

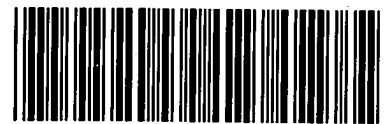
# **Coty Manufacturing UK Limited**

## **Annual Report and Financial Statements**

**For the year ended 30 June 2022**

**Registered number: 00428213**

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# **Coty Manufacturing UK Limited**

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# **Coty Manufacturing UK Limited**

## **Officers and professional advisers**

### **Directors**

Frederick Fowler  
Fraser Patrick  
Mattias Thraen (Appointed 29 April 2022)

### **Company secretary**

Fraser Patrick

### **Registered office**

Eureka Park  
Ashford  
Kent  
TN25 4AQ

### **Banker**

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
London  
EC2N 2DB

### **Independent auditor**

UHY Hacker Young LLP (Appointed 23 June 2022)  
Quadrant House  
4 Thomas More Square  
London  
E1W 1YW

# Coty Manufacturing UK Limited

## Strategic report

The directors present their strategic report, together with the audited financial statements and auditor's report, for Coty Manufacturing UK Limited ("the company") for the year ended 30 June 2022. In preparing this strategic report, the directors have complied with s414C of the Companies Act 2006.

### Review of the business

The results of the year and the financial position of the company are shown on pages 12 to 14.

The company manufactures beauty products as a contract manufacturer for other Coty group companies.

In 2022, turnover increased by 13% and the company made a profit before tax of £5,036,000 (2021: loss £673,000). This increase in turnover is due to an increase in production post Covid-19 pandemic. The company increased production from 97 million units in 2021 to 108 million units in 2022. Due to Covid-19 impact, in Q1 to Q3 2021, the company activated force majeure in line with the contract manufacturing agreement achieving a 0% profit on direct cost incurred. Additionally in 2021, there was a significant loss of £1.2m on the disposal of a single production line.

### Key performance indicators

The key financial performance indicators for the year are as follows:

	2022 £'000	2021 £'000
Turnover	75,989	67,292
Gross profit margin	30%	29%
Operating profit	5,341	675
Operating Profit Margin	7%	1%
Profit/(Loss) before tax	5,037	(673)

Turnover represents the finished goods sold to other group companies.

Gross profit margin is calculated by dividing gross profit by turnover.

Operating profit is profit before exceptional costs of asset disposal, interest and tax.

Profit/(Loss) before tax is the profit after all costs associated with running the operations have been deducted but before tax. This continues to be at an acceptable level for a contract manufacturing business.

### Section 172(1) statement

In performing their duties under section 172, the directors of the company have had regard to the matters set out in section 172(1) as follows:

#### *The directors' overall approach*

The company is a contract manufacturer for other Coty group companies so following corporate guidance enables the optimum outcomes for the company, in both the short and long term.

#### *Key decisions in the year*

The company continues to work towards improvement in the efficiency of its operations, including optimizing the operations shift pattern, managing capital expenditure and tooling costs thus maintaining improvements in operational performance indicators. These improvements increase the long-term value of the company and protect the interests of the company's employees and suppliers whilst maintaining high quality and environmental standards.

# Coty Manufacturing UK Limited

## Strategic report (continued)

### *Stakeholders*

#### *Employees*

The company places considerable value on the involvement of its employees and has continued to keep 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 and global and local town halls and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### *Suppliers*

The company works closely with its suppliers to ensure quality of supply and to pay to agreed payment terms. Our standard payment term is 120 days. The company reports its payment practices; for the six months to 30 June 2022, 24% (2021: 21%) of suppliers were paid in under 30 days and the average time taken to pay invoices was 65 days (2021: 70 days).

#### *Customers*

The company supplies products to other Coty Inc. group companies. It maintains good relationships with them and deals with any product issues promptly.

#### *Community and environment*

The company is committed to fully complying with its environmental responsibilities. The Packaging Waste Regulations impose considerable reporting and financial obligations and are fully complied with. The company monitored its carbon emissions and produced 17.70 tonnes of CO<sub>2</sub>e per million production units in the year.

#### *Consumers*

Coty Inc. is committed to product safety and manages reporting and investigation of any issues centrally. The company has rigorous safety and operating procedures and complies fully with regulatory obligations. -

#### *Shareholders*

The company has a single shareholder.

### **Plastic Packaging Tax**

From April 2022, the UK government introduced Plastic Packaging Tax whereby businesses manufacturing and importing plastic components are required to report and pay an additional tax. The company has reviewed its reporting systems to ensure proper capture of plastic components and compliance with the new legislation. The company made their first submission of Plastic Packaging Tax as at 30 June 2022.

### **Principal risks and uncertainties**

The company's activities expose it to a number of financial risks including foreign currency exchange rate risk, credit risk and liquidity risk. The company does not use derivative financial instruments for speculative purposes.

#### *Foreign currency exchange rate risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. Other than internal (within the Coty group) foreign exchange hedges, the company does not use financial derivatives to manage any of these risks.

#### *Credit risk*

The company's principal financial asset is intercompany receivables and as such, the company considers any credit risk to be minimal.

#### *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 intercompany cash pooling together with medium term intra-group borrowings

# Coty Manufacturing UK Limited

## Strategic report (continued)

### *Political risk*

As a result of the economic climate, Brexit and the current conflict between Ukraine and Russia, the rate of inflation in the United Kingdom is increasing. This impacts staff costs and recruitment, energy costs, other prices and interest rates. The group is closely monitoring and managing risk by controlling costs including continuously reassessing strategies and identifying opportunities for synergies and monitoring cash flows.

### **Covid-19**

There is no certainty on the continued development of Covid. Coty Inc responded well during the pandemic and adjusted accordingly to minimise business disruption as much as possible. The United Kingdom lifted all its Covid restrictions in March 2022. Sales across the Coty group continues to recover after the pandemic.

### **Going concern**

The directors have reviewed the going concern status of the company by considering the cash and borrowing position, the latest re-based post Covid-19 forecasts and importantly the provision of support from the parent company, Coty Inc.

The company has net current liabilities at 30 June 2022 of £26,008,000 (2021: £35,514,000).

The operations of the company are structured such that there is reliance on ongoing support from its group parent to continue as a going concern. Having sought and received confirmation in terms of group structure and ongoing continuity of support from Coty Inc., and after considering the impact of the latest developments with regard to Covid-19, including those related to the latest financial position and solvency of Coty Inc., the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the approval of the financial statements.

In considering all the above, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Future developments and events after the balance sheet date**

The company manufactures beauty products and intends to continue trading as a contract manufacturer for other Coty group companies.

The company is expanding its operations and is taking on a new production line from a sister company to support this, to go live in 2023. In the next three years the company will be extending its product portfolio, investing in new production lines and the training of its staff.

### **Approval**

Approved by the Board and signed on its behalf by



Fraser Patrick  
Director

15 December 2022

### **Registered office:**

Eureka Park, Ashford, Kent TN25 4AQ

# Coty Manufacturing UK Limited

## Directors' report

The directors present their annual report on the affairs of the company, together with audited financial statements and auditor's report for the year ended 30 June 2022.

### Principal activity

The principal activity of the company is the manufacture and distribution of colour cosmetics to Coty Inc. group companies.

### Future developments and events after the balance sheet date

Details of future developments can be found in the Strategic report on pages 2 to 4.

### Financial risk management objectives and policies

Details of financial risks can be found in the Strategic report on pages 2 to 4.

### Dividends

The directors did not approve a dividend during the year ended 30 June 2022 or for the previous year ended 30 June 2021. The directors do not propose a dividend.

### Directors

The directors, who served throughout the year and up to the date of this report, were as follows:

Frederick Fowler

Fraser Patrick

Mattias Thraen (Appointed 29 April 2022)

### Directors' indemnities

Coty Inc. (the ultimate parent company) has a global policy that provides qualifying third-party indemnity provisions for the benefit of all of its directors during the year, and this remains in force at the date of this report.

### Charitable contributions

During the year the entity made charitable donations of £nil (2021: £nil).

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the 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 to that of other employees.

### Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep 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 and global and local town halls and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

# Coty Manufacturing UK Limited

## Directors' report (continued)

### UK Greenhouse gas emissions and energy use

The company is required to report UK energy use for certain activities for which it is responsible.

	Year ended 30 June 2022	Year ended 30 June 2021
Emissions from combustion of gas (Scope 1 – tonnes of CO <sub>2</sub> e)	864	918
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes per CO <sub>2</sub> e)	1,055	1,106
Total tonnes CO <sub>2</sub> e	1,919	2,024
Tonnes CO <sub>2</sub> e per million production units	17.70	20.83
Combustion of gas (kwh)	4,697,467	5,014,971
Purchase of electricity for own use (kwh)	4,525,405	5,208,371
Consumption of fuel for transport (kwh)	1,360	-
Energy consumption used to calculate emissions (kwh)	9,224,232	10,223,342

Energy use has been compiled from a review of purchase information and using the 2021/22 Government conversion factors. The chosen intensity measure (Tonnes CO<sub>2</sub>e per million production units) is appropriate for a manufacturing company.

The company has taken a number of measures to increase energy efficiency during the year. Activities are ongoing to increase people awareness on energy consumption, this is closely monitored and over usage is investigated. The company continues to invest in energy efficient technology, installing a solar photovoltaic system and heat pumps.

Consumption of fuel has increased in the year as result of office staff returning to normal activities and business travel resuming post the Covid-19 pandemic.

### Auditor

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/she ought to have taken as a director in order to make himself / herself 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.

UHY Hacker Young LLP has been appointed as auditor during the year and appropriate arrangements have been put in place for them to be deemed appointed as auditor in the absence of an Annual General Meeting.

## **Coty Manufacturing UK Limited**

### **Directors' report (continued)**

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Fraser Patrick', with a long horizontal flourish extending to the right.

Fraser Patrick  
Director

15 December 2022

**Registered office:**

Eureka Park, Ashford, Kent TN25 4AQ

# **Coty Manufacturing UK Limited**

## **Directors' responsibilities statement**

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of Coty Manufacturing UK Limited (the 'company') for the year ended 30 June 2022 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)  
TO THE MEMBERS OF COTY MANUFACTURING UK LIMITED

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

**Responsibilities of directors**

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, and for such internal control as the directors 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.

**Auditor's 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 auditor's 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**  
**TO THE MEMBERS OF COTY MANUFACTURING UK LIMITED**

Based on our understanding of the company and the industry in which it operates, we identified that the principal risks of non-compliance with Company law, UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: substantive testing on revenue and cost of sales, review of the financial statement disclosures to underlying supporting documentation, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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.



**Martin Jones** (Senior Statutory Auditor)  
for and on behalf of UHY Hacker Young

Chartered Accountants  
Statutory Auditor

15 December 2022

## Coty Manufacturing UK Limited

### Statement of comprehensive income For the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Turnover	3	75,989	67,292
Cost of sales		(53,473)	(48,052)
<b>Gross profit</b>		22,516	19,240
Administrative expenses		(17,186)	(18,902)
Other operating income – furlough income		11	337
<b>Operating profit before exceptional items</b>		5,341	675
Exceptional items relating to disposal of production line		-	(1,188)
		5,341	(513)
Finance costs (net)	4	(304)	(160)
<b>Profit/(loss) before tax</b>	5	5,037	(673)
Tax on (profit)/loss	9	(1,359)	1,035
<b>Profit for the financial year</b>		3,678	362

All operations of the company are continuing operations.

The accompanying notes are an integral part of the financial statements.

There is no other comprehensive income or expense for the current and prior years; consequently, no statement of comprehensive income is presented.

# Coty Manufacturing UK Limited

## Statement of financial position As at 30 June 2022

	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	10	8,833	9,595
Tangible fixed assets	11	29,620	33,087
Investments	12	26,644	26,644
		<u>65,097</u>	<u>69,326</u>
<b>Current assets</b>			
Stocks	13	14,410	11,716
Debtors	14	34,126	22,431
		<u>48,536</u>	<u>34,147</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(76,275)</u>	<u>(69,661)</u>
<b>Net current liabilities</b>		<u>(27,739)</u>	<u>(35,514)</u>
<b>Total assets less current liabilities</b>		<u>37,358</u>	<u>33,812</u>
<b>Creditors: amounts falling due after more than one year</b>	16	-	(45)
<b>Net assets</b>		<u><u>37,358</u></u>	<u><u>33,767</u></u>
<b>Capital and reserves</b>			
Called-up share capital	18	20,050	20,050
Capital reserve	18	24	111
Profit and loss account	18	17,284	13,606
<b>Shareholders' funds</b>		<u><u>37,358</u></u>	<u><u>33,767</u></u>

The accompanying notes are an integral part of the financial statements.

The financial statements of Coty Manufacturing UK Limited (registered number 00428213) were approved by the board of directors and authorised for issue on 15 December 2022. They were signed on its behalf by:



Fraser Patrick  
Director

## Coty Manufacturing UK Limited

### Statement of changes in equity For the year ended 30 June 2022

	Note	Called-up share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total £'000
<b>As at 1 July 2020</b>	18	20,050	302	13,244	33,596
Profit for the financial year		-	-	362	362
Share options		-	(191)	-	(191)
<b>Balance as at 30 June 2021</b>	18	<u>20,050</u>	<u>111</u>	<u>13,606</u>	<u>33,767</u>
<b>As at 1 July 2021</b>	18	20,050	111	13,606	33,767
Profit for the financial year		-	-	3,678	3,678
Share options		-	(87)	-	(87)
<b>Balance as at 30 June 2022</b>	18	<u>20,050</u>	<u>24</u>	<u>17,284</u>	<u>37,358</u>

# **Coty Manufacturing UK Limited**

## **Notes to the financial statements For the year ended 30 June 2022**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

#### **General information and basis of accounting**

Coty Manufacturing UK Limited is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1.

The nature of the company's operations and its principal activities are set out in the strategic report on pages 2 to 4 and in the directors' report on pages 5 to 6.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The company is consolidated in the financial statements of its ultimate parent, Coty Inc., copies of which may be obtained from its registered office at 350 Fifth Avenue, New York, NY 10118.

#### **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 FRS 102 "The financial reporting standard applicable in the UK and the Republic of Ireland":

- Statement of Financial Position;
- Statement of Cash Flows and related notes;
- Financial Statement Presentation;
- Financial Instruments
- Related party disclosures
- Key management personnel remuneration and
- Share Based Payments.

#### **Going concern**

The directors have reviewed the going concern status of the company by considering the cash and borrowing position of the company, the company's latest re-based post Covid-19 forecasts and importantly the provision of support from the company's parent company, Coty Inc.

With regard to Covid-19, the company is taking appropriate action to deal with the events arising from the pandemic and to minimise its impact, and considers that this is a temporary situation that according to the latest estimates and current cash position will not compromise the company's ability to continue as a going concern.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 1. Accounting policies (continued)

#### Going concern (continued)

The operations of the company are structured such that there is reliance on ongoing support from its group parent to continue as a going concern. Having sought and received confirmation in terms of group structure and ongoing continuity of support from Coty Inc., and after considering the impact of the latest developments with regard to – Covid-19, including those related to the latest financial position and solvency of Coty Inc., the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the approval of the financial statements.

In considering all the above, the directors continue to adopt the going concern basis in preparing the financial statements.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land	Over the term of lease
Buildings	3% - 33% per annum
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.

#### Intangible assets – Software

Computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is provided at a rate calculated to write off the cost or valuation, less estimated residual value, on a straight-line basis over its expected useful life, as follows:

Computer software	20% per annum
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Residual value represents the estimated amount, which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

#### 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.

#### Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 1. Accounting policies (continued)

#### Financial instruments (continued)

##### (i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current year or prior years.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 1. Accounting policies (continued)

#### Financial instruments (continued)

##### (ii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

##### Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

##### Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 1. Accounting policies (continued)

#### Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. The measurement of deferred tax liabilities

Tax and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### Turnover

Turnover represents amounts derived from the provision of goods, 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 whereby the seller makes the goods available at its location, so the buyer can take over all the transportation costs and also bears the risks of bringing the goods to their final destination.

#### Employee benefits

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments 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 exchange differences are recognised in profit or loss in the year in which they arise.

#### Leases

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

#### Share-based payment

The ultimate parent company issues equity and cash settled share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the companies' estimate of shares that will eventually vest.

Fair value of the cash-settled share-based payments 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.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 1. Accounting policies (continued)

#### Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future periods if the revision affects both current and future years.

#### *Critical judgements in applying the company's accounting policies*

Management have not identified any critical judgements in applying the company's accounting policies.

#### *Key source of estimation uncertainty*

Management do not believe there to be any key sources of estimation uncertainty which affects the financial statements.

### 3. Turnover

An analysis of the company's turnover by geographical market as earned through sale of goods is set out below.

	2022 £'000	2021 £'000
<b>Turnover:</b>		
United Kingdom	74,414	63,004
Other	1,575	4,288
	<u>75,989</u>	<u>67,292</u>

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 4. Finance costs (net)

	2022 £'000	2021 £'000
Interest payable and similar expenses		
Intercompany loans	(293)	(186)
Other loans	-	(11)
Net exchange (loss)/gain on foreign currency borrowings	(11)	33
Miscellaneous income	-	4
	<u>(304)</u>	<u>(160)</u>

### 5. Profit/(Loss) before tax

	2022 £'000	2021 £'000
<b>Profit before tax is stated after charging/(crediting):</b>		
Depreciation of tangible fixed assets (note 11)	4,917	6,401
Amortisation of intangible assets (note 10)	762	740
Operating lease rentals	121	113
Impairment of stock recognised as expense	1,738	2,931
Foreign exchange loss/(gain)	229	(526)
Loss on disposal of fixed assets – production line (note 11)	-	1,188
Loss on disposal of fixed assets (note 11)	18	381
Disposal of construction in progress (note 11)	-	372
Furlough scheme claim (note 7)	(11)	(337)
	<u>(11)</u>	<u>(337)</u>

Amortisation of intangible assets is included in administration expenses.

### 6. Auditor's remuneration

	2022 £'000	2021 £'000
<b>The analysis of auditor's remuneration is as follows:</b>		
Fees payable to the company's auditor for the audit of the company's annual financial statements:		
Annual financial statements audit	<u>55</u>	<u>64</u>
Fees payable to the company's auditor and its associates for other services to the company:		
Taxation compliance services	<u>-</u>	<u>16</u>

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 7. Staff numbers and costs

	2022 Number	2021 Number
<b>The average monthly number of employees (including executive directors) was:</b>		
Production	228	271
Distribution	1	2
Administration	34	30
	<u>263</u>	<u>303</u>
	2022 £'000	2021 £'000
<b>Their aggregate remuneration comprised:</b>		
Wages and salaries	9,106	9,363
Social security costs	929	909
Other pension costs	712	738
	<u>10,747</u>	<u>11,010</u>

As a result of the government Furlough Scheme, the company was able to claim a credit of £10,515 (2021: £336,869) from HMRC of which, at year end, £10,515 (2021: £288,387) had been paid and £0 (2021: £48,482) subsequently paid after year end.

### 8. Director's remuneration and transactions

	2022 £'000	2021 £'000
<b>Directors' remuneration</b>		
Emoluments	48	168
Company contributions to money purchase pension schemes	6	17
	<u>54</u>	<u>185</u>
	2022 Number	2021 Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	2	2
Had awards receivable in the form of shares in the parent company under a long-term incentive scheme	1	1

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 9. Tax on profit/(loss)

The tax charge comprises:	2022 £'000	2021 £'000
<b>Current tax</b>		
UK corporation tax	945	436
Prior year adjustment	84	(9)
<b>Total current tax</b>	<u>1,029</u>	<u>427</u>
<b>Deferred tax</b>		
Timing differences (see note 17)	212	(896)
Tax rate changes	118	(566)
<b>Total deferred tax</b>	<u>330</u>	<u>(1,462)</u>
<b>Total tax on profit/(loss)</b>	<u><u>1,359</u></u>	<u><u>(1,035)</u></u>

The standard rate of tax applied to reported profit/(loss) is 19% (2021: 19%).

Prior year adjustment for the year ended 30 June 2021 relates to over provision of corporation tax for prior years.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2022 £'000	2021 £'000
<b>Profit/(Loss) before tax</b>	<u>5,037</u>	<u>(673)</u>
Tax on profit/(loss) at standard UK corporation tax rate of 19% (2021: 19%)	957	(128)
Effects of:		
Expenses not deductible for the tax purposes	(12)	564
Deferred tax:		
-Movements in timing differences on fixed assets	212	(896)
-Tax rate changes	118	(566)
Prior year adjustments to tax charge in respect of previous years	84	(9)
<b>Total tax charge for the year</b>	<u><u>1,359</u></u>	<u><u>(1,035)</u></u>

### Factors that may affect future tax charge

The current corporation tax rate is 19%, it will increase to 25% from 1<sup>st</sup> April 2023. This rate was substantially enacted at year end and used to calculate deferred tax.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 10. Intangible assets

	Computer software £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 July 2021	6,833	28,221	35,054
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
	<u>6,833</u>	<u>28,221</u>	<u>35,054</u>
At 30 June 2022	<u>6,833</u>	<u>28,221</u>	<u>35,054</u>
<b>Amortisation</b>			
At 1 July 2021	6,586	18,873	25,459
Charge for the year	55	707	762
Disposals	-	-	-
	<u>6,641</u>	<u>19,580</u>	<u>26,221</u>
At 30 June 2022	<u>6,641</u>	<u>19,580</u>	<u>26,221</u>
<b>Net book value</b>			
At 30 June 2022	<u>192</u>	<u>8,641</u>	<u>8,833</u>
At 30 June 2021	<u>247</u>	<u>9,348</u>	<u>9,595</u>

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 11. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, Fitting, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
At 1 July 2021	33,172	35,867	30,977	1,038	101,054
Additions	-	-	-	1,487	1,487
Disposals	(268)	(88)	(1,147)	-	(1,503)
Transfers	296	874	13	(1,183)	-
At 30 June 2022	<u>33,200</u>	<u>36,653</u>	<u>29,843</u>	<u>1,342</u>	<u>101,038</u>
<b>Depreciation</b>					
At 1 July 2021	13,777	25,405	28,785	-	67,967
Charge for the year	1,282	2,269	1,366	-	4,917
Disposals	(247)	(73)	(1,146)	-	(1,466)
At 30 June 2022	<u>14,812</u>	<u>27,601</u>	<u>29,005</u>	<u>-</u>	<u>71,418</u>
<b>Net book value</b>					
At 30 June 2022	<u>18,388</u>	<u>9,052</u>	<u>838</u>	<u>1,342</u>	<u>29,620</u>
At 30 June 2021	<u>19,395</u>	<u>10,462</u>	<u>2,192</u>	<u>1,038</u>	<u>33,087</u>

The net book value of land and buildings comprises:

	2022 £'000	2021 £'000
Long leasehold land	3,105	3,248
Owned buildings	<u>15,283</u>	<u>16,147</u>
	<u>18,388</u>	<u>19,395</u>

The net book value at the year-end of fixed assets (plant and machinery) acquired under finance leases is £239,171 (2021: £279,032).

The company has leased Forklift Trucks, which are considered to meet the definition of finance leases and are accounted for accordingly. The leases include a purchase option for a nominal sum at the end of the lease term.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 12. Fixed asset investments

	2022 £'000	2021 £'000
Loans to fellow group companies	26,644	26,644

The directors have determined that the £26,644,000 non-interest bearing receivable, which is repayable on demand from another group company, forms part of their long-term financing and is unlikely to be repaid in the near future. Accordingly, this loan has been shown within fixed asset investments reflecting the requirements of FRS 102.11.38A.

### 13. Stocks

	2022 £'000	2021 £'000
Raw materials and consumables	13,414	11,077
Work in progress	405	227
Finished goods and goods for resale	591	412
	<u>14,410</u>	<u>11,716</u>

### 14. Debtors

	2022 £'000	2021 £'000
Amounts owed by parent undertakings	23,352	8,498
Amounts owed by group undertakings	7,603	11,436
Other debtors	446	101
Prepayments and accrued income	188	215
Corporation tax	731	45
Deferred tax (note 17)	1,806	2,136
	<u>34,126</u>	<u>22,431</u>

Amounts owed by parent and group undertakings are unsecured and have no fixed date of repayment. Trading balances have no interest. Corporate loans attract interest at a three-month base rate plus a spread.

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 15. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Unsecured overdraft	11	31
Obligations under finance leases and hire purchase contracts (note 19)	67	86
Trade creditors	19,657	13,767
Amounts owed to parent undertakings	157	115
Amounts owed to group undertakings	54,381	53,906
Other taxation and social security	300	470
Accruals	1,702	1,286
	<u>76,275</u>	<u>69,661</u>

Amounts owed to parent and group undertakings are unsecured and have no fixed date of repayment. Trading balances have no interest, corporate loans attract interest at a three-month base rate plus a spread.

### 16. Creditors: amounts falling due after more than one year

	2022 £'000	2021 £'000
Obligations under finance leases and hire purchase contracts (note 19)	<u>-</u>	<u>45</u>

### 17. Deferred tax asset

	Deferred taxation £'000
At 1 July 2021 (note 14)	2,136
Deferred tax credit/income for the year	(212)
Effect of changes in tax rates	(118)
As at 30 June 2022	<u>1,806</u>

#### *Deferred tax*

Deferred tax is provided as follows:

	2022 £'000	2021 £'000
Accelerated capital allowances	1,788	2,131
Pension contributions	18	5
Total deferred tax asset	<u>1,806</u>	<u>2,136</u>

# Coty Manufacturing UK Limited

## Notes to the financial statements (continued) For the year ended 30 June 2022

### 18. Called-up share capital and reserves

	2022 £'000	2021 £'000
<b>Allotted, called-up and fully-paid:</b>		
20,050,000 ordinary shares of £1 each	20,050	20,050

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

#### Capital reserves

The capital reserve represents amounts relating to equity-settled share-based payments. Certain company employees are issued share options or restricted stock units in the parent company, which results in a deemed capital contribution by the company.

#### Profit and loss reserve

The profit and loss reserve represents cumulative profit.

### 19. Financial commitments

	2022 £'000	2021 £'000
<b>Capital expenditure contracted for but not provided for:</b>		
- other (within one year)	1,028	403
- other (between one and five years)	54	20
	1,082	423

As at the 30 June 2022, total future minimum lease payments under non-cancellable operating leases for company cars and vending machines were as follows:

	2022 £'000	2021 £'000
- within one year	16	16
- between one and five years	33	14
	49	30

As at the 30 June 2022, total future minimum lease payments under non-cancellable finance leases were as follows:

	2022 £'000	2021 £'000
- within one year	67	86
- between one and five years	-	45
	67	131

## **Coty Manufacturing UK Limited**

### **Notes to the financial statements (continued) For the year ended 30 June 2022**

#### **20. Employee benefits**

##### *Defined contribution schemes*

The company operates a defined contribution retirement benefit scheme for all qualifying employees in the United Kingdom. The total expense charged to profit or loss in the year ended 30 June 2022 was £712,394 (2021: £738,294). Contributions of £89,782 were accrued at the year-end (2021: £88,361).

#### **21. Related party transactions**

Directors have taken advantage of the exemption under FRS 102 from disclosing transactions with other wholly owned group members. There are no other related party transactions.

#### **22. Controlling party**

The directors regard Coty Inc. as the company's ultimate controlling and ultimate parent company.

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 financial statements are drawn up. Coty Inc. is incorporated in the USA and copies of the consolidated financial statements can be obtained at the registered office, 350 Fifth Avenue, New York, NY 10118.

At the Balance sheet date, the immediate parent company was HFC Prestige Manufacturing UK Limited.