

AVON EUROPEAN FINANCIAL SERVICES LIMITED

(Registered Number 4572043)

ANNUAL REPORT

&

FINANCIAL STATEMENTS

ACCOUNTING PERIOD

24th OCTOBER 2002

TO

31st DECEMBER 2003



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AVON EUROPEAN FINANCIAL SERVICES LTD

DIRECTORS' REPORT

The directors have pleasure in submitting their first annual report and financial statements from the date of incorporation, 24th October 2002, to 31st December 2003.

Activities

The principal activity of the company is the pooling of cash for the European subsidiaries of Avon Products Inc.

Review of Business

The Company was incorporated on 24th October 2002 and commenced operations on 1st September 2003. The loss for the period was £38,071. The directors consider that the year end financial position and level of business are satisfactory.

Future Developments

The company aims to increase the number of European subsidiaries involved in the cash pool.

Dividend

The directors do not propose the payment of a dividend.

Directors

The directors in alphabetical order were as follows:

S D J Ibbotson
D Ling
R Toth
M-A Tousignant
R Valone

According to the register required to be kept under Section 325 of the Companies Act 1985, no director had an interest in the shares of the company at any time during the year. As permitted by statutory instrument the register does not contain details of the interests of the directors in other group companies since the company is ultimately a wholly owned subsidiary of a company incorporated outside Great Britain.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By Order of the Board



J.S. Warwick
COMPANY SECRETARY

Nunn Mills Road
Northampton
NN1 5PA.

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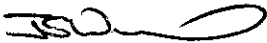
DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and consistently applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the accounting period ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

By Order of the Board



J.S. Warwick
COMPANY SECRETARY

AVON EUROPEAN FINANCIAL SERVICES LTD

INDEPENDENT AUDITORS' REPORT **TO THE MEMBERS OF AVON EUROPEAN FINANCIAL SERVICES LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities in the directors' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

AVON EUROPEAN FINANCIAL SERVICES LTD

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the accounting period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London.

[19 November] 2004

AVON EUROPEAN FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

for the accounting period 24th October 2002 to 31st December 2003

	<u>Notes</u>		<u>2003</u>
Turnover			0
Cost of Sales			0
Gross profit			<hr/> 0
Other operating charges	2		(54,079)
Operating loss			<hr/> (54,079)
Interest receivable	3	120,838	
Interest payable	4	<u>(104,830)</u>	
			<hr/> 16,008
Loss on ordinary activities before taxation			(38,071)
Tax on loss on ordinary activities			0
Loss for the financial year			<hr/> <hr/> (38,071)

All trading activities relate to the continuing operations of the company as defined under Financial Reporting Standard 3 "Reporting Financial Performance".

There is no difference between the loss on ordinary activities before taxation and the loss for the year stated above and its historical cost equivalent.

The company has no recognised gains and losses other than the profit for the period stated above and therefore no separate statement of total recognised gains and losses has been presented.

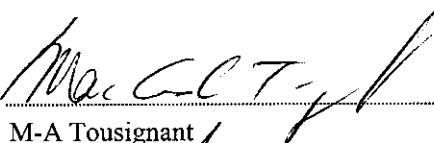
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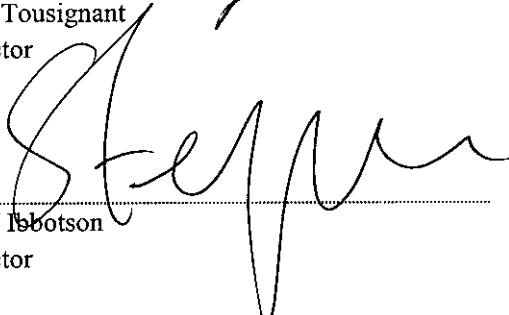
BALANCE SHEET

as at 31st December 2003

	<u>Notes</u>	<u>2003</u> <u>£</u>
<u>CURRENT ASSETS</u>		
Debtors	5	837,880
Cash at bank and in hand		<u>29,387,195</u>
		30,225,075
<u>CREDITORS</u>		
Amounts falling due within one year	6	(30,263,145)
NET LIABILITY		<u>(38,070)</u>
<u>CAPITAL AND RESERVES</u>		
Called up share capital	7	1
Profit and loss account		(38,071)
EQUITY SHAREHOLDERS' FUNDS		<u>(38,070)</u>

The financial statements on pages 7 to 10 were approved by the Board of Directors on 19TH NOVEMBER 2004 and were signed on its behalf by:


M-A Tousignant
Director


S D J Tootson
Director

AVON EUROPEAN FINANCIAL SERVICES LIMITED

NOTES (Forming part of the Financial Statements)

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

a) Going Concern

These accounts have been prepared under the going concern convention. The ultimate holding company, Avon Products Inc., has undertaken to support the Company for the foreseeable future.

b) Cash Flow Statement

As a wholly owned subsidiary of Avon European Holdings Limited the Company has not prepared a cash flow statement in accordance with Financial Reporting Standard 1 Paragraph 5(a).

c) Taxation

The charge for taxation is based on the profit for the year adjusted for disallowable items. Full provision is made for deferred taxation.

d) Deferred taxation

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

2 OPERATING LOSS

The operating loss is stated after charging:

	<u>2003</u>
	<u>£</u>
Audit fees	2,500

3 INTEREST RECEIVABLE

	<u>2003</u>
	<u>£</u>
Interest receivable from group undertakings	3,427
Bank interest	117,411
	<u>120,838</u>

4 INTEREST PAYABLE

	<u>2003</u>
	<u>£</u>
Interest payable to group undertakings	104,140
Bank interest	690
	<u>104,830</u>

AVON EUROPEAN FINANCIAL SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

5 DEBTORS

	<u>2003</u>
	<u>£</u>
Bank Interest Receivable	62,598
Amounts receivable from group undertakings	775,282
	<u>837,880</u>

6 CREDITORS - Amounts falling due within one year

	<u>2003</u>
	<u>£</u>
Amounts due to group undertakings	30,209,187
Accruals	53,958
	<u>30,263,145</u>

7 CALLED UP SHARE CAPITAL

	<u>Authorised</u>
	<u>2003</u>
Ordinary Shares of £1 Each	
- Number	1
- Amount	£1

One share was issued at par on incorporation.

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u>
	<u>£</u>
Loss for the accounting period	(38,071)
Issuance of share capital	1
Closing shareholders' funds	<u>(38,070)</u>

9 RELATED PARTIES

a) ULTIMATE HOLDING COMPANY

The ultimate holding company is Avon Products Inc., which is incorporated in New York State, United States of America. The consolidated accounts of Avon Products Inc., the parent undertaking of the largest group to incorporate these financial statements, are available on application from group headquarters at 1345 Avenue of the Americas, New York.

b) INTERMEDIATE HOLDING COMPANY

The immediate holding company is Avon European Holdings Ltd, which is registered in England and Wales. The consolidated accounts of Avon European Holdings Ltd, the parent undertaking of the smallest group to incorporate these financial statements, are available on application from the Secretary at Nunn Mills Road, Northampton. In these circumstances, by virtue of the exemption conferred by the Financial Reporting Standard Number 8 'Related Party Disclosures', the company is not required to disclose details of transactions between the company and its intermediate or ultimate holding company.