

Charlotte Tilbury Beauty Limited

**Annual Report and Financial Statements
for the Year Ended
31 December 2017**

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Company Information

Directors:	Ms C E B Tilbury Mrs D Pinsent
Registered Office:	50 Brook Green Hammersmith London W6 7BJ
Registered Number:	08037372 (England and Wales)
Auditor:	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

Strategic Report

The directors present their strategic report of Charlotte Tilbury Beauty Limited (the “Company”) for the year ended 31 December 2017.

Principal Activities

The principal activity of the Company in the year under review was the sale of skincare and cosmetic products, under the brand name Charlotte Tilbury.

Review of Business

The Company sells through wholesale channels in the UK and Ireland and following the completion of a franchise agreement in June 2017, now sells through the Company’s franchise partner in certain countries within the Middle East. The Company continues to sell online in these territories as well as throughout other European countries and Australia. During the year, the Company has also extended its online distribution capabilities to the rest of the world through a distribution agreement with a global online market place.

The Company continues to operate two retail stores, one in Covent Garden, London and the other in Westfield, London.

As shown in the profit and loss account on page 11, the Company’s turnover has increased significantly by 40% to £75.5m (2016: £53.9m) for the year under review. The Company achieved an EBITDA¹ result for the year of £2.8m (2016: £2.0m)

Key Performance Indicators (“KPI’s”)

The Company’s KPI’s are as follows:

	2017 £000	2016 £000	Growth %
Turnover	75,524	53,880	40.2
Gross Margin (%)	69.0%	64.0%	
Profit Before Taxation	2,616	1,916	36.5
EBITDA ¹	2,777	1,975	40.7
	2017	2016	Growth %
Current Assets / Current Liabilities	1.1	1.1	
Average Number of Employees	507	277	83.2

¹ – EBITDA is calculated as being earnings before interest, tax, depreciation, amortisation and exceptional items. For financial year ended 31 December 2017 and 31 December 2016 there were no exceptional costs.

Reconciliation from Net Profit After Tax to EBITDA:

	2017 £000	2016 £000
Net Profit After Tax	2,600	1,935
Add Back:		
Interest Expense	102	24
Tax Expense / (Benefit)	16	(19)
Depreciation	52	23
Amortisation	7	12
EBITDA	2,777	1,975

Principal Risks and Uncertainties

The Company has appropriate processes in place to actively identify, manage and mitigate risks. Risks are constantly reviewed by the management of the Company and reported to the Board. The principal risks and uncertainties facing the Company are broadly grouped as market and legislative risks.

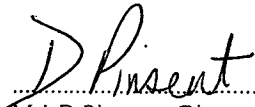
- **Market Risks**

In a market characterised by rapid product innovation, new market entrants, and changing consumer behaviour, the Company faces competitive pressures and is required to ensure that the product offering, channel distribution and marketing strategies remain relevant in a constantly changing market. The Company manages and mitigates these risks by investing significantly in new product development, continually reviewing the channel distribution, building strong relationships with wholesale partners, focusing on the consumer demand for credible expertise and education as well as adapting the way in which the brand communicates and engages with its customers.

- **Legislative Risks**

On 23 June 2016, the UK electorate voted to discontinue its membership of the European Union. The UK Government further triggered article 50 on 29 March 2017 to start the formal process of leaving the EU. While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, with the UK Government setting out its intention to leave the single market, uncertainties remain and make it difficult to forecast future years. Until further clarity is known regarding the terms of the exit, it is too early for Directors to include their assessment of the impact on the Company's trade and customers, regulatory requirements and legal consequences of such event.

ON BEHALF OF THE BOARD:


.....
Mrs D Pinsent - Director

19/09/2018
.....
Date:

Directors' Report

The Directors present their report, together with the audited financial statements of the Company for the year ended 31 December 2017. Details of principal activities and performance can be found in the Strategic Report on page 4.

Dividends

No dividends will be distributed for the year ended 31 December 2017 (2016: £Nil).

Results

The audited financial statements for the year ended 31 December 2017 are set out on pages 11 - 22. The profit for the year, after taxation, as detailed on the Profit and Loss on page 11, amounted to £2,599,986 (2016: £1,934,781).

Directors

The current directors of the Company are shown on page 3. The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Ms C E B Tilbury
Mrs D Pinsent

The Company did not provide qualifying third party indemnity provisions to its directors during the financial year and at the date of this report (2016: £Nil).

Employees

Detail on the number of employees and related costs can be found in Note 3 of the financial statements. The Company gives full consideration to applications for employment from disabled persons where the candidate's 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, the Company's position is to continue employment wherever practicable in the same or an alternative position and to provide any necessary training required.

Political Donations and Expenditure

The Company has not made any political donations or incurred any political expenditure during the financial year ended 31 December 2017 (2016: £Nil).

Events Since the Balance Sheet Date

Details of events since the balance sheet date can be found in the Note 15.

Going Concern

The Directors, having assessed the business risks, the forecast profitability, working capital requirements and available finance facilities of the business, have determined that the Company has the ability to meet its ongoing obligations. The Directors consider it appropriate to prepare the financial statements on a going concern basis.

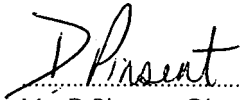
Statement as to Disclosure of Information to Auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

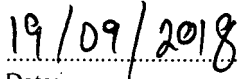
Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

ON BEHALF OF THE BOARD:



Mrs D Pinsent - Director



Date:

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent Auditor's Report to the Members of Charlotte Tilbury Beauty Limited

Opinion

We have audited the financial statements of Charlotte Tilbury Beauty Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor.
Chartered Accountants
15 Canada Square
London
E14 5GL

21 September 2018

**Profit and Loss
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
Turnover	2	75,523,781	53,879,775
Cost of Sales		(23,416,591)	(19,421,249)
Gross Profit		52,107,190	34,458,526
Administrative Expenses		(49,388,342)	(32,522,006)
Other Operating Income		-	3,121
Operating Profit	4	2,718,848	1,939,641
Interest Payable and Similar Expenditure	10	(102,364)	(23,819)
Profit Before Taxation		2,616,484	1,915,822
Tax (Expense) / Benefit on Profit	5	(16,498)	18,959
Profit for the Financial Year		2,599,986	1,934,781

The operating profit for the year arises from the Company's continuing operations.

The notes on pages 15 - 22 form part of these financial statements

**Statement of Other Comprehensive Income
for the Year Ended 31 December 2017**

	31.12.17 £	31.12.16 £
Profit for the Financial Year	2,599,986	1,934,781
Other Comprehensive Income	-	-
Total Comprehensive Income for the Year	2,599,986	1,934,781

The notes on pages 15 - 22 form part of these financial statements

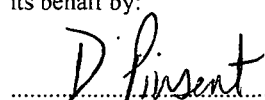
Balance Sheet
As at 31 December 2017

	Notes	31.12.17 £	£	31.12.16 £	£
Fixed Assets					
Intangible Assets	6		54,901		49,259
Tangible Assets	7		264,999		120,797
			<u>319,900</u>		<u>170,056</u>
Current assets					
Stocks	8	9,228,446		9,880,385	
Debtors: Amounts Falling Due Within One Year	9	52,238,599		20,541,459	
Cash at Bank and in Hand		8,321,964		5,239,434	
		<u>69,789,009</u>		<u>35,661,278</u>	
Creditors					
Amounts Falling Due Within One Year	10	(63,526,369)		(31,865,278)	
Net Current Assets			<u>6,262,640</u>		<u>3,796,000</u>
Total Assets Less Current Liabilities			<u>6,582,540</u>		<u>3,966,056</u>
Provisions for Liabilities	12		(37,033)		(20,535)
Net Assets			<u><u>6,545,507</u></u>		<u><u>3,945,521</u></u>
Capital and Reserves					
Called Up Share Capital	13		1		1
Retained Earnings			6,545,506		3,945,520
Shareholders' Funds			<u><u>6,545,507</u></u>		<u><u>3,945,521</u></u>

The financial statements were approved by the Board of Directors on its behalf by:

19 September 2018

and were signed on



Mrs D Pinsent – Director

Company Registered Number: 08037372

The notes on pages 15 - 22 form part of these financial statements

**Statement of Changes in Equity
for the Year Ended 31 December 2017**

	Called Up Share Capital £	Retained Earnings £	Total Equity £
At 1 January 2016	1	2,010,739	2,010,740
Total Comprehensive Income	-	1,934,781	1,934,781
At 31 December 2016	1	3,945,520	3,945,521
Total Comprehensive Income	-	2,599,986	2,599,986
At 31 December 2017	1	6,545,506	6,545,507

The notes on pages 15 - 22 form part of these financial statements

Notes to the Financial Statements for the Year Ended 31 December 2017

1. Accounting Policies

1.1 Basis of Preparation of Financial Statements

Charlotte Tilbury Beauty Limited (the “**Company**”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08037372 and the registered address is 50 Brook Green, Hammersmith, London W6 7BJ.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (“**FRS 102**”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling (£), unless otherwise stated, all amounts are stated in sterling.

The Company’s ultimate parent undertaking, Islestarr Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Islestarr Holdings Limited are available to the public and may be obtained from Building 5, 50 Brook Green, London, W6 7BJ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Islestarr Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS 102.26 Share Based Payments; and
- the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Going Concern

The Company has continued to be profitable in the year and as at 31 December 2017 has a net current asset and net asset position. The financial statements have been prepared on a going concern basis which the directors believe to be appropriate as the Company is profitable, cash generative, has limited borrowings and has prepared forecasts based on expected trading which indicate that the Company has sufficient funds to meet its liabilities as they fall due for at least 12 months from the signing of these financial statements.

1.3 Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, 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 items in the financial statements where these judgements and estimates have been made include:

Stock Provisions

Where necessary, a provision is made for obsolete and slow-moving stock. A provision is based on their probable net realisable value, estimated on the basis of historical and projected data.

Tangible Fixed Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as product life cycles and promotional or marketing activity are taken into account.

1.4 Foreign Currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Interest Income and Expenses

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.6 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of value added tax ("VAT") and trade discounts. Turnover from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually at the point the customer has taken delivery of the goods.

1.7 Intangible Fixed Assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Product development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- the technical feasibility of completing the product so that it will be available for use or sale;
- the intention to complete the product and use or sell it;
- the ability to use the product or to sell it;
- how the product will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- the ability to measure reliably the expenditure attributable to the development of the product.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Patents and Licences	5 - 10 years
Product Development Costs	5 years
Website Development Costs	5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

1.8 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over their expected useful economic lives on a straight-line basis, except where otherwise indicated. The principal annual rates used for this purpose are as follows:

Plant and Machinery - 25% on reducing balance, 20% - 33% on cost

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

1.9 Impairment of Assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.10 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

1.12 Basic Financial Instruments

Trade and Other Debtors / Creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

1.13 Provision for Liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises. The Company recognises a provision for holiday leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the expected salary cost payable over the next 12 months and includes an amount for on costs such as employers national insurance.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for:

- differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and
- differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Turnover

Turnover, analysed geographically between markets, is as follows:

	31.12.17 £	31.12.16 £
UK	59,589,027	40,135,015
Rest of the World	15,934,754	13,744,760
	<u>75,523,781</u>	<u>53,879,775</u>

Turnover in the year is derived solely from the sale of goods.

3. Staff Numbers and Costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	31.12.17	31.12.16
Sales Staff	507	277

The aggregate payroll costs of these persons were as follows:

	31.12.17 £	31.12.16 £
Wages and Salaries	7,451,898	6,167,949
Social Security Costs	805,857	684,251
	<u>8,257,755</u>	<u>6,852,200</u>

Current and prior year directors' emoluments were borne by the Company's ultimate parent, Islestarr Holdings Limited. The amount attributable to services provided in relation to the Company is considered to be £184,000 (2016: £96,000) of which £163,000 (2016: £90,000) relates to the highest paid Director.

4. Operating Profit and Auditor's Remuneration

Included in the profit/loss are the following:

	31.12.17	31.12.16
	£	£
Depreciation	51,695	22,957
Amortisation	6,975	12,214
Auditor's Remuneration	20,000	15,000
Non-Audit Related Fees (in Respect of Taxation)	-	240
Direct Foreign Exchange (Gains) / Losses	(92,769)	220,720

5. Taxation

The tax expense on the profit on ordinary activities for the year was as follows:

	31.12.17	31.12.16
	£	£
Current Tax:		
UK Corporation Tax	-	(30,823)
Deferred Tax	16,498	11,864
Tax Expense / (Benefit) on Profit	16,498	(18,959)

Reconciliation of total tax expense included in profit and loss

Factors affecting the tax expense for the current period:

- The current tax credit for the period is lower than the standard rate of corporation tax in the UK.

The differences are explained below.

	31.12.17	31.12.16
	£	£
Profit Before Tax	2,616,484	1,915,822
Total Tax at 19.25% (2016: 20.00%)	503,673	383,164
Effects of:		
Expenses not Deductible for Tax Purposes	2,656	716
Impact of Rate Difference Between Deferred and Current Tax	(2,241)	(2,179)
Impact of Rate Change	-	(482)
Adjustments in Respect of Previous Periods	(549)	(30,823)
Group Relief not Paid for / Excess Paid for Group Relief	(487,041)	(369,355)
Total Tax Expense / (Benefit)	16,498	(18,959)

Reductions to the UK Corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax expense accordingly. The deferred tax balances as at 31 December 2017 have been calculated based on these rates.

6. Intangible Fixed Assets

	Patents and Licences £	Development Costs £	Website Development Costs £	Total £
COST				
At 1 January 2017	33,305	15,267	15,954	64,526
Additions	-	12,617	-	12,617
At 31 December 2017	<u>33,305</u>	<u>27,884</u>	<u>15,954</u>	<u>77,143</u>
AMORTISATION				
At 1 January 2017	-	15,267	-	15,267
Amortisation for Year	3,330	454	3,191	6,975
At 31 December 2017	<u>3,330</u>	<u>15,721</u>	<u>3,191</u>	<u>22,242</u>
NET BOOK VALUE				
At 31 December 2017	<u>29,975</u>	<u>12,163</u>	<u>12,763</u>	<u>54,901</u>
At 31 December 2016	<u>33,305</u>	<u>-</u>	<u>15,954</u>	<u>49,259</u>

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18. As at 31 December 2017, HSBC has fixed and floating charges over all assets and undertaking of the Company, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

7. Tangible Fixed Assets

	Plant and Machinery £
COST	
At 1 January 2017	172,731
Additions	195,897
At 31 December 2017	<u>368,628</u>
DEPRECIATION	
At 1 January 2017	51,934
Expense for Year	51,695
At 31 December 2017	<u>103,629</u>
NET BOOK VALUE	
At 31 December 2017	<u>264,999</u>
At 31 December 2016	<u>120,797</u>

As at 31 December 2017, HSBC has fixed and floating charges over all assets and undertaking of the Company, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

8. Stocks

	31.12.17 £	31.12.16 £
Finished Goods	<u>9,228,446</u>	<u>9,880,385</u>

There is no significant difference between the replacement cost of finished goods and their carrying amounts. Stocks are stated after provisions for slow moving and obsolete stock of £1,204,570 (2016: £312,792).

9. Debtors

	31.12.17 £	31.12.16 £
Amounts Falling Due Within One Year:		
Trade Debtors	12,756,050	7,269,344
Amounts Owed by Group Undertakings	34,532,100	10,931,247
Other Debtors	234,276	234,799
Prepayments and Accrued Income	4,716,173	2,106,069
	<u>52,238,599</u>	<u>20,541,459</u>

Amounts Owed by Group Undertakings

Amounts owed by Group undertakings are on interest free terms and are payable on demand.

10. Creditors: Amounts Falling Due Within One Year

	31.12.17 £	31.12.16 £
Trade Creditors	2,013,264	3,390,097
Amounts Owed to Group Undertakings	54,438,542	18,899,275
Social Security and Other Taxes	4,292,475	577,167
Other Creditors	2,244,052	1,782,356
Trade Finance Liability	-	6,822,940
Accrued Expenses and Deferred Income	538,036	393,443
	<u>63,526,369</u>	<u>31,865,278</u>

Amounts Owed to Group Undertakings

Amounts owed to Group undertakings are on interest free terms and are payable on demand.

Trade Finance Liability

Trade finance facility is an interest-bearing facility which is payable on demand. Interest is payable monthly. Details of the secured trade finance liability are below at Note 11. The associated interest expense of £102,364 (2016: £23,819).

11. Secured Debts

At end of 2017, HSBC holds a debenture for the provision to the Company for a £10,500,000 overdraft and £25,000 Foreign Bills.

The debenture comprises fixed and floating charges over all assets and undertaking of ultimate parent of the Company, Islestarr Holdings Limited including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

An unlimited composite guarantee is in place, given by Islestarr Holdings Limited and Charlotte Tilbury Beauty Limited (the Company) to secure all liabilities of each other.

12. Provisions for Liabilities

	Deferred Tax £
Balance at 1 January 2017	20,535
Provisions Made During the Year	16,498
Provisions Reversed During the Year	-
Balance at 31 December 2017	37,033

The deferred tax liability relates accelerated capital allowances and short term temporary timing differences.

13. Called Up Share Capital

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	31.12.17 £	31.12.16 £
1 (2016: 1)	Ordinary	£1	1	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

14. Ultimate Parent Company

The Company is a subsidiary of Islestarr Holdings Limited. Islestarr Holdings Limited is regarded by the directors as being the Company's ultimate parent company.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Islestarr Holdings Limited. Copies of the Islestarr Holdings Limited consolidated financial statements can be obtained from the website for Companies House or alternatively from the company secretary at Islestarr Holdings Limited at 50 Brook Green, Hammersmith, London W6 7BJ.

15. Events After Reporting Date

On 11 May 2018, the Company signed a six-month, £10,000,000 invoicing financing agreement with HSBC to purchase debts owed to the Company. The agreement covers select UK and EU Retailers for Charlotte Tilbury Beauty Limited.

On 8 June 2018, Charlotte Tilbury Beauty Limited, a wholly owned subsidiary of the Company entered an agreement with Sephora Europe and since launched in nine Sephora doors throughout Germany. The Company will also launch in Sephora Spain as early as September 2018. This arrangement will allow new distribution opportunities through a specialty channel throughout Germany, Spain and throughout other European countries.

16. Related Party Disclosures

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

Certain family members of Charlotte Tilbury, a director of the Company, are employed by the Company or consult for the Company. The remuneration paid to these family members are based on an arm's length basis and amounted to £nil (2016: £nil) in the current year.

17. Ultimate Controlling Party

The ultimate controlling party is Ms C E B Tilbury.