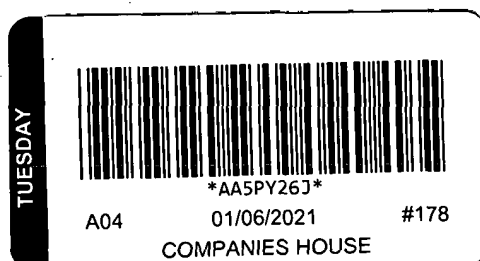


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**AVON COSMETICS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**AVON COSMETICS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	G H Carter C E Rogberg
<b>Registered number</b>	00592235
<b>Registered office</b>	Nunn Mills Road Northampton Northamptonshire NN1 5PA
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Exchange House Central Business Exchange Midsummer Boulevard Milton Keynes MK9 2DF

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**AVON COSMETICS LIMITED**

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## AVON COSMETICS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Principal Activities

The principal activities of the company are as follows:

- the distribution and sale of beauty, gift and decorative products in the UK, through an established network of active representatives, and the provision of goods across EMEA to other Avon businesses;
- the costs associated with the Group's headquarters in Chiswick and the provision of services to other members of the worldwide group;
- lastly, in support of the above activities, the company also manages its investments in subsidiary undertakings, as well as developing and exploiting intellectual property.

#### Business review

##### *Transformation overview*

As a result of the group's ongoing transformation activities, as first announced in 2016, there has been a material increase in revenue during the year. This arises from the full year impact of the changes implemented in 2018, primarily the company becoming the main supplier of beauty, gift and decorative products to other Avon businesses across the EMEA region ('Principal activities').

In furtherance of the Group's transformation plan, a new operating model was introduced during 2019 with regards to the Philippines market. The model sought to enable the Philippines business to continue to meet its commercial aspirations whilst refining the company's role as principal.

There continued to be a focus on overhead expense control and marketing initiatives to drive profitability of the company in line with the overall group's 'Open Up Avon' strategy announced in 2018. The core of this approach is to adopt simpler and leaner operations and to improve the ease in which a Representative can do business with Avon. The directors expect future performance to improve along with operating margins as they continue to focus on these actions.

##### *Business performance*

Turnover for the year has increased materially from £550.0m in 2018 to £714.5m in 2019. The key driver for this growth, as noted above, is the full year impact of the company becoming the main supplier of beauty, gift and decorative products to other Avon businesses across the EMEA region and the furtherance of the operating model in the Philippines. The EMEA wide sales activity was lower than expectations mainly due to the impact of fewer Active Representatives across multiple markets, most noticeably Russia.

The turnover relating to the underlying UK direct selling activities fell from £182.1m in 2018 to £153.6m in 2019, with the decrease relating primarily to a reduction in the number of Active Representatives as a result of a changes in commercial practices and lower consumer confidence.

The gross profit earned in 2019 was £283.2m, representing 39.6% of turnover compared with £192.7m in 2018, representing 35.0% of turnover.

The operating loss before exceptional items improved from £216.5m in 2018 to £180.6m in 2019. The improvement coming from the 'Open Up Avon' strategy described earlier in this report.

Loss before tax for the financial year was £462.7m compared to a profit of £192.4m in 2018. The profit in 2018 substantially arose due to the formal release of £559.6m of intercompany debt. An event which did not repeat in 2019 to the same level. An impairment charge of £670m has been recognised in the income statement during the year, taking the company into a loss making position (2018: £280m).

Excluding the group interest expense, income from investments and exceptionals; the loss before taxation was £178.5m, compared to a loss before taxation of £214.9m in the prior year.

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## AVON COSMETICS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### *Investment activity*

During the year of 2019, changes in the business and economic environments of specific subsidiaries has led the company to impair some of the investments in trading entities. In addition, a number of entities have been impaired in recognition of the diminution in value arising from cash repatriations. The total value of impairments charged to the income statement in 2019 was £669.7m (2018: £280.2m).

#### *Financial position*

The directors consider the year end financial position of the company to be satisfactory. Whilst the financial statements record a net current liability position, this is mainly due to intercompany payables owed to numerous subsidiaries and primarily to parent undertakings who have committed to their continued financial support. See page 9 for further details. The company is in a strong net asset position of £981.2m (2018: £1,043.0m).

On February 12 2019 Avon Products, Inc. announced that the group had entered into a Euro 200.0m multicurrency revolving facility agreement. The company, along with other group companies, is a guarantor of this facility.

#### **Section 172 (I) Statement**

During the financial year, the directors have considered the needs of the Company's stakeholders as part of their decision-making process. Specifically, the directors consider the likely consequences of its decisions in the long term and the need to act fairly between its stakeholders. The Company's key stakeholders, why they are important to the Company and how they have been engaged are:

*Shareholders:* Engagement with the management of Avon Products Inc occurs through regular business meetings, who in turn engage with the external shareholders of the Group.

*Associates:* We're committed to doing good with our people, purpose and product. We create an environment where associates can do purposeful work and have a meaningful career. We embrace individuality and know it's beautiful to be you. Relationships are at the heart of everything we do and we empower our associates to work in a way that works for them. The Directors Report on page 7 sets out how the Company engages with its employees.

*Representatives and Sales Leaders:* Our Representatives and Sales Leaders are our success. In order for the company to succeed it must continually improve their experience and help them achieve their business goals. The company engages with its Representatives and Sales Leaders via multiple channels on a regular basis.

*Suppliers:* The company sets out to build strong relationships with its suppliers in order to obtain the best value, service and quality. It is important for us to work with suppliers who understand our business and will comply with our codes of practice. Our procurement and operations teams work hard to understand our supply chain and develop deeper and more strategic relationships with key suppliers.

*Communities:* We recognise the part we must play in addressing the challenges of rapid climate change, ensuring equality and inclusion, and shifting our business towards circularity and regeneration. We strive to make a positive impact, to leave the world better than we found it.

For over 135 years, Avon has been transforming the lives of women across the globe. We speak up and speak out on issues that matter to our communities, we support the causes that matter most to allow women to lead safe and healthy lives. Here in the UK, we've raised more than £25million over 25 years donating to breast cancer charities and charities helping women facing domestic abuse.

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## AVON COSMETICS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Principal risks and uncertainties

The key business risks affecting the company are considered to relate to competition from network marketing new entrants and online mass beauty retailers; unanticipated changes to consumer spending and preferences; disruption to the product supply chain; foreign exchange risk and retention of key personnel.

#### Inventory risk

A robust system is in place for all products to ensure items are profitable, this reduces the risk of product and stock obsolescence. Product level demand is consolidated and regularly reviewed and adjusted to reflect latest trends.

#### Retention risk

Avon has a robust sustainable local and global talent planning process to ensure clear succession plans are in place. In addition, management staff notice periods are longer than typical to minimise the risk of immediate critical skills gaps arising.

#### Currency risk

Following the expansion of the company's activities in supplying goods and services to other Avon businesses the exposure to foreign exchange has increased. The company's exposures to non functional currencies are regularly reviewed and appropriate mitigation actions taken in line with the company's risk profile.

#### Changes in regulation

Furthermore, our ability to conduct business activities in our international markets may be affected by political, legal, tax and regulatory risks due to changes in policy. As soon as changes are anticipated, the company either adheres to change or successfully implement processes to ensure we remain compliant.

#### Intellectual property

As a group, if we are unable to protect our intellectual property rights, specifically patents and trademarks then that would impact our ability to differentiate our products. As ACL has a licence to exploit the worldwide brand and IP, the market for our products depend to a significant extent upon the value associated with our product innovations and our brand equity. As a group we register our IP with countries in which we operate to mitigate this risk.

#### Brexit

The United Kingdom left the European Union on 1 January 2021. There continues to be business uncertainty due to the ongoing lack of clarity in the relationship between the UK and the EU coupled with initial inbound challenges on the movement of goods into the UK. However, the company's actions to mitigate the supply chain impacts of Brexit have materially protected against service issues both in the UK and in the wider EMEA region. The company will continue to monitor and address other risks arising as appropriate. These include, but are not limited to, volatility in exchange rates, regulatory impacts and access to talent.

#### COVID-19

Over the last year there has been significant disruption to the company as a result of the COVID-19 pandemic.

While COVID-19 has created uncertainty, the Directors believe that the company will continue to trade as a going concern, having undertaken a detailed assessment of the financial forecast, future cash flows and obtained the appropriate support from its parent undertakings.

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## AVON COSMETICS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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In facing the challenges of COVID the company and Group has implemented the following measures in line with official measures:

- Incentives to remote working and adoption of essential criteria to limit industrial and logistical operations;
- Adoption of new safety measures for operational workers, such as the use of masks and procedures to distance people between processes;
- Re-planning of sales cycles, prioritising personal care items;
- Speeding up the digitisation of sales channels;
- We communicated social distancing protocols to our Representatives;
- Change in the minimum order criteria, starter kits and increased deadline for payment of Representatives; and
- Daily monitoring of suppliers to ensure supply.

In addition, the company has utilised the various government incentives available in the countries in which we operate. Specifically, in the UK this includes the Job Retention Scheme and the opportunity to defer business tax liabilities.

Other than the social distancing measures we have put in place, to protect the health and wellbeing of our associates and agency workers, there has been relatively limited disruption in our distribution centres. Only in Government mandated scenarios have distribution centres been closed during the pandemic.

Technology has enabled our office based staff to work from home for as long as necessary.

#### **Cyber incident**

In June 2020, the Group became aware that it was exposed to a cyber incident in its Information Technology environment which interrupted some systems and partially affected operations. We engaged leading external cyber security and IT general controls specialists, launched a comprehensive containment and remediation effort and undertook a forensic investigation. The Group has since re-established all its core business processes and resumed operations in all of its markets, including all of its distribution centres.

#### **Future developments**

For future business development, the company's strategy is to continue to focus on building on its dominant position in direct selling within the UK and on profitable areas of opportunity in the market place.

Following the global merger between Avon and Natura & Co. there will be a drive to leverage synergies with the ensuing savings being used to stimulate growth and further accelerate the development of IT infrastructure to support relationship selling.

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## AVON COSMETICS LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Financial key performance indicators

The Directors consider the following Key Financial Performance Indicators when assessing the financial performance and position of the company:

	<u>2019</u>	<u>2018</u>
Turnover	£714.5m	£550.0m
Gross profit	£283.2m	£192.7m
Gross profit margin	39.6%	35.0%
Cash at bank	£142.7m	£106.0m

#### Non-financial key performance indicators

Non-financial key performance indicators which are considered when assessing the performance and position of the company are as follows;

##### Change in Active Representatives

Change in Active Representatives across the UK Direct Selling activities for 2019 vs 2018 shows a decrease of 12.8% (2018 vs 2017: decrease of 17.6%). This metric is based on the number of unique Representatives placing an order in a campaign, totalled for all campaigns in the related period. This amount is divided by the number of billing days in the related period, to exclude the impact of year-to-year changes in billing days (for example, holiday periods). To determine the growth in Active Representatives, this calculation is compared to the same calculation in the corresponding period of the prior year. The volume of Active Representatives has decreased due to lower additions driven by lower Sales Leadership productivity. The company has developed a clear strategy to restore this KPI to growth in the near future, and the company remains the number one direct seller in the UK.

##### Changes in Units Sold

Changes in Units Sold across the UK Direct Selling activities for 2019 vs 2018 shows a decrease of 15.72% (2018 vs 2017: decrease of 12.2%) primarily as a result of the reduced number of Active Representatives. This metric is based on the gross number of pieces of merchandise sold during a period, as compared to the same number in the same period of the prior year. Units sold include samples sold and products contingent upon the purchase of another product (for example, gift with purchase or discount purchase with purchase), but exclude free samples.

The decrease in units sold has been driven by decreased sales across the beauty category, in particular Colour which is experiencing significant competition in the market as innovation and niche brands increase in prominence.

Additionally, units sold as part of the Company's activity of being the main supplier of beauty, gift and decorative products to other Avon businesses across the EMEA region during the year totalled 777,814,700 (2018: 530,235,039).



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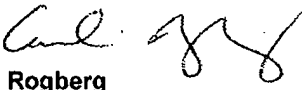
**AVON COSMETICS LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

  
**C E Rogberg**  
Director  
Date: 27 May 2021

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## AVON COSMETICS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The directors present their report and the financial statements for the year ended 31 December 2019.

Avon Cosmetics Limited is a limited company incorporated and domiciled in England. The Registered Office is Nunn Mills Road, Northampton, Northamptonshire, NN1 5PA.

#### Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, 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 for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Results and dividends

The loss for the year, after taxation, amounted to £480m (2018 - profit £187m).

No dividends have been or will be proposed or paid for the year ended 31 December 2019 (2018: none proposed or paid).

#### Directors and secretary

The directors who served during the year and up to the date of the signing of the financial statements, unless otherwise stated, were:

C E Rogberg (appointed 4 February 2020)  
G H Carter (appointed 9 March 2020)  
J C Myers (appointed 25 June 2018, resigned 29 January 2020)  
V Agarwal (appointed 26 February 2019, resigned 29 January 2020)  
L S S Barbrook (appointed 3 April 2019, resigned 6 March 2020)  
J S Wilson (appointed 25 June 2018, resigned 5 March 2019)  
S Ormiston (appointed 25 June 2018, resigned 25 January 2019)

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## AVON COSMETICS LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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The secretary who was appointed up to the date of the signing of the financial statements, was:  
M Passingham

#### Political and charitable contributions

As part of the company's commitment in supporting the breast cancer cause and the fight to end violence against women, the company has raised charitable donations amounting to £424.8k (2018: £248.2k). The company also spent an additional £52.0k (2018: £28.0k) on breast cancer and domestic violence awareness campaigns and other charitable activities, including donations to the following charities: Women's Aid, Refuge, Breakthrough, Crazy Hats, Coppafeel, Northamptonshire Community Foundation, Children are Butterflies, Kettering General Hospital.

The company made no political contributions during 2019 (2018: £nil).

#### Financial risk management

The company's activities expose it to a number of financial risks including liquidity risks, currency risks, credit risks and investment risks.

Liquidity risk - during the year, the company received a financial support letter from a parent company to provide financial assistance as and when needed to enable the company to meet its financial obligations as they fall due. Given this financial support, the liquidity risk is considered low.

Currency risks - the company makes both purchases and sales using foreign currencies and is consequently exposed to exchange risk. Where considered appropriate, the Company enters into forward contracts to manage these exposures. The Company does not use financial instruments for speculative purposes.

Credit risk - credit risk is managed through stringent credit control procedures. There is a formal documented policy in place over credit control which has been distributed to the order management team. Procedures for recovering old debt follow a structured process which is performed initially internally and then by external agencies where necessary. In terms of intercompany credit risk, there are formally documented policies in place which manage the relations between connected entities and therefore minimise the associated risk.

Investment risks - the company holds a high value of investments which are subject to annual impairment reviews, resulting in a financial risk. The company regularly monitors these risks and applies the necessary oversight over its investments.

Entrepreneurial risks - in respect of its Principal activities, the company manages key risks and takes strategic decisions with regard to the EMEA market. Consequently, it is exposed to commercial, inventory, currency and credit risk. Currency and credit risk have been considered above. The other elements of risk are addressed via commercial oversight procedures and a detailed Sales & Operational Planning process undertaken by senior management.

Financial risks resulting from internal actions or failures of the company's processes and systems are not considered high risk due to the rigorous internal controls in place throughout the company's finance areas.

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

#### Future developments

Included within the Strategic Report is a full assessment of the future developments of Avon Cosmetics Limited, please refer to the Strategic Report.

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## **AVON COSMETICS LIMITED**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **Employee involvement**

The company is an equal opportunity employer and its policy is to consider all applications for employment and internal promotions of employees regardless of race, sex, or religious belief. It continues to encourage employment applications from disabled persons, to maintain their continuity of employment and to encourage their career development through training and promotion. Employees who become disabled are treated in a similar manner where ongoing employment is practicable.

Employees are represented on consultative councils to enable their views to be taken into account in company decisions. Employees are made aware of the financial and economic factors affecting the company's performance and provided with information on matters of concern or interest to them as employees.

Communication is through circulars, regular meetings, a company magazine and training courses.

#### **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 provide appropriate training to achieve this aim.

#### **Qualifying third party indemnity provisions**

During the year and up to the date of signing the directors of the company have been provided with directors' third party indemnity insurance.

#### **Going concern**

The directors have considered the future activities of the company through modelled cash flows to 30 June 2022, a period more than 12 months from the date of signing these financial statements, and in assessing going concern, have also reflected on the financial condition of the company and the current economic environment, including the impact of COVID-19. The activities of the company are not expected to change during this time. As a result of the company's net current liability position the company has received a financial support letter from its ultimate parent undertaking, Natura &Co Holding S.A.. The letter guarantees that the company will be provided with sufficient support, as required, to enable it to meet its liabilities as they fall due. The letter is effective through to 30 April 2023 and has provided the directors with assurance that the company will retain liquidity and continue in operational existence throughout the going concern period of review. In view of this the directors consider it appropriate to prepare these financial statements on a going concern basis.

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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**AVON COSMETICS LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Post balance sheet events**

On January 3, 2020, the successful completion of Natura &Co's acquisition of Avon Products, Inc. was announced.

As a result of completing the transaction, Avon's common stock ceased trading on the New York Stock Exchange (NYSE) on January 3, 2020.

Avon is now an integral subsidiary of Natura & Co Holding SA, which is listed on the NYSE through ADRs under NTCO and on the Brazilian Stock Exchange (B3) under NTCO3.

On the 2 November 2020 the company allotted 1 ordinary share with a nominal value of £1. The amount paid for this share was \$413,437,111.11. The proceeds from the allotment were used to settle the capital and accrued interest on the intercompany loan advanced by Avon International Capital plc during 2019.

**Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

  
**C E Rogberg**  
Director

Date: 27 May 2021

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## AVON COSMETICS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON COSMETICS LIMITED

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## Report on the audit of the financial statements

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### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### Basis for opinion

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

#### *Independence*

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

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### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### Reporting on other information

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

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

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

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

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## AVON COSMETICS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON COSMETICS LIMITED

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#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### *Use of this report*

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Sotiris Kroustis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes  
Date: 27 May 2021

# AVON COSMETICS LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Turnover	4	714,503	550,012
Change in stocks of finished goods and work in progress		30,484	(77,668)
Other operating income	5	3,736	1,917
Raw materials and consumables		(465,382)	(281,364)
Other external expenses		(101)	(223)
<b>Gross profit</b>		<b>283,240</b>	<b>192,674</b>
Staff costs	6	(138,746)	(96,807)
Depreciation and amortisation		(6,560)	(4,894)
Other operating expenses	10	(318,541)	(307,465)
Exceptional other operating charges	9	(669,665)	(280,243)
Exceptional other operating income	8	82,088	559,570
<b>Operating (loss)/profit</b>	10	<b>(768,184)</b>	<b>62,835</b>
Income from shares in group undertakings	11	324,919	151,573
Interest receivable and similar income	13	1,332	569
Interest payable and similar expenses	14	(22,156)	(23,734)
Other finance income	15	1,368	1,116
<b>(Loss)/profit before tax</b>		<b>(462,721)</b>	<b>192,359</b>
Tax on (loss)/profit	16	(16,944)	(5,828)
<b>(Loss)/profit for the financial year</b>		<b>(479,665)</b>	<b>186,531</b>

The notes on pages 18 to 55 form part of these financial statements.



**AVON COSMETICS LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
(Loss)/profit for the financial year		<u>(479,665)</u>	<u>186,531</u>
<b>Other comprehensive income/(expense)</b>			
Foreign exchange reserve		25,954	(8,154)
Actuarial gain on defined benefit schemes	26	7,127	2,772
Capital contribution from parent		2,474	5,528
Movement on deferred tax relating to pension asset	27	(1,212)	(471)
<b>Other comprehensive income/(expense) for the year</b>		<u>34,343</u>	<u>(325)</u>
<b>Total comprehensive income/(expense) for the year</b>		<u><u>(445,322)</u></u>	<u><u>186,206</u></u>

The notes on pages 18 to 55 form part of these financial statements.

**AVON COSMETICS LIMITED**  
**REGISTERED NUMBER: 00592235**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	17	21,555	14,935
Tangible assets	18	20,762	22,384
Investments	19	1,552,024	1,481,786
		<u>1,594,341</u>	<u>1,519,105</u>
<b>Current assets</b>			
Stocks	20	66,012	96,496
Debtors: amounts falling due within one year	21	183,865	163,272
Cash at bank and in hand	22	142,731	106,006
		<u>392,608</u>	<u>365,774</u>
Creditors: amounts falling due within one year	23	(508,593)	(395,705)
<b>Net current liabilities</b>		<u>(115,985)</u>	<u>(29,931)</u>
<b>Total assets less current liabilities</b>		<u>1,478,356</u>	<u>1,489,174</u>
Creditors: amounts falling due after more than one year	24	(558,516)	(498,854)
<b>Provisions for liabilities</b>			
Other provisions		(342)	(563)
		<u>(342)</u>	<u>(563)</u>
Pension asset	26	61,699	53,204
<b>Net assets</b>		<u><u>981,197</u></u>	<u><u>1,042,961</u></u>
<b>Capital and reserves</b>			
Called up share capital	30	24,072	24,072
Share premium account	31	1,174,361	790,803
Other reserves	31	24,495	22,021
Profit and loss account	31	(241,731)	206,065
<b>Total equity</b>		<u><u>981,197</u></u>	<u><u>1,042,961</u></u>

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**AVON COSMETICS LIMITED**  
**REGISTERED NUMBER: 00592235**

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**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

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The financial statements on pages 13 to 55 were approved and authorised for issue by the board and were signed on its behalf on 27 May 2021.

  
**C E Rogberg**  
Director

The notes on pages 18 to 55 form part of these financial statements.

**AVON COSMETICS LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
<b>At 1 January 2018</b>	<b>24,072</b>	<b>557,798</b>	<b>16,493</b>	<b>25,387</b>	<b>623,750</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	186,531	186,531
Foreign exchange reserve	-	-	-	(8,154)	(8,154)
Actuarial gains on pension scheme	-	-	-	2,772	2,772
Capital contribution from parent	-	-	5,528	-	5,528
Deferred tax asset movement	-	-	-	(471)	(471)
<b>Other comprehensive income/(expense) for the year</b>	<b>-</b>	<b>-</b>	<b>5,528</b>	<b>(5,853)</b>	<b>(325)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>5,528</b>	<b>180,678</b>	<b>186,206</b>
Shares issued during the year	-	233,005	-	-	233,005
<b>At 31 December 2018 and 1 January 2019</b>	<b>24,072</b>	<b>790,803</b>	<b>22,021</b>	<b>206,065</b>	<b>1,042,961</b>
<b>Comprehensive expense for the year</b>					
Loss for the year	-	-	-	(479,665)	(479,665)
Foreign exchange reserve	-	-	-	25,954	25,954
Actuarial gains on pension scheme	-	-	-	7,127	7,127
Capital contribution from parent	-	-	2,474	-	2,474
Deferred tax asset movement	-	-	-	(1,212)	(1,212)
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,474</b>	<b>31,869</b>	<b>34,343</b>
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>2,474</b>	<b>(447,796)</b>	<b>(445,322)</b>
Shares issued during the year	-	383,558	-	-	383,558
<b>At 31 December 2019</b>	<b>24,072</b>	<b>1,174,361</b>	<b>24,495</b>	<b>(241,731)</b>	<b>981,197</b>

The notes on pages 18 to 55 form part of these financial statements.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1. General information

The principal activities of the company are the distribution and sale of beauty, gift and decorative products in the UK, through an established network of active representatives, and the provision of goods across EMEA and services to other members of the worldwide group.

Avon Cosmetics Limited is a private company limited by shares and is incorporated in England, United Kingdom. The registered office is Nunn Mills Road, Northampton, NN1 5PA. The registered company number is 00592235.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Accounting policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements contain information about Avon Cosmetics Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements and corresponding disclosures of its ultimate parent, Avon Products, Inc., a company registered in the United States of America.

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Avon Products, Inc. as at 31 December 2019 and these financial statements may be obtained from group headquarters at Building 6, Chiswick Park, London W4 5HR.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.3 Going concern

The directors have considered the future activities of the company through modelled cash flows to 30 June 2022, a period more than 12 months from the date of signing these financial statements, and in assessing going concern, have also reflected on the financial condition of the company and the current economic environment, including the impact of COVID-19. The activities of the company are not expected to change during this time. As a result of the company's net current liability position the company has received a financial support letter from its ultimate parent undertaking, Natura &Co Holding S.A.. The letter guarantees that the company will be provided with sufficient support, as required, to enable it to meet its liabilities as they fall due. The letter is effective through to 30 April 2023 and has provided the directors with assurance that the company will retain liquidity and continue in operational existence throughout the going concern period of review. In view of this the directors consider it appropriate to prepare these financial statements on a going concern basis.

### 2.4 Turnover

Turnover, which excludes Value Added Tax and trade discounts, represents the revenue earned on goods and services supplied. The company recognises revenue upon delivery, when both title and rewards of ownership pass to the independent representatives and/or the customer. For non-UK consumers; namely intercompany customers, revenue is recognised either upon despatch or delivery, in line with the specific terms of the relevant product supply agreement.

### 2.5 Other operating income

Other operating income includes income from the sale of delivery bags to representatives, charges for additional orders or bounced cheques, income from the recycling of cartons and royalty income from other group companies.

### 2.6 Royalty income

The company earns royalties from other group companies in relation to the sale of products using the company's brand and the exploitation of intellectual property. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement and is presented in other operating income.

### 2.7 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size and nature. Impairment on the investments in subsidiaries in both 2018 and 2019, and the release of intercompany loans in 2018 and 2019, are identified as exceptional.

### 2.8 Interest payable and similar expenses

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.9 Interest receivable and similar income

Interest income is recognised in profit or loss using the effective interest method.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.10 Other finance income/(costs)

Other finance income/(costs) represents the expected return on pension scheme assets less interest on pension scheme liabilities.

##### 2.11 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

###### Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

###### Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

##### 2.12 Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recovered.

The useful economic life for software is 5 years.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.13 Foreign currency translation

###### Functional and presentation currency

The Company operates in dual functional currency of pound sterling and euros. The UK Direct Selling activities and Chiswick Head Office operate with a functional currency of pound sterling, reflecting the economic environment in which those parts of the business operate in, consistent with previous years, whilst from the commencement of trading in 2018, the Principal activities operate with a functional currency of euros, again reflecting the economic environment in which this part of the business operates.

The Company's presentational currency remains pound sterling, with euro balances being translated appropriately as defined below at the year end under FRS 102 Section 30.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

When amalgamating results of the UK Direct Selling activities, Head Office and the Principal activities, the results of the Principal activities are translated into pound sterling from euros, at rates approximating to those ruling when the transactions took place. All assets and liabilities of the Principal activities are translated at the rate ruling at the reporting date. Exchange differences arising on translation of the opening net assets at opening rate and the results of the Principal activities at the actual rate are recognised in other comprehensive income.

##### 2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. As at the year ended 31 December 2019, no development costs have been capitalised.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

##### 2.15 Profit and loss account

The profit and loss account in equity represents accumulated comprehensive income for the year and prior periods.



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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.16 Share premium account

The share premium account represents the excess of the nominal value of shares that have been paid.

##### 2.17 Share based payment reserve

The share based payment reserve represents the capital contributions from the parent in respect of the share incentives scheme.

##### 2.18 Income from shares in group undertakings

Income received from group undertakings are received as dividends and are recognised upon the receipt of the cash from the group undertaking or for dividends in specie, the legal transfer date of the investment.

##### 2.19 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Land and buildings	- 20 to 45 years
Plant and machinery	- 10 to 15 years
Motor vehicles	- 3 to 4 years
Fixtures and fittings	- 5 to 15 years
Computer equipment	- 3 to 8 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

##### 2.20 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Impairment reviews are performed by management if there has been an indication of potential impairment. The impairment is then determined using the value in use model and discounted cash flows for trading entities, or the net assets value for Holding entities. In certain instances it has also been deemed appropriate for the fair value of assets to be used in the impairment calculation. Any impairment is charged to the income statement in exceptional other operating charges.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.21 Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

##### 2.22 Debtors and creditors

Short term debtors and creditors with no stated interest rate and receivable or payable within one year are measured at transaction price, less any impairment. Any losses arising from impairment are recognised in the income statement in other operating expenses.

##### 2.23 Financial instruments

The Company enters in to basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Other finance income or costs represents the expected return on pension scheme assets less interest on pension scheme liabilities.

##### 2.24 Derivative instruments

During the year, the Company used a forward foreign currency contract to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The value of the year end forward contract was deemed immaterial for further disclosure.

##### 2.25 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.26 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The asset recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit asset at the end of the balance sheet date less the fair value of plan obligations at the balance sheet date out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in the income statement as staff costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the year; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as a 'other finance income'.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 3. Judgments in applying accounting policies 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 the revenue and expenses during the year. However, the nature of estimate means that the actual outcomes could differ from those estimates.

Critical judgements in applying the entity's accounting policies:

*(i) Recognition of deferred tax assets*

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses carried forward and share based payments and the recognition of a deferred tax asset in respect of accelerated capital allowances. The amounts recognised in the financial statements in respect of each matter are derived from management's best estimation and judgement as described above.

Historical differences between forecast and actual taxable profits have not resulted in material adjustments to the recognition of deferred tax assets.

*(ii) Functional currency determination*

Various indicators have been considered for the business units which operate distinctly and in some cases there are mixed indicators for determining the appropriate functional currency. Judgement is applied to assess the balance of factors.

Critical accounting estimates and assumptions:

*(i) Inventory provisioning*

It is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 20 for the net carrying amount of the inventory and associated provision.

*(ii) Impairment of debtors*

The company makes an estimate of the recoverable value of the trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience. See note 21 for the net carrying amount of the debtors and associated impairment provision.

*(iii) Impairment of investments*

Where there are indicators of impairment of individual assets, the company performs an impairment test. Recoverable amounts are the higher of fair value less costs of disposal, and the value in use. Value in use is either calculated from cash flow projections based on internal forecasts which are extrapolated based on management's expectations for trading entities, or the value of net assets for Holding entities. The cash flows are derived from the annual forecast and a steady growth rate applied. See note 19 for the net carrying amount of the investments and the associated impairment charge.

The computation of impairment of investments, involves some critical accounting estimates. Therefore, by applying some sensitivity analysis to the calculations we have established that an increase of 1% to the discount rate, would have resulted in an increase to the impairment charge by £171.4m. Alternatively, a 0.5% reduction in the long term growth rate would have increased the impairment charge by £76.5m.

*(iv) Defined benefit pension scheme*

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits

## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 3. Judgments in applying accounting policies (continued)

and the present value of the obligation depend on a number of factors including life expectancy, asset valuations and the discount rate used. Management estimates these factors in determining the net pension asset in the balance sheet. The assumptions reflect historical experience and current trends. See note 26 for the disclosures relating to the defined benefit pension scheme.

#### 4. Turnover

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	154,599	179,824
Rest of Europe	469,810	310,143
Rest of the world	90,094	60,045
	<u>714,503</u>	<u>550,012</u>

All sales made by the Company originated in the UK.

Analysis of turnover by category:

	2019 £000	2018 £000
Sale of goods to representatives	154,599	179,467
Intercompany sales of goods	559,904	370,545
	<u>714,503</u>	<u>550,012</u>

#### 5. Other operating income

	2019 £000	2018 £000
Other operating income	1,774	1,778
Royalty receivable	1,962	139
	<u>3,736</u>	<u>1,917</u>

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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**6. Staff costs**

Staff costs were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>123,431</b>	<b>80,410</b>
Social security costs	<b>9,069</b>	<b>8,357</b>
Other pension costs	<b>6,246</b>	<b>8,040</b>
	<b>138,746</b>	<b>96,807</b>

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Administration and Finance	<b>354</b>	<b>366</b>
Marketing	<b>274</b>	<b>328</b>
Warehouse	<b>210</b>	<b>300</b>
Field	<b>293</b>	<b>391</b>
	<b>1,131</b>	<b>1,385</b>

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 7. Directors' emoluments

Directors' emoluments, including pension contributions, are as follows:

	2019 £000	2018 £000
Aggregate emoluments	4,638	1,530
Company contributions paid to defined contribution schemes	23	24
	<u>4,661</u>	<u>1,554</u>

Included within the aggregate emoluments of £4,638,285 (2018: £1,529,511) is a payment for directors compensation for loss of office totalling £Nil (2018: £403,235).

Three directors (2018: five directors) who have held office during the year became entitled to receive share options in Avon Products, Inc. under the long-term incentive scheme (LTIP) during the year. Retirement benefits are accruing to none of the directors (2018: two directors) who held office during the year, under defined benefit schemes, and to one director (2018: two directors) who held office during the year, under defined contribution schemes.

The emoluments of the highest paid director were as follows:

	2019 £000	2018 £000
Aggregate emoluments and benefits	2,932	499
	<u>2,932</u>	<u>499</u>

During 2019 the highest paid director was granted 241,423 share options in Avon Products, Inc. with a value of £204,507 (2018: 49,870 share options with a value of £38,662, which were subsequently cancelled) under the long-term incentive scheme.

At the end of the year the highest paid director had an accrued defined benefit pension lump sum of £Nil (2018: £287,127).

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 8. Exceptional other operating income

	2019 £000	2018 £000
Intercompany loan release	82,088	559,570
	<u>82,088</u>	<u>559,570</u>

During the year ended 31 December 2019, Avon Cosmetics Limited acquired the shares in Avon Cosmetics, S. De R.L. De C.V., in exchange for a loan note. Subsequently, this loan note was waived during the year through a deed of release, resulting in a credit of £82,087,700 to the income statement.

During the year ended 31 December 2018, Avon Cosmetics Limited was irrevocably and unconditionally released from its obligations under the 2016 loan note with Avon International Holdings Company. Under the terms of the agreement, the company was released from any obligation to repay the capital of the loan and any interest unpaid at the time of release. The amount including interest written back to the income statement totalled £559,570,000. Following the release of the debt due to Avon International Holdings Company the loan note was delisted from the Cayman Stock Exchange (CSX).

### 9. Exceptional other operating charges

	2019 £000	2018 £000
Impairment of investment in subsidiaries	669,665	280,243
	<u>669,665</u>	<u>280,243</u>

The impairment of the investments in subsidiaries for the years ended 31 December 2019 and 31 December 2018 is disclosed in note 19.



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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**10. Operating (loss)/profit**

The operating (loss)/profit is stated after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Depreciation of owned assets	<b>2,798</b>	<b>2,738</b>
Depreciation of assets held under finance leases	<b>332</b>	<b>217</b>
Loss/(Profit) on disposal of fixed assets	<b>259</b>	<b>(265)</b>
Amortisation of intangible assets, including goodwill	<b>3,430</b>	<b>1,939</b>
Foreign exchange (gains)/losses	<b>(18,135)</b>	<b>9,512</b>
Hire of plant and machinery	<b>2,864</b>	<b>428</b>
Other operating lease rentals	<b>3,631</b>	<b>3,675</b>
Inventory reset provision release	<b>(1,372)</b>	<b>15,758</b>
Inventory provision	<b>3,734</b>	<b>11,594</b>
Bad debt expense	<b>5,041</b>	<b>3,785</b>
Exceptional operating income	<b>(82,088)</b>	<b>(559,570)</b>
Exceptional operating expense	<b>669,665</b>	<b>280,243</b>

**11. Income from shares in group undertakings**

In the year ended 31 December 2019 £218,774,421 (2018: £151,573,109) was received as dividends from shares in group undertakings.

During the year ended 31 December 2019 the company received a dividend in specie totalling £106,144,981 and comprising a loan receivable balance in relation to Avon Cosmetics Manufacturing, S. De R.L. De C.V., from Viva Cosmetics Holding GmbH.

**12. Auditors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<b>600</b>	<b>427</b>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

# **AVON COSMETICS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **13. Interest receivable and similar income**

	<b>2019 £000</b>	<b>2018 £000</b>
Interest receivable from group undertakings	<b>18</b>	<b>10</b>
Bank interest receivable	<b>1,314</b>	<b>559</b>
	<u><b>1,332</b></u>	<u><b>569</b></u>

### **14. Interest payable and similar expenses**

	<b>2019 £000</b>	<b>2018 £000</b>
Bank interest payable	<b>341</b>	<b>32</b>
Loans from group undertakings	<b>21,587</b>	<b>23,594</b>
Finance leases and hire purchase contracts	<b>228</b>	<b>108</b>
	<u><b>22,156</b></u>	<u><b>23,734</b></u>

### **15. Other finance income**

	<b>2019 £000</b>	<b>2018 £000</b>
Net interest on net defined benefit asset	<b>1,368</b>	<b>1,116</b>
	<u><b>1,368</b></u>	<u><b>1,116</b></u>

**AVON COSMETICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Tax on (loss)/profit**

	<b>2019 £000</b>	<b>2018 £000</b>
<b>Corporation tax</b>		
Adjustment in respect of prior periods	(354)	-
Foreign tax on income for the year	18,510	6,299
	<u>18,156</u>	<u>6,299</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,354)	(708)
Impact of change in tax rate	142	55
Adjustment in respect of prior periods	-	182
	<u>(1,212)</u>	<u>(471)</u>
<b>Total deferred tax</b>	<u>(1,212)</u>	<u>(471)</u>
<b>Tax on (loss)/profit on ordinary activities</b>	<u>16,944</u>	<u>5,828</u>

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 16. Tax on (loss)/profit (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit before tax	(462,721)	192,359
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(87,917)	36,548
Effects of:		
Income not taxable for tax purposes	(86,752)	(135,140)
Expenses not deductible for tax purposes	140,412	62,589
Overseas taxation	18,510	6,299
Adjustments in respect of prior periods	(354)	-
Group relief surrendered for no consideration	20,177	1,457
Prior year adjustment in respect of deferred tax	1,794	182
Remeasurement of deferred tax - change in UK tax rate	143	55
Presentational foreign exchange difference	1,906	(113)
Tax relief on withholding tax suffered	(3,467)	(1,194)
Deferred tax not recognised	12,492	35,145
<b>Total tax charge for the year</b>	<b>16,944</b>	<b>5,828</b>

#### Tax rate changes

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. The UK Budget 2021 announcements on 3 March 2021, included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes are not substantively enacted at the balance sheet date, and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the company's deferred tax balances.

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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**16. Tax on (loss)/profit (continued)****Tax effects relating to effects of other comprehensive expense/income**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
Current tax	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<b>1,354</b>	<b>526</b>
Impact of change in tax rate	<b>(142)</b>	<b>(55)</b>
<b>Total tax expense included in other comprehensive expense/income</b>	<b>1,212</b>	<b>471</b>

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 17. Intangible assets

	Computer software £000
<b>Cost</b>	
At 1 January 2019	23,296
Additions	11,346
Intra-group transfers	52
Disposals	(3,314)
At 31 December 2019	31,380
<b>Amortisation</b>	
At 1 January 2019	8,361
Charge for the year on owned assets	3,430
Amortisation transfer from group	23
On disposals	(1,989)
At 31 December 2019	9,825
<b>Net book value</b>	
At 31 December 2019	21,555
At 31 December 2018	14,935

Computer software with a carrying value of £Nil (2018: £7,890) is held under finance leases.

**AVON COSMETICS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**18. Tangible assets**

	Land and Buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Computer equipment £000	Total £000
<b>Cost</b>						
At 1 January 2019	27,776	16,695	891	1,863	17,297	64,522
Additions	(33)	271	-	-	1,982	2,220
Disposals	-	(2,827)	(870)	-	(2,855)	(6,552)
Transfers between classes	(4,606)	4,343	-	-	211	(52)
At 31 December 2019	23,137	18,482	21	1,863	16,635	60,138
<b>Depreciation</b>						
At 1 January 2019	11,976	13,437	770	1,675	14,280	42,138
Charge for the year on owned assets	775	705	51	102	1,165	2,798
Charge for the year on financed assets	-	332	-	-	-	332
Disposals	-	(2,451)	(802)	-	(2,616)	(5,869)
Transfers between classes	(3)	(27)	-	-	7	(23)
At 31 December 2019	12,748	11,996	19	1,777	12,836	39,376
<b>Net book value</b>						
At 31 December 2019	10,389	6,486	2	86	3,799	20,762
At 31 December 2018	15,800	3,258	121	188	3,017	22,384

Included within land and buildings is land of £1,208,842 (2018: £1,208,842), which is not depreciated.

**Finance leases**

Plant and machinery with a carrying value of £21,928 (2018: £40,348), motor vehicles with a carrying value of £Nil (2018: £62,944) and computer equipment with a carrying value of £567,942 (2018: £70,068) are held under finance leases.

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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**19. Investments**

	Shares in group undertakings £000
<b>Cost or valuation</b>	
At 1 January 2019	1,902,052
Additions	739,902
At 31 December 2019	<u>2,641,954</u>
<b>Impairment</b>	
At 1 January 2019	420,266
Charge for the period	669,665
At 31 December 2019	<u>1,089,931</u>
<b>Net book value</b>	
At 31 December 2019	<u>1,552,023</u>
At 31 December 2018	<u>1,481,786</u>



## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 19. Investments (continued)

##### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
Avon UK Holdings Limited	Nunn Mills Road, Northampton, Northamptonshire NN1 5PA, UK	Holding company	100%
Avon European Holdings Limited	Nunn Mills Road, Northampton, Northamptonshire NN1 5PA, UK	Holding company	100%
Avon Products Holding Limited	Nunn Mills Road, Northampton, Northamptonshire NN1 5PA, UK	Holding company	100%
Avon European Financial Services Limited	Nunn Mills Road, Northampton, Northamptonshire NN1 5PA, UK	Cash pooling	100%
Avon Holdings Vagyonkezele Kft.	Haraszti u. 3., Gödöllo, 2100, Hungary	Holding company	100%
Avon Netherlands Holdings B.V.	Herikerbergweg 238, Luna Arena, 1101CM Amsterdam, Netherlands	Holding company	100%
Avon Netherlands Holdings II B.V.	Herikerbergweg 238, Luna Arena, 1101CM Amsterdam, Netherlands	Holding company	100%
Avon Kozmetika d.o.o.	Bani 110, 10010 Zagreb, Croatia	Sale of beauty products	100%
Avon Cosmetics, spol. s r.o.	Karolinská 661/4, Prague, 186 00, Czech Republic	Sale of beauty products	100%
Avon Eesti OÜ	Pronksi 19, Tallinn, 10124, Estonia	Sale of beauty products	100%
Avon Cosmetics Finland Oy	Itämerenkatu 1, Helsinki, 00180, Finland	Sale of beauty products	100%
Avon Cosmetics GmbH	3, Zeppelinstr., Hallbergmoos, BY, 85399, Germany	Sale of beauty products	100%
Avon Cosmetics Georgia LLC	117, Tsereteli Avnue, Tbilisi, 0119, Georgia	Sale of beauty products	100%
Avon Cosmetics Hungary Kft.	Haraszti u. 3., Gödöllo, 2100, Hungary	Sale of beauty products	100%
Avon Cosmetics s.r.l. a Socio Unico.	Via XXV Aprile, 15, 22077 OlgiateComasco CO, Italy	Sale of beauty products	100%
Avon Cosmetics SIA	Cesu 31/3, Riga, LV 1012, Latvia	Sale of beauty products	100%
UAB Avon Cosmetics	2, Ulonu Str, Vilnius, 08245, Lithuania	Sale of beauty products	100%
Avon Cosmetics DOOEL	Str. Kukushka nr.8, Skopje, Macedonia	Sale of beauty products	100%

## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 19. Investments (continued)

##### Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Avon Cosmetics Montenegro d.o.o. Podgorica	II Crnogorskog bataljona bb, 81000 Podgorica, Montenegro	Sale of beauty products	100%
Avon Cosmetics Polska Spółka z o.o.,	ul. Slowicza 32, Warsaw, 02-170, Poland	Sale of beauty products	100%
Avon EMEA Finance Service Centre Sp. z o.o.	5 Fabryczna Street Warsaw (00-446); Poland	Administrative support	100%
Avon Operations Polska Sp. z o.o.	77 Stacyjna Street, Garwolin (08-400) Poland	Manufacture of beauty products	100%
Avon Distribution Polska Sp. z o.o.	77 Stacyjna Street, Garwolin (08-400) Poland	Distribution services	100%
Avon Cosmetics, Lda.	Av. Paul Harris, nº. 1, Edifício C, Vale Flores, Sintra, 2710-724, Portugal	Sale of beauty products	100%
Avon Cosmetics (Romania) S.R.L.	11 Dinu Vintila, et. 12-13, Bucharest, Sect 2, 021101, Romania	Sale of beauty products	100%
Avon Beauty Products Company (ABPC) (Russia)	#2, Usacheva Street, Bldg 1, Moscow, 119048, Russian Federation	Sale of beauty products	100%
Avon Cosmetics SCG d.o.o. Beograd	Milutina Milankovica 9ž, 11070 Belgrade, Serbia	Sale of beauty products	100%
Avon Cosmetics, spol. s r.o.	Vajnorská 100/A, Bratislava, 831 04, Slovakia	Sale of beauty products	100%
Avon d.o.o., Ljubljana	Vodovodna 99, 1000, Ljubljana, Slovenia	Sale of beauty products	100%
Avon Kozmetik Urunleri Sanayi ve Ticaret AS	Tekfen Kagithane Ofis park, A Blok Kat4/11 Merkez Mah. Baglar Cad., No: 1434406 Kagithane, Istanbul, 34406, Turkey	Sale of beauty products	100%
Avon International Capital Company	Floor 4 Willow House, George Town, Grand Cayman KY1-9010, Cayman Islands	Holding Company	100%
Avon Cosmetics LLC	109/1 Turusbekov Street, Bishkek, 720000, Kyrgyz Republic	Sale of beauty products	100%

## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 19. Investments (continued)

##### Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Avon Colombia Holdings I	Floor 4 Willow House, GeorgeTown, Grand Cayman KY1- 9010,Cayman Islands	Holding Company	100%
Avon Colombia Holdings II	Floor 4 Willow House, GeorgeTown, Grand Cayman KY1- 9010,Cayman Islands	Holding Company	100%
Avon Egypt Holdings I	Floor 4 Willow House, GeorgeTown, Grand Cayman KY1- 9010,Cayman Islands	Holding Company	100%
Avon Egypt Holdings II	Floor 4 Willow House, GeorgeTown, Grand Cayman KY1- 9010,Cayman Islands	Holding Company	100%
Avon Egypt Holdings III	Floor 4 Willow House, GeorgeTown, Grand Cayman KY1- 9010,Cayman Islands	Holding Company	100%
Avon Asia Holdings Company	2nd Floor, 22 Saint GeorgesStreet, Port- Louis, 11324,Mauritius	Holding Company	100%
Avon Luxembourg Holdings	8 - 10 Avenue De La Gare, 1610,Luxembourg	Holding Company	100%
Avon Beauty Limited	Nunn Mills Road, Northampton,NN1 5PA, UK	Holding Company	100%
Avon Management (Shanghai) Company Limited	Room 3901-3903, K.WahCenter, No.1010, Middle HuaihaiRoad, Shanghai, 200031, China	Sale of beauty products	100%
Avon Products (China) Co., Limited	Unit 03-04, 7/F, Jian TaoPlaza,No. 18 Hua Cheng AvenueZhu Jiang New City, TianheDistrict, Guangzhou, 510623,China	Sale of beauty products	100%
Avon Healthcare Products Manufacturing(Guangzhou) Limited	No.3 FengYing Road ConghuaEconomic and TechnologicalDevelopm ent Zone, Guangzhou,China	Sale of beauty products	100%

## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 19. Investments (continued)

##### Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Avon Manufacturing (Guangzhou) Limited	No.11 Industry Road Conghua Economic and Technological Development Zone, Guangzhou, 510900, China	Sale of beauty products	100%
Avon Colombia S.A.S	Calle 14 #52A-272 Medellin, Colombia	Sale of beauty products	100%
Avon Beauty (Arabia) LLC	3rd floor, Shahad Building -Ibrahim Jaffali Street, Al Tahlah - Jeddah 21484, Saudi Arabia	Sale of beauty products	100%
Avon Cosmetics Egypt, S.A.E.	7, Mohammed Metwaly ElShaarawy St, Sheraton Heliopolis, Cairo, Egypt	Sale of beauty products	100%
Avon Aliada LLC	2711, Suite 400, Centerville Road, Wilmington, DE 19808, United States	Sale of beauty products	100%
Avon Products Pty. Limited	120 Old Pittwater Road, Brookvale NSW 2100, Australia	Sale of beauty products	100%
Avon Cosmetics Manufacturing, S. De R.L. De C.V	Boulevard Manuel Avila Camacho 32, piso 10, Colonia Lomas de Chapultepec I sección, Miguel Hidalgo, Ciudad de México, México	Sale of beauty products	100%
Avon Cosmetics S. De R. L. De C. V	Boulevard Manuel Avila Camacho 32, piso 10, Colonia Lomas de Chapultepec I sección, Miguel Hidalgo, Ciudad de México, México	Sale of beauty products	100%
Avonova, S. De R. L. De C. V	Boulevard Manuel Avila Camacho 32, piso 10, Colonia Lomas de Chapultepec I sección, Miguel Hidalgo, Ciudad de México, México	Sale of beauty products	100%
Viva Cosmetics Holding GmbH	Bahnhofstrasse, 10 6300 Zug, Switzerland	Holding Company	100%

## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 19. Investments (continued)

##### Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Holding
Avon Holdings Ltd. (Bermuda)	Ocorian Services (Bermuda) Limited, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda	Holding Company	100%
Avon International (Bermuda) Ltd	Ocorian Services (Bermuda) Limited, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda	Holding Company	100%
Avon Export Limitada	Calzada Roosevelt, 11-08 Zona 2, Mixco, Guatemala	Sale of beauty products	100%
Productos Avon S.A.	Calle Conchagua, Boulevard Santa Elena, Antiguo Cuscatlan, La Libertad, El Salvador	Sale of beauty products	100%
Avon Cosmetics (Greece) EPE	135, Marathonos Ave. and Thessalonikis street, Gerakas 153 44, Greece	Sale of beauty products	100%
Avon Cosmetics (Moldova) S.R.L.	Stefan cel Mare si Sfanta Boulevard 65, Chisinau 2001, Moldova	Sale of beauty products	100%
Avon Cosmetics Ukraine	5 Kharkivske Shose Str, Schaslyve, Khiv Oblast, Ukraine, 08325	Sale of beauty products	100%
Avon Cosmetics (FEBO) Limited	11th Floor of Three Exchange Square, Hong Kong	Sale of beauty products	100%
Avon Cosmetics (Malaysia) Sdn. Bhd.	Unit 7-1, Level 7, Tower 2B, UOA Business Park, No. 1, Jalar Pengaturcara U1/51A, Seksyen U1, 40150, Shah Alam, Selangor, Malaysia	Sale of beauty products	100%
AIO Asia Holdings, Inc.	1 Avon Place, Suffern, NY 10901, USA	Holding Company	100%
Avon Cosmetics Bulgaria EOOD	2 Donka Ushlinova Str., multifunctional complex Garitage park, office building 1, floor 5, Vitosha District, Sofia 1766, Bulgaria	Sale of beauty products	100%

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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**19. Investments (continued)****Subsidiary undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Holding</b>
LLP Avon Cosmetics (Kazakhstan) Limited	506/99 Seifullina Av. Business Center Rixos, Almaty, 050012, Kazakhstan	Sale of beauty products	100%
Avon Beauty Products, SARL	2, Lot Attawfik, rue Ibnou El Koutia. Q.I Oukacha Ain Sebaa, 20250, Casablanca, Morocco	Sale of beauty products	100%
Avon Cosmetics Albania Sh.p.k.	Rr "Faik Konica, Pallati OTTO, kati V, ap. 5/2 Tirane, Albania	Sale of beauty products	100%
Avon Cosmetics (Taiwan) Ltd.	14 F. No.88 DunHua North Road., Taipei 10551, Taiwan, R.O.C.	Sale of beauty products	100%
Avon International Capital PLC	Nunn Mills Road, Northampton, NN1 5PA, England	Holding Company	100%

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 19. Investments (continued)

##### Subsidiary undertakings (continued)

The country of incorporation of each of the related undertakings is shown in the address.

Avon Cosmetics Georgia LLC, Avon Cosmetics Montenegro d.o.o. Podgorica, Avon Netherlands Holdings II B.V., Avon Cosmetics (Romania) S.R.L. and Avon Cosmetics SCG d.o.o. Beograd are held indirectly through Avon Cosmetics Limited's investment in Avon Netherlands Holdings B.V.

Avon Netherlands Holdings B.V. is held directly save for 1 preference B share which is held indirectly through Avon UK Holdings Limited.

Avon Netherlands Holdings II B.V. is held indirectly through Avon Netherlands Holdings B.V. save for bare legal title of one share which is held directly.

Avon Beauty Products Company (ABPC) (Russia) is held indirectly through Avon Netherlands Holdings II B.V.

Avon Distribution Polska Sp. z o.o. is held indirectly through Avon Cosmetics Polska Spółka z o.o., save for a holding of one share directly.

Avon Cosmetics Hungary Kft. is held indirectly through Avon Holdings Vagyonkezelő Kft.

Avon Cosmetics Limited directly holds a 25% share of Avon Kozmetik Ürünleri Sanayi ve Ticaret AS; the remainder of the investment is held indirectly, equally between Avon Netherlands Holdings B.V., Avon Holdings Vagyonkezelő Kft., and Avon UK Holdings Limited.

Avon Cosmetics Limited indirectly holds the entire share capital of Avon Management (Shanghai) Company Limited and Avon Products (China) Co., Limited, as well as a 75% share of Avon Healthcare Products Manufacturing (Guangzhou) Limited, through Avon Asia Holdings Company.

Avon Colombia S.A.S. is held indirectly through a 50% shareholding split between Avon Colombia Holdings I and Avon Colombia Holdings II.

Avon Cosmetics Limited indirectly holds a minority interest in Avon Beauty (Arabia) LLC through Avon Egypt Holdings I, as well as the entire shareholding of Avon Cosmetics Egypt, S.A.E. split between a 99%, 0.5% and 0.5% share held by Avon Egypt Holdings I, Avon Egypt Holdings II and Avon Egypt Holdings III respectively.

Avon Aliada LLC, Avon Products Pty. Limited, Avon Cosmetics Manufacturing, S. De R. L. De C.V, Avon Cosmetics S. De R. L. De C. V and Avonova, S. De R. L. De C. V are held indirectly through Avon Cosmetics Limited's investment in Avon Luxembourg Holdings.

Avon European Financial Services Limited is held indirectly through Avon European Holdings Limited.

Avonova, S. de R.L. de C.V. is held indirectly through Avon Cosmetics, S. De R.L. De C.V.

Viva Netherlands Holdings B.V., Beauty Products Holding S.L., Beauty Products Latin America Holdings S.L., Cosméticos Avon de Uruguay S.A., Cosméticos Avon Sociedad Anónima Comercial e Industrial and Productos Avon Ecuador S.A. are held indirectly through Avon Cosmetics Limited's investment in Viva Cosmetics Holding GmbH.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 19. Investments (continued)

##### Subsidiary undertakings (continued)

During the year ended 31 December 2019 the Company invested in the following subsidiaries;

Avon Cosmetics, S. De R.L. De C.V.	£82,006,499;
Viva Cosmetics Holding GmbH	£380,480,663;
Avon Holdings Ltd. (Bermuda)	£1,593,605
Avon International (Bermuda) Ltd	£1
Avon Export Limitada	£772
Productos Avon S.A.	£1
Avon Cosmetics (Greece) EPE	£14,118
Avon Cosmetics (Moldova) S.R.L.	£226,605
Avon Cosmetics Ukraine	£801,711
Avon Cosmetics (FEBO) Limited	£312,761
Avon Cosmetics (Malaysia) Sdn. Bhd.	£128,197
AIO Asia Holdings, Inc.	£1
Avon Cosmetics Bulgaria EOOD	£7,558,625
LLP Avon Cosmetics (Kazakhstan) Limited	£304
Avon Beauty Products, SARL	£6,663,983
Avon Cosmetics Albania Sh.p.k.	£698,774
Avon Cosmetics (Taiwan) Ltd	£24
Avon International Capital PLC	£50,000

During the year ended 31 December 2019, changes in the business and economic environments of specific trading subsidiaries has led the company to impair the following trading investments:

Avon Kozmetika d.o.o.	£189,000 (2018: £2,233,000);
Avon Cosmetics SIA	£Nil (2018: £2,408,000);
UAB Avon Cosmetics	£398,000 (2018: £2,379,000);
Avon Cosmetics DOOEL	£1,629,000 (2018: £6,830,000);
Avon Cosmetics Finland Oy	£171,000 (2018: £421,000);
Avon Cosmetics s.r.l. a Socio Unico.	£65,594,000 (2018: £2,502,000);
Avon Beauty Limited	£Nil (2018: £99,280,000);
Avon Cosmetics, S. De R.L. De C.V.	£9,434,334 (2018: £Nil)
Avon Cosmetics Albania Sh.p.k.	£441,319 (2018: £Nil);
Avon Cosmetics Bulgaria EOOD	£2,405,471 (2018: £Nil);
Avon Beauty Products, SARL	£3,551,095 (2018: £Nil);
Avon Eesti OU	£959,000 (2018: £Nil);
Avon Cosmetics Polska Spolka z.o.o.,	£102,309,000 (2018: £Nil);
Avon d.o.o., Ljubljana	£337,000 (2018: £Nil);
Avon Cosmetics GmbH	£1,512,000 (2018: £Nil);
Avon Cosmetics, Lda.	£699,000 (2018: £Nil).



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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**19. Investments (continued)****Subsidiary undertakings (continued)**

During the year of 2019 the company has impaired the following holding company investments:

Avon UK Holdings Limited	£Nil (2018: £69,000);
Avon Holdings Vagyonkezelő Kft.	£Nil (2018: £15,936,000);
Avon Egypt Holdings I	£Nil (2018: £14,209,902);
Avon Egypt Holdings II	£Nil (2018: £87,142);
Avon Egypt Holdings III	£Nil (2018: £87,142);
Avon Colombia Holdings I	£Nil (2018: £54,531,614);
Avon Colombia Holdings II	£Nil (2018: £54,528,260);
Avon Asia Holdings Company (Mauritius)	£31,973,168 (2018: £Nil);
Avon Holdings Ltd. (Bermuda)	£216,280 (2018: £Nil);
Avon Luxembourg Holdings S.A.R.L.	£165,441,073 (2018: £Nil);
Viva Cosmetics Holding GmbH	£142,827,136 (2018: £Nil);
Avon Products Holding Limited	£41,675,000 (2018: £Nil);
Avon Netherlands Holdings B.V.	£97,903,000 (2018: £24,739,000).

**20. Stocks**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Finished goods	<b>66,012</b>	<b>96,496</b>
	<b>66,012</b>	<b>96,496</b>

Inventories are stated after provisions for impairment of £19,931,257 (2018: £28,875,303).

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

Stock recognised in cost of sales during the year is shown in Note 10.

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 21. Debtors

	2019 £000	2018 £000
Trade debtors	7,662	11,224
Amounts owed by group undertakings	155,089	114,737
Other debtors	1,725	1,302
Prepayments and accrued income	19,389	36,009
	<u>183,865</u>	<u>163,272</u>

Trade debtors are stated after provisions for impairment of £3,116,658 (2018: £2,295,637).

Amounts owed by group undertakings include an unsecured, interest bearing intercompany loan with Avon EMEA Finance Service Centre Sp. z.o.o as at 31 December 2019, totalling £528,939 (2018: £537,736). This loan is part of the Revolving Credit Facility Avon Cosmetics Limited entered into with Avon EMEA Finance Service Centre Sp. z.o.o and is due to mature on 15 November 2022. Interest is charged on the loan at an arm's length rate agreed upon by both parties at the time of each new loan. The interest rate applied to the loan at the year ended 31 December 2019 was 3.72% (2018: 1.8%).

All other amounts owed by group undertakings are unsecured, interest free and repayable on demand. All debtors fall due within one year.

### 22. Cash at bank and in hand

	2019 £000	2018 £000
Cash at bank and in hand	142,731	106,006
	<u>142,731</u>	<u>106,006</u>

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 23. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	96,481	34,828
Trade creditors	41,621	54,480
Amounts owed to group undertakings	327,888	258,607
Taxation and social security	13,787	8,414
Obligations under finance lease and hire purchase contracts	237	573
Other creditors	508	-
Accruals and deferred income	28,071	38,803
	<u>508,593</u>	<u>395,705</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The bank loans and overdrafts are unsecured and repayable on demand.

### 24. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Net obligations under finance leases and hire purchase contracts	376	454
Amounts owed to group undertakings	558,140	498,400
	<u>558,516</u>	<u>498,854</u>

At the year ended 31 December 2019, amounts owed to group undertakings include a fixed rate unsecured loan note, totalling £172,831,522, due to Avon Beauty Limited. The loan is repayable in full on 31 December 2022 and is accruing a fixed rate of interest at 2.58%.

At the year ended 31 December 2019, amounts owed to group undertakings include a fixed rate unsecured loan note, totalling £79,508,000, due to Avon Products Inc,. The loan is repayable in full on 1 November 2021 and is accruing a fixed rate of interest at 4.72%.

At the year ended 31 December 2019, amounts owed to group undertakings include a fixed rate unsecured loan note, totalling £305,800,000, due to Avon International Capital PLC. The loan is repayable in full on 15 August 2022 and is accruing a fixed rate of interest at 6.5%. This loan was repaid in full during the year ended 31 December 2020.

On the 12 February 2019 the company created charges in favour of Citibank and Deutsche Bank Trust in respect of certain group credit facilities. The charges include both fixed and floating elements and are secured over the assets of the company.

On the 3 July 2019 the company created a charge in favour of Deutsche Bank Trust in respect of the issuance of bonds by Avon International Capital plc. The charge includes both fixed and floating elements and is secured over the assets of the company.

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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**25. Provisions for Liabilities**

	<b>2019 £000</b>	<b>2018 £000</b>
As at 1 January	<b>563</b>	<b>1,084</b>
Used in the year	<b>(221)</b>	<b>(521)</b>
<b>As at 31 December</b>	<b>342</b>	<b>563</b>

Employee benefits provided by the company relate to the provision of permanent health insurance on a self insured basis in respect of employees becoming unable to work whilst employed by the company. Approximately 16 (2018: 19) employees currently receive these benefits. The net present value of the liability as at 31 December 2019 totalled £214,153 (2018: £301,054). This is being recognised over the remaining average service lives of the company's employees for those affected pre April 2004, and over a maximum of 3 years for employees affected since that date.

During the year, the company continued its journey to adopt a simpler and leaner operation and as part of this transformation journey has a restructuring provision of £128,156 (2018: £262,488).

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 26. Pension asset

#### The Avon Cosmetics Plan

On 1 April 2013 the Defined Benefit Pension Scheme was closed to future accrual and active members were transferred into the Defined Contribution Scheme. The assets of the Plan are held separately from those of the company in an independently administered trust fund.

Scheme assets do not include any of the company's own financial instruments, or any property occupied by the company. The actual return on scheme assets in the year was £62,068,000 (2018: £(18,732,000)).

The total monthly contributions expected to be made to the scheme by the company in the year to 31 December 2020 are £Nil (2019: £Nil).

In 2016, Avon Cosmetics Limited received advice that an amendment to a previous pension plan that had been implemented several years ago may not have been appropriately implemented. In 2016 the company recorded a £14,166,000 charge to the income statement to reduce the previous pension scheme asset in respect of the matter and is recorded as a past service cost. The £14,166,000 liability remains in place as of 31 December 2019 and has not been reversed.

The most recent comprehensive actuarial valuation is dated 1 January 2018.

Reconciliation of present value of plan liabilities:

	2019 £000	2018 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	343,603	382,811
Interest expense on the defined benefit obligation	8,653	8,670
Actuarial losses/(gains)	44,920	(31,290)
Benefits paid	(13,889)	(18,227)
Past service cost	-	1,639
<b>At the end of the year</b>	<b>383,287</b>	<b>343,603</b>

Reconciliation of present value of plan assets:

	2019 £000	2018 £000
At the beginning of the year	396,807	428,066
Interest income	10,021	9,786
Actuarial gains/(losses) on scheme assets	52,047	(28,518)
Contributions by the Company	-	5,700
Benefits paid	(13,889)	(18,227)
<b>At the end of the year</b>	<b>444,986</b>	<b>396,807</b>

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 26. Pension asset (continued)

Composition of plan assets:

	2019 £000	2018 £000
Equities	80,542	68,767
Bonds	21,445	19,226
Other	342,999	308,814
<b>Total plan assets</b>	<b>444,986</b>	<b>396,807</b>
	2019 £000	2018 £000
Fair value of plan assets	444,986	396,807
Present value of plan liabilities	(383,287)	(343,603)
<b>Net pension scheme asset</b>	<b>61,699</b>	<b>53,204</b>

The amounts recognised in the income statement are as follows:

	2019 £000	2018 £000
Interest on obligation	1,368	1,116
Past service cost	-	(1,639)
<b>Total</b>	<b>1,368</b>	<b>(523)</b>

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £7,127,000 (2018 - £2,772,000).

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2019 %	2018 %
Rate of increase in salaries	n/a	n/a
Discount rate	2.00	2.86
CPI Inflation	2.01	2.05
RPI Inflation	2.91	3.15

## AVON COSMETICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

#### 26. Pension asset (continued)

Life expectancy from age 65

- for a male aged 65 now	<b>22.7 years</b>	22.7 years
- at 65 for a male aged 45 now	<b>24.2 years</b>	24.1 years
- for a female aged 65 now	<b>24.2 years</b>	24.2 years
- at 65 for a female member aged 45 now	<b>25.7 years</b>	25.7 years

**Rate of increases in pensions in payment:**

- pensions in respect of service after 5 April 2006	<b>2.40</b>	2.50
- pensions in respect of service after 5 April 1997 and before 6 April 2006	<b>2.85</b>	3.10
- pensions in respect of service before 1 July 1994	<b>1.45</b>	1.55

**Rate of increases in pensions in deferment**

- final salary	<b>2.01</b>	2.05
- CARE pension	<b>2.91</b>	3.15

The future salary increase above is n/a due to the Defined Benefit Scheme being closed to future accrual on 1 April 2013 and all active members being transferred to the Defined Contribution Scheme.

The 31 December 2019 mortality assumptions are based upon the 1 January 2018 funding valuation mortality tables, with any margins for prudence removed. These assumptions have regard to information published by the UK actuarial profession's Continuous Mortality Investigation Bureau (the CMIB) and to the extent possible, take in to account the membership's actual experience.

#### Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £5,849,603 in the year (2018: £5,925,316). Included within other creditors is £488,337 (2018: £501,004) in relation to amounts accrued at the year end.

#### 27. Deferred taxation

The net deferred tax movement, including pensions, comprises

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Balance at beginning of year	-	-
Credit to income statement during the year	<b>1,212</b>	471
Debit to other comprehensive income during the year	<b>(1,212)</b>	(471)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

# AVON COSMETICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Accelerated capital allowances	2,278	2,156
Short term timing differences	69	71
Share based payment	4,164	3,744
Tax losses carried forward	3,895	2,989
Post employment benefits	(10,406)	(8,960)
	<u>-</u>	<u>-</u>

There are unrecognised deferred tax assets relating to carried forward trading losses, which on a gross basis total £233,625,149 (2018: £210,422,049), and carried forward capital losses, which on a gross basis total £11,238,548 (2018: £11,238,548). These have not been recognised as a deferred tax assets as they are not expected to be realised in the foreseeable future. As referenced in Note 35, there has been a change in ownership on 3 January 2020 and therefore these trading losses are subject to the UK tax 'change in ownership' provisions.

### 28. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2019 £000	2018 £000
<b>Land and buildings</b>		
Not later than 1 year	3,584	3,855
Later than 1 year and not later than 5 years	12,423	15,251
Later than 5 years	2,072	3,808
	<u>18,079</u>	<u>22,914</u>
<b>Other operating leases</b>		
Not later than 1 year	1,742	2,078
Later than 1 year and not later than 5 years	1,701	3,465
	<u>3,443</u>	<u>5,543</u>



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**AVON COSMETICS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**29. Finance Leases**

At 31 December 2019 the Company had future minimum lease payments under non-cancellable finance leases payable in the following periods:

	2019 £000	2018 £000
Within one year	223	256
Later than 1 year and not later than 5 years	369	346
	<u>592</u>	<u>602</u>

**30. Called up share capital**

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
24,071,963 (2018 - 24,071,953) Ordinary shares of £1.00 each	<u>24,072</u>	<u>24,072</u>

During the year ended 31 December 2019 Avon Cosmetics Limited issued 10 (2018: 8) shares with a nominal value of £1, for a total consideration of £383,558,436 (2018: £233,004,877).

In 2019 and 2018 each share is entitled to one vote in any circumstances, the shares have no restrictions on the distribution of dividends and repayment of capital.

**31. Reserves****Share premium account**

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

During the year ended 31 December 2019, Avon Cosmetics Limited issued 10 (2018: 8) equity shares at a value of £383,558,436 (2018: £233,004,877). The nominal value of each share issued was £1. The remaining £383,558,426 (2018: £233,004,869) was allocated to the share premium reserve.

**Profit and loss account**

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

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## AVON COSMETICS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 32. Share based payments

During the year ended 31 December 2019 stock option awards and restricted stock units were granted under the Avon Products, Inc. 2016 Omnibus Incentive Plan. Stock option awards have an exercise price equal to a 25% (2018: 25%) premium from the market price of the stock of Avon Products, Inc. at the date of the grant. These option awards vest in thirds over a three year period and have ten year contractual terms. Restricted stock units generally vest after three years.

#### 33. Related party transactions

The company has taken advantage of the 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.

#### 34. Contingent liabilities

The company takes part in a cash pooling arrangement with other Avon entities in the group. As part of the cash pool the members are jointly liable for any borrowed funds up to the value of the funds they have in the cash pool at that time. At 31 December 2019 Avon Cosmetics Limited had £23,705,367 in the cash pool (2018: £46,342,686).

#### 35. Post balance sheet events

##### **Natura&Co**

On 3 January 2020, following the corporate reorganisation involving the business combination with Avon Products, Inc., Natura &Co Holding S.A., which is incorporated in Brazil, became the ultimate parent company and controlling party of Avon Cosmetics Limited.

##### **COVID-19**

Over the last year there has been significant disruption to the company as a result of the COVID-19 pandemic. While COVID-19 has created uncertainty, the Directors believe that the company will continue to trade as a going concern, having undertaken a detailed assessment of the financial forecast, future cash flows and obtained the appropriate support from its parent undertakings.

#### 36. Controlling party

During the year ended 31 December 2019, Avon Products, Inc. (incorporated in the United States of America) was regarded by the directors as being the company's ultimate parent undertaking and controlling party. Avon International Holdings Company (incorporated in the Cayman Islands) was the company's immediate parent during the year and up to the date of signing the financial statements.

The consolidated financial statements of Avon Products, Inc., the parent undertaking of the largest and only group to incorporate these financial statements, are available on application from group headquarters at Building 6, Chiswick Park, London W4 5HR.

On 3 January 2020, following the corporate reorganisation involving the business combination with Avon Products, Inc., Natura &Co Holding S.A., which is incorporated in Brazil, became the ultimate parent company and controlling party of Avon Cosmetics Limited.