

**LC Luxuries Limited**

**(Formerly Makeup.com Limited)**

**UNADITED INTERIM FINANCIAL STATEMENTS**

**PREPARED BY MANAGEMENT**

**March 31, 2010**

**LC LUXURIES LIMITED**  
**(FORMERLY MAKEUP.COM LIMITED)**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED, PREPARED BY MANAGEMENT)**

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
(UNAUDITED)		
Current assets		
Cash	\$ 147,993	\$ 15,087
Accounts receivable	178	9,747
Inventory	-	93,206
Prepaid expenses and deposits	-	16,407
<b>Total current assets</b>	<b>148,171</b>	<b>134,447</b>
Equipment	-	5,541
Deposit	35,000	35,000
Intangible assets	-	333,334
<b>Total assets</b>	<b>\$ 183,171</b>	<b>\$ 508,322</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 47,239	\$ 476,968
Accrued liabilities	29,415	36,745
Convertible notes payable	426,672	419,392
Convertible notes payable to related parties	1,145,306	1,821,193
Note payable to related party	-	412,906
Due to related parties	1	14,637
<b>Total current liabilities</b>	<b>1,648,633</b>	<b>3,181,841</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	3,406,249	3,393,499
Accumulated deficit	(4,847,436)	(6,039,101)
Accumulated other comprehensive loss	(34,008)	(37,650)
<b>Total stockholders' deficit</b>	<b>(1,465,462)</b>	<b>(2,673,519)</b>
<b>Total liabilities and stockholders' deficit</b>	<b>\$ 183,171</b>	<b>\$ 508,322</b>

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

**LC LUXURIES LIMITED**  
**(FORMERLY MAKEUP.COM LIMITED)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2010 and 2009**  
**(UNAUDITED, PREPARED BY MANAGEMENT)**

	2010	2009
Sales	\$ 111,252	\$ 160,680
Cost of goods sold	110,469	101,069
Gross profit	783	59,611
Operating expenses:		
Amortization	5,541	3,963
Bad debts	177	239
Consulting fees	22,723	69,486
General and administrative	166,721	144,052
Interest expense	47,665	61,758
Professional fees	24,657	(4,854)
Rent	8,300	11,700
Total operating expenses	275,784	286,344
Non-operating income	1,466,666	-
Net income (loss)	\$ 1,191,665	\$ (226,733)
Net earnings (loss) per share - basic	\$ 0.12	\$ (0.02)
Net earnings (loss) per share - diluted	\$ 0.01	\$ (0.02)
Weighted average number of shares outstanding - basic	9,733,442	9,733,442

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

**LC LUXURIES LIMITED**  
**(FORMERLY MAKEUP.COM LIMITED)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009**  
**(UNAUDITED, PREPARED BY MANAGEMENT)**

	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 1,191,665	\$ (226,733)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	5,541	3,963
Interest expenses - non-cash	47,665	61,757
Changes in operating assets and liabilities:		
Accounts receivable	9,569	(3,996)
Inventory	93,206	18,204
Prepaid expenses and deposits	16,407	3,960
Deposit	-	-
Accounts payable	(429,729)	45,658
Accrued liabilities	(7,330)	(38,398)
Due to related parties	(14,636)	(1,136)
<b>Net cash used in operating activities</b>	<b>912,358</b>	<b>(136,721)</b>
Cash flows from investing activities:		
Domain name	333,334	-
<b>Net cash used in investing activities</b>	<b>333,334</b>	<b>-</b>
Cash flows from financing activities:		
Convertible notes payable	(415,536)	-
Convertible notes payable to related parties	(700,892)	103,347
<b>Net cash provided by financing activities</b>	<b>(1,116,428)</b>	<b>103,347</b>
Effects of foreign currency exchange	3,642	5,365
Increase (decrease) in cash	132,906	(28,009)
Cash, beginning	15,087	48,629
<b>Cash, ending</b>	<b>\$ 147,993</b>	<b>\$ 20,620</b>
Supplemental disclosure of non-cash investing and financing activities:		
Cash paid for:		
Taxes	\$ -	\$ -
Interest	\$ -	\$ -

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

**LC LUXURIES LIMITED  
(FORMERLY MAKEUP.COM LIMITED)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2010  
UNAUDITED, PREPARED BY MANAGEMENT**

---

**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 9). 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 unaudited 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 \$4,847,436, a working capital deficiency of \$1,500,462 and a stockholders’ deficit of \$1,465,462 as at March 31, 2010. 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, 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 unaudited 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 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 subsidiary. 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.

### **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, notes 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.

### **Earnings / Loss per Share**

The Company presents both basic and diluted earnings / loss per share (“EPS”/“LPS”) on the face of the statements of operations. Basic EPS / LPS is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted EPS / 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

---

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
Computer equipment and software	\$ 179,726	\$ 179,726
Less: accumulated amortization	(179,726)	(174,185)
Net book value	<b>\$ -</b>	<b>\$ 5,541</b>

---

### 4. CONVERTIBLE NOTES PAYABLE

At March 31, 2010, and December 31, 2009, the Company had convertible notes payable totaling \$426,672 and \$419,392 respectively, including accrued interest of \$73,222 and \$65,942 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

---

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
Convertible notes payable to a major shareholder	\$ 808,877	\$ 857,644
Convertible note payable to a major shareholder	-	30,000
Convertible notes payable to a company controlled by a relative of a major shareholder	129,960	629,960
Convertible note payable to a company controlled by a major shareholder	-	100,000
Accrued interest on convertible notes payable to related parties	206,469	203,589
	<b>\$ 1,145,306</b>	<b>\$ 1,821,193</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 three months ended March 31, 2010, the Company made repayments of principal and interest for convertible notes payable to related parties in the net amount of \$752,145.

During the three months ended March 31, 2010, the Company issued convertible promissory notes in the total amount of \$51,000 to a major shareholder of the Company. The beneficial conversion feature resulting from these issuances was \$12,750 which has been recorded in additional paid-in capital and was charged to the statements of operations as an interest expense.

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 the Company had a note payable in the amount of \$333,333. This note was payable on demand, was unsecured and bear interest at 8% per year (payable monthly). At December 31, 2009 \$79,573 in interest had been accrued on this note. During three months ended March 31, 2010 the Company repaid the note payable in full, totaling \$415,536 which included accrued interest of \$82,203.

## 7. DUE TO RELATED PARTIES

<b>Due to Related Parties</b>	<b>March 31, 2010 <sup>(a)</sup></b>	<b>December 31, 2009</b>
Expense reimbursement due to a director	\$ -	\$ 9,850
Expense reimbursement due to a director	-	122
Expense reimbursement due to a major shareholder of the Company	-	4,664
Due to Manhattan Assets Corp. for share purchase	1	1
	<b>\$ 14,637</b>	<b>\$ 14,637</b>

(a) During the three months ended March 31, 2010, the Company re-paid amounts owned to related parties.

## 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. DOMAIN SALE

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.