31 December 2009	<u>-</u>

## Notes to the financial statements

at 31 December 2009

### 10. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Store fittings</i>	<i>Office furniture and equipment</i>	<i>Motor vehicles</i>	<i>Assets under construction</i>	<i>Total</i>
	£	£	£	£	£	£
Cost						
At 1 January 2009	419,982	5,786,239	340,821	38,689	461,269	7,047,000
Additions	37,305	984,451	8,032	—	65,131	1,094,919
Disposals	(30,810)	(278,154)	(379)	(38,689)	—	(348,032)
Transfers	—	123,820	—	—	(461,269)	(337,449)
At 31 December 2009	426,477	6,616,356	348,474	—	65,131	7,456,438
Depreciation						
At 1 January 2009	154,363	3,126,432	144,347	5,174	—	3,430,316
Provided during the year	42,571	882,652	78,118	11,822	—	1,015,163
Disposals	(5,955)	(101,548)	(53)	(16,996)	—	(124,552)
At 31 December 2009	190,979	3,907,536	222,412	—	—	4,320,927
Net book value						
At 31 December 2009	235,498	2,708,820	126,062	—	65,131	3,135,511
At 31 December 2008	265,619	2,659,807	196,474	33,515	461,269	3,616,684

### 11. Fixed asset investments

	£
Cost	
At 1 January 2009 and at 31 December 2009	1

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

### 12. Stocks

	2009	2008
	£	£
Finished goods	7,691,468	6,168,113

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



## Notes to the financial statements

at 31 December 2009

### 13. Debtors

	2009 £	2008 £ (Restated)
Trade debtors	6,773,635	4,305,527
Amounts owed by group undertakings	1,789,350	1,782,876
Other taxes	184,088	–
Other debtors	789,171	567,167
Deferred tax asset (note 8(c))	118,654	78,497
	<u>9,654,898</u>	<u>6,734,067</u>

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

	2009 £	2008 £ (Restated)
Trade creditors	1,333,140	2,292,765
Amounts owed to group undertakings	4,582,438	10,922,686
Corporation tax	863,090	571,964
Other taxation and social security	314,335	1,143,365
Other creditors	1,534,983	1,506,935
Accruals and deferred income	523,520	424,320
	<u>9,151,506</u>	<u>16,862,035</u>

### 15. Pensions

The company operates a defined contribution pension 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 unpaid contributions outstanding at the year end, included in 'Other creditors' (note 14), are £6,068 (2008 – £5,678).

### 16. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	2009		2008	
	Land and buildings £	Plant and machinery (Other) £	Land and buildings £	Plant and machinery (Other) £
Operating leases which expire				
Within one year	–	11,303	–	42,490
In two to five years	147,116	152,854	–	75,774
In over five years	552,000	–	641,262	–
	<u>699,116</u>	<u>164,157</u>	<u>641,262</u>	<u>118,264</u>

## Notes to the financial statements

at 31 December 2009

### 17. Issued share capital

*Allotted, called up and fully paid*

	No	2009 £	No	2008 £
Ordinary shares of £1 each	2,000,100	2,000,100	2,000,100	2,000,100

### 18. Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 31 December 2007	2,000,100	5,377,715	7,377,815
Profit for the year	–	1,873,661	1,873,661
At 31 December 2008	2,000,100	7,251,376	9,251,476
Profit for the year	–	6,101,199	6,101,199
At 31 December 2009	2,000,100	13,352,575	15,352,675

### 19. Ultimate parent undertaking and controlling party

The directors regard LVMH Moët Hennessy-Louis Vuitton SA, a company incorporated in France, as the ultimate parent undertaking and controlling party. In preparation of these financial statements advantage has been taken of the exemption in paragraph 3(c) of FRS 8 not to disclose transactions with other members of the group.

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