

Oriflame Investment Holding PLC

**Annual report for the period from
20 May 2019 (date of incorporation) to 31 December 2019**

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Directors' Report

The directors present their report and the audited financial statements of Oriflame Investment Holding PLC (“the Company”) for the period from 20 May 2019 (date of incorporation) to 31 December 2019. The Company was named Walnut Bidco PLC from the date of incorporation to 31 March 2020.

BUSINESS REVIEW

We report a first period with mixed performance for the Oriflame Group, which consists of Oriflame Holding AG and its subsidiaries (Oriflame), and therefore the Company, where the challenges in some of our markets in Asia & Turkey remained difficult throughout the period, while the positive development in other regions to a large extent balanced the overall impact on Oriflame.

On 22 May 2019, Walnut Bidco PLC announced a public offer (the Offer) to the shareholders in Oriflame Holding AG to tender all their shares in Oriflame. At the time of making the offer Walnut Bidco PLC possessed already 30.8% of the outstanding Oriflame Holding AG shares. On 26 June 2019, Walnut Bidco PLC announced that all conditions for completion of the Offer have been fulfilled. The shares tendered in the Offer at the end of the initial acceptance period on 24 June 2019, together with the shares already held or otherwise controlled by Walnut Bidco PLC, amounted to 91.33% of the share capital and the voting rights in Oriflame Group.

Settlement for shares tendered in the Offer during the initial acceptance period took place starting from 1 July 2019. Following an extended acceptance period which ended on 8 July 2019, Walnut Bidco PLC held or otherwise controlled in aggregate 97.42% of the share capital and the voting rights in the former Oriflame Group. As of 17 July 2019, the former Oriflame Group was de-listed from the Nasdaq Stockholm stock exchange.

In order to acquire the Oriflame shares, the Company signed a bridge facility agreement on 22 May 2019 for the amounts of EUR 180 million and USD 435 million. On 2 August 2019, the Company successfully issued bonds for a total amount of EUR 776,6 million. On the same day a part of the proceeds of the bonds was used to repay the bridge facility. These bonds (USD 335 million and EUR 478 million senior secured notes due 2024) have subsequently been listed on The International Stock Exchange, in the Channel Islands, on 21 January 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has exposure to the following risks:

- Market risk
- Credit risk
- Liquidity risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Company's income or the value of its assets and liabilities. The market risk management objective is to manage and control market risk exposures within acceptable parameters. The Company

is exposed to transactional risks when foreign exchange rates vary. Transaction risk arises mainly from foreign currency denominated assets and liabilities held by the Company. Material transactional foreign exchange exposures are hedged through buying and selling derivative financial instruments in the ordinary course of business, unless deemed uneconomical. The Company can also buy foreign currency denominated financial liabilities, in order to manage the risk. The Company is exposed to interest rate risk which mainly arises through interest bearing assets and liabilities, mainly through changes in interest income or interest expenses.

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

FUTURE DEVELOPMENTS

Although the coronavirus has impacted the overall ability to conduct physical meetings in China and in most parts of the world during the first and second quarter of 2020, and the order fulfilment is a concern, it has so far been partly balanced by improved wellness sales and increased online activities. We will continue to take responsible steps to drive sales, with emphasis on improved cost efficiency, profitability and cash flow.

RESULTS AND DIVIDENDS

The results for the period are shown on page 11 of the financial statements.

DIRECTORS

The Directors of the Company as at 31 December 2019, all of whom had been directors for the whole of the period then ended, and to the date the financial statements were signed, except where stated, were:

Hans Ramel	appointed on 20 May 2019, resigned on 26 November 2019
Per Hesselmark	appointed on 20 May 2019
Fredrik Stenmo	appointed on 20 May 2019, resigned on 26 November 2019
Alexander af Jochnick	appointed on 26 November 2019
Anna af Jochnick	appointed on 26 November 2019
Magnus Brannstrom	appointed on 26 November 2019
Gunilla Rudebjer	appointed on 26 November 2019

SECRETARY

The Secretary of the Company is Crestbridge Limited, located at 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands.

POST BALANCE SHEET EVENTS

In December 2019 the new coronavirus Covid-19 outbreaked in the city of Wuhan in China. In order to contain the spread of the disease the Chinese authorities announced on 23 January 2020 an unprecedented lock down of Wuhan, whereas trains and flights to and from the province were cancelled and checkpoints set up on roads. Despite of these drastic measures the Covid19 virus spread to the rest of China and beyond its borders. On 11 March 2020 the Covid-19 outbreak was characterised as a pandemic by the World Health Organisation and by the time this annual report was issued the virus reached more than 195 countries, areas or territories with cases more than half a million people. In the highly effected by the virus countries and areas, the authorities imposed strict measures to reduce the spread of the virus. These measures were for example restriction of travel, ban on social events and gatherings, social distancing, closing non-essential businesses and shops, ban on leaving home unless for essential reasons like buying food or going to a doctor.

Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities

The continuing spread of the coronavirus and the impact on the business development of the Oriflame Group is being continually monitored. Based on the developments in early 2020, Oriflame expects that the increasing spread of the coronavirus and the mentioned containment measures will impact Oriflame.

Over the past ten years the digital transformation of the Oriflame business resulted in 96% of its orders being placed on-line. The possibility to order cosmetics, toiletries and wellness products on-line should reduce the impact on Oriflame's sales, when people are asked to stay for several weeks at home due to the Covid-19. One third of the cash collection in the group is also happening through on-line payment methods, like bank cards, e-wallets or direct banking. In China for example almost 100% of the sales are placed and paid on-line. In general, it is expected that the impact of the Covid-19 on banking and cash collection should be limited.

Oriflame has geographically diversified production base. The production facilities in China mainly supply the needs of the Chinese market. Following a thorough disinfection in February 2020 the Oriflame manufacturing units continued to operate after a couple of weeks close-down by authorities. Similar lock-down was implemented in India in March and production was suspended by authorities for several weeks. Other countries start to introduce similar measures. Some third-party suppliers of finished goods in Italy and India have temporarily stopped their operations. In all production facilities in India, Russia and Poland Oriflame took strict hygienical measures to secure employees' safety as well as assure production continuity. The geographical footprint of the factories allows to mitigate

potential production limitation risks at the same time all over the world. Distribution of products to consultants has been fully restored in China, while we now see disruptions in some other parts of the world where stricter measures from authorities are being implemented.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company, cease operations, or have no realistic alternative but to do so.

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 Companies (Jersey) Law, 1991. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey
JE4 8WQ

RE-APPOINTMENT OF AUDITOR

KPMG Channel Islands Limited have stated their desire to continue in office and their reappointment will be proposed at a forthcoming meeting.

By order of the Board



Director, on behalf of the Board

Name Alexander af Jochnick

Date: 27 July 2020

Oriflame Investment Holding PLC
Registered no. 129091

Independent Auditor's Report to the Member of Oriflame Investment Holding Plc

Our opinion is unmodified

We have audited the financial statements of Oriflame Investment Holding Plc (the "Company"), which comprise the balance sheet as at 31 December 2019, the profit and loss account, the statements of comprehensive income, changes in equity and cash flows for the period from 20 May 2019 (date of incorporation) to 31 December 2019, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019, and of the Company's financial performance and cash flows for the period from 20 May 2019 (date of incorporation) to 31 December 2019.
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards, as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows:

	<i>The risk</i>	<i>Our response</i>
<p><i>Carrying value of Investment into subsidiary ("Investment")</i></p> <p>€1,163,496,019</p> <p>Refer to note 3 m.i accounting policy and note 8 disclosures</p>	<p>Basis:</p> <p>The Investment comprises the largest balance reported on the Company's statement of financial position which accounted for 83% of the Total Assets as at 31 December 2019.</p> <p>The Company accounts for the Investment at cost less accumulated impairment loss. Management reviews the carrying value of the Investment annually to determine whether there is any evidence of impairment using all available information including valuations performed by an external expert engaged by management to determine recoverable amount.</p> <p>Risk:</p> <p>The judgments applied and assumptions made in assessing whether the Investment is impaired may not be appropriate. As a result,</p>	<p><i>Our audit procedures included:</i></p> <p>Internal Controls:</p> <p>We assessed the design and implementation of the control over the annual impairment assessment performed by management.</p> <p>Challenging assumptions and inputs used in management's impairment model:</p> <p>We evaluated the competence, capabilities and objectivity of the external expert engaged by management.</p> <p>We assessed the mathematical accuracy of the impairment model and assessed whether the calculated recoverable amount is greater than, or equal to, the carrying amount of the Investment.</p>

Independent Auditor's Report to the Member of Oriflame Investment Holding Plc (continued)

<i>The risk</i>	<i>Our response</i>
management's impairment assessment requires special audit consideration because of the likelihood and potential magnitude of misstatements.	<p>We assessed the reasonableness of the methodology used, and challenged assumptions used based on available market information. We reconciled inputs used in the model to underlying audit evidence such as recent transaction data and a valuation of the Investment performed by the external expert engaged by management.</p> <p>We assessed whether the impairment testing was performed in accordance with FRS 102.</p> <p>Assessing disclosures:</p> <p>We assessed the adequacy of the disclosures in note 8 for compliance with the applicable requirements of FRS 102.</p>

Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at €6,100,000, determined with reference to a benchmark of net assets of €616,512,200, of which it represents approximately 1.0%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €305,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's activities including where relevant the impact of the COVID-19 pandemic and the requirements of the applicable financial reporting framework. We analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Independent Auditor's Report to the Member of Oriflame Investment Holding Plc (continued)

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, 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.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company; or
- the Company's financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Company's member

This report is made solely to the Company's member, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.



James Le Bailly

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants

Jersey

29 July 2020

(All amounts in € thousands unless otherwise stated)

Profit and loss account

		EUR .000
		Period from
		20 May 2019 to
		31 December 2019
	Note	2019
Administrative expenses	5	(4,792)
Operating loss		(4,792)
Income from participating interests		69
Loss before interest and taxation		(4,723)
Interest receivable and similar income		7,614
Interest payable and similar expenses		(41,882)
Net interest expenses	9	(34,268)
Loss before taxation		(38,991)
Taxation		-
Loss for the financial year		(38,991)

Statement of comprehensive income

		Period from
		20 May 2019 to
		31 December 2019
		2019
Loss for the financial year		(38,991)
Other comprehensive income:		
Cash flow hedges - effective portion of changes in fair value		2,422
Total tax on components of other comprehensive income		-
Other comprehensive income for the year, net of tax		2,422
Total comprehensive income for the year		(36,569)

(All amounts in € thousands unless otherwise stated)

Balance sheet

		EUR .000
		Year ended 31
		December
	Note	2019
Fixed Assets		
Derivative financial instruments	10	1,952
Investment into subsidiary	6	1,163,496
		1,165,448
Current Assets		
Debtors	7	233,003
Cash at bank and in hand		187
		233,190
Creditors: amounts falling due within one year	8	(37,440)
Net current assets		195,750
Total assets less current liabilities		1,361,198
Loans and other borrowings	9	(744,686)
Net assets		616,512
Capital and reserves		
Stated capital	12	653,081
Retained deficit		(36,569)
Total equity		616,512

The notes on pages 15 to 37 are an integral part of these financial statements. The financial statements on pages 11 to 14 were authorised for issue by the board of directors and were signed on its behalf by



Alexander af Jochnick
Director

On 27 July 2020

Oriflame Investment Holding PLC
Registered no. 129091

(All amounts in € thousands unless otherwise stated)

Statement of changes in equity

	Note	Stated capital	Retained deficit	Total equity
Balance as at 20 May 2019		-	-	-
Loss for the year		-	(38,991)	(38,991)
Other comprehensive income for the year		-	2,422	2,422
Total comprehensive income for the year		-	(36,569)	(36,569)
Proceeds from shares issued		653,081	-	653,081
Total transactions with owners, recognised directly in equity		653,081	-	653,081
Balance as at 31 December 2019		653,081	(36,569)	616,512

(All amounts in € thousands unless otherwise stated)

Statement of cash flows

	Period from 20 May 2019 to 31 December 2019
Operating activities	
Loss before taxation	(38,991)
Adjustments for:	
Unrealised exchange rate differences	334
Interest payable and similar expenses	51,391
Interest receivable and similar income	(17,457)
Operating loss before changes in working capital and provisions	(4,723)
Increase in trade and other receivables, prepaid expenses and derivative financial assets	(36,612)
Increase in trade and other payables, accrued expenses and derivative financial liabilities	39,862
Cash generated from operations	(1,473)
Interest and bank charges paid	(16,548)
Cash flow used in operating activities	(18,021)
Investing activities:	
Cash advances and loans made to other parties (other than advances and loans made by a financial institution)	(278,142)
Cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution)	51,283
Aquisition of subsidiary	(811,161)
Cash flows used from investing activities	(1,038,020)
Financing activities:	
Proceeds from borrowings	816,639
Repayments of borrowings	(40,000)
Proceeds from sales of treasury shares and issuance of new shares	279,624
Cash flow used in financing activities	1,056,263
Change in cash and cash equivalents	222
Cash and cash equivalents at the beginning of the period	-
Effect of exchange rate fluctuations on cash held	(35)
Cash and cash equivalents at the end of the period	187

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements

1. General information

Oriflame Investment Holding PLC (previously named Walnut Bidco PLC, “the Company”) is a public company, which is incorporated in Jersey and registered in the United Kingdom. The address of its registered office is 47 Esplanade, St Helier, Jersey, JE1 0BD and the management is located at its UK establishment in 17 Albemarle street, London, W1A 4HP.

The main activities of the Company are as follows:

- holding and management of investments mainly in the production and distribution of cosmetics under the brand name Oriflame;
- financing activities, issuing of bonds, entering into external banking facilities with the purpose of securing sufficient liquidity for the operations of the Oriflame Group;
- management services in the field of direct sales of cosmetics and general financial management.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’ (‘FRS 102’) and the Companies (Jersey) Law 1991.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

a. Basis of preparation

These stand-alone financial statements are prepared on a going concern basis, under the historical cost convention, with the exception of unquoted investments and derivatives which are accounted for at fair value through profit and loss, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of

(All amounts in € thousands unless otherwise stated)

applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

b. Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate as the repayment profile of the company's debt is serviceable by income from its subsidiary undertaking. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements.

c. Exemptions for qualifying entities under FRS 102

The Company has not taken advantage of any of the FRS 102 disclosure exemptions available to qualifying entities.

d. Consolidated financial statements

The Company has not prepared consolidated financial statements as it is exempt from the requirement to do so as the statutory framework these financial statements are prepared under does not require the preparation of consolidated financial statements in accordance with FRS 102.9.3 (g). These financial statements are the Company's separate financial statements.

e. Foreign currency

i. Functional and presentation currency

The Company's performance is evaluated in Euro. Therefore, the Directors consider Euro as the Company's functional currency that most faithfully represents the economic effects of the proposed underlying transactions, events and conditions, and have also adopted it as the presentational currency.

ii. Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign

(All amounts in € thousands unless otherwise stated)

currencies are recognised in the profit and loss account except where deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss account within 'finance (expense)/ income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating (losses)/gains'.

f. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods or service; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

i. Interest income and expense

Interest income and expense is recognised using the effective interest rate method.

ii. Dividend income

Dividend income is recognised when the right to receive payment is established.

g. Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are items that are material either because of their size or their nature, or that are nonrecurring are considered as exceptional items and are presented within the line items to which they best relate.

h. Administration expenses

Expenses are accrued (or prepaid) and recognised in the period to which they relate. All expenses are included in the Statement of comprehensive income.

i. Employee

The Company provides a range of benefits to employees, including paid holiday arrangements.

(All amounts in € thousands unless otherwise stated)

i. Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

j. Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

i. Current tax

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

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

ii. Deferred tax

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

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

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

k. Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(All amounts in € thousands unless otherwise stated)

l. Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

m. Investments

i. Investment in subsidiary company

Investment in subsidiary company is held at cost less accumulated impairment losses.

n. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

o. Provisions and contingencies

i. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

(All amounts in € thousands unless otherwise stated)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

ii. Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

p. Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

(All amounts in € thousands unless otherwise stated)

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Preference shares, which result in fixed returns to the holder or are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(All amounts in € thousands unless otherwise stated)

iii. Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

iv. Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into. The fair value of options is calculated using the closing prices less the initial option premium. The fair value of currency forward contracts is calculated using the closing market price. The fair value of stock exchange index options is calculated using the closing price of the option on its listed stock exchange, less the initial price. The fair value of futures contracts, currency futures and CFD's are calculated using the closing price of the contract less the notional contract cost published on its listed exchange.

The difference between the fair value and cost of derivative financial instruments is included in the statement of comprehensive income in profit and loss or in other comprehensive income should the hedge be effective. Realised gains and losses are calculated by reference to the cost value of the instrument concerned. Any realised gains or losses on the settlement of a derivative are shown in the statement of comprehensive income.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

q. Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

r. Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the statement of changes in equity.

(All amounts in € thousands unless otherwise stated)

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i. Impairment of investments

The Company considers whether the carrying value of its investment in subsidiary is impaired. Where an indication of impairment is identified the recoverable amount requires estimation in respect of future performance.

(All amounts in € thousands unless otherwise stated)

5. Administrative expenses

The operating loss is stated after charging:

	2019
Wages and salaries	(1)
Social security costs	(0)
Other pension costs	-
Share-based payments	-
Staff costs	(2)
Setup, legal and advisory expenses	(4,762)
Loss on disposal of tangible assets	-
Impairment of trade receivables	-
Impairment of intangible assets (included in 'administrative expenses')	-
Inventory recognised as an expenses	-
Impairment of inventory (included in 'cost of sales')	-
Foreign exchange losses/(gains) on trade receivables	-
Audit fees payable to the company's auditors	(28)
Other operating expenses	(4,790)
Total administrative expenses	(4,792)

The Setup, legal and advisory fees for an amount of KEUR 4,762 are entirely composed of legal and advisory expenses in relation to the setup of the Company and the acquisition of the Oriflame shares and the financing thereof.

6. Unrealised gains/(losses) on currency revaluation

	2019
Accounts receivable	50
Cash and cash equivalents	36
Loans and other borrowings	248
	334

The unrealised gains and losses are included in the profit and loss account under Interest receivable and similar income.

(All amounts in € thousands unless otherwise stated)

7. Employees and directors

a. Employees

The average monthly number of persons (including executive directors) employed by The Company during the year was:

By activity	2019
Administration	1
	1

b. Directors

The directors' emoluments are as follows:

	2019
Aggregate remuneration	2
	2

c. Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is show below:

	2019
Salaries and other short term benefits	2
	2

(All amounts in € thousands unless otherwise stated)

8. Investment in subsidiary

	2019
At 1 January	-
Additions	1,163,496
At 31 December	1,163,496
Analysed as:	
Oriflame Holding A.G	1,163,496
	1,163,496

Investment in subsidiary comprise equity shares in Oriflame Holding AG, which is not publicly traded. KEUR 811,161 were acquired on the market following the public offer. The remaining part of the investment comes from a contribution in kind by the shareholders (see note 16).

Oriflame Holding A.G

The Company holds 100% of the ordinary share capital of Oriflame Holding AG, a company incorporated in Switzerland. The address of the registered office of Oriflame Holding AG is 3 Bleicheplatz, 8200 Schaffhausen, Switzerland.

9. Net interest expense

a. Interest receivable and similar income

	2019
Interest on loans given	5,194
Total interest income on financial assets not measured at fair value through profit and loss	5,194
Gains on currency exchange	667
Interest on derivative financial asset	1,753
Total interest receivable and similar income	7,614

*(All amounts in € thousands unless otherwise stated)***b. Interest payable and similar charges**

	2019
Interest payable on overdrafts and bank loans	(478)
Interest payable on other loans	(26,993)
Other interest	(14,410)
Total interest expense on financial liabilities not measured at fair value through profit and loss	(41,882)
Total interest payable and similar charges	(41,882)

c. Net interest expense

	2019
Interest receivable and similar income	7,614
Interest payable and similar charges	(41,882)
Net interest expenses	(34,268)

10. Income tax

The Company is tax resident in Jersey and has not paid or accrued any income tax for the period from 20 May 2019 to 31 December 2019. Profits arising in the Company are subject to Jersey tax at a rate of 0%. For VAT purposes, the Company is registered in the UK.

a. Tax expenses included in profit or loss

	2019
<i>Current tax:</i>	
Jersey tax on profits for the year at 0%	-
Foreign corporation tax on profits for the year	-
Adjustment in respect of prior periods	-
Total current tax	-
<i>Deferred tax:</i>	
Origination and reversal of timing differences	-
Adjustment in respect of prior periods	-
Impact of change in tax rate	-
Total deferred tax	-
Tax on profit	-

(All amounts in € thousands unless otherwise stated)

b. Tax expense/income included in other comprehensive income

	2019
<i>Deferred tax:</i>	
Origination and reversal of timing differences	-
Adjustment in respect of prior periods	-
Impact of change in tax rate	-
Total tax (expense)/income included in other comprehensive income	-

c. Reconciliation of tax charge

	2019
Profit/(loss) before tax	(38,991)
Profit multiplied by the standard rate of tax in Jersey of 0%	-
Unrecognised deferred tax	-
Tax charge for the year	-

11. Debtors

	2019
Amounts owed by group undertakings	232,077
Other debtors	926
	233,003

The amounts owed by group undertakings can be broken down as follows:

	EUR .000	Maturity
Unsecured loans to subsidiary (fixed interest rate of 6.88%)	226,859	30/11/2020
Interest receivable on unsecured loans to subsidiary	5,194	< 1 year
Amounts owed by group undertakings, interest free and repayable on demand	24	< 1 year
	232,077	

*(All amounts in € thousands unless otherwise stated)***12. Creditors: amounts falling due within one year**

	2019
Trade creditors	12,173
Other creditors	2
Accruals and deferred income	25,265
	37,440

13. Loans and other borrowings

	2019
Senior secured notes	776,639
Capitalised front fees	(28,516)
Currency revaluation senior secured notes	(3,437)
	744,686

The Company has issued the following senior secured notes during the year:

	Amount issued	Consideration received
USD 335 million 9.125% Senior Secured Notes due 2024	301,639	301,639
EUR 475 million 6.750% Senior Secured Notes due 2024	475,000	475,000
	776,639	776,639

The notes are redeemable as follows:

Year	Redemption price	
	EUR notes	USD notes
2021	103.375%	104.563%
2022	101.688%	102.281%
2023	100.000%	100.000%
2024	100.000%	100.000%

At 31 December 2019, the Company had access to a revolving credit facility provided by Goldman Sachs Bank USA, Skandinaviska Enskilda Banken AB (PUBL), HSBC Bank PLC and ING Belgium SA/NV as arrangers, totalling EUR 100 million. The facility was undrawn at year end.

*(All amounts in € thousands unless otherwise stated)***14. Financial instruments**

	2019
Financial assets at fair value through profit or loss	
Derivative financial instruments	1,952
Financial assets measured at amortised cost	
Cash and cash equivalents	187
Financial liabilities measured at amortised cost	
Senior secured notes	(744,686)
	(742,547)

a. Fair value hierarchy

Fair value measurements are classified using fair value hierarchy which reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 Inputs are those other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 Inputs are unobservable inputs for the asset and liability

Management of the Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below shows the analysis within the fair value hierarchy of the Company's financial instruments measured at fair value at the reporting date.

	Level 1	Level 2	Level 3	2019 Total
Derivative assets	-	1,952	-	1,952
At 31 December 2019	-	1,952	-	1,952

All derivative positions are classified as Level 2 (being derived from underlying quoted and published market prices).

(All amounts in € thousands unless otherwise stated)

b. Risk disclosures and sensitivity analysis

i. Financial risk management and objectives

The Company's activities expose it to a variety of financial risks, including credit, liquidity and market risks. The following note presents information about the Company's exposure to financial risks and its objectives, policies and processes for measuring and managing these risks.

ii. Credit risk and counterparty risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations to the Company.

The Manager is responsible for monitoring the Company's compliance with the investment restrictions set out in the Company prospectus. These investment restrictions assist the diversification risk by limiting investment in any one issuer. Investment restrictions help to limit the Company's exposure to concentration of credit risk. The Directors are not aware of any significant breaches of investment restrictions by the Company during the period from 20 May 2019 to 31 December 2019.

The credit risks from cash and cash equivalents are managed by transacting only with large reputable institutional counterparties. The credit ratings of SEB and UBS by Standard and Poors are A+ and A- respectively. As at 31 December, the Company held its cash and cash equivalents with the following institutions:

	2019 EUR '000	2019 % of net assets
SEB, Stockholm (Sweden)	186	0.03%
UBS, Zürich (Switzerland)	1	0.00%
	187	0.03%

The Company is exposed to Goldman Sachs and ING as counterparty to its derivative positions as detailed in note 15.

iii. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or can only do so on terms that are financially disadvantageous. The main liabilities of the Company relate to senior secured notes. The cash position of the Company is monitored on a daily basis, and no trades or transactions take place unless there is sufficient cash to complete the transactions.

The table below analyses all of the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

(All amounts in € thousands unless otherwise stated)

	0-3 months	3-12 months	Greater than 12 months	Total
Financial liabilities				
Accounts payable	12,173	-	-	12,173
Senior secured notes	-	-	(744,686)	(744,686)
Derivative financial instruments	-	-	-	-
Total financial liabilities	12,173	-	(744,686)	(732,513)

iv. Market risk

Market risk is the risk that changes in market prices, arising from interest rate, currency and other price risks, that will affect the Company's income or fair value of its holdings of financial instruments.

- **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The directors have reviewed the interest rate risk and are of the opinion that the interest rate risk the Company faces is not significant, therefore an analysis of interest rate risk has not been disclosed.

- **Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's exposure to currency risks arises from its investments in financial assets and other financial instrument transactions that are denominated in currencies other than Euro. The Company manages this risk on a regular basis by actively monitoring the exchange rate movements and where deemed necessary, adjusts exposure accordingly, including the use of derivative financial instruments (refer to note 15).

15. Derivative financial instruments

	2019
Non-current assets	
Cross currency interest rate swaps	1,952
Net derivative position	1,952

The cross-currency interest rate swaps relate to two positions as follows:

(All amounts in € thousands unless otherwise stated)

	Maturity	Pay	Receive	Counterparty	FV at 31 December 2019
Swap 1	01-Aug-24	6.47500% EUR 162.0m	9.12500% USD 180.0m	Goldman Sachs	852
Swap 2	01-Aug-24	6.42300% EUR 139.5m	9.12500% USD 155.0m	ING	1,100
				Total	1,952

On 2nd August 2019, the Company successfully issued 9.125% Senior Secured Notes for an amount of USD 335 million and at the same time, entered into a series of cross currency interest rate swaps, effectively converting USD denominated bonds proceeds and obligations (principal and semi-annual interest) into euro denominated flows as follows:

- Senior Secured Notes for an amount of USD 180 million with a fixed interest rate of 9.125% were effectively converted on 2nd August 2019 to EUR 162 million with a fixed interest rate of 6.475% using a cross currency interest rate swap with a maturity date of 1st August 2024.
- Senior Secured Notes for an amount of USD 155 million with a fixed interest rate of 9.125% were effectively converted on 2nd August 2019 to EUR 139 million with a fixed interest rate of 6.423% using a cross currency interest rate swap with a maturity date of 1st August 2024.

16. Stated capital

Ordinary shares	2019	2019
Allotted and fully paid	No.	€'000
At 20 May 2019	-	-
Issued during the year	37,194,092,560	653,081
At 31 December 2019	37,194,092,560	653,081

On 20 May 2019, 2 shares were issued with no par value.

On 1 July 2019, 37,194,092,558 shares were issued at EUR 653,080,598.

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

*(All amounts in € thousands unless otherwise stated)***17. Notes to the statement of cash flows**

	2019
Profit for the financial year	(38,991)
Net interest expenses	40,453
Income from shares in group undertakings	(5,194)
Income from participating interests	
Operating profit	(3,731)
(Increase)/decrease in debtors	(2,460)
(Increase)/decrease in payables	20,946
Cashflow from operating activities	14,754

a. Analysis of changes in net debt:

	At 20 May 2019 EUR .000	Cash flows EUR .000	Other non-cash changes EUR .000	At 31 December 2020 EUR .000
Cash and cash equivalents				
Cash	-	187	-	187
Overdrafts	-		-	-
Cash equivalents	-		-	-
	-	187	-	187
Borrowings				
Debt due within one year	-	-	-	-
Debt due after more than one year	-	(744,686)	-	(744,686)
	-	(744,686)	-	(744,686)
Total	-	(744,499)	-	(744,499)

*(All amounts in € thousands unless otherwise stated)***18. Related party transactions**

	Company	Nature of relationship	2019
Transactions during the year			
Loans given	Oriflame Holding AG	Subsidiary	226,859
Interest income on loans given	Oriflame Holding AG	Subsidiary	(5,194)
Balance at year end			
Intercompany loans given (note 11)	Oriflame Holding AG	Subsidiary	226,859
Intercompany accounts receivable (note 11)	Oriflame Holding AG	Subsidiary	5,194
Transactions during the year			
Management fees	Oriflame Swiss Holding AG	Indirect subsidiary	(69)
Balance at year end			
Intercompany accounts receivable (note 11)	Oriflame Swiss Holding AG	Indirect subsidiary	10
Transactions during the year			
Short term loans given	Oriflame Holding Ltd	Shareholder	14
Balance at year end			
Intercompany accounts receivable (note 11)	Oriflame Holding Ltd	Shareholder	14

Total remuneration paid to the director is disclosed in note 7.

19. Controlling parties

The immediate parent undertaking is Oriflame Holding Limited, Jersey.

The ultimate parent undertaking is Oriflame Partners Limited, Jersey.

(All amounts in € thousands unless otherwise stated)

20. Events after the end of the reporting period

In December 2019 the new coronavirus Covid-19 outbreaked in the city of Wuhan in China. In order to contain the spread of the disease the Chinese authorities announced on 23 January 2020 an unprecedented lock down of Wuhan, whereas trains and flights to and from the province were cancelled and checkpoints set up on roads. Despite of these drastic measures the Covid-19 virus spread to the rest of China and beyond its borders. On 11 March 2020 the Covid-19 outbreak was characterised as a pandemic by the World Health Organisation and by the time this annual report was issued the virus reached more than 195 countries, areas or territories with cases more than half a million people. In the highly effected by the virus countries and areas, the authorities imposed strict measures to reduce the spread of the virus. These measures were for example restriction of travel, ban on social events and gatherings, social distancing, closing non-essential businesses and shops, ban on leaving home unless for essential reasons like buying food or going to a doctor.

Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities.

The impact on the Company is directly related to the impact on the underlying Oriflame Group.

The continuing spread of the coronavirus and the impact on the business development of the Oriflame Group is being continually monitored. Based on the developments in early 2020, Oriflame expects that the increasing spread of the coronavirus and the mentioned containment measures will impact the Company.

Over the past ten years the digital transformation of the Oriflame business resulted in 96% of its orders being placed on-line. The possibility to order cosmetics, toiletries and wellness products on-line should reduce the impact on the Company's sales, when people are asked to stay for several weeks at home due to the Covid-19. One third of the cash collection in the group is also happening through on-line payment methods, like bank cards, e-wallets or direct banking. In China for example almost 100% of the sales are placed and paid on-line. In general, it is expected that the impact of the Covid-19 on banking and cash collection should be limited.

Oriflame has geographically diversified production base. The production facilities in China mainly supply the needs of the Chinese market. Following a thorough disinfection in February 2020 the Oriflame manufacturing units continued to operate after a couple of weeks close-down by authorities. Similar lock-down was implemented in India in March and production was suspended by authorities for several weeks. Other countries start to introduce similar measures. Some third-party suppliers of finished goods in Italy and India have temporarily stopped their operations. In all production facilities in India, Russia and Poland the Company took strict hygienical measures to secure employees' safety as well as assure production continuity. The geographical footprint of the factories allows to mitigate

(All amounts in € thousands unless otherwise stated)

potential production limitation risks at the same time all over the world. Distribution of products to consultants has been fully restored in China, while we now see disruptions in some other parts of the world where stricter measures from authorities are being implemented.