
AVON BEAUTY LIMITED

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



AVON BEAUTY LIMITED

COMPANY INFORMATION

Directors	A Long L Scott
Registered number	11707867
Registered office	Lancaster House Nunn Mills Road Northampton NN1 5PA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

AVON BEAUTY LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 6
Independent Auditors' Report to the members of Avon Beauty Limited	7 - 10
Statement of Income and Retained Earnings	11
Balance Sheet	12
Notes to the Financial Statements	13 - 26

AVON BEAUTY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activities

The principal activity of the Company is the holding and commercial exploitation of intellectual property ("IP").

Business review

During the year the Company earned royalties of €58.2m (2021: €84.6m), the lower royalties reflecting the lower sales volume across the Avon Group.

The maturity date on the loan held with Avon Cosmetics Limited was extended to 31 December 2025. This extension included the principal amount of the original loan plus all accrued interest.

The business encompasses three broad areas being trademarks, systems and processes, and products.

The Company made a loss before exceptional costs of €34,182,297 (2021: loss of €38,104,801). The Company made an exceptional impairment charge in respect of its IP assets of €18,135,232 (2021: €206,065,150).

The Company made a loss before tax of €52,317,529 (2021: Loss of €244,169,951).

The Company's presentational currency is Euro.

Principal risks and uncertainties

Competition

A key business risk to the group is the competition from network marketing new entrants and online mass beauty retailers.

Intellectual property

If we are unable to protect our intellectual property rights ("IP"), specifically patents and trademarks then that would impact our ability to differentiate our products which in turn would impact the licence fees the Company seeks to benefit from. As a group we register our IP with countries in which we operate to mitigate this risk.

Changes in regulation

Our ability to conduct business activities may be affected by political, legal, tax and regulatory risks due to changes in policy. As soon as changes are anticipated, the Company either adheres to change or successfully implements processes to ensure we remain compliant.

Economic Outlook

Due to the continuing impact of external forces, whether exchange rate volatility, the current war in Europe between Ukraine and Russia, price commodity inflation, access to talent, together with specific Brexit regulatory challenges are all areas that the company is reviewing and addressing.

AVON BEAUTY LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial key performance indicators

The Directors consider the following Key Financial Performance Indicators when assessing the financial performance and position of the Company

	<u>2022</u> €	<u>2021</u> €
Royalty income	58,208,891	84,550,638
Loss before taxation	(52,317,529)	(244,169,951)
Cash at bank	2,948	2,282
Net assets	158,841,271	211,158,800

Section 172 (1) Statement

During the reporting year, the directors have considered the needs of the Company's stakeholders as part of their decision-making process. Specifically, the directors consider the likely consequences of its decisions in the long term and the need to act fairly between its stakeholders.

Due to the nature of the entity the majority of the Company's stakeholders are related parties. At all times the directors would consider their needs and the equality of treatment in their long term decision making processes. Due to the group relationship there are natural communication protocols to facilitate this dialogue.

Whilst the number of external stakeholders is limited they are of no less importance or given lesser consideration by the directors. At all times they will consider their needs and where appropriate communicate or consult in the most appropriate fashion. This could take many forms but could include annual review meetings, ad hoc updates and communications on relevant matters in real time. This group could include regulatory bodies, banking partners and similar.

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


L Scott
Director

AVON BEAUTY LIMITED

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

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

Directors' responsibilities statement

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

Company law requires the 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", 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 the financial statements, the directors are required to:

- make judgements and accounting estimates that are reasonable and prudent;
- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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.

Results and dividends

The loss for the year, after taxation, amounted to €52,317,529 (2021 - loss €244,169,951).

No dividends have been or will be proposed or paid for the year ended 31 December 2022 (2021: none proposed or paid).

Streamlined Energy and Carbon Reporting (SECR)

The company meets the criteria for reporting, but has emissions below 40kwh.

Directors

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

A Long
L Scott

AVON BEAUTY LIMITED

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

Financial risk management

The Company's activities expose it to a number of financial risks including liquidity risks and investment risks.

Liquidity risk - Please see the Going Concern section of these financial statements. .

Investment risk - the Company holds a high value of investments in intangible assets which are subject to annual impairment reviewed, resulting in financial risk. The company regularly monitors these risks and applies the necessary oversight over its investments.

Financial risks resulting from internal actions or failures of the Company's processes and systems are not considered high risk due to the rigorous internal controls in place throughout the Company's finance areas.

Future developments

For future business development, the Company's strategy is to continue the holding and commercial exploitation of intellectual property.

Qualifying third party indemnity provisions

During the year and up to the date of signing the directors of the Company have been provided with directors' third party indemnity insurance.

AVON BEAUTY LIMITED

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

Going concern

Due to the nature of the Company's financing facilities and that all royalty income is derived from a contract with Avon Cosmetics Limited, 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 Beauty 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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.

AVON BEAUTY LIMITED

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

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.

Independent Auditors

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

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



**L Scott
Director**

Date: 1 May 2024

AVON BEAUTY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON BEAUTY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Avon Beauty 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 loss 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", 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: Balance Sheet as at 31 December 2022; the Statement of Income and Retained Earnings 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.

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 2.4 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 for future trade and 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 2.4 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.

AVON BEAUTY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON BEAUTY LIMITED

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 Strategic Report and 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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and 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 Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, 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.

AVON BEAUTY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON BEAUTY LIMITED

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 patents and trademarks legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- discussions with management regarding any known or suspected instances of non-compliance with laws and regulations;
- challenging assumptions made by management in their significant accounting estimates, specifically the impairment charge in relation to the intellectual property; and
- identifying and testing unusual journal entries.

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.

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.

AVON BEAUTY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVON BEAUTY LIMITED

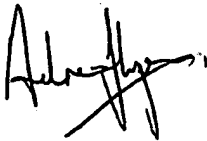
Other required reporting

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.



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

1 May 2024

AVON BEAUTY LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Year ended December 2022 €	Year ended December 2021 €
Royalty income	4	58,208,891	84,550,638
Gross profit		58,208,891	84,550,638
Administrative expenses		(30,407)	(32,099)
Exceptional expenses	5	(18,135,232)	(206,065,150)
Amortisation	6	(56,395,422)	(86,647,209)
Operating loss	6	(16,352,170)	(208,193,820)
Interest receivable and similar income	10	5,314,882	5,304,110
Interest payable and similar expenses	11	(41,280,241)	(41,280,241)
Loss before tax		(52,317,529)	(244,169,951)
Loss for the financial year		(52,317,529)	(244,169,951)
Accumulated losses at the beginning of the year		(338,841,300)	(94,671,349)
		(338,841,300)	(94,671,349)
Loss for the year		(52,317,529)	(244,169,951)
Accumulated losses at the end of the year		(391,158,829)	(338,841,300)
The notes on pages 13 to 26 form part of these financial statements.			

AVON BEAUTY LIMITED
REGISTERED NUMBER: 11707867

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	Year ended December 2022 €	Year ended December 2021 €
Fixed assets			
Intangible assets	13	320,237,299	394,767,953
		<u>320,237,299</u>	<u>394,767,953</u>
Current assets			
Debtors	14	489,500,494	467,258,234
Cash at bank and in hand	15	2,948	2,282
		<u>489,503,442</u>	<u>467,260,516</u>
Creditors: amounts falling due within one year	16	(4,633,462)	(4,603,661)
Net current assets		<u>484,869,980</u>	<u>462,656,855</u>
Total assets less current liabilities		<u>805,107,279</u>	<u>857,424,808</u>
Creditors: amounts falling due after more than one year	17	(646,266,008)	(646,266,008)
Net assets		<u><u>158,841,271</u></u>	<u><u>211,158,800</u></u>
Capital and reserves			
Called up share capital	18	550,000,100	550,000,100
Profit and loss account	19	(391,158,829)	(338,841,300)
Total shareholders' funds		<u><u>158,841,271</u></u>	<u><u>211,158,800</u></u>

The financial statements on pages 11 to 26 were approved and authorised for issue by the board and were signed on its behalf on 1 May 2024.

L Scott
 Director



The notes on pages 13 to 26 form part of these financial statements.

AVON BEAUTY LIMITED

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

1. General information

The principal activity of the Company is the holding and commercial exploitation of intellectual property.

Avon Beauty Limited is a private company limited by shares, registered in England and incorporated in England, United Kingdom. The date of incorporation was 3 December 2018. The registered office is Lancaster House, Nunn Mills Road, Northampton, NN1 5PA. The registered company number is 11707867.

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 Financial Reporting Standard 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 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.

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Natura &Co Holding S.A. as at 31 December 2022 and these financial statements may be obtained from Avenida Alexandre Colares, No. 1188, Sala A17-Bloco A, Parque Anhanguera, São Paulo, São Paulo 05106-000, Brazil.

2.3 Royalty income

The Company earns royalties from other group company in relation to the sale of products using the Avon brand and the exploitation of intellectual property. Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

AVON BEAUTY LIMITED

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

2. Accounting policies (continued)

2.4 Going concern

Due to the nature of the Company's financing facilities and that all royalty income is derived from a contract with Avon Cosmetics Limited, 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 Beauty 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 BEAUTY LIMITED

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

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Euros.

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.

2.6 Interest income

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

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence. Impairment of the carrying value of intellectual property has been identified as exceptional.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. Amortisation is recognised so as to write off the cost of valuation of assets less their residual value over their useful lives on the following basis:

Intellectual property: 10 years reducing balance

AVON BEAUTY LIMITED

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

2. Accounting policies (continued)**2.10 Impairment of fixed assets and intangible assets**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 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.

2.13 Creditors

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.

2.14 Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

AVON BEAUTY LIMITED

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

2. Accounting policies (continued)

2.15 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 on 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.

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.

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 the 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.

2.16 Prior year restatement

We have presented comparatives in the note 9 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.

AVON BEAUTY LIMITED

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

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 estimate means that the actual outcomes could differ from those estimates.

Critical accounting estimates and assumptions:***(i) Useful economic life of intangible assets***

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. Under FRS 102, all intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years. The intangible assets held by Avon Beauty Limited, relate to the intellectual property, and a reliable estimate of the useful life cannot be made. See note 12 for the carrying amount of the intellectual property, and note 2.9 for the useful economic life for this class of asset.

(ii) Impairment of intellectual property

Where there are indicators of impairment of intellectual property, the Company performs an impairment test. Recoverable amounts are the higher of fair value less costs of disposal, and the value in use. Value in use relates to the royalty income receivable from trading group entities and is calculated from cash flow projections based on internal forecasts which are extrapolated based on management's expectations for trading entities. The cash flows are derived from the annual forecast and a steady growth rate applied. See note 12 for the net carrying amount of the intellectual property and the associated impairment charge.

The computation of impairment of intellectual property involves some critical accounting estimates. Therefore, by applying some sensitivity analysis to the calculations we have established that an increase of 1% to the discount rate, would have resulted in an increase to the impairment charge by £30.68m. Alternatively, a 0.5% reduction in the long term growth rate would have increased the impairment charge by £12.14m.

4. Royalty Income

The whole of the turnover is attributable to income from royalties from other group companies in relation to the sale of products using the Company's brand and the exploitation of intellectual property. All turnover arose within the United Kingdom.

AVON BEAUTY LIMITED

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

5. Exceptional expenses

	Year ended December 2022 €	Year ended December 2021 (re- stated) €
Impairment of intellectual property	18,135,232	206,065,150
	<u>18,135,232</u>	<u>206,065,150</u>

The value of intellectual property was assessed to be impaired at 31 December 2022 resulting in an exceptional charge of €18,135,232 (2021: €206,065,150).

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	Year ended December 2022 €	Year ended December 2021 €
Impairment of intellectual property	18,135,232	206,065,150
Amortisation of intangible assets	56,395,422	86,647,209
	<u>56,395,422</u>	<u>86,647,209</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors and their associates:

	2022 €	2021 €
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	29,800	29,800

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated financial statements of the parent Company, Avon Cosmetics Limited, for both 2022 and 2021.

AVON BEAUTY LIMITED

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

8. Employees

The Company has no employees other than the directors, who did not receive any remuneration through Avon Beauty Limited, nor in respect of their work as directors.

9. Directors' Emoluments

The remuneration of the Directors is paid by Avon Cosmetics Limited who makes no recharge to the company.

	2022 €	2021 (restated) €
Salaries	2,455	2,119
Pension	144	139
Social Security	322	288
	<u>2,921</u>	<u>2,546</u>

Directors' remuneration disclosed above for the year ended 31 December 2022 represents payments to 1 director (2021: 1) for the apportionment of their remuneration in respect of their services to the company. The Directors' consider this apportionment to be appropriate for the nature of this Company. The total remuneration of the second director is included in the aggregate of the directors' remuneration disclosed in the financial statements of the parent company, Avon Cosmetics Limited, for both 2022 and 2021.

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.

10. Interest receivable and similar income

	Year ended December 2022 €	Year ended December 2021 €
Interest receivable from group companies	5,314,882	5,304,110
	<u>5,314,882</u>	<u>5,304,110</u>

AVON BEAUTY LIMITED

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

11. Interest payable and similar expenses

	Year ended December 2022 €	Year ended December 2021 €
Interest payable on loans from group undertakings	41,280,241	41,280,241
	<u>41,280,241</u>	<u>41,280,241</u>

12. Taxation

	Year ended December 2022 €	Year ended December 2021 €
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on loss	-	-

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:

	Year ended December 2022 €	Year ended December 2021 €
Loss before taxation	(52,317,529)	(244,169,951)
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	(9,940,331)	(46,392,291)
Effects of:		
Tax rate changes	-	(14,650,197)
Group relief surrendered for no consideration	(1,518,135)	-
Deferred tax not recognised	11,458,466	61,042,488
Total tax charge for the year/period	<u>-</u>	<u>-</u>

AVON BEAUTY LIMITED

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

12. Taxation (continued)**Factors that may affect future tax charges**

The UK budget 2021 announcements on 3 March 2021, included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which has been effective from 1 April 2023. This new law was substantively enacted on 24 May 2021 and has been reflected in the measurement of deferred tax balances at the period end.

There are unrecognised deferred tax assets relating to trading losses, which on a gross basis total €20,472,850 (2021: €27,628,006) and will only be recognised when it is probable for it to be recovered against future taxable profits.

13. Intangible assets

	Intellectual property €
Cost	
At 1 January 2022	887,320,838
At 31 December 2022	<u>887,320,838</u>
Amortisation	
At 1 January 2022	492,552,885
Charge for the year on owned assets	56,395,422
Impairment charge	18,135,232
At 31 December 2022	<u>567,083,539</u>
Net book value	
At 31 December 2022	<u>320,237,299</u>
<i>At 31 December 2021</i>	<u>394,767,953</u>

AVON BEAUTY LIMITED

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

13. Intangible assets (continued)

The individual intangible assets which are material to the financial statements are as follows:

	Net book value		Remaining amortisation period (years)	
	2022 €	2021 €	2022	2021
Intellectual property	320,237,299	394,767,953	6	7

14. Debtors

	Year ended December 2022 €	Year ended December 2021 €
Amounts owed by group undertakings	203,361,470	-
	203,361,470	-
Due within one year		
Amounts owed by group undertakings	286,138,924	467,258,134
Called up share capital not paid	100	100
	489,500,494	467,258,234

Amounts owed by group undertakings due after more than one year includes an unsecured, interest bearing intercompany loan with Avon Cosmetics Limited as at 31 December 2022, totalling €203,336,166 (31 December 2021: €203,350,697). This loan was extended in the year and is now due to mature on 31 December 2025. The loan extension included the principal balance plus any accrued interest. Interest is charged on the principal amount at a rate equal to 4.48% per annum, and accrued interest is due and payable quarterly.

All other amounts owed by group undertakings due within one year are unsecured, interest free and repayable on demand.

AVON BEAUTY LIMITED

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

15. Cash at bank and in hand

	Year ended December 2022 €	<i>Year ended December 2021 €</i>
Cash at bank and in hand	2,948	2,282
	<u>2,948</u>	<u>2,282</u>

16. Creditors: Amounts falling due within one year

	Year ended December 2022 €	<i>Year ended December 2021 €</i>
Amounts owed to group undertakings	4,523,862	4,523,862
Accruals and deferred income	109,600	79,799
	<u>4,633,462</u>	<u>4,603,661</u>

Amounts owed to group undertakings relate to the interest accrued on the loan classed as falling due after more than one year. This interest is accruing on the principal amount at a rate equal to 6.3% per annum and accrued interest is due and payable quarterly.

All other creditors fall due within one year.

AVON BEAUTY LIMITED

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

17. Creditors: Amounts falling due after more than one year

	Year ended December 2022 €	Year ended December 2021 €
Amounts owed to group undertakings	646,266,008	646,266,008
	<u>646,266,008</u>	<u>646,266,008</u>

Amounts owed to group undertakings include an unsecured, interest bearing intercompany loan with Natura &Co Luxembourg Holdings S.A.R.L totalling €646,266,008 as at 31 December 2022 (2021: €646,266,008). This loan is due to mature on 6 December 2028. Interest is charged on the principal amount at a rate equal to 6.3% per annum, and accrued interest is due and payable quarterly.

On the 12 February 2019 the Company created charges in favour of Citibank and Deutsche Bank Trust in respect of certain group credit facilities. The charges include both fixed and floating elements and are secured over the assets of the Company. These were released during 2021.

On the 3 July 2019 the company created a charge in favour of Deutsche Bank Trust in respect of the issuance of bonds by Natura &Co UK Holdings plc (previously Avon International Capital plc). The charge includes both fixed and floating elements and is secured over the assets of the Company. This charge was released during 2021.

18. Called up share capital

	Year ended December 2022 €	Year ended December 2021 €
Allotted, called up and not fully paid		
550,000,100 (2021 - 550,000,100) Ordinary shares of €1.00 each	550,000,100	550,000,100

The total value of issued share capital at the year ended 31 December 2022 was €550,000,100 (2021: €550,000,100). €100 remains unpaid at 31 December 2022 (2021: €100).

Each share is entitled to one vote in any circumstances, the shares have no restrictions on the distribution of dividends and repayment of capital.

19. Profit and loss account

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

AVON BEAUTY LIMITED

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

20. 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.

21. Related party transactions

The Company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

22. 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.

23. 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.

The results of Avon Beauty 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 S.A. are available on application from Avenida Alexandre Colares, No, 1188, Sala A17-Bloco A, Parque nhanguera, Sao Paulo, Sao Paulo 05106-000, Brazil.