Benefit Cosmetics Limited

Report and Financial Statements

31 December 2008

Registered No. 3922046

Directors
Jean Danielson
Jane Ford
Nicolas Cordier
Hugues Dusseaux
Jean-Andre Rougeot
Charles Whinney

Secretary
Charles Whinney

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

Bankers
The Royal Bank of Scotland plc
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Laytons
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year, after taxation, amounted to £1,873,661 (2007 – profit £1,757,253). The directors do not recommend the payment of any dividends.

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.

Turnover increased by 11% during the year primarily due to the continued development of the brand in the UK. The company opened a further 2 boutiques, 44 counters across Travel Retail and Department Stores and in addition e-commerce related revenue grew by 197% .

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.

Future developments

The company plans to continue expanding both its wholesale and retail operations in 2009. The company will increase the number counters in large department stores by extending its offering of brow waxing services.

Directors of the company

The current directors are shown on page 1.

Sarah Garner served throughout 2008 and resigned on 2 February 2009.

Charles Whinney was appointed on 2 February 2009.

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 provided 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.

Directors' report

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, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Charles Whinney
Secretary

28 SEP 2009

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Benefit Cosmetics Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Independent auditors' report

to the members of Benefit Cosmetics Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

28/9/09

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £	2007(restated) £
Turnover	2	45,920,021	41,258,619
Cost of sales		(22,395,633)	(21,391,599)
Gross profit		23,524,388	19,867,020
Distribution costs		(1,264,642)	(1,176,173)
Administrative expenses		(19,322,668)	(16,076,616)
Operating profit	3	2,937,078	2,614,231
Interest receivable	6	139,150	77,323
Interest payable	7	(364,898)	(206,056)
Profit on ordinary activities before taxation		2,711,330	2,485,498
Tax on profit on ordinary activities	8	(837,669)	(728,245)
Profit retained for the financial year	18	1,873,661	1,757,253

Statement of total recognised gains and losses

for the year ended 31 December 2008

There are no recognised gains or losses other than the profit of £1,873,661 attributable to the shareholders for the year ended 31 December 2008 (2007 – profit of £1,757,253).

Balance sheet

at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	9	–	–
Tangible assets	10	3,616,684	2,945,903
Investments	11	1	1
		3,616,685	2,945,904
Current assets			
Stocks	12	6,168,113	7,829,184
Debtors	13	6,677,038	9,299,791
Cash at bank		9,594,646	4,472,209
		22,439,797	21,601,184
Creditors: amounts falling due within one year	14	(16,805,006)	(17,169,273)
Net current assets		5,634,791	4,431,911
Total assets less current liabilities		9,251,476	7,377,815
Capital and reserves			
Called up share capital	17	2,000,100	2,000,100
Profit and loss account	18	7,251,376	5,377,715
Equity shareholders' funds	18	9,251,476	7,377,815

Charles Whitney
Director

28 SEP 2009

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

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

Basis of consolidation

In accordance with the exemption allowed by section 248 of the Companies Act 1985, 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.

Prior year restatement

In 2007 all demonstration costs were included as part of cost of sales. These numbers have been restated so that only the esthetician element of demonstrations are included within cost of sales. The balance of the demonstration cost have been reclassified as administrative expenses.

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 consolidated financial statements in which the company is included are publicly available.

Fixed assets

All fixed assets are initially recorded at cost.

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.

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.

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.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

Deferred taxation

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

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

Deferred tax is 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.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties in the UK, Ireland, France, Switzerland, Austria and Germany in respect of sales of cosmetics and amounts received and receivable from the company's parent undertaking in respect of sales and marketing support in the UK and Europe. It all relates to continuing activities.

3. Operating profit

This is stated after charging/(crediting):

		2008	*2007*
		£	*£*
Auditors' remuneration	– audit services	32,638	42,530
	– non audit services (tax services)	12,775	14,000
Depreciation of owned fixed assets		1,054,246	910,033
Foreign exchange gain		(492,567)	(33,032)
Loss on disposal of fixed assets		82,554	193,884
Operating lease rentals	– land and buildings	640,416	490,177
	– plant and machinery	187,527	130,330

Notes to the financial statements

at 31 December 2008

4. Staff costs

	2008	*2007*
	£	*£*
Wages and salaries	5,804,676	4,245,003
Social security costs	540,184	464,170
Staff pension contributions (note 15)	96,080	45,703
	6,440,940	4,754,876

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

	2008	*2007*
	No.	*No.*
Administrative staff	38	31
Sales staff	279	209
	317	240

5. Directors' emoluments

	2008	*2007*
	£	*£*
Emoluments	90,100	73,702

6. Interest receivable

	2008	*2007*
	£	*£*
Bank interest receivable	139,150	77,323

7. Interest payable

	2008	*2007*
	£	*£*
Interest payable to group undertakings	364,898	206,056

Notes to the financial statements

at 31 December 2008

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008	*2007*
	£	*£*
Current tax:		
UK corporation tax	814,605	793,641
Tax under/(over) provided in previous years	46,716	(60,327)
Total current tax (note 8(b))	861,321	733,314
Deferred tax:		
Origination and reversal of timing differences (note 8 (c))	(23,652)	(5,069)
Tax on profit on ordinary activities	837,669	728,245

(b) Factors affecting current tax charge

The differences are reconciled below:

	2008	*2007*
	£	*£*
Profit on ordinary activities before taxation	2,711,330	2,485,498
Profit on ordinary activities for the year multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	772,729	745,649
Disallowed expenses and non-taxable income	60,550	14,767
Capital allowances in arrears of depreciation	22,159	36,498
Adjustments in respect of previous periods	46,716	(60,327)
Other timing differences	(40,833)	(3,273)
Total current tax (note 8(a))	861,321	733,314

Notes to the financial statements

at 31 December 2008

8. Tax (continued)

(c) Deferred tax

	2008	2007
	£	£
Capital allowances in arrears of depreciation	55,936	34,167
Other timing differences	22,561	20,678
Deferred tax asset (note 13)	78,497	54,845

	£
At 31 December 2007	54,845
Profit and loss account	(18,348)
Adjustments in respect of prior years	42,000
At 31 December 2008	78,497

9. Intangible fixed assets

	Website licence
	£
Cost:	
At 31 December 2007 and 31 December 2008	2,000
Amortisation:	
At 31 December 2007 and 31 December 2008	2,000
Net book value:	
At 31 December 2007 and 31 December 2008	–

Notes to the financial statements

at 31 December 2008

10. Tangible fixed assets

	Leasehold improvements	*Store fittings*	*Office furniture and equipment*	*Motor vehicles*	*Assets under construction*	*Total*
	£	£	£	£	£	£
Cost:						
At 1 January 2008	335,371	4,909,813	257,531	5,000	–	5,507,715
Additions	95,511	1,059,567	139,792	38,689	461,269	1,794,828
Disposals	(10,900)	(183,141)	(56,502)	(5,000)	–	(255,543)
At 31 December 2008	419,982	5,786,239	340,821	38,689	461,269	7,047,000
Depreciation:						
At 1 January 2008	118,401	2,294,268	144,143	5,000	–	2,561,812
Provided during the year	38,167	952,601	58,304	5,174	–	1,054,246
Disposals	(2,205)	(120,437)	(58,100)	(5,000)	–	(185,742)
At 31 December 2008	154,363	3,126,432	144,347	5,174	–	3,430,316
Net book value:						
At 31 December 2008	265,619	2,659,807	196,474	33,515	461,269	3,616,684
At 1 January 2008	216,970	2,615,545	113,388	–	–	2,945,903

11. Fixed asset investments

	£
At 1 January 2008 and at 31 December 2008	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

	2008	*2007*
	£	£
Finished goods	6,168,113	7,829,184

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

Notes to the financial statements

at 31 December 2008

13. Debtors

	2008	*2007*
	£	*£*
Trade debtors	4,305,527	7,888,428
Amounts owed by group undertakings	1,782,876	1,229,461
Other debtors	510,138	127,057
Deferred tax asset(note 8(c))	78,497	54,845
	6,677,038	9,299,791

14. Creditors: amounts falling due within one year

	2008	*2007*
	£	*£*
Trade creditors	2,292,765	841,035
Amounts owed to group undertakings	10,922,686	13,257,055
Corporation tax	571,964	726,914
Other taxation and social security	960,999	676,000
Other creditors	1,449,906	1,081,955
Accruals and deferred income	606,686	586,314
	16,805,006	17,169,273

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 £5,678 (2007 – £6,259).

16. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

		2008		*2007*
	Land and buildings	*Plant and machinery (Other)*	*Land and buildings*	*Plant and machinery (Other)*
	£	*£*	*£*	*£*
Operating leases which expire:				
Within one year	–	42,490	–	59,689
In two to five years	–	75,774	80,000	103,818
In over five years	641,262	–	508,526	–
	641,262	118,264	588,526	163,507

Notes to the financial statements

at 31 December 2008

17. Authorised and issued share capital

	2008	2007
Authorised	£	£
Ordinary shares	2,100,000	2,100,000

Allotted, called up and fully paid

		2008		2007
	No.	£	No.	£
Ordinary shares of £1 each	2,000,100	2,000,100	2,000,100	2,000,100

18. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
At 31 December 2006	2,000,100	3,620,462	5,620,562
Profit for the year	–	1,757,253	1,757,253
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

19. Related party transactions

The company is a wholly owned subsidiary of Benefit Cosmetics LLC and has taken advantage of the exemption in FRS 8 from disclosing transactions with companies in the Benefit Cosmetics LLC group.

The company was recharged £2,123,243 (2007 – £1,610,957) for administrative expenses by LVMH Parfums & Kosmetik and owed that company £454,518 (2007 – £177,800) at the year end.

The company purchased services from and was recharged for administrative expenses by Parfums Givenchy Limited during the year, for which it paid £nil (2007 – £98,223) and owed that company £nil (2007 – £nil) at the year end.

The company was recharged £461,967 (2007 – £49,489) for administrative expenses by Parfums Christian Dior AG and owed that company £64,228 (2007 – £nil) at the year end.

The above companies are all fellow subsidiary undertakings in the LVMH Moët Hennessy-Louis Vuitton SA group.

Notes to the financial statements

at 31 December 2008

20. 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.

Benefit Cosmetics LLC, a company incorporated in USA is the parent of the smallest group of which the company is a member and for which group financial statements are prepared. Copies of these financial statements can be obtained from 685, Market Street, 7th Floor, San Francisco, CA 94105.

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.