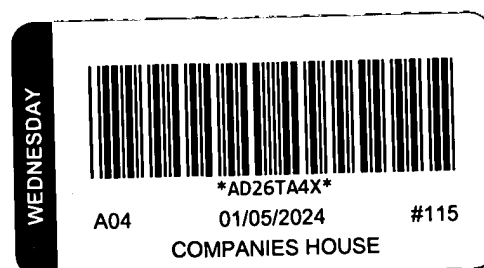

Avon European Financial Services Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022



Avon European Financial Services Limited

COMPANY INFORMATION

Directors	S Hutchison P Espinelli De Castro N Daltin Neto
Registered number	04572043
Registered office	Lancaster House Nunn Mills Road Northampton United Kingdom NN1 5PA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Avon European Financial Services Limited

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Avon European Financial Services Limited

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 Section 1A have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

Principal activities

The company's principal activity is to lead the bank netting arrangements and the cash pooling for selected subsidiaries of Natura &Co Holding S.A. The registered office is Lancaster House, Nunn Mills Road, Northampton, Northamptonshire, NN1 5PA. The company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom.

Directors

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

S Hutchison
B Lawaree (appointed 21 September 2022, resigned 18 May 2023)
M Bovington (resigned 21 September 2022)
P Espinelli De Castro (appointed 19 May 2023)
N Daltin Neto (appointed 19 May 2023)

Avon European Financial Services Limited

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Directors' Confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

Going Concern

Due to the nature of the Company's financing facilities, the ability of the Company to operate as a going concern is predicated on the ability of its direct parent entity Avon Cosmetics Limited to continue as a going concern. In considering going concern, the directors have reviewed the cash flow requirements of the Company and the impact of the reported material uncertainty relating to going concern for Avon Cosmetics Limited.

Whilst the Company is expected to have sufficient financial resources to settle its debts, as and when they fall due, for at least the next twelve months from the date of signing these financial statements, it would only be able to do so should Avon Cosmetics Limited also continue to operate as a going concern, due to the matters listed below Avon Cosmetics Limited has reported a material uncertainty related to going concern due to:

- the uncertainty caused by the proposed separation of the Avon businesses from the Natura &Co Holding S.A Group and the impact this might have on the projected cash flows;
- the uncertainty this also causes to the intercompany financing that is due for refinancing in November 2024; and
- the uncertainty over mitigating actions, that are required to be successfully actioned in order for Avon Cosmetic Limited to operate within existing financing facilities.

In light of the forecasted cash flows of Avon Cosmetics Limited up to the end of June 2025, the directors have concluded that a material uncertainty exists which may cast significant doubt as to the Company's ability to continue as a going concern. The material uncertainty relates to the uncertainty around the ability of Avon Cosmetics Limited to continue to operate as a going concern given the above factors.

Having considered the above, the Directors believe that there is a reasonable expectation that as Avon Cosmetics Limited have concluded that the company will be able to obtain sufficient resources to continue in operation for the foreseeable future, they have also the same reasonable expectation for Avon European Financial Services Limited.

They have therefore adopted the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Avon European Financial Services Limited

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Post balance sheet events

Separation Review

On 5 February 2024, Natura &Co Holding S.A. announced that its Board of Directors authorised its management to assess a possible separation of Natura &Co Latin America and Avon into two independent publicly traded beauty companies in order to unlock further shareholder value. The possible separation is consistent with Natura &Co's ongoing strategy of simplifying its corporate structure while providing increased autonomy to its business units and follows the recent divestments of Aesop and The Body Shop. This separation would aim to unlock the potential of both companies, which have distinct geographical footprints, serve different beauty consultants and consumers, and together offer limited synergy value under the current structure. The structure of the potential transaction is still being assessed but it is expected that it would result in two separate, standalone entities (Natura and Avon) with unique business plans, independent governance and management teams better equipped to pursue more tailored strategies to drive long-term shareholder value. There can be no assurance that any separation will ultimately be recommended by the Board of Directors. Completion of a separation would be subject to various conditions, including, among others, final approval from the Board of Directors and consent from the majority of shareholders.

Change of Parent Company

On 31 December 2022, the company was a wholly owned subsidiary of Avon European Holdings Limited, which has subsequently been liquidated during December 2023 as part of a group simplification exercise. The immediate parent company at the time of signing is Avon Cosmetics Limited.

Auditors

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

Small companies provisions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have taken the exemption available in accordance with Section 414(b) of the Companies Act 2006 to not disclose the Strategic Report.

This report has been prepared in accordance with the special provision relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the board on 1 May 2024 and signed on its behalf.

Samantha Hutchison

S Hutchison
Director

Avon European Financial Services Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Avon European Financial Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Income Statement and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Avon European Financial Services Limited

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the company's ability to continue as a going concern. The company is a subsidiary of Avon Cosmetics Limited ("ACL") and is reliant upon ACL as part of the Group's cash pooling arrangement. ACL has reported a material uncertainty relating to going concern which is dependent on the following assumptions: 1) a potential separation of the Avon businesses from the Natura &Co Holding S.A. Group; 2) existing RCF due to expire in November 2024 with no refinancing agreement in place at the time of signing these financial statements; 3) mitigating actions being achieved. As a result of the company's reliance on ACL, the directors have concluded there is a material uncertainty relating to the company's ability to continue to operate as a going concern. These conditions, along with the other matters explained in note 2.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Avon European Financial Services Limited

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- discussions with management regarding any known or suspected instances of non-compliance with laws and regulations;
- testing a sample of journals posted during the financial year that meets risk-based criteria; and
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with laws and regulation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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 for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Avon European Financial Services Limited

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

R Cletheroe

Rachel Cletheroe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

1 May 2024

Avon European Financial Services Limited

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Administrative expenses		(86,400)	(84,684)
Other operating income		16,577	-
Other operating charges		-	(3,263)
Operating loss		(69,823)	(87,947)
Interest receivable and similar income	7	189,304	260,933
Profit before tax		119,481	172,986
Tax on profit	8	-	-
Profit for the financial year		119,481	172,986
Other comprehensive income for the year			

The notes on pages 11 to 19 form part of these financial statements.

Avon European Financial Services Limited
REGISTERED NUMBER: 04572043

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Current assets			
Cash at bank and in hand	9	982,873	832,038
		<u>982,873</u>	<u>832,038</u>
Creditors: amounts falling due within one year	10	(89,347)	(57,993)
Net current assets		<u>893,526</u>	<u>774,045</u>
Total assets less current liabilities		<u>893,526</u>	<u>774,045</u>
Net assets		<u>893,526</u>	<u>774,045</u>
Capital and reserves			
Called up share capital		1	1
Profit and loss account		893,525	774,044
Total equity		<u>893,526</u>	<u>774,045</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 May 2024.

Samantha Hutchison

S Hutchison
 Director

The notes on pages 11 to 19 form part of these financial statements.

Avon European Financial Services Limited

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2021	1	601,058	601,059
Profit for the year	-	172,986	172,986
	<hr/>	<hr/>	<hr/>
At 1 January 2022	1	774,044	774,045
Comprehensive income for the year			
Profit for the year	-	119,481	119,481
	<hr/>	<hr/>	<hr/>
At 31 December 2022	1	893,525	893,526
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 19 form part of these financial statements.

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Avon European Financial Services Limited is a private company limited by shares, registered in England and incorporated in England and Wales, United Kingdom. Its registered office is Lancaster House, Nunn Mills Road, Northampton, United Kingdom, NN1 5PA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following accounting policies have been consistently applied to all years presented, unless otherwise stated.

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.2 Going concern

Due to the nature of the Company's financing facilities, the ability of the Company to operate as a going concern is predicated on the ability of its direct parent entity Avon Cosmetics Limited to continue as a going concern. In considering going concern, the directors have reviewed the cash flow requirements of the Company and the impact of the reported material uncertainty relating to going concern for Avon Cosmetics Limited.

Whilst the Company is expected to have sufficient financial resources to settle its debts, as and when they fall due, for at least the next twelve months from the date of signing these financial statements, it would only be able to do so should Avon Cosmetics Limited also continue to operate as a going concern, due to the matters listed below Avon Cosmetics Limited has reported a material uncertainty related to going concern due to:

- the uncertainty caused by the proposed separation of the Avon businesses from the Natura &Co Holding S.A Group and the impact this might have on the projected cash flows;
- the uncertainty this also causes to the intercompany financing that is due for refinancing in November 2024; and
- the uncertainty over mitigating actions, that are required to be successfully actioned in order for Avon Cosmetic Limited to operate within existing financing facilities.

In light of the forecasted cash flows of Avon Cosmetics Limited up to the end of June 2025, the directors have concluded that a material uncertainty exists which may cast significant doubt as to the Company's ability to continue as a going concern. The material uncertainty relates to the uncertainty around the ability of Avon Cosmetics Limited to continue to operate as a going concern given the above factors.

Having considered the above, the Directors believe that there is a reasonable expectation that as Avon Cosmetics Limited have concluded that the company will be able to obtain sufficient resources to continue in operation for the foreseeable future, they have also the same reasonable expectation for Avon European Financial Services Limited.

They have therefore adopted the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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.

2.4 Interest income

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

2.5 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.7 Intercompany creditors and accruals

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Prior year restatement

We have presented comparatives in the note 6 Directors' emoluments to reflect the apportionment of their remuneration in respect of their services to the company as the Directors' consider this to be appropriate in line with the Companies Act 2006.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The company's directors believe there are no significant sources of estimation uncertainty or significant judgement that affect these financial statements.

4. Auditors' remuneration

Audit fees of £5,000 (2021: £5,000) have been borne by a fellow Group Company, Avon Cosmetics Limited, and these have been recharged. There were no non-audit fees incurred within this year.

5. Employees

The Company has no employees, other than directors who are not directly employed by the company. They received no remuneration in the year ended 31 December 2022 (2021 - £NIL).

The average monthly number of employees, including directors, during the year was 0 (2021 - 0).

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Directors' Emoluments

	2022	2021
	£	(restated)
		£
Salaries	3,961	3,585
Pension	249	265
Social Security	531	484
	<u>4,741</u>	<u>4,334</u>

Directors' remuneration disclosed above for the year ended 31 December 2022 represents payments to 2 directors (2021: 2) for the apportionment of their remuneration in respect of their services to the company. The Directors' considers this apportionment to be appropriate for the nature of this Company. The remuneration of these 2 Directors is paid by Avon Cosmetics Limited who make no recharge to the company.

The remuneration of 1 Director is paid by The Body Shop International Limited who make no recharge to the company. The apportionment in respect of their services to the company is negligible (2021: negligible) and is not included in the amounts disclosed above.

The comparatives have been presented to reflect directors remuneration apportioned in respect of their services to the company in line with the Companies Act 2006.

7. Interest receivable and similar income

	2022	2021
	£	£
Bank interest received	189,304	260,933
	<u>189,304</u>	<u>260,933</u>

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Tax on profit

	2022 £	2021 £
Current tax:		
UK Corporation tax on profits for the year	-	-
Adjustment in respect of previous periods	-	-
Foreign tax on income for the year	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustment in respect of prior periods	-	-
Impact of change in tax rate	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on profit	<u>-</u>	<u>-</u>

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - *lower than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit before tax	<u>119,481</u>	<u>172,986</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	22,701	32,867
Effects of:		
Group relief claimed	(22,701)	(32,867)
Total tax charge for the year	<u><u>-</u></u>	<u><u>-</u></u>

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Tax on profit (continued)

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This law was substantively enacted on 24 May 2021.

9. Cash at bank and in hand

	2022 £	2021 £
Cash at bank and in hand	982,873	832,038
	<u>982,873</u>	<u>832,038</u>

10. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank and loan overdrafts	28,201	-
Amounts owed to group undertakings	53,094	31,807
Accruals and deferred income	8,052	26,186
	<u>89,347</u>	<u>57,993</u>

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

11. Contingent liabilities

The company takes part in a cash pooling arrangement which is subject to a cross guarantee with other fellow group undertakings in the Natura &Co Holding S.A. group. As part of the cash pooling arrangement each member is jointly liable for any borrowed funds up to the value of the funds they have in the cash pool at that time and the net credit limit is \$10,000,000. The aggregate cash pool funds at year end is \$57,829,413 (2021: \$17,141,746) of which Avon European Financial Services had £902,347 (\$1,091,769) in the cash pool (2021: £791,532 (\$1,067,475)). Net interest of £189,304 (\$229,043) (2021: £260,933 (\$348,440)) is received by Avon European Financial Services Limited and no recharge of interest is made to other participating group undertakings.

12. Related party transactions

The company has not disclosed information or transactions with other members of the group headed by Natura &Co Holding S.A. in line with FRS 102, on the basis that 100% of the voting rights are controlled within the group and consolidated financial statements are publicly available.

Avon European Financial Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Post balance sheet events**Separation Review**

On 5 February 2024, Natura &Co Holding S.A. announced that its Board of Directors authorised its management to assess a possible separation of Natura &Co Latin America and Avon into two independent publicly traded beauty companies in order to unlock further shareholder value. The possible separation is consistent with Natura &Co's ongoing strategy of simplifying its corporate structure while providing increased autonomy to its business units and follows the recent divestments of Aesop and The Body Shop. This separation would aim to unlock the potential of both companies, which have distinct geographical footprints, serve different beauty consultants and consumers, and together offer limited synergy value under the current structure. The structure of the potential transaction is still being assessed but it is expected that it would result in two separate, standalone entities (Natura and Avon) with unique business plans, independent governance and management teams better equipped to pursue more tailored strategies to drive long-term shareholder value. There can be no assurance that any separation will ultimately be recommended by the Board of Directors. Completion of a separation would be subject to various conditions, including, among others, final approval from the Board of Directors and consent from the majority of shareholders.

Change of Parent Company

On 31 December 2022, the company was a wholly owned subsidiary of Avon European Holdings Limited, which has subsequently been liquidated during December 2023 as part of a group simplification exercise. The immediate parent company at the time of signing is Avon Cosmetics Limited.

14. Controlling party

Natura &Co Holding S.A. (incorporated in Brazil) was regarded by the directors as being the company's ultimate parent undertaking and controlling party.

Avon Cosmetics Limited (incorporated in England) is the company's immediate parent. On 31 December 2022, the company was a wholly owned subsidiary of Avon European Holdings Limited, a company incorporated in England.

The results of Avon European Financial Services Limited for the year ended 31 December 2022, were incorporated into the consolidated financial statements of Natura &Co Holding S.A. for the year ended 31 December 2022, being the smallest and largest group to incorporate them. The consolidated financial statements of Natura &Co Holding SA. are available on application from Avenida Alexandre Colares, No. 1188, Sala A17-Bloco A, Parque Anhanguera, Sao Paulo, Sao Paulo 051 06-000, Brazil.