

Morphe Cosmetics Limited

Annual Report and Financial Statements for the 33 week period from 15 May 2017 (date of incorporation) to 31 December 2017

Registered number: 10771654

TUESDAY



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MORPHE COSMETICS LIMITED

Company Information

Directors	M McCormick C Dean M Guy-Hamilton C Tawil L Tawil
Secretary	Jordans Company Secretaries Limited
Company Number	10771654 (England and Wales)
Registered Office	Suite 1 3rd Floor 11 - 12 St. James's Square London England SW1Y 4LB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Kingsway Cardiff CF10 3PW

MORPHE COSMETICS LIMITED

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MORPHE COSMETICS LIMITED

Directors' Report for the period from 15 May 2017 to 31 December 2017

The directors present their annual report and the audited financial statements of Morphe Cosmetics Limited (the "Company") for the period from 15 May 2017 (date of incorporation) to 31 December 2017.

Principal activity

The company's principal activity during the period was the sale of cosmetics, cosmetic brushes and accessories

Directors

The directors who served during the period and up to the date of signing the financial statements were:

- Myles Breen McCormick (appointed 15 May 2017)
- Christopher John Dean (appointed 15 May 2017)
- Matthew Phillip Guy-Hamilton (appointed 15 May 2017)
- Chris Abdul Tawil (appointed 15 May 2017)
- Linda Tawil (appointed 15 May 2017)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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


Independent Auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier

Small companies regime

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf by.



Myles McCormick
11 February 2019
Director

Report on the audit of the financial statements

Opinion

In our opinion, Morphe Cosmetics Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the 33 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of income and retained earnings for the 33 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Ian Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

12 February 2019

MORPHE COSMETICS LIMITED
Statement of Income and Retained Earnings
For the period from 15 May 2017 to 31 December 2017

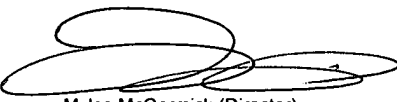
	Notes	2017 £
TURNOVER		2,861,510
Cost of sales		<u>(2,003,148)</u>
Gross profit		858,362
Distribution costs		(-)
Administrative expenses		(950,978)
Other operating income		<u>5,237</u>
Loss before interest	2	(87,379)
Other interest receivable and similar income		-
Interest payable and similar expenses		<u>(-)</u>
Loss before tax		(87,379)
Tax on loss		-
Loss after taxation being loss for the financial year		<u>(87,379)</u>
Retained Earnings		
Loss for the financial period		<u>(87,379)</u>
Retained Earnings at the end of the financial period		<u>(87,379)</u>

The notes on pages 8 to 10 form part of these financial statements

MORPHE COSMETICS LIMITED
Balance Sheet as at 31 December 2017

	Notes	£	2017	£
Fixed assets				
Tangible assets	4			14,874
Current assets				
Stocks	5	1,339,181		
Debtors	6	315,204		
Cash at bank and in hand		<u>661,278</u>		
		2,315,663		
Creditors: amounts falling due within one year	7	<u>(2,417,915)</u>		
Net current (liabilities)				<u>(102,252)</u>
Total assets less current liabilities				<u>(87,378)</u>
Creditors: amounts falling due after more than one year				(-)
Provision for liabilities				
Deferred Taxation				<u>(-)</u>
Net liabilities				<u>(87,378)</u>
Capital and reserves				
Called up share capital				1
Share premium account				-
Profit and loss account				<u>(87,379)</u>
Shareholders' Funds				<u>(87,378)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities. The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Myles McCormick (Director)

11 February 2019

Morphe Cosmetics Limited

Company No. 10771654 (England and Wales)

The notes on pages 8 to 10 form part of these financial statements.

MORPHE COSMETICS LIMITED

Notes to the financial statements for the period from 15 May 2017 to 31 December 2017

1 ACCOUNTING POLICIES

1.1 Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

1.2 General information

Morphe Cosmetics Limited (company number: 10771654) is a private company limited by shares and incorporated in England and Wales. Its registered office is Suite 1, 3rd Floor 11 - 12 St. James's Square, London, England, SW1Y 4LB.

1.3 Going concern

The directors believe that the company is experiencing good levels of sales growth and profitability, and that it is well placed to manage its business risks successfully. Accordingly they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Morphe Cosmetics Limited has received written confirmation from its immediate parent, Morphe LLC, that it will continue to provide financial support to the company for a period of at least 12 months from the date of signing of these financial statements. For these reasons, the directors continue to adopt the going concern basis in preparing the annual report and financial statements

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised at the point of delivery when the risks and rewards pass to the customer.

1.5 Tangible assets

Tangible fixed assets held for the company's own use are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on a straight line basis at rates of 3% to 20% per annum.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price (net realisable value). Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of stocks recognised as an expense in the period in which the reversal occurs.

1.7 Financial instruments including trade debtors

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

Debt instruments (other than those wholly repayable or receivable within one year), including 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 debtors and creditors, 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 the 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 recognized in the Statement of Income and retained earnings.

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

MORPHE COSMETICS LIMITED

Notes to the financial statements for the period from 15 May 2017 to 31 December 2017

1. ACCOUNTING POLICIES (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise and settle the liability simultaneously.

1.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.11 Foreign currencies

The company's functional and presentational currency is GBP. Transactions in currencies, other than the functional currency of the company, are recorded at the rate of exchange on the date the transaction occurred. Monetary items denominated in other currencies are translated at the rate prevailing at the end of the reporting period. All differences are taken to the profit and loss account. Non-monetary items that are measured at historic cost in a foreign currency are not retranslated.

1.12 Current and deferred taxation

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated by not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2 Employees

The average number of persons employed by the company (including directors) during the period was 5.

3 Auditors Remuneration

Fees payable to the company's auditor for the audit of the company's financial statements totaled £47,000

4 Tangible assets

	Plant and machinery £	Total £
Cost		
Additions	<u>15,299</u>	<u>15,299</u>
At 31 December 2017	<u>15,299</u>	<u>15,299</u>
Depreciation		
Charge for the year	<u>425</u>	<u>425</u>
At 31 December 2017	<u>425</u>	<u>425</u>
Net book value		
At 31 December 2017	<u>14,874</u>	<u>14,874</u>

MORPHE COSMETICS LIMITED

Notes to the financial statements for the period from 15 May 2017 to 31 December 2017

5 Inventories

	2017
	£
Finished goods and goods held for resale	1,339,181
	<u>1,339,181</u>

6 Debtors

	2017
	£
Due within one year	
Trade debtors	315,204
	<u>315,204</u>

7 Creditors: amounts falling due within one year

	2017
	£
Amounts owed to Group Companies	485,781
Trade creditors	61,143
Other taxation and social security	332,827
Accruals and deferred income	1,538,164
	<u>2,417,915</u>

8 Ultimate parent undertaking and controlling party

The company is wholly owned by Morphe LLC (parent company), a US based Corporation. The registered address of Morphe LLC is 22, 4th Street, San Francisco, CA 94103.

Elevate Brand Partners L.P is the ultimate controlling party.