

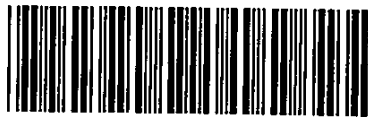
Company Registration No. 00428213

Coty Manufacturing UK Limited

Annual Report and Financial Statements

30 June 2011

MONDAY



L150E6Z7

LD7

19/03/2012

#3

COMPANIES HOUSE

Coty Manufacturing UK Limited

Annual report and financial statements 2011

Contents	Page
Directors' report	1
Statement of directors' responsibilities	4
Independent auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

Coty Manufacturing UK Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2011

Principal activities

During the year the principal activities of the company comprised the manufacture and inter-company distribution of cosmetics.

Business review

Coty Manufacturing UK Ltd is part of the multinational Coty Inc. group and as such there is ongoing company wide investment in research and development in global properties across the group. The directors regard this type of investment as a key ingredient towards sustainable business development in the medium to long term.

Coty Manufacturing UK Ltd manufactures finished goods in house as well as managing third party outsourced production requirements. During 2011 in house finished goods units were 121 million (2010 118 million). The mix of in house produced goods to bought in finished goods remains consistent at 73% (2010 74%).

The directors are pleased that the full year reported operating profit of £3,075,000 (2010 - £2,661,000) represents a satisfactory level of profitability for the contract manufacturing business in the current economic circumstances. The company continues to focus on cost control and reduction programs, capital investment for production efficiencies, quality programs and focus on inventory reporting and reduction.

The company has embarked upon a major project to upgrade its current Macpac system to the Coty Inc platform SAP. This went live in November 2011.

Net assets have increased to £63,920,000 (2010. £62,495,000)

Principal risks and uncertainties

Looking towards future trading, the prospects for Coty Manufacturing UK Ltd solely relate to the worldwide contract manufacturing business. The directors recognise the current economic challenges in primary markets such as the US, UK and continental Europe and have sought and received parental comfort in terms of group structure and ongoing continuity of supply. Furthermore, there is ongoing focus on timely and accurate updates in forecasting, further cost control programs plus flexibility to adapt to future requirements. In this context, the directors believe that prospects for sustainable business development are in alignment with broader market place dynamics.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including cash flow risk, credit risk, liquidity risk and to a lesser degree price risk. As part of Coty Inc, Coty Manufacturing UK Ltd is subject to corporate guidance and controls in the areas of Treasury and risk management. Coty Manufacturing UK Ltd does not use financial derivatives to manage any of these risks nor for speculative purposes.

Cash flow risk

During these challenging economic times the directors recognise the importance of increased net working capital monitoring, forecast accuracy and subsequent balancing actions to match the longer purchasing and production lead times of current and future product demand, with market trends and volatility. This will continue to be a priority focus.

Throughout the year, the contract manufacturing business is exposed to an element of foreign currency exchange rate volatility risk through sourcing raw materials, componentry and some finished goods for resale in foreign denominated currencies across Europe, Asia and the US.

Interest bearing assets and liabilities are managed by the Corporate Treasury group and are held in the UK at an arms length fixed rate differential to LIBOR.

Coty Manufacturing UK Limited

Directors' report

Financial risk management objectives and policies (continued)

Credit risk

The company's principal financial assets are bank balances and intercompany receivables

The contract manufacturing business sells almost exclusively to Coty Inc group sister companies and as such any ongoing intercompany receivable credit risk is commensurate with Coty Inc group risk. Historic payment performance by sister companies demonstrates reasonable adherence to these inter-company 30 day payment terms and as such the directors consider that there is minimal credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

The company has no significant concentration of credit risk, with exposure spread over a reasonably diverse number of counterparties and sister customers

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of short-term debt finance together with medium term intra-group borrowings

Within the overall UK parent group, Coty Brands Group there is an internal cash pooling mechanism in place with UK sister group companies, which does generate fluctuations in individual operating company short and medium term balances. In conjunction with the cash pooling mechanism, the collective Coty Brands group have access to a net £5,000,000 local overdraft facility with the RBS group. This enables management of short term cash variations in conjunction with the process of depositing excess cash balances on interest bearing loan to Coty Treasury BV. The directors of the company recognise that there can be no certainty that the existing facilities will be renewed at their current level but have not identified any reason why the existing facilities would be withdrawn over the next 12 months. The directors have reviewed and strengthened the monitoring processes associated with these mechanisms in conjunction with Coty Inc, and are satisfied that there is minimal liquidity risk.

Price risk

The company is partially exposed to commodity price risk to the extent that these commodities are minor constituents within the finished goods produced for resale to sister companies. Coty Manufacturing UK Ltd does not manage its exposure to any such commodity price risks since these are minor elements which are controlled through corporate treasury and centralised group purchasing programs

Dividends

There were no interim dividends paid by directors (2010 - £nil) during the year. The directors do not propose a final dividend (2010 - £nil)

Future prospects

The directors of Coty Manufacturing UK Ltd recognize the volatility and challenges in principal economic markets and have documented above the risks foreseen. Furthermore there has been dialogue with, reassurance and comfort from Coty Inc about group risks and prospects. Consequently, the directors believe that there are continued reasonable opportunities for Coty Manufacturing UK Ltd business development, consistent with this environment

Coty Manufacturing UK Limited

Directors' report

Directors and their interests

The directors during the year were as follows

M Brady
A Garotti
D Pettifer

Supplier payment policy

The company's policy is to agree terms of payment with suppliers and abide by the terms of payment when settling invoices

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company values the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings plus access to generic Coty Inc. communication vehicles such as Coty Internet portal, Coty News and DVDs from the CEO.

Directors indemnities

The company has not made any qualifying third party indemnity provisions for the benefit of its directors during the year.

Independent auditor and statement of provision of information to the independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



A Garotti
Director

15 March 2012

Coty Manufacturing UK Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of Coty Manufacturing UK Limited

We have audited the financial statements of Coty Manufacturing UK Limited) for the year ended 30 June 2011 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

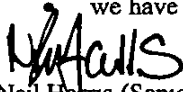
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

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


Neil Harris (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Crawley, United Kingdom
16 March 2012

Coty Manufacturing UK Limited

Profit and loss account Year ended 30 June 2011

	Note	2011 £'000	2010 £'000
Turnover	2	85,458	78,541
Cost of sales		(63,275)	(58,020)
Gross profit		<u>22,183</u>	<u>20,521</u>
Administrative expenses		(19,108)	(17,860)
Operating profit	3	<u>3,075</u>	<u>2,661</u>
Interest receivable and similar income	5	34	13
Interest payable and similar charges	6	(672)	(272)
Profit on ordinary activities before taxation		<u>2,437</u>	<u>2,402</u>
Tax on profit on ordinary activities	7	(1,028)	(896)
Profit on ordinary activities after taxation	17	<u><u>1,409</u></u>	<u><u>1,506</u></u>

All results are derived from continuing operations

There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account, accordingly no statement of total recognised gains and losses is presented

Coty Manufacturing UK Limited

Balance sheet 30 June 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	8	16,418	17,125
Tangible assets	9	25,665	22,594
		<u>42,083</u>	<u>39,719</u>
Current assets			
Stocks	10	5,985	7,118
Debtors	11	73,771	66,661
Cash at bank and in hand		-	95
		<u>79,756</u>	<u>73,874</u>
Creditors: amounts falling due within one year	12	<u>(49,152)</u>	<u>(42,331)</u>
Net current assets		<u>30,604</u>	<u>31,543</u>
Total assets less current liabilities		<u>72,687</u>	<u>71,262</u>
Creditors: amounts falling due after more than one year	13	<u>(8,767)</u>	<u>(8,767)</u>
		<u>63,920</u>	<u>62,495</u>
Capital and reserves			
Called up share capital	15,17	20,050	20,050
Capital reserve	17	10	10
Profit and loss account	17	43,860	42,435
Shareholders' funds	17	<u>63,920</u>	<u>62,495</u>

These financial statements of Coty Manufacturing UK Limited, registered company number 00428213, were approved by the Board of Directors on 15 March 2012.

Signed on behalf of the Board of Directors


A. Garotti
Director

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted have been applied consistently in the current and preceding year and are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The directors have reviewed the going concern status of the company by considering the cash and borrowing position of the company at 30 June 2011, its anticipated level of trading activity and the continued availability of the company's existing bank facilities.

Having regard to the above and having sought and received parental comfort in terms of group structure and ongoing continuity of supply from an intermediate parent, Coty Inc., and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further information is provided within the directors' report on pages 1 and 2.

Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax.

Revenue is recognised at the point of dispatch from the manufacturing site as Coty Manufacturing UK Limited operate on an 'ex-works' basis.

Goodwill

On the acquisition of a business, fair values are attributed to the company's share of net tangible assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised in the balance sheet and amortised over its estimated useful life. The directors have estimated the useful lives of acquired operations at 40 years on the basis of the specialist nature of the business acquired and long-term industry prospects.

The directors test goodwill for potential impairment at least on an annual basis by analysing operating results, trends and prospects of each brand, and considering any other events or circumstances that might indicate potential impairment.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold properties and land	Over the term of the lease
Plant and machinery	10% per annum
Fixtures, fittings, tools and equipment	7% - 33% per annum.

No depreciation is provided on assets in the course of construction.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Share based payments

The company has applied the requirements of FRS 20 'Share-based Payments'. In accordance with the traditional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

Certain of the company's employees are issued share options by Coty Inc. As these options are settled through the company's payroll the company accounts for these share-based payments as cash-settled.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension contributions

Contributions were made to a defined contribution scheme. Charges to the profit and loss account represent the contributions payable for the accounting period. Any difference between amounts charged to the profit and loss account and contributions paid is included in other debtors or other creditors in the balance sheet.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

2. Segmental information

The geographical analysis of turnover by destination (based on the destination of the ultimate external customer) is as follows

	2011 £'000	2010 £'000
United Kingdom	22,563	20,925
Other	62,895	57,616
	<u>85,458</u>	<u>78,541</u>

The directors are of the opinion that the company has one class of business

3. Operating profit

	2011 £'000	2010 £'000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	3,655	4,188
Amortisation of goodwill	707	707
Rentals under operating leases		
Hire of plant and machinery	209	227
Other	6	12
Loss on disposal of fixed assets	58	264
Foreign exchange	(726)	(2,212)
	<u></u>	<u></u>

The analysis of auditor's remuneration is as follows:

	2011 £'000	2010 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>25</u>	<u>25</u>
Fees payable to the Company's auditor and their associates for other services to the Company		
Tax services	<u>21</u>	<u>16</u>

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

4. Information regarding directors and employees

	2011 £'000	2010 £'000
Directors' emoluments:		
Remuneration	209	147
Pension contributions	17	18
	<u>226</u>	<u>165</u>
The highest paid director received:		
Remuneration	209	97
Pension contributions	17	12
	<u>226</u>	<u>109</u>
	No.	No.
The number of directors who		
Are members of a money purchase pension scheme	1	2
Exercised options in the period	-	-
Received awards under a long term incentive plan	1	1
	<u>1</u>	<u>1</u>
The highest paid director did not exercise any share options in the year, but shares were received by that director in respect of qualifying services under a long term incentive scheme		
Average number of persons employed:	No.	No.
Production	292	282
Sales and distribution	2	2
Administration	57	46
	<u>351</u>	<u>330</u>
Staff costs (including directors):	£'000	£'000
Wages and salaries	9,915	9,390
Social security costs	1,051	992
Other pension costs	603	570
	<u>11,569</u>	<u>10,952</u>

5. Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest	-	1
Loans to group undertakings	34	12
	<u>34</u>	<u>13</u>

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

6. Interest payable and similar charges

	2011 £'000	2010 £'000
Bank overdrafts	-	1
Loans from group undertakings	43	25
Other interest	629	246
	<u>672</u>	<u>272</u>

7. Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax charge at 27.5% (2010: 28.0%)	772	888
Prior year adjustment	84	(32)
Total current tax	<u>856</u>	<u>856</u>
Deferred tax – timing differences, origination and reversal	172	40
Tax on profit on ordinary activities	<u>1,028</u>	<u>896</u>

Reconciliation to current tax charge

The average rate of current tax for the year, based on the UK standard rate of corporation tax is 27.5% (2010: 28%). The current tax rate for the current and preceding year is higher for the reasons set out in the following reconciliation

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	2,437	2,402
Tax on profit on ordinary activities at standard rate	670	673
Factors affecting charge		
Disallowed expenses	228	198
Capital allowances	(176)	(55)
Other short term timing differences	(9)	(9)
Fixed asset loss on disposal	14	74
Share-based payments (FRS 20)	45	7
Prior year adjustment	84	(32)
Current tax charge for the year	<u>856</u>	<u>856</u>

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

8. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 July 2010 and 30 June 2011	28,221
Amortisation	
At 1 July 2010	11,096
Charge for the year	707
At 30 June 2011	11,803
Net book value	
At 30 June 2011	16,418
At 30 June 2010	17,125

9. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 July 2010	15,412	29,711	14,821	1,423	61,367
Additions	-	174	8	6,638	6,820
Transfers	33	1,800	748	(2,581)	-
Disposals	-	(4,270)	(238)	-	(4,508)
At 30 June 2011	15,445	27,415	15,339	5,480	63,679
Accumulated depreciation					
At 1 July 2010	5,396	20,611	12,766	-	38,773
Charge for the year	523	1,695	1,437	-	3,655
Disposals	-	(4,176)	(238)	-	(4,414)
At 30 June 2011	5,919	18,130	13,965	-	38,014
Net book value					
At 30 June 2011	9,526	9,285	1,374	5,480	25,665
At 30 June 2010	10,016	9,100	2,055	1,423	22,594

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

9. Tangible fixed assets (continued)

The net book value of land and buildings comprises

	2011 £'000	2010 £'000
Land	2,824	2,872
Buildings		
Long leasehold	6,702	7,144
	<u>9,526</u>	<u>10,016</u>

10. Stocks

	2011 £'000	2010 £'000
Raw materials and consumables	4,101	3,675
Work-in-progress	254	517
Finished goods and goods for resale	1,630	2,926
	<u>5,985</u>	<u>7,118</u>

11. Debtors

	2011 £'000	2010 £'000
Trade debtors	96	-
Amounts owed by group undertakings	72,453	65,173
Other debtors	695	683
Deferred tax (note 14)	371	543
Prepayments and accrued income	156	262
	<u>73,771</u>	<u>66,661</u>

12. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank Overdraft	46	-
Trade creditors	14,863	12,242
Amounts owed to group undertakings	2,326	1,422
Corporation tax	17,044	16,575
Other taxation and social security	473	386
Other creditors	12,977	10,574
Accruals and deferred income	1,423	1,639
	<u>49,152</u>	<u>42,331</u>

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

13. Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Amount owed to parent company	8,642	8,642
Amount owed to fellow subsidiary	125	125
	<u>8,767</u>	<u>8,767</u>

The amount owed to the parent undertaking and fellow subsidiary is non-interest bearing. The company has obtained confirmation from the counter-party that they will not seek repayment of the amount within one year of the balance sheet date.

14. Deferred taxation asset

	£'000
Asset at 1 July 2010	543
Deferred tax debit for the year	(172)
Asset at 30 June 2011	<u>371</u>

	2011 £'000	2010 £'000
Share-based payments	125	89
Accelerated capital allowances	246	454
Total asset	<u>371</u>	<u>543</u>

15. Called up share capital

	2011 £'000	2010 £'000
Authorised		
20,100,000 ordinary shares of £1 each	<u>20,100</u>	<u>20,100</u>
Called up, allotted and fully paid		
20,050,000 ordinary shares of £1 each	<u>20,050</u>	<u>20,050</u>

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

16. Share-based payments

Cash-settled share option scheme

Certain of the company's employees are issued share options in the company's intermediate parent company, Coty Inc, under a long term incentive plan. These share options vest generally over 5 years. If the options remain un-exercised after a period of 10 years from the date of grant the options expire. All non-vested options are forfeited if the employee leaves the company before the options vest.

Details of the share options outstanding during the year are as follows

	2011		2010	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of the year	15,500	3.72	45,000	13.97
Stock split	62,000	3.72	-	-
Granted during the year	26,000	3.40	7,000	13.14
Transferred to fellow group company	(20,000)	-	(36,500)	-
Outstanding at the end of the year	<u>83,500</u>	<u>3.63</u>	<u>15,500</u>	<u>13.58</u>
Exercisable at the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 14 September 2010 the Coty Inc Board approved a 5:1 share option split. The number of options and the exercise price of these options was adjusted based on the 5:1 ratio.

The options outstanding at 30 June 2011 had a weighted average remaining contractual life of 6.86 years.

The inputs into the Black-Scholes option pricing model are as follows

	2011	2010
Weighted average exercise price		
Expected life	6.38 years	5.89 years
Expected volatility	29.98%	30.30%
Risk-free rate	2.26%	2.00%
Expected dividend yield	n/a	n/a
Forfeiture rate	4.00%	4.00%

Expected volatility

Expected volatility is calculated based on median volatility for peer companies using 7.5 years of daily stock price history.

Expected life

The expected life of the option represents the period of time (years) that options granted are expected to be outstanding, which the company calculates using a formula based on the vesting term and the contractual life of the respective option.

Risk-free interest rate

The risk-free rate was based on the implied yield on a US treasury note with a term equal to the expected term of the underlying grants.

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

16. Share-based payments (continued)

Forfeiture rate

The Company uses historical data to estimate pre-vesting option forfeitures, which yields a forfeiture rate of 4.0 percent. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates.

The company has recorded liabilities of £421,851 relating to share based payments (2010 : £293,489) and total charge of £144,179 in 2011 (2010 : income of £417,132).

17. Combined reconciliation of movements in shareholders' funds and statement of movements on reserves

	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total 2011 £'000	Total 2010 £'000
Brought forward	20,050	10	42,435	62,495	60,737
Profit retained and transferred to reserves	-	-	1,409	1,409	1,506
Capital contribution	-	-	16	16	252
Carried forward	<u>20,050</u>	<u>10</u>	<u>43,860</u>	<u>63,920</u>	<u>62,495</u>

18. Capital commitments

	2011 £'000	2010 £'000
Contracted for but not provided	<u>1,967</u>	<u>1,501</u>

19. Operating lease commitments

At 30 June 2011, the company was committed to making the following payments during the next year in respect of operating leases that expire:

	2011 Other £'000	2010 Other £'000
Within one year	35	43
Within 2 to 5 years	<u>-</u>	<u>-</u>
	<u>35</u>	<u>43</u>

Coty Manufacturing UK Limited

Notes to the accounts Year ended 30 June 2011

20. Ultimate parent company and controlling party

The directors regard Donata Holding SE (a Societas Europea) as the company's ultimate parent and controlling party.

Coty Inc is the parent undertaking of the largest and smallest group of which Coty Manufacturing UK Limited is a member and for which group accounts are drawn up. Group accounts are available from 2 Park Avenue, New York, USA.

At the balance sheet date the immediate parent company was Coty Brands Group Limited.

21. Related party transactions

In accordance with Financial Reporting Standard No 8 "Related Party Transactions", transactions with other group undertakings within, and investee related parties of, Coty Inc have not been disclosed in these accounts.