

**LC Luxuries Limited**  
**(Formerly Makeup.com Limited)**  
**FINANCIAL STATEMENTS**  
**December 31, 2009**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of LC Luxuries Limited (Formerly Makeup.com Limited):

We have audited the accompanying consolidated balance sheet of LC Luxuries Limited as of December 31, 2009, and the consolidated statements of operations, stockholders' deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred losses since inception and has a significant working capital and stockholders' deficiency raising substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on raising capital to fund its business and ultimately to attain profitable operations. Management's plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The audited consolidated financial statements at December 31, 2008 and for the year ended were examined by another auditor who expressed an opinion without reservation on those statements in their report dated March 31, 2009.

*"DMCL"*

**DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED ACCOUNTANTS**

Vancouver, Canada  
June 1, 2010

**LC LUXURIES LIMITED  
(FORMERLY MAKEUP.COM LIMITED)  
CONSOLIDATED BALANCE SHEETS**

	December 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets		
Cash	\$ 15,087	\$ 48,629
Accounts receivable	9,747	3,603
Inventory	93,206	323,375
Prepaid expenses and deposits	16,407	47,254
<b>Total current assets</b>	<b>134,447</b>	<b>422,861</b>
Equipment	5,541	19,992
Deposit	35,000	70,000
Intangible assets	333,334	333,334
<b>Total assets</b>	<b>\$ 508,322</b>	<b>\$ 846,187</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 476,968	\$ 440,509
Accrued liabilities	36,745	71,834
Convertible notes payable	419,392	391,118
Convertible notes payable to related parties	1,821,193	1,226,994
Note payable to related party	412,906	386,240
Due to related parties	14,637	15,142
<b>Total current liabilities</b>	<b>3,181,841</b>	<b>2,531,837</b>
Stockholders' deficit:		
Common stock \$0.001 par value, 200,000,000 authorized; 9,733,442 issued and outstanding	9,733	9,733
Additional paid in capital	3,393,499	3,271,588
Accumulated deficit	(6,039,101)	(4,953,074)
Accumulated other comprehensive loss	(37,650)	(13,897)
<b>Total stockholders' deficit</b>	<b>(2,673,519)</b>	<b>(1,685,650)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 508,322</b>	<b>\$ 846,187</b>

The accompanying notes are an integral part of these consolidated financial statements.

**LC LUXURIES LIMITED**  
**(FORMERLY MAKEUP.COM LIMITED)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
Sales	\$ 675,524	\$ 683,185
Cost of goods sold	555,966	440,217
Gross profit	119,558	242,968
Operating expenses:		
Amortization	14,451	31,904
Bad debts	3,469	4,161
Consulting fees	279,937	252,191
General and administrative	565,881	762,220
Interest expense	283,407	188,014
Professional fees	11,640	155,139
Rent	46,800	45,233
	<u>1,205,585</u>	<u>1,438,862</u>
Net loss	\$ (1,086,027)	\$ (1,195,894)
Net loss per share - basic and diluted	\$ (0.11)	\$ (0.17)
Weighted average number of shares outstanding - basic and diluted	<u>9,733,442</u>	<u>7,154,275</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LC LUXURIES LIMITED**  
**(FORMERLY MAKEUP.COM LIMITED)**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

	<u>Common Stock Issued</u>		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount				
Balance at January 1, 2007	2,241,567	\$ 2,242	\$ 42,589	\$ (2,287,035)	\$ (10,017)	\$ (2,252,221)
Net loss	-	-	-	(1,470,145)	-	(1,470,145)
Foreign exchange loss	-	-	-	-	(16,697)	(16,697)
Balance December 31, 2007	2,241,567	2,242	42,589	(3,757,180)	(26,714)	(3,739,063)
Shares issued for debt	7,491,875	7,491	3,228,999	-	-	3,236,490
Net loss	-	-	-	(1,195,894)	-	(1,195,894)
Foreign exchange gain	-	-	-	-	12,817	12,817
Balance at December 31, 2008	9,733,442	9,733	3,271,588	(4,953,074)	(13,897)	(1,685,650)
Beneficial conversion feature	-	-	121,911	-	-	121,911
Net loss	-	-	-	(1,086,027)	-	(1,086,027)
Foreign exchange loss	-	-	-	-	(23,753)	(23,753)
Balance at December 31, 2009	9,733,442	\$ 9,733	\$ 3,393,499	\$ (6,039,101)	\$ (37,650)	\$ (2,673,519)

The accompanying notes are an integral part of these consolidated financial statements.

**LC LUXURIES LIMITED**  
**(FORMERLY MAKEUP.COM LIMITED)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

	2009	2008
Cash flows from operating activities:		
Net loss	\$ (1,086,027)	\$ (1,195,894)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	14,451	31,904
Interest expenses - non-cash	283,407	188,014
Changes in operating assets and liabilities:		
Accounts receivable	(6,144)	(1,100)
Inventory	230,169	17,521
Prepaid expenses and deposits	30,847	(24,963)
Deposit	35,000	-
Accounts payable	36,458	135,844
Accrued liabilities	(35,089)	(36,996)
Due to related parties	(505)	(431)
Deferred rent	-	(2,652)
<b>Net cash used in operating activities</b>	<b>(497,433)</b>	<b>(888,753)</b>
Cash flows from investing activities:		
Acquisition of equipment	-	(5,840)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(5,840)</b>
Cash flows from financing activities:		
Convertible notes payable	-	422,962
Convertible notes payable to related parties	487,644	465,000
<b>Net cash provided by financing activities</b>	<b>487,644</b>	<b>887,962</b>
<b>Effects of foreign currency exchange</b>	<b>(23,753)</b>	<b>12,817</b>
<b>Increase (decrease) in cash</b>	<b>(33,542)</b>	<b>6,186</b>
<b>Cash, beginning</b>	<b>48,629</b>	<b>42,443</b>
<b>Cash, ending</b>	<b>\$ 15,087</b>	<b>\$ 48,629</b>
Supplemental disclosure of non-cash investing and financing activities:		
Cash paid for:		
Taxes	\$ -	\$ -
Interest	\$ -	\$ -
Non-cash changes in assets and liabilities		
Conversion of interest on convertible notes payable into common shares	\$ -	\$ 202,368
Issuance of common shares in exchange for convertible debts	\$ -	\$ 3,034,122

The accompanying notes are an integral part of these consolidated financial statements.

**LC LUXURIES LIMITED  
(FORMERLY MAKEUP.COM LIMITED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

LC Luxuries Limited (the “Company”) was incorporated on July 14, 2003, in the state of Nevada. On November 21, 2006, the Company changed its name to Makeup.com Limited, and on February 5, 2010, changed its name to LC Luxuries Limited.

On February 1, 2010, the Company sold most of its domain names and certain intellectual property rights associated with these domain names. (Note 10). The Company was in the business of selling beauty products, such as makeup and perfume, on the internet through its website makeup.com. As a result of the sale of domain names, the Company is now seeking new business opportunities and effective February 1, 2010 is in the development stage.

Going Concern

These consolidated financial statements have been prepared under the assumption that the Company will continue on a going concern basis and that it will be able to realize assets and discharge liabilities in the normal course of business. As reported in the accompanying financial statements, the Company has an accumulated deficit of \$6,039,101, a working capital deficiency of \$3,047,394 and a stockholders’ deficit of \$2,673,519 as at December 31, 2009. Should the Company be unable to continue as a going concern, significant adjustments to asset values may be necessary. The ability of the Company to continue as a going concern is dependent upon the Company raising financing through the issuance of equity, sale of domain names, settling related party loans, and generating sufficient revenue to achieve profitable operations in the future.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reclassifications**

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to the current year’s presentation. These reclassifications had no effect on the consolidated results of operations or financial position for any years presented.

**Principles of Consolidation**

The Company’s consolidated financial statements have been prepared in accordance with accounting generally accepted accounting principals (“GAAP”) in the United States and are presented in the US dollars.

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated from the consolidated financial results.

**Use of Estimates**

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates with regard to these financial statements relate to determining the

useful lives and carrying value of intangible and long lived assets, inventory obsolescence, product returns and deferred income taxes.

### **Inventory**

Inventory consists of finished goods and is valued at the lower of cost determined by a first-in, first-out basis, and net realizable value. During the year ended December 31, 2009, the Company recorded an allowance of \$80,848 for obsolete inventory in cost of goods sold.

### **Equipment**

Equipment consists of computer hardware and computer software and is stated at cost and amortized, net of estimated salvage value, using the straight-line method over the estimated useful lives of the assets:

Computer equipment	1- 5 years
Computer software	1- 3 years

### **Long-lived Assets Including Intangible Assets**

The carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

### **Foreign Currency Translation and Transactions**

Transactions denominated in currencies other than the functional currency of the Company are initially recorded at the exchange rate in effect at the time of the transaction. Current asset and current liability accounts are re-measured to the functional currency of the Company at the rates in effect at the balance sheet date. Any associated transactional currency re-measurement gains and losses are recognized in current operations. Items recorded in revenue and expenses arising from transactions are translated at an average exchange rate for the year.

### **Financial Instruments**

The estimated fair values for financial instruments are determined based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair value of cash, account receivable, accounts payable, convertible notes, note payable and due to related parties approximates their carrying value due to their short-term nature.

### **Revenue Recognition**

The Company recognizes revenue from product sales or services rendered when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the selling price is fixed or determinable, and collectability is reasonably assured. Revenue is recorded net of allowances for customer sales incentives and rebates. The allowances are accrued concurrently with the recognition of revenue and are determined based primarily upon customer arrangements and historical data.

The Company also offers coupons for replacement orders and discount programs. Discounts and coupons for “free products” are only redeemable on purchases made or on products offered on our website. Discounts are included as a reduction in sales whereas coupons for “free products” are classified as “cost of sales” in the consolidated statements of operations.

## Income Taxes

Income taxes are determined using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that date of enactment. In addition, a valuation allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

The Company accounts for uncertainty in income taxes by applying a two-step method. First, it evaluates whether a tax position has met a more likely than not recognition threshold, and second, it measures that tax position to determine the amount of benefit or charge, if any, to be recognized in the financial statements.

## Loss per Share

The Company presents both basic and diluted loss per share ("LPS") on the face of the statements of operations. Basic LPS is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted LPS gives effect to all dilutive potential common shares outstanding during the period including convertible debt, stock options, and warrants, using the treasury stock method. Diluted LPS excludes all dilutive potential shares if their effect is anti-dilutive.

## Recent Accounting Guidance

The Company reviewed recently issued accounting pronouncements and plans to adopt those that apply to it. The Company does not expect the adoption of these pronouncements to have a material impact on its financial position, results of operations or cash flows.

## 3. EQUIPMENT

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	December 31, 2009	December 31, 2008
Computer equipment and software	\$ 179,726	\$ 179,726
Less: accumulated amortization	(174,185)	(159,734)
Net book value	<b>\$ 5,541</b>	<b>\$ 19,992</b>

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## 4. CONVERTIBLE NOTES PAYABLE

At December 31, 2009 and 2008, the Company had convertible notes payable totaling \$419,392 and \$391,118 respectively, including accrued interest of \$65,942 and \$37,668 respectively. The convertible notes are payable on demand, are unsecured, bear interest at 7% and are convertible into restricted shares of the Company's common stock at the discretion of the lender at a conversion price of the lesser of \$0.50 per share and a 20% discount to the closing market price of the Company's common stock.

On May 5, 2008 the Company converted \$3,236,490 in convertible notes payable, including \$202,368 in accrued interest, into 7,491,875 (post reverse stock split) shares of the Company's common stock. (Note 8)

## 5. CONVERTIBLE NOTES PAYABLE TO RELATED PARTIES

	December 31, 2009	December 31, 2008
Convertible notes payable to a major shareholder	\$ 857,644	\$ 370,000
Convertible note payable to a major shareholder	30,000	30,000
Convertible notes payable to a company controlled by a relative of a major shareholder	629,960	629,960
Convertible note payable to a company controlled by a major shareholder	100,000	100,000
Accrued interest on convertible notes payable to related parties	203,589	97,034
	<b>\$ 1,821,193</b>	<b>\$ 1,226,994</b>

All of the above convertible notes payable to related parties are payable on demand, unsecured, bear interest at 7% and are convertible into restricted shares of the Company's common stock at the discretion of the Company at a conversion price of the lesser of \$0.50 per share and a 20% discount to the closing market price of the Company's common stock.

During the year ended December 31, 2009, the Company issued convertible promissory notes in the total amount of \$487,644 to a major shareholder of the Company. The beneficial conversion feature resulting from these issuances was \$121,911, which has been recorded in additional paid-in capital and was charged to the statements of operations as an interest expense.

## 6. NOTE PAYABLE DUE TO RELATED PARTY

At December 31, 2009 and 2008, the Company had a note payable in the amount of \$333,333. This note is payable on demand, is unsecured and bears interest at 8% per year (payable monthly). At December 31, 2009 and 2008, \$79,573 and \$52,907 in interest had been accrued on this note.

## 7. DUE TO RELATED PARTIES

Due to Related Parties	December 31, 2009	December 31, 2008
Expense reimbursement due to a director (a)	\$ 9,850	\$ 9,850
Expense reimbursement due to a director (b)	122	129
Expense reimbursement due to a major shareholder of the Company	4,664	5,162
Due to Manhattan Assets Corp. for share purchase	1	1
	<b>\$ 14,637</b>	<b>\$ 15,142</b>

(a) At December 31, 2009 and 2008, the Company had paid or accrued \$nil and \$5,705 respectively, in travel expenses to this director.

(b) At December 31, 2009 and 2008, the Company had paid or accrued \$1,498 and \$1,380, to this director.

## 8. COMMON STOCK

On July 18, 2008, the Company's shareholders approved a 1 for 20 share reverse stock split of their issued and outstanding common stock. All common stock amounts have been retroactively adjusted for all periods presented.

On May 5, 2008, the Company issued 7,491,875 shares of common stock at \$0.432 per share on the conversion of \$3,236,490 in convertible debt. The shares were issued at a discount of 20% to the closing market price of the Company's common stock on May 5, 2008, which was the date the borrower and lender agreed on the conversion. (Note 4)

## 9. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying aggregate income tax rates for the loss before tax provision due to the following:

	December 31, 2009	December 31, 2008
Loss before income tax	\$ 1,086,027	\$ 1,195,894
Statutory tax rate	35%	35%
Expected recovery of income taxes at statutory rates	380,110	418,563
Non deductible items	(42,667)	(10,203)
Change in valuation allowance	(337,443)	(408,360)
Income tax provision	\$ -	\$ -
Components of deferred tax asset:		
U.S non-capital tax loss carry forwards	\$ 1,790,462	\$ 1,453,019
Canadian non-capital tax loss carry forwards	156,342	156,342
Less: valuation allowance	(1,946,804)	(1,609,361)
Net deferred tax asset	\$ -	\$ -

The Company had U.S and Canadian non-capital losses of \$5,690,000 and \$443,000 on December 31, 2009 and the losses expire through December 31, 2029. The Company is a Nevada corporation and is not subject to state taxes.

## 10. SUBSEQUENT EVENTS

On February 1, 2010, the Company sold most of its domain names, including the rights to makeup.com logo, social networking website accounts, and subscriber lists (for customers who consent to transfer their contact information) for \$2,000,000. The carrying value of these intangibles was \$333,333 and according the Company realized a gain on disposal of \$1,666,667.

Subsequent to the year ended December 31, 2009, the Company sold all inventory for \$93,206.

Subsequent to the year ended December 31, 2009, the Company made repayments of principal and interest for convertible notes and note payable to related parties in the net amount of \$752,145 and \$415,536, respectively.