L’Oréal (U.K.) Limited
(Registered Number: 00271555)

Financial Statements
For the Year Ended 31 December 2023

L’Oréal (U.K.) Limited

Contents	Page

Registered Address
L'Oréal (U.K.) Limited
Gateway Central
187 Wood Lane
London
W12 7SA

L’Oréal (U.K.) Limited

Strategic Report

The directors present their Strategic Report of L’Oréal (U.K.) Limited (the “Company”) for the year ended 31 December 2023.

Review of the business

The board of directors monitor the effectiveness of the Company operations by considering various key performance indicators. The main indicators are the evolution in turnover and both operating profit and post-tax profit margins. The Company also closely monitors its market shares in the categories within which it operates as well as various health, safety and environmental indicators.

Turnover has increased from £1,267.5m in 2022 to £1,434.7m in 2023 up by 13.2%. The operating profit margin has increased by 14.8% (2022: 14.6%) from an operating profit of £184.5m in 2022 to £212.8m. The post-tax profit has increased from £148.7m to £168.5m in 2023 up 11.7% (2022: 11.7%).

In 2023, the beauty market grew double digits with growth across all categories. The shift to ecommerce witnessed during the pandemic remains but is well balanced with Brick & Mortar shopping as both channels are growing well.

In terms of sell-out, L’Oréal UK had a good performance in 2023, gaining market share across all channels, and in all categories.

Future Developments

Following in the previous years’ trend, 2023 was a year of uncertainty and turbulence. Economic conditions were challenging. Conflicts in Ukraine and the Middle East have had a significant impact within the supply chain and on costs. Consumers are under pressure due to continued high inflation and interest rates. Nevertheless, as a business we have put together a series of strategic measures to protect our profitability and mitigate the impact.

We continue to perform well in our market and are confident in the prospects of good growth despite the macro-economic circumstances.

We expect our profit margins to be maintained at healthy levels and there are no significant risks to the cash position.

Strategic Report (continued)

Principal Risks and Uncertainties

Market and economic uncertainties - The markets in which L’Oréal (U.K.) Limited trade can be impacted by periods of economic uncertainty. These uncertainties could impact the Company over an extended period of time and their impact may be unknown. Factors beyond the Company’s control, including epidemic outbreaks and geopolitical issues would impact the Company and, although the Health and Beauty market has always been resilient, a significant deterioration in the general economic climate may adversely affect the Company’s performance.

Image and reputation – The Company takes steps to ensure that all product advertising and claims about the effectiveness of its products, are authenticated by our Scientific Advisory team. Relationships with our customers are maintained through our Customer Services and Consumer Advisory teams. The parent company has an Ethics policy to which all employees in any of its subsidiaries are bound and there is also a dedicated intranet site, training for employees and an e-learning course.

Product quality and safety – Consumer safety is a priority. The Group has set up a single product quality and safety management programme that applies to all of its plants and subsidiaries around the world. Each single product goes through around 100 quality controls during the production cycle, from input of raw material through to customer delivery. The Group’s plants are certified to the highest standards based on both local and international requirements.

Competition – The Company is subject to intense competition within the markets in which it operates. This is healthy and leads to constant innovation in order to maintain and grow our market share. The Company expects the highest standards of ethics when dealing in such a competitive market. Each year, the Company’s employees undergo training on what constitutes anti-competitive behaviour under current UK and EU legislation.

Information and cybersecurity systems – There is a risk of malfunction or breakdown in our internal systems or systems at third-party providers. Constant development of technologies and the increasing use of virtual and digital tools increases the risk on our business activities. The Company has strict rules with regard to the backups, data protection, access and security of its hardware and software systems. Every year a full disaster recovery testing process is undertaken. The Company is continually adjusting to new cyberthreats with investments in systems to detect and react to cyberattacks. Employees in the UK participate annually in online training which ensures everybody is made aware of best practice in cybersecurity. The Company has appointed a Data Protection Officer. Their task is to ensure that the data we hold complies with requirements of the UK General Data Protection Regulation and the UK Data Protection Act.

Intellectual property – The group has a portfolio of registered trademarks. Trademarks and the products themselves may be infringed or counterfeited by others seeking to benefit illegally from their reputation and goodwill. Where the trademarks are held by L’Oréal (U.K.) Limited they are treated as a strategic asset. The Company’s legal department is entrusted with the protection of these assets.

Changes in regulations – The regulatory environment in which L’Oréal operates is forever changing and becoming more extensive and complicated. Non-compliance with local and international regulations could lead to risk of penalty, including financial penalty and reputational damage. The Company monitors changes to existing regulation and aims to anticipate emerging regulation so that it can identify and plan for any potential impact on the business.

Insurance – The Company insures against all the risks that it perceives could damage its financial position or its reputational risk. This includes public, and employee liability, business interruption as well as damage to its buildings and stocks of products.

Human resources risk – L'Oréal recognises that to be a successful Company it must attract, recruit, develop and retain skilled and motivated employees. The Company works tirelessly to promote inclusion and diversity ensuring that everyone at L'Oréal has the opportunity to succeed whatever their race, ethnicity, gender, sexual orientation, socio-economic status, age, disability, religious beliefs, political beliefs or other ideologies.

The Company acknowledges that the loss of key employees can damage the effectiveness of its operations. It seeks to minimise this by offering competitive rewards and benefits packages to its employees and having strong succession planning processes.

Corporate Social Responsibility (CSR) – This broad area of risk encompasses environment and social risks, risks related to Human Rights and corruption.

Environment risks include the impact of the use of L’Oréal products, for example the impact of product formulations on water; and the disposal of these products after use, for example the plastics waste generated. Environment risk will also include risks associated with climate change around the world, for example, indirect impact to the Company through the supply chain (availability of raw material and rise in prices) due to long-term climate damage and extreme weather events. The expectation of consumers for the Company to be more socially and environmentally responsibility also creates a risk which could have both a financial and reputational consequence.

The Group have identified key Human Rights risks that it is exposed to, the main risks being:

- the Human Rights of L’Oréal employees (discrimination);
- the Human rights of L’Oréal’s suppliers’ employees (discrimination, forced labour, child labour);
- the Human Rights of consumers (failure in product safety and quality, loss of personal data); and
- the Human Rights of communities (stereotypes in advertising).

The Group is exposed to the risk of corruption due to its activities in many countries throughout the world. L’Oréal takes all necessary steps to ensure that it does not become involved in practices contrary to the Group’s ethical principles, whether directly or indirectly, intentionally or unintentionally. Assessment of corruption risk takes place at a Group level as well as by UKI Management. L’Oréal applies a zero-tolerance policy on corruption and its anti-corruption policy applies to all employees and directors worldwide.

Stakeholder Engagement Statement

The sustainable success of the Company relies on our stakeholders and taking them into consideration when making decisions and developing strategy. Engagement with our stakeholders is at a Board and delegated operational level. Operational engagement is considered by the Board during decision making as all presenters complete a ‘Section 172 & Stakeholder dashboard’ to inform the Board’s understanding of relevant stakeholders, the likely impact on them and bring their views into the board room.

We refer to FY2021 Financial Statements’ comprehensive summary of all the Company’s stakeholders, why they matter and how we engage as well as how we seek to understand their interests and collaborate. This year, the Board identified four key stakeholders with relevant 2023 examples of engagement (see Employee Engagement Statement for fourth key stakeholder example of why employees matter, how we engage and our engagement in action).

Local Communities

Why they matter and how we engage

The Board supports the Company’s commitment to strengthening the communities with which we engage through interactions with local councils, charity partners and engagement with local communities. Many of our brands have long term corporate social responsibility programmes and regular engagement continued with these partners in 2023.

An example of charitable engagement impacting local communities is YSL Beauté brand partnership with Women’s Aid UK to address intimate partner violence. The programme is designed to raise awareness and delivers training nationally to young people in schools.

An example of direct local community engagement is the Company’s partnership with Manchester Metropolitan University, where 50% of students are the first generation in their families to attend university, and Salford University, where 33% of undergraduates are ethnic minority students and 26% of students have declared a disability, to deliver employability webinars on personal branding, CV writing and interview techniques and provide students free access to accredited online courses to boost their skillset and improve their CVs.

Another example is Citizen Day, our annual solidarity initiative to support environmental and social causes and charities, whereby 870 employees undertook over 4,800 volunteering hours of activities to support approximately 57,000 people in our local communities, via 32 non-profit organisations and charity partners across London, Manchester, Dublin and Nottingham. The Company partnered with Business in the Community to conduct a needs analysis of the local White City community in our new headquarter neighbourhood to align its employee volunteering day to enable 363 employees to volunteer across 20 local community projects in direct response to the need. Employees nationally supported a range of local social and environmental causes, including guiding students through employability skills workshops, providing companionship to the elderly, restoring communal green spaces, park and estate clean-up projects and preparing 3,500 hygiene kits with 24,400 essential care and hygiene products for those in need.

Understanding and collaborating

Following the opening of the new headquarters in White City, the Company partnered with The Women’s Network within Hammersmith & Fulham Council and Hammersmith & Fulham Youth Council to host an event in the White City Academy space for International Day of the Girl. The collaborative event was coordinated by members of Hammersmith & Fulham council from within Specialist Education, Community Safety and Children's and Young People’s Service and students aged 15-17 from local secondary schools, alongside young people aged 17 from the local community who are not currently in employment or education, were invited to experience a series of workshops focused on resilience, communication and building confidence.

Our engagement in action

The event included a panel talk form inspiring women, including Hammersmith & Fulham’s youngest ever elected mayor and a key sports personality from an ethnic minority background with an MBE, both of whom shared their stories of challenges and resilience, as well as giving the young people the opportunity to ask questions. The event received very positive feedback.

Board members took part in Citizen Day activities, with the Corporate Affairs Director leading its organisation. Feedback from all beneficiaries supported locally across all sites was positive and highlighted the powerful impact of engaging with the local communities.

Customers

Why they matter and how we engage

The Company establishes and maintains collaborative relationships with its customers as this is crucial for the growth of the business. The Company supplies and distributes its products through a range of customer types including grocers, department stores, discounters, spas, beauty and hair salons, wholesalers, online retailers, social media sellers, perfumeries, pharmacies and dermatologists. The size and complexity of our customers ranges from multi-national retailers to sole traders. We have started to work with our retailers on strategic sustainability topics using a green business plan framework. The focus is on key areas to drive the most impactful and positive change. Alongside green business plans is our Hairstylist of the Future program led by the Professional Products Division, which looks at ways to reduce the salon’s footprint on water, waste and carbon.

Understanding and collaborating

The L’Oréal For The Future team drive our commitments forward to ensure we stay on track with our retail partners. We understand our retailers’ sustainability objectives through planning meetings, top-to-top conversations and quarterly progress reviews. Green business plans affect all levels of our organisation, so our divisional managing directors and the Company’s Managing Director & Chair have meetings on this subject with their retailer counterparts.

Our engagement in action

Maybelline’s Make Up Take Back scheme is live with multiple retailers and 45 tonnes of makeup waste collected to date.

We partner with our retailers on sustainability led events such as the Garnier ‘Take One Green Step’ activation to encourage shoppers to make more informed purchase decisions in relation to products and packaging.

With one major retailer, we are working on how to help shoppers navigate more vegan, cruelty free, recyclable and reusable beauty products. We are working longer term on how to produce and dispose of point-of-sale materials more responsibly.

We are driving the fragrance refills market through partnerships with key luxury retailers with our hero brand Mugler.

Consumers

Why they matter and how we engage

Our Company’s purpose is to create the beauty that moves the world. Our goal is to offer every consumer the best of beauty in terms of quality, efficacy, safety and responsibility as well as to support the diverse beauty requirements of our consumers to enable them to use the right brand/product for their specific needs. To achieve this, it is key to connect with and gain an understanding of our consumers nationally and across communities, their needs and concerns, as this helps the Company provide consumers with the most appropriate products, highlighting consumer unmet beauty needs and communicating in the most informative, engaging and transparent way.

Strategic Report (continued)

Understanding and collaborating

To understand our consumers, the Company carries out several studies, for example, attitudinal segmentations to understand how different clusters of consumer think, behave and buy differently. We interview consumers on their beauty behaviours and routines, their needs and satisfaction with products; and we explore the consumers’ shopping behaviours online and offline, their sustainability habits and their perception of advertising communications.

Our engagement in action

The Company’s objective is to use our consumer understanding to deliver beauty for each and actively contribute to the cultivation of a more inclusive society. An example of this is the knowledge that 70% of UK women have reported being subjected to negative comments, only 15% of ads feature women aged 50+ and 84% of women over the age of 55 express a preference for compliments emphasizing their overall appearance rather than ones qualified by their age. Accordingly, L’Oréal Paris initiated a multi-media campaign to challenge societal norms and celebrate women beyond the age of 50, seeking to foster a more inclusive and age-positive cultural perspective.

Another example is the insight discovery that 42% of women are affected by hyperpigmentation that places a significant emotional burden on those individuals and over half do not seek solutions. To address this, our skincare brands introduced accessible solutions tailored to various levels of hyperpigmentation, along with awareness campaigns aimed at educating and empowering consumers to make informed choices, fostering a more supported and knowledgeable society.

Section 172 Statement

How the Board discharges its Section 172 duties

The Directors are aware of their fiduciary duty to act in good faith to promote the Company’s success by considering Section 172(1)(a) - (f) of the Companies Act 2006 factors to bring a broader perspective to strategy, opportunity and risk. The Board is systematically reminded of their duties: through director duties’ training; a Section 172 & Stakeholder dashboard being included in the Board pack provided for directors’ review; this dashboard being presented when each item is tabled. The Chair ensures that discussion and decision making is informed by Section 172 factors and the consideration of relevant stakeholders.

This statement includes examples of strategic decisions in 2023 illustrating how the Board promoted the success of the Company in line with relevant Section 172(1) factors that we understand to be of interest to the stakeholders reading this.

Fostering the Company’s relationships (suppliers, customers, consumers); Company employees’ interests; and Company maintaining a reputation for high business conduct standards

See our Stakeholder Engagement Statement for a focus on why our consumers and our customers are amongst our key stakeholders and how we engage with them. See also Employee Engagement Statement for further examples of how valuing the interests of our employees translated into relevant strategies.

Below is an example of a key strategic decision during 2023, reinforced by relevant information being provided to the Board, that demonstrates its commitment to fostering the Company’s relationships with suppliers, consumers and customers, valuing employees’ interests and the Company maintaining its reputation for high business conduct standards.

The Board considered the Company’s IT Security Officer’s presentation on the global current and anticipated future status and threats to cyber security and data breaches, the Company’s progress in its current and future robustness to manage threats of cyber-attacks and recommendations on how to enhance and adjust the Company’s security focus.

The Board agreed on the seriousness of the risks and approved the IT Security Officer’s recommended steps of putting in place additional incident detection and response planning, regular evaluation of the effectiveness of such solutions, additional employee testing and training on the best cybersecurity practices, all with the goal of protecting various stakeholder interests and protecting the Company’s reputation over the long-term.

Our impact on the community and the environment

The Board understands the Company has responsibility to strive towards a positive impact on the community and reducing its impact on the environment. Mindful of potential (positive and negative) impact of the Company’s operations and the expectations of our workforce, suppliers, customers, consumers and others, the Board regularly keeps upcoming environmental and social legislation and its impact on our operations under review to inform relevant strategies and decisions.

The Board reviewed and approved the Sustainability Director and Operations Director joint proposal for the Company’s internal preparations – both local market actions and global packaging design development – to meet the requirements of new extended producer responsibility regulations (a new circular economy initiative to ensure producers take responsibility for the waste generated from market entry to end of life cycle). The Board inputted into and considered the long-term effect (financial, reporting and on packaging design), the environment, consumers and how best to engage with DEFRA and compliance verifiers before approving the proposal.

Strategic Report (continued)

Employee Engagement Statement

As the L’Oréal Group’s fifth largest subsidiary, the Company employs 3,000+ staff across: our London headquarters; offices in Dublin and Cardiff; our distribution centres in Bury, Nottingham and Trafford; hairdressing academies in Dublin and London; sales teams in the field; and beauty advisors in UK and Ireland retail stores.

The Board understands that our people are our greatest strength and that appropriate decisions must be taken for the Company to remain a desirable place to work across all its locations and an employer of choice for all. The Board further understands that the long-term success of the Company relies on (i) an engaged, collaborative and diverse workforce bringing a range of talent, skills and experiences and (ii) an effective talent acquisition and retention strategy. The Company seeks to hear and understand all voices and foster a culture in which people of every social background, gender, age, sexual orientation, disability, religion and ethnicity are not just accepted, but welcomed and valued.

Diversity, Equity and Inclusion (“DEI”)

There are four areas which the Company has made progress on in 2023 to address our strategy of articulating our vision and governance on DEI: (1) Collective Responsibility – the strategy was launched in all employee Townhalls (the Company’s “One L’Oréal business updates”) and Divisional ManCom / Senior Leadership briefings (2) Enhanced Education – with 100% completion of training at a senior leadership level and 70% across the rest of the business (3) Fostering a community through our six Employee Resource Groups (“ERGs”) with education, awareness and engagement around National Inclusion Week. The ERGs work from the grassroots to support the delivery of our DEI strategy, generate ideas to drive inclusion, raise awareness of issues and concerns. The ERG governance has been established through the Executive Leadership Team and HR Leadership Team sponsorship, DEI Learning Fridays and the DEI council strengthened with regular ERG cadence (4) Developed Infrastructure to understand the representation of diverse groups in the organisation through the launch of a voluntary and anonymous self-identification program in January 2024 and based on the results we can refocus our action plan.

Informed by employee feedback brought to its attention, the Board reviewed the DEI strategic frame and focus areas for both 2023 and 2024. These included; refreshing the DEI strategy; reviewing and approval of the Talent Acquisition and Talent Management strategies checking that they aligned with the DEI strategy and with key objectives (e.g. building future leaders, new skills and capabilities, ensuring team diversity to reflect our communities and enhancing early careers); the continued roll-out of a DEI training plan for all employees around fostering a culture of inclusion, continued salary review and increases to ensure we continue to pay the real-living wage for all employees; and a specific strategy to drive gender balance across the organisation, targeting female representation at Board and Executive Leadership level and male representation at entry and mid-level positions.

Gender Balance

The Company is committed to achieving gender balance at all levels, including senior leadership. Our UK&I workforce has 70% female representation across our workforce. The UK&I has a gender-balanced Executive Leadership Team (50%) and Board (60% female). We strive to maintain balance across our workforce through our Gender Balance Action plan. Over the course of 2023 we have improved gender balance through balanced recruitment shortlists, hiring manager training and gender-neutral employer brand messaging to promote equal opportunities. We have developed our female leadership through regular employee training and dedicated initiatives to help develop and nurture female leaders to progress to senior leadership positions. We ensure that we advocate balance across all grades and at all levels for all gender identities and ethnicities.

Examples of how the Board ensures the Company:

[1] Provides employees with information on matters concerning them, engages with employees and raises their awareness of financial and economic factors affecting company performance -

i. Employee Updates

The Company creates regular opportunities – Townhalls, divisional conferences and internal communications - for employees to be regularly updated on: vision and strategy, business performance, national and regional announcements; relevant industry or market context, or other challenges potentially affecting company performance; and other matters of interest such as employee initiatives. Our "One L'Oréal Updates" (virtual Townhalls), which are hosted live by Board members (the Company Managing Director, HR Director and Corporate Affairs & Engagement Director) and other members of the Executive Leadership Team, are attended by more than 1,000 employees, and provide an opportunity to gather as one company and to engage in Q&A sessions with the Company's Leadership on topics employees wish to raise.

Throughout 2023, over 40 internal communications were issued to all employees to keep them informed on a wide range of topics from articulating the Company's strategic focus areas, sharing key information, initiatives and innovations from across the Group, through to topics that may impact employees such as worldwide profit scheme (WPS) results, results from our annual employee survey, a reminder of our ethical commitments and information specifically related to our headquarters move from Hammersmith to White City (see below for further detail). These communications were supported by three all-employee Townhalls and our annual Ethics Day. The Company also held three Townhalls specifically for senior leaders to inform them of key information they need to know to cascade as managers of teams.

ii. Gateway Information Hub - London headquarters office move to Gateway Central

The Company moved into its new London office headquarters in July 2023. Throughout 2023, employees were regularly informed and updated on progress via internally issued communications, dedicated Townhall and Q&A sessions, as well as attending employee workshops and presentations from our industry-leading external specialist consultancy, WKSpace, designed to onboard and support employees in adopting the new ways of working and to helping employees to make the most of the new office environment. The physical move was phased across several stages, allowing for a smooth transition of operations, and minimising disruption to the business. All employees had access to a dedicated Gateway Information Hub on the Company's intranet, a key source of information for details relating to the move to Gateway. Employees were kept up to date with the move programme, the latest news and content, as well as FAQs. Employees were also able to contact internally nominated Change Champions, who were available to answer any questions relating to the move process, and what to expect in the new office. Employees were also given the opportunity to provide feedback on the office following the move through regular, optional drop-in feedback clinics.

iii. One Profile

In 2022 the Company launched One Profile, a new HR information system to put for the first time many HR processes in one single system, from performance management to reward and absence management. In 2023 enhancements were made to the system to further streamline processes, improve data collection and access to information. This included centralising access to payslips, the ability to record remote working days and an improved Year End Compensation review process.

iv. One Payroll

Having launched a new HR information system in late 2022, this was followed in 2023 by the launch of One Payroll, a new Payroll system managed by a third-party partner. This is an alignment to a single payroll solution for L'Oréal group globally, allowing more control and ensuring compliance with group payroll policies and norms, and changes to the local legal framework. Following Board approval, the shift to One Payroll was shared with all employees in a Townhall led by the Company's HR Director, together with the Company's Managing Director and board member.

v. Reward

To support our employees with regard to cost of living, the Company has deployed a combination of levers including salary increase, continuing its commitment to adhere to the Real Living Wage, worldwide profit share (WPS) and a one-off bonus to all employees. In 2023, the Company prioritised (1) embedding a more strategic approach to pay through better benchmarking and improved transparency (2) improving our core benefits offering (extending Group Income Protection to be available from day one rather than after two years, harmonised our pension and life assurance across corporate and retail teams and introduced Menopause support and (3) started a project with an external provider to harmonise and simplify the UK DC pension plan to promote the importance of workplace savings and improve engagement.

[2] Consults employees regularly to take into account their views on matters that affect their interests and engages with them regarding the results -

i. Employee Surveys

The Company’s annual Pulse Survey tracks employee satisfaction and provides a good understanding of employee views and concerns. It also identifies the areas where improvements can be made to make the Company an even better place to work. In 2023, the action plan resulting from the Pulse feedback received centred around the global Simplicity 2 action plan which aims to improve workload and work processes. In addition, all managers were given compulsory training on how to read their team reports with a view to formulating, communicating and activating a relevant action plan. Finally, managers of teams with the highest percentage of least effective team members were offered coaching with an external company, to support them.

The Board has regard to employee interests and concerns by reviewing the employee survey results and by inputting into and approving the action plan proposals. Following Board approval, our new Pulse action plan was shared with all employees in a Townhall led by the Company’s Managing Director and board member and employees were informed of updates on the Pulse action plan, progress against the plan, with opportunities for engagement and Q&A.

ii. Simplicity 2

The Company launched a transformation called Simplicity 2, which aims to drive enablement in the organisation by reducing workload through simplifying processes, which are employee needs also identified through the local Pulse Survey. The programme is made of concrete solutions to ease workload and streamline work processes so that employees can manage their time better and work more efficiently. In 2023, 15 solutions were launched. Two were transversal, focusing on improving meeting culture and fostering psychological safety. The remaining thirteen concentrated on solving processes related to specific business areas. All designed with four different actions in mind: [1] subtracting unnecessary and time-consuming tasks, steps, and meetings, [2] easing workload with digital and tech, [3] simplifying complex or unclear processes and rules and [4] partnering with service providers to handle time-consuming tasks. The Company’s People Development & Learning Team have hosted dedicated Simplicity 2 workshops throughout the year on Psychological Safety and Meetings Efficiency, led by the HR Director and Board member.

[3] Encourages employee involvement in the Company’s performance and raises their awareness of financial and economic factors affecting company performance –

Employee Share Scheme and Profit Share Scheme

The Company encourages employees’ involvement in its performance and continues to offer its annual worldwide profit share scheme to all employees that has run for over twenty years.

Approved by the Board of Directors and signed on its behalf by

E Schaffner
Director

5 April 2024

L'Oréal (U.K.) Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Directors

The directors during the financial year and up to the date of this report were:

G Skingsley (Chair) (resigned 13 March 2023)
T Cheval (appointed 16 November 2020 and Chair 13 March 2023)
E Chiverton (appointed 13 March 2023)
M Haden
O Hubin
E Schaffner

Directors' Indemnities

The Company has not made any qualifying third party indemnity provision for the benefit of its directors during the year. No qualifying third party indemnity provision exists at the date of this report.

Dividend

A dividend of 36.61p (2022: 30.90p) per ordinary share amounting to £148,691,000 (2022: £125,478,000) was paid during the year. A dividend of 41.49p per share has been proposed for the year ended 31 December 2023, amounting to £168,486,000.

Political Donations

No political donations were made (2022: Nil).

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including liquidity risks and credit risks. The use of financial derivatives is governed by the board of directors. The Company does not use financial derivative instruments for speculative purposes. See note 26 for more information on financial risk management and financial instruments.

Liquidity/Cashflow risk – Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The L'Oréal S.A. Group's Treasury & Financing Department manage the liquidity risk worldwide through its short-term marketable instruments programme and confirmed credit lines. The Group's Treasury & Financing Department ensure that the Company is efficiently funded to meet its short, medium and long-term liquidity requirements. As the Company does not have any external loans nor long term debt, it considers its exposure to cashflow risk to be limited.

Currency risk – The Company has significant currency risks mainly due to its purchasing contracts with L'Oréal factories in Europe and throughout the world. It also has a sales exposure where the bulk of sales to Irish customers are collected in Euros. The Company seeks to minimise its risk to fluctuations in foreign currencies through the use of hedging instruments (forward exchange contracts and options). The Company hedges its entire budget risk. No instruments are purchased for speculative purposes. The effectiveness of our hedging contracts is monitored continuously.

Credit Risks – There is always a risk of non-collection of cash receivables due to cash problems encountered by our customers. The Company seeks to alleviate this risk by taking out insurance policies to cover the majority of the potential loss, whilst also closely monitoring debt levels with customers that are uninsured.

Future Developments

An indication of likely future developments have been included in the Strategic Report.

Post Balance Sheet Events

There were no notable post balance sheet date events.

Branches Outside the UK

The Company has one branch operating outside of the UK. This branch supplies the Irish market, with the head office located in Dublin.

Employee Engagement and Disabled Employees

Information concerning how the Company and directors provide information to, consults and encourages involvement from its employees is available in the Employee Engagement Statement in the Strategic Report.

The Company is committed to creating an inclusive environment which starts with recruiting diverse talent. Through the 'Disability & Neurodiversity' Employee Resource Group (ERG), the Company drives the L'Oréal mission of fair treatment, access, advancement and opportunity for all.

Statement of Corporate Governance Arrangements

The Board strives to uphold a healthy corporate culture and to consider all relevant stakeholder interests in strategy and decision-making. Board deliberations are conducted in a spirit that encourages independent thought and challenge, with the aim of balancing risks and opportunities. Governance policies and processes are kept under review by our Board Advisor together with our Chair to ensure evolution in line with regulatory requirements and the wider expectations of private limited companies.

Four Board Meetings were held in March, June, October and December 2023. The agenda was mapped out for the year and finalised per meeting in advance by the Company’s Managing Director & Chair together with the Board Advisor. In addition, decisions were made during the year by written resolutions as necessary. The Board applied the Wates Principles during 2023 as follows:

<u>Principle 1: Purpose & Leadership</u>
In the Q1 board meeting, the Board reviewed and approved the proposal presented by the Company’s Managing Director for the Company’s UK & Ireland 2023 Strategic Frame: this outlined shared priorities and strategic focus areas for commercial growth based on four key pillars and extra-financial commitments based on a further two pillars: namely, a people first, inclusive culture and a purposeful industry leader. The Frame also captured the Company’s purpose to ‘create the beauty that moves the world’ and mission to continue to work as ‘one UK & Ireland team’ to drive sustainable growth. Input into and articulation of this Frame enabled the Board’s awareness for consideration of decisions throughout the year.

The 2023 Frame was communicated to the Company’s employees following board approval. by email, video and in a Townhall presented by the Company’s Managing Director & Chair, HR Director & board member, and the Corporate Affairs Director & board member. The purpose and strategic frame were further embedded into the Company’s culture and workforce through ongoing engagement, internal communications videos and business unit team building strategy days.

To continue to enhance the culture of the Company, the Company’s Managing Director & Chair shared with the Board a proposed Simplicity manifesto, created based on employee feedback, comprising over forty pledged solutions to real issues (such as work efficiencies, streamlining process, behaviours and values, for example, in meetings and focus time). The Board inputted on and approved the manifesto and its internal communication and implementation plan.

<u>Principle 2: Board Composition</u>
Following a board composition review of whether the Board, as constituted at that time, was appropriate in terms of size, backgrounds, diversity and experience, a new board appointment resulted in further improving age and gender diversity.

The Board from March 2023 is comprised of five members: a newly appointed Chair who is the Company’s Chief Executive Officer and Managing Director of the UK and Ireland business (who was formerly a director); Finance Director of the L’Oréal Group Europe Zone; Company Corporate Affairs & Engagement Director; Company Chief Financial Officer; and newly appointed Company Human Resources Director. As a result of this latest appointment, the Board composition became 60% female:40% male, which for the first time is a gender balance in favour of women. The directors collectively possess a balance of skills, experience and knowledge, and the directors individually have the aptitude to make a valuable contribution.

<u>Principle 3: Director Responsibilities</u>
The Chair brings relevant aspects of the Company’s adopted corporate governance code, the Wates Principles, and associated policies and processes to the Board, as appropriate to the topic tabled, to ensure a clear understanding of duties, accountability and how to apply the principles.

With a view to ongoing professional development of the Board, the Chair scheduled a special purpose meeting in June 2023 at which external legal counsel together with the Board Advisor conducted a three training sessions: the first for the new Board member on consideration of stakeholders and Section 172 factors and director duties; the second for all Board members on effective corporate governance, how to inject independent challenge as executives and how the Board’s governance policies and procedures support good decision-making; and the third for the new Chair with focus on the role of chair and its responsibilities.

The Board Advisor role to support the Chair and Company Secretary to ensure good governance continued to: keep governance processes such as the established Section 172 & Stakeholder dashboard under review and propose new initiatives to bolster better governance; establish and oversee a robust internal process to ensure the quality of information presented enabled the Board to effectively oversee, challenge and make decisions; create a rolling agenda to ensure relevant issues are elevated to the Board for their information, review, input and/or decision making at a suitable cadence; and ensure a comprehensive Board pack is available for review one week in advance of meetings that signpost the Board to applicable Section 172 factors and stakeholder engagement issues, provide a summary of the item and inform the Board what action is expected.

Principle 4: Opportunity and Risk

Examples of decisions taken by the Board during 2023 to promote the long-term sustainable success of the Company are set out above in the Strategic Report and Section 172 Statement. The Company’s Head of Internal Control maintains, together with relevant senior executives, a risk register for the Board to identify financial, non-financial and reputational risks faced by the Company. In the October 2023 Board meeting, the risk register was tabled for Board oversight, with a particular focus on new risks and the evolution of the top ten risks over the last five years, with necessary adjustments made as agreed to risk classification, prioritisation and mitigation. See page 2 in our Strategic Report for more information on the market the Company operates in and assessment of opportunity and risk.

In the December 2023 Board meeting, a decision was taken to formally establish a risk committee led by the Head of Internal Control, with a number of sub-committees to include the existing anti-corruption committee and newly formed health and safety sub-committee and newly formed climate-related risks and opportunities sub-committee.

Principle 5: Remuneration

L’Oréal S.A. sets the remuneration level of Board members within structures aligned to the long-term sustainable success of the Company and the Group.

Principle 6: Stakeholder Relationships and Engagement

The Board is responsible for nurturing and upholding the culture, values, standards, ethics and reputation of the Company to ensure that obligations to shareholders and stakeholders are met. The Board considers each matter before it in the context of potentially affected stakeholders and our Chair manages meaningful Board engagement and that stakeholder interests are carefully considered as part of the decision-making process. The Board takes account of the broader socio-economic and environmental context within which the business operates and, during interactions with stakeholders, Board members take care to foster those relationships and gain insights that may assist in the exercise of their duties. The Company’s stakeholders and examples of how this Principle has been applied are included in our Stakeholder Engagement Statement and Section 172 Statement.

Directors' Report (continued)

Carbon and Energy Emissions Statement

The Company is committed to minimising the environmental impacts of our business activities by complying with accepted environmental practices, including the commitment to meet, or where possible, exceed the requirements of relevant environmental legislation. In the current year, the Company has continued its efforts to increase monitoring and evaluation of energy usage, enabling Streamlined Energy and Carbon Reporting disclosures to be made in line with the Greenhouse Gas Protocol.

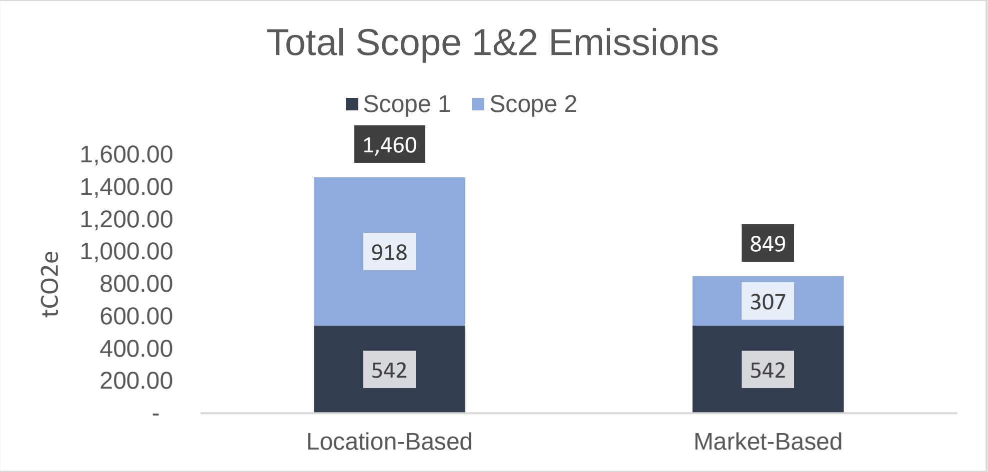
We have reported on all sources of carbon emissions and energy usage required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

TOTAL UK & IRELAND 2023 EMISSIONS (Scope 1 & 2)

A few organisational boundary changes were introduced in the calculation of our 2023 Scope 1 and 2 footprint, compared to the calculation of our 2022 Scope 1 and 2 footprint. Since data collection processes were not in place to enable us to collect this data retrospectively, we cannot make a meaningful comparison of our 2023 consumption and emissions using our 2022 figures. Going forward, we intend to keep using the methodology that was used to calculate the 2023 Scope 1 and 2 footprint. Therefore, comparisons will be made using this new methodology.

NEW METHODOLOGY USED FOR 2023 REPORTING					OLD METHODOLOGY USED FOR 2022 REPORTING	
Approach	**Scope**	**Site Type**	**Emissions (tCO2e) 2023**		**Emissions (tCO2e) 2023***	**Emissions (tCO2e) 2022***
NA	Scope 1	All	**541.83**		**4.46**	6.06
Location-Based	Scope 2	All	**917.75**		**NA**	NA
Market-Based	Scope 2	All	**306.67**		**NA**	NA
Location-Based	NA	All	**1,459.58**		**4.46**	6.06
Market-Based	NA	All	**848.50**		**4.46**	6.06

*** ***For transparency purposes and to allow comparison, we have included CO2 emissions data published in 2022 and added 2023 data calculated using the same methodology applied in 2022 reporting. In 2023, we added CO2 emissions connected to "Fleet Fuel", which were not part of the reporting subset in 2022. Due to the methodology update for 2023 reporting and the retrieving process of past data being impractical, 2022 and prior periods won't be restated. The information and the knowledge needed are not immediately available to retrospectively update the reported numbers, and not easily obtainable.*



Energy Usage per Emission Source

Emission Source	Unit	Consumption - 2023	Consumption – 2022*
Stationary Fuel	(kg)	846	1,530
Natural Gas	(kWh HHV)	4,524,542	4,592,987
Fleet Fuel	(km)	7,894,926	-
Refrigerants	(kg)	-	-
Electricity	(kWh)	3,262,306.60	3,259,289

**The change in methodology does not allow a "like-for-like" comparison between 2022 and 2023. Specifically, "Fleet Fuel" Emission Source was not part of 2022 tracking; that explains why overall Energy Use appears lower in 2022.*

1. Organisational and Inventory Boundaries

- The reporting boundary used for collation of the above data is aligned with the boundaries of the financial statements.
- The 'control approach: operational' has been adopted to account for 100% of the Greenhouse Gas Emissions from operations over which L'Oréal (UK) Limited have control.
- No site has been excluded from the Organisational Boundary.
- Scope 2 emissions have been calculated following both location-based and market-based approaches.

2. Reporting Period: January to December (calendar year) 2023

3. Ratio Performance Indicators: Number of Finished Goods units for Operations

	NEW METHODOLOGY USED FOR 2023 REPORTING		OLD METHODOLOGY USED FOR 2022 REPORTING	
	2023		2023*	2022*
FG units sent (millions)	**368.47**		**368.47**	385.2
Intensity Ratio (Location-based)	**3.96**		**0.01**	0.02
Intensity Ratio (Market-based)	**2.30**		**0.01**	0.02

**The change in methodology does not allow a "like-for-like" comparison between 2022 and 2023. Specifically, "Fleet Fuel" Emission Source was not part of 2022 tracking; that explains why Intensity Ratio appears higher under the updated methodology boundaries used in 2023.*

4. Scopes & Emission Sources

Scope 1	All direct emissions released within the organisational boundaries
	Combustion of fuels in boilers, heaters
	Combustion of fuels in company-controlled haulage and car fleet
	Fugitive emissions - F-gas emissions
Scope 2	Indirect emissions from imported energy (electricity, heat, steam)
	Electricity
Note	No emission source has been excluded

5. Emission Factor Sources

- BEIS (The Department of Business, Energy, and Industrial Strategy)
- IEA (The International Energy Agency) – Location Based Approach
- SEAI (Sustainable Energy Authority or Ireland) - Location Based Approach
- AIB (Association of Issuing Bodies) – Market Based Approach

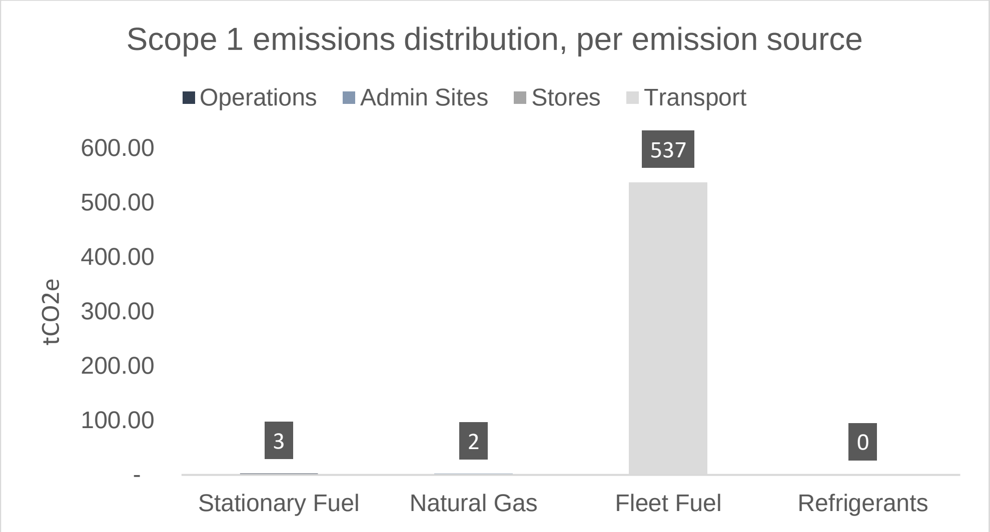
L'Oréal (U.K.) Limited

Directors' Report (continued)

6. Annual UK & Ireland Emissions

Scope 1 - Direct GHG emissions

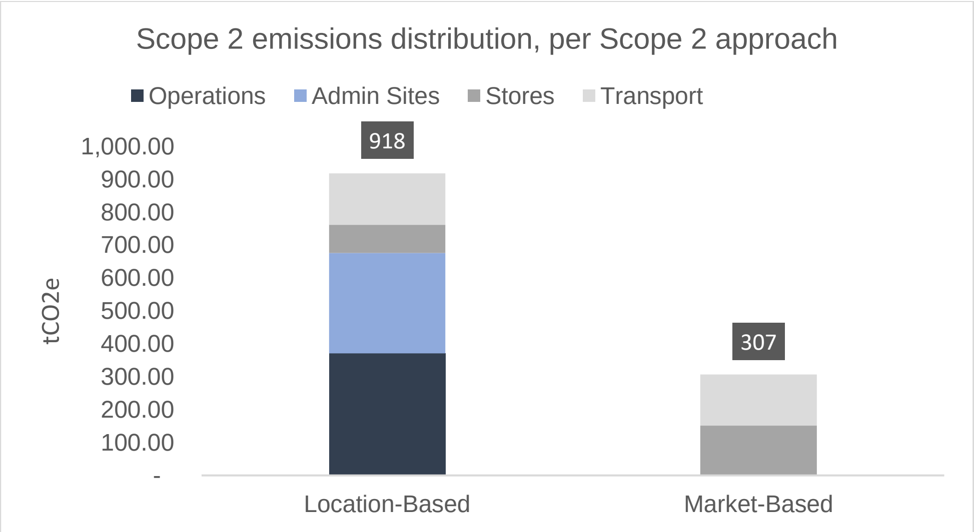
(Includes emissions from activities owned or controlled by the Company that release omissions into the atmosphere. Examples include emissions from Fuels combustion, owned transport, fugitive emissions, and process emissions)



Scope 2 – Energy indirect emissions

(Includes emissions from own consumption of purchased electricity, heat, steam, and cooling. These are a consequence of the Company's activities but are from sources not owned/controlled).

Approach	Unit	Consumption	Emissions (tCO2e)
TOAL LOCATION-BASED	**(kWh)**	**3,666,420**	**917.75**
TOTAL MARKET-BASED	**(kWh)**	**3,666,420**	**306.67**



7. Scope 1 & 2 Emission Reduction Initiatives

The reductions in total energy consumption across the four main sites have been attributed to the overall reduction in gas consumption and fuel oil consumption, also connected to L’Oréal (UK) Limited moving its headquarter to Gateway Central, a new building that has achieved top accreditations for efficient power use and broad sustainability excellence (BREEAM Outstanding, EPC A, WiredScore Platinum, WELL Gold enabled, 100% sustainably sourced timber).

Additionally, across the three distribution centres we have progressively introduced thermal imaging survey to identify energy efficiency opportunities and LED warehouse lighting.

Non-Financial Sustainability Information Statement

Conscious of the climate emergency, L’Oréal Group intends to transition to an innovative low-carbon company model and will make increasing contributions to combating climate change. In June 2020, L’Oréal Group announced its sustainability goals, captured in its L’Oréal for the Future (L4TF) programme, which includes a set of ambitious objectives over the entire value chain for 2030: efforts to combat climate change, preservation of water resources, forestry, and biodiversity.

In the same year, L’Oréal Group also committed to adopt the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). L’Oréal Group committed to incorporate climate issues in their strategy and to provide consistent, reliable, and clear information to allow investors to consider climate-related financial risks in their decisions. Along with this move towards a low-carbon transition, L’Oréal Group intends to fully manage the risks and opportunities related to climate change, anticipate their effects and ensure its resilience. L’Oréal Group is adapting its business model, governance and decision-making processes, research and operations in respect of its values and sense of purpose: “Create the beauty that moves the world.” A detailed assessment of L'Oréal Group’s risks and opportunities, following the TCFD frame, can be found in the 2023 L’Oréal Group Universal Registration Document.

In alignment with the L'Oréal Group’s L4TF programme, the Company has also set local strategies aimed to reduce its overall environmental and carbon footprint, that ladder up to the L'Oréal Group’s overall decarbonisation roadmap. In 2023, the Company commenced the implementation of the Department of Business, Energy, and Industrial Strategy’s 2022 climate-related financial disclosure regulations guidance (Guidance). This disclosure highlights the initial steps taken by the Company as it endeavours to enhance its practices on an ongoing basis to work towards aligning with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (Regulations).

GOVERNANCE AND RISK MANAGEMENT

The Board approved the Company’s set up of a new Climate Risks and Opportunities (CRO) Sub-Committee, as part of a wider Risk Committee, to be responsible for identifying and considering CROs. The CRO Sub-Committee convenes quarterly and consists of senior executives and subject matter experts, (co-chaired by Sustainability Director and Corporate Finance Director, and also includes Operations Director, EHS Property & Security Director, EHS & Facilities Project Manager, Physical Distribution Director, Supply Chain Project Manager and Sustainability Business Leader). Its core mandate is responsibility to manage comprehensive strategies aimed at mitigating risks and leveraging opportunities associated with climate dynamics, defining annual climate-related objectives and ensuring their deployment throughout the Company’s value chain. The CRO Sub-Committee’s role is to act as the principal body responsible for annually informing the Board about the identification, assessment and management of climate change impacts on the Company's operations and prospects.

The Company started its work to implement the Regulations and the Guidance by formulating a CRO register, tailored to its existing business model, operational characteristics and financial framework. The analysis and report delved specifically into CROs pertaining to the Company's operations at a subsidiary level, distinct from the broader perspective of L’Oréal Group. The CRO Sub-Committee aims to regularly evaluate the CRO register, at a minimum annually.

Given the nature of the business, it is critical to highlight that L'Oréal Group remains responsible for sourcing and manufacturing finished goods, whilst the Company is a subsidiary within the L'Oréal Group that carries out their distribution. Therefore, the risks and opportunities identified, relate to the indirect effects that the L'Oréal Group’s procurement strategies and connected climate interactions, might have on the distribution and selling model of the Company. It is also important to pinpoint that the Company will be working on the identification of CROs that are relevant at subsidiary level, with an impact on the local business, whilst ensuring that the management strategy is consistent with L’Oréal Group’s TCFD.

The Board dedicated its Q4 meeting to hold a CRO prioritisation workshop, together with the participation of senior executives to gain insights from a diverse perspective of experts. The objectives were to foster a deep understanding of how to manage CROs and to prioritise identified CROs that could impact the current business model. This session involved assessment and ranking of CROs through qualitative scenario analysis, identifying those of utmost materiality. At present, CROs are not incorporated into the overarching risk management framework and the Company aims to integrate CROs management into the overall approach to risk management.

STRATEGY

The Company has identified CROs relating to physical and transition aspects of climate change. While significant progress has been made in reporting on CROs, the Company will next focus on considering understanding the resilience of the business model and strategy in the face of both the physical and transition risks posed by climate change over time.

The in-depth analysis conducted delved into the identification and prioritisation of these risks through a qualitative assessment of their impacts, employing two principal scenarios to each CRO: a current policies scenario and a stress scenario[1].

When identifying CROs, different time horizons[2] have been considered for when these issues could occur.

The table below summarises the principal CROs, along with descriptions of their actual and potential impacts on the Company’s business model and strategy. Whilst at present the Company has not undergone a full assessment of its business resilience against the identified climate risks, the Board believes it is resilient enough against the major risks that have been identified.

To identify the below risks and opportunities, the following assumptions and estimates have been taken into consideration:

- A qualitative scenario analysis has been conducted.
- 2 scenarios have been considered (current policies and net zero).
- For the prioritisation exercise, a timeframe of 10 years was considered, with intention to further explore the impacts of the short to long term horizons against the identified CROs.

---

[1] Although the Company concentrated solely on qualitative scenario analysis, the below scenario definition was used.
Transition Scenarios: Comparison between a current policy trajectory leading to ~3°C of warming and an accelerated transition scenario leading to global temperatures being held below 1.5°C.
Physical Risk Scenarios: Comparison between a current policy trajectory leading to ~3°C of warming and a policy failure scenario in which global temperatures exceed 4°C.

[2] The scenario analysis focused on a 10-year period. The definition and determination of short, medium, and long-term timeframes are currently under development, reflecting ongoing efforts to establish methodologies and assessment criteria. For now, the Company defined “short” (1-2 years), “medium” (3-5 years) and “long-term” (5-10 years).

CATEGORY	CRO NAME	BRIEF DESCRIPTION	VALUE CHAIN IMPACT	VALUE DRIVER AFFECTED	TIMEFRAME	ACTIONS
TRANSITION RISK	Legislation: Packaging and Packaging Waste Regulation (PPWR) & Extended Producer Responsibility (EPR).	Manufacturers, and distributors – like the Company – are held accountable for their environmental impact on the product value chain, and will be subject to pay financial fees, as set by the relevant regulations.	Upstream	Cost	Short-term to Long-term	The Company identifies the need to continually prioritise the development and distribution of packaging solutions with a better environmental footprint, designed for recycling in adherence with local packaging guidelines, and the continued investment in take-back schemes, and consumers' education. In response to EPR and PPWR policies, which it supports, the Company is adapting its distribution strategy, to be compliant and will contribute to local municipalities' capabilities to create better collection, sorting and recycling streams.
PHYSICAL RISK	Increasing frequency of weather-related events (e.g., heatwaves and floods) and the impact on supply chain.	The Company is exposed to increased risks of natural origin, that could impact the availability of finished products by disrupting the Company's operations. To be sold, the products manufactured by the L'Oréal Group must be available in the market on the dates scheduled to respect consumer's demand and launch plans. Stoppage of activity at the Company's distribution centres could therefore have an adverse effect on the achievement of commercial objectives.	Upstream	Procurement cost - Supplier	Medium-term	Adoption of robust risk management strategies to mitigate weather-related effects, including ensuring resilience, continuity, and adaptability of the local supply chain.
OPPORTUNITY	Electrification of 3P logistics and transport efficiency initiatives reduces logistics costs.	Opportunity to reduce fuel and operational expenses and lower the Company's Scope 3 emissions, reducing exposure to future potential carbon taxes.	Logistics	Logistics cost saving – 3PL	Medium-term	This opportunity involves adopting electric-powered logistics and improving transport. The Company is looking at implementing strategies like streamlined route planning and Green Last Mile initiatives,
OPPORTUNITY	Selling more sustainable products can contribute towards costs-reduction.	By offering products that align with growing consumer demand for sustainability and meet regulatory requirements, the Company can tap into a market segment that values greener and responsible choices, potentially leading to: i) reducing its exposure to Plastic Packaging Tax; and ii) increasing sales and revenues with new product offerings that appeal to a wider range of consumers.	Downstream	Cost saving / new revenue streams	Medium-term to Long-term	The Company has agreed on the importance of selling products with an improved environmental footprint. The Company aspires to meet consumers' demand for sustainability, and raise awareness around carbon footprint of products, with the ultimate objective of driving consumers' behavioural shifts towards more sustainable solutions and responsible choices. To this purpose, the Company's intention is to work in partnership with its wider business ecosystem, including retailers and consumers.

Directors’ Report (continued)

METRICS AND TARGETS

In 2019, the L'Oréal Group has joined the United Nations Business Ambition for 1.5°C initiative, reinforcing its dedication to achieving net-zero CO_2 emissions by 2050. As part of this commitment, L’Oréal Group, including its subsidiary the Company, has pledged to achieve a 25% reduction in greenhouse gas emissions across its entire value chain (Scopes 1, 2 and 3) in absolute terms (tonnes of CO_2 equivalent) by 2030. Additionally, there is a targeted 50% reduction per finished product for all products that will be distributed on the market by 2030, relative to the baseline year of 2016.

While the Company adopts metrics and targets that are in line with the broader L’Oréal Group, it is important to note that, given this year’s disclosure on CROs, most metrics and targets are currently in the developmental phase. The Company intends to conduct a review to elaborate on and refine the targets utilised for managing CROs to effectively evaluate the progress achieved.

Nevertheless, following L’Oréal Group targets, the Company has committed to:

- Maintain carbon neutrality on Scope 1 and 2 across all our sites (3 distribution centres and 1 admin site), by a continuous process of energy efficiency improvement, and using 100% renewable energy.
- By 2030, our strategic suppliers will reduce their direct emissions (scopes 1 and 2), by 50% in absolute terms, compared to 2016.

The Company will monitor and assess progress in meeting the above targets, through an annual assessment of Scope 1 and 2 emissions and strategic suppliers’ engagement to understand the progress against direct emission reductions within the supply chain. While these targets relate to direct emission reductions and upstream Scope 3 emissions, progress will be made to both expand the current assessment of the Company’s emissions to quantify indirect emissions and subsequently revisit targets to ensure alignment where possible to risks that have been identified. Performance against these targets will be reported annually in Scope 1 and 2 emission reductions initiatives as part of the Carbon and Energy Emissions Statement. L'Oréal Group performance and disclosure against targets will directly influence the Company’s performance related to supplier direct emissions.

The Company aims to develop key performance indicators to monitor and assess progress against targets used to manage CROs once targets have been revisited and agreed upon by the CRO Sub-Committee.

Statement of Directors’ responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 ‘*Reduced Disclosure Framework’*. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

Each director who held office at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company’s auditors is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditor

A resolution to reappoint Deloitte LLP as auditor will be put to the members at the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by

E Schaffner
Director

5 April 2024

Independent auditor’s report to the members of L’Oréal (U.K.) Limited

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of L’Oréal (U.K.) Limited (the ‘Company’):
- give a true and fair view of the state of the company’s affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information
The other information comprises the information included in the strategic reports and directors’ report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor’s report to the members of L’Oréal (U.K.) Limited (continued)

Responsibilities of directors
As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 auditor’s report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
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.

We considered the nature of the company’s industry and its control environment, and reviewed the company’s documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company’s business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company’s ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas:

Year-end and promotional rebates:

We assessed that the year-end and promotional rebates balance presents the greatest potential for fraud. This is based on the balance requiring significant judgement and estimation in assessing estimated amounts payable based on forecasted sell-out to the end customer. The procedures we performed were as follows:

- assessed appropriateness of the valuation method of year-end and promotional rebates, and the consistency of the accounting methods compared to the prior year;
- tested appropriateness and accuracy of the rebates recorded in the year, and the rebate provision calculations at year-end by tracing to terms of agreements and other supporting documents. Ensured conditions are met to recognise the rebates by obtaining sufficient external documentation, paying specific attention to the cut-off;
- performed control testing of the management’s internal controls over year-end and promotional rebates;

Independent auditor’s report to the members of L’Oréal (U.K.) Limited (continued)

- for a sample selected in accordance with firm methodology, performed substantive testing on the accuracy and appropriateness of rebates recorded over the period and rebate provision calculations at year-end by agreeing to terms of agreements and other supporting documents;
- ensured that for the main commercial agreements, all material rebates have been provided for at year end;
- performed a review of year-end rebate provisions and rebate cost in the year, by comparison to prior year and our expectations;
- performed a retrospective review of rebates, discount payment schedules at the previous year-end and challenge any amendments; and
- performed a review of the ageing of rebates provisions by challenging the validity of amounts aged above one year in the balance sheet.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent Auditor’s Report to the Members of L’Oréal (U.K.) Limited (continued)

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Longley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
5 April 2024

L'Oréal (U.K.) Limited

Income Statement
For the year ended 31 December 2023

	Note	2023 £million	2022 £million
Turnover	3	**1,434.7**	1,267.5
Cost of sales		**(530.2)**	(470.9)
Gross profit		**904.5**	796.6
Advertising and promotion expenses		**(455.8)**	(392.7)
Government grants	4	**-**	0.3
Selling, general and administrative expenses		**(235.9)**	(219.7)
Operating profit	5	**212.8**	184.5
Finance costs	6	**(1.9)**	(0.8)
Finance income	7	**9.1**	4.9
Finance income - net		**7.2**	4.1
Profit before taxation		**220.0**	188.6
Tax on profit	9	**(51.5)**	(39.9)
Profit for the financial year		**168.5**	148.7

All amounts relate to continuing operations and are attributable to the equity shareholders of the Company.

Statement of Comprehensive Income

For the year ended 31 December 2023

	Note	2023 £million	2022 £million
Profit for the financial year		**168.5**	148.7
Other comprehensive expense:			
Items that may not be reclassified to profit or loss			
Actuarial loss on defined benefit obligations	21	**(20.6)**	(68.5)
Taxation on defined benefit obligations	9	**5.2**	17.2
Items that may be reclassified to profit or loss			
(Loss)/Gain on cash flow hedges	26	**(7.9)**	10.6
Deferred taxation on cash flow hedges	23	**1.9**	(2.2)
Total other comprehensive expense for the year, net of tax		**(21.4)**	(42.9)
Total comprehensive income for the year		**147.1**	105.8

L’Oréal (U.K.) Limited

Statement of Financial Position
As at 31 December 2023

	Note	2023 £million	2022 £million
ASSETS			
Non-current assets		**206.1**	204.8
Goodwill	11	**2.8**	2.8
Other intangible assets	11	**5.8**	6.4
Tangible assets	12	**45.0**	22.9
Right of use assets	13	**90.3**	95.5
Investments	14	**0.6**	0.3
Employee retirement surplus and related benefits	21	**61.6**	76.9
Current assets		**601.0**	579.1
Inventories	15	**69.5**	64.9
Trade and other receivables	16	**328.5**	270.7
Other current assets	17	**19.9**	14.6
Derivative financial instruments	26	**5.9**	10.0
Current tax		**-**	1.7
Cash and cash equivalents		**177.2**	217.2
TOTAL		**807.1**	783.9
EQUITY AND LIABILITIES			
Capital and reserves		**212.2**	211.0
Issued share capital	18	**101.5**	101.5
Share premium account	18	**0.3**	0.3
Other reserves	19	**(72.6)**	(75.4)
Retained earnings		**183.0**	184.6
Non-current liabilities		**111.3**	108.5
Provisions for liabilities	22	**9.9**	9.7
Deferred tax	23	**17.6**	17.9
Lease liabilities	13	**83.8**	80.9
Current liabilities		**483.6**	464.4
Trade and other payables	24	**277.6**	260.0
Provisions for liabilities	22	**7.7**	15.3
Other current liabilities	25	**185.2**	173.2
Current tax		**0.5**	-
Lease liabilities	13	**4.8**	9.5
Derivative financial instruments	26	**7.8**	6.4
TOTAL		**807.1**	783.9

The notes on pages 34 to 60 form an integral part of these financial statements.

The financial statements on pages 30 to 60 were approved by the board of directors and signed 5 April 2024 on its behalf by:

E Schaffner
Director

L’Oréal (U.K.) Limited
00271555

Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £million	Share premium account £ million	Other reserves £million	Retained earnings £million	Total Equity £million
Balance at 1 January 2022	101.5	0.3	(85.5)	212.7	229.0
Profit for the financial year	-	-	-	148.7	148.7
Other comprehensive expense for the year:					
Actuarial loss on defined benefit obligations	-	-	-	(68.5)	(68.5)
Taxation on defined benefit obligations	-	-	-	17.2	17.2
Gains on cash flow hedges	-	-	10.6	-	10.6
Deferred taxation on cash flow hedges	-	-	(2.2)	-	(2.2)
Total comprehensive income for the year	-	-	8.4	97.4	105.8
Dividend paid	-	-	-	(125.5)	(125.5)
Equity settled share-based payment expense	-	-	1.7	-	1.7
Balance at 31 December 2022	101.5	0.3	(75.4)	184.6	211.0
Profit for the financial year	-	-	-	168.5	168.5
Other comprehensive expense for the year:					
Actuarial loss on defined benefit obligations	-	-	-	(20.6)	(20.6)
Taxation on defined benefit obligations	-	-	-	5.2	5.2
Loss on cash flow hedges	-	-	(7.9)	-	(7.9)
Deferred taxation on cash flow hedges	-	-	1.9	-	1.9
Total comprehensive income for the year	-	-	(6.0)	153.1	147.1
Dividend paid	-	-	-	(148.7)	(148.7)
Equity settled share-based payment expense	-	-	2.8	-	2.8
Transfer to retained earnings for discontinued business (note 19)	-	-	6.0	(6.0)	-
Balance at 31 December 2023	**101.5**	**0.3**	**(72.6)**	**183.0**	**212.2**

Notes to the Financial Statements

1. General information

L'Oréal (U.K.) Limited is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is Gateway Central, 187 Wood Lane, London, W12 7SA.

The Company's principal activities are the sale and distribution, in the UK and Ireland, of beauty products, hair care, make up, fragrances and skincare under a variety of brands owned by the parent company.

The Company operates through four main divisions and our products are distributed through various channels including retailers, department store chains, beauty and hair salons, wholesalers, online retailers, pharmacies and dermatology practitioners.

These financial statements are presented in pounds Sterling which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out below.

Foreign currency transactions are translated at the rate effective at the transaction date. Monetary assets and liabilities denominated in foreign currencies have been translated using exchange rates effective at the end of the reporting period. Gains and losses from foreign currency transactions are included in the Income Statement.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, *FRS 101 Reduced Disclosure Framework*. These financial statements have been prepared under the historical cost convention with the exception of financial instruments which are recognised at fair value at the end of the reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods or services. Significant accounting policies have been included in the relevant notes to which the policies relate.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

1) Paragraphs 45b and 46 to 52 of *IFRS 2 Share-based payment* (details of the number and weighted average exercise prices of share options, and how the fair value of goods and services received was determined).
2) *IFRS 7 Financial Instruments: Disclosures.*
3) Paragraphs 91 to 99 of *IFRS 13 Fair value measurement* (disclosure of the valuation techniques and inputs used for fair value measurement of assets and liabilities).
4) The requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of *IFRS 15 Revenue from contracts with customers*.
5) Paragraph 38 of *IAS 1 Presentation of financial statements,* comparative information requirements in respect of:
    - paragraph 79 (a) (iv) of *IAS 1 Presentation of financial statements*
    - paragraph 73 (e) of *IAS 16 Property, plant and equipment*
    - paragraph 118 (e) of *IAS 38 Intangible assets* (reconciliation between the carrying amount at the beginning and end of the period).
6) The following paragraphs of *IAS 1 Presentation of financial statements:*
    - 10 (d) (statement of cash flows)
    - 10 (f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
    - 16 (statement of compliance with all IFRS)
    - 38A (requirement for a minimum of two primary statements, including cash flow statement)
    - 38B-D (additional comparative information)

2. Significant accounting policies (continued)

- 40A-D (change in accounting policy, retrospective of reclassification)
- 111 (cash flow statement information)
- 134 to 136 (capital management disclosures).

7) *IAS 7 Statement of cash flows.*
8) Paragraph 30 and 31 of *IAS 8 Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
9) Paragraph 17 and 18A *IAS 24 Related party disclosures* (key management compensation).
10) The requirements in *IAS 24 Related party disclosures* to disclose related party transactions entered into between two or more members of the group.
11) Paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of *IAS 36 Impairment of assets* (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management’s approach to determining these amounts).

The Company is exempt from the requirements of *IFRS 8 Operating Segments* on the grounds that its shares are not traded on the stock exchange. Segmental data is included in the consolidated financial statements of the parent company, L’Oréal S.A., and these can be obtained as set out in note 28.

Going concern

The directors have assessed the relevant business risks and believe that the Company is well placed to manage these risks successfully. The Company is operationally and financially strong.

We have considered various impacts including the Wars in Ukraine and Gaza, as well as the cost-of-living crisis driven by inflation and interest rate increases in the UK and their impacts on the economy and consumers.

Based on these factors we have looked at our business and its forecasted evolution, our beauty market by category, developments in our brands and our program for new launches.

We have considered revenues, profits and cash flows.

In the remainder of 2024 and beyond we continue our usual aggressive plan of new product launches and business drivers to stimulate, in partnership with our retail partners, the continued consumption of beauty products. We remain determined to outperform the market, find again the path to growth, and deliver solid profitability. We are satisfied that our profit levels will be maintained at healthy levels, our credit levels are well controlled, and there are no significant risks to the cash position. L’Oréal UK, as part of the larger L’Oréal Group, has access to significant liquidity.

We are part of the L’Oréal group cash-pooling regime which means that our access to credit is not an issue and falls within the Group’s financial resources. We have no debt, we do not foresee the need for any long term facilities and any short term requirements are simply managed centrally at a group level.

In our opinion we are satisfied that the business is a going concern, we have a very strong position in our markets which we intend to strengthen further with our marketing programme and plans for the coming year.

The directors have, at the time of approving the financial statements, an expectation that the Company, being part of the L’Oréal worldwide banking arrangement, has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements. For this reason, we continue to adopt the going concern basis of accounting in preparing the financial statements.

.

2. Significant accounting policies (continued)

Consolidated financial statements

The Company is a wholly-owned subsidiary of L'Oréal S.A. and is included in the consolidated financial statements of L'Oréal S.A. which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, nor IFRIC interpretations that are effective for the year ended 31 December 2023 that have a material impact on the company's financial statements.

True and fair override not to amortise goodwill

The Company Statement of Financial Position shows acquired goodwill at a value of £2,765,000 relating to the professional haircare brand, Matrix. The Matrix brand continues to grow thanks to the success of innovative hair products especially made for hairdressers and salons; therefore, the directors consider it appropriate to assign an indefinite life to the goodwill. Goodwill is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment.

Paragraph 28 of schedule 9 to the Companies Act 2006 requires that goodwill carried on the Statement of Financial Position should be amortised. The directors consider that it is appropriate to depart from this requirement in order to comply with the overriding requirement for the financial statements to show a true and fair view. If this goodwill was amortised over a period of 20 years, it would have a zero net book value at the end of the reporting period date.

Critical accounting judgements and key sources of estimation uncertainty

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

There are no critical accounting judgements to be disclosed. The below constitute key sources of estimation uncertainty.

Year end and promotional rebates

The Company accrues for year-end rebates payable to customers. The rebate is usually agreed annually and will be conditional based on the customer meeting some targeted objectives. Promotional allowances are used by the Company to drive sales by incentivising a customer to sell promotional units during a limited time period. The Company can have multiple promotional arrangements in place with its customers. The value of the promotional allowance payable is subject to the number of units sold. An accrual is created based on management's best estimate of the level of success of the promotional activity and the accrual is reviewed and revised regularly. The total accrual recognised at 31 December 2023 is £122.3m (2022: £114.5m) and is included in note 25.

2. Significant accounting policies (continued)

Defined benefit scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Actuaries estimate these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. An asset of £61.6m has been recognised at 31 December 2023 (2022: asset of £76.9m) the details of which are set out in note 21.

3. Turnover

Accounting policy

IFRS 15 Revenue from contracts with customers defines a five-step model which should be applied to contracts with customers in order to determine when revenue should be recognised and at what amount. Revenue from the sale of goods to wholesalers is recognised once control of the goods is transferred to the customer and the customer has control, which is the date of dispatch from the distribution centre. Products are not sold on a 'sale and return' basis; however, a refund liability is recognised where the Company may accept a return of unsold or outdated products. This refund liability is presented within provisions for liabilities.

For the sale of goods online, revenue is recognised at the point of dispatch.

For sales of goods to consumers in our stores, revenue is recognised when the customer obtains control of the goods, which is when the transaction is completed in store.

Turnover comprises the amounts receivable for goods provided outside the L'Oréal S.A. group in the normal course of business, net of value added tax, customer allowances and returns. Incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes are also deducted from sales.

Turnover originates from the United Kingdom. The geographical destination of turnover is the United Kingdom and Ireland.

Customer allowances

The Company grants a number of price concessions to its customers which are recognised within turnover. These concessions can take various forms such as quantitative rebates, promotional allowances and consumer coupons and are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner. Amounts accrued for customer allowances require a degree of estimation which will be based on the terms as indicated in the contract, sales volume, anticipated redemption rate based on past experience and statistics. The actual amounts paid may be different from the estimate. Accruals are monitored regularly and adjusted by the end of the year where necessary, but an adjustment may be required to be recorded in the following year.

Accruals for expected payments are included in other current liabilities.

4. Government grants

Accounting policy

A Government grant is recognised within other receivables when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. Grants are recognised gross as other operating income within operating profit in the Income Statement at a point in time to match the timing of the recognition of the related expenses that are intended to compensate.

During the year the Company did not receive any Government support. During 2022 the Company automatically received Business Rates Relief of £306,000 as part of its business support following the Covid 19 pandemic.

Notes to the Financial Statements

5. Operating profit

	2023 £million	2022 £million
Operating profit is stated after charging/(crediting):		
Wages and salaries	**166.7**	143.8
Social security costs	**19.7**	18.5
Defined contribution pension	**15.2**	13.4
Defined benefit pension	**2.2**	3.5
Equity settled share-based payments	**2.5**	2.4
Staff costs	**206.3**	181.6
Impairment charges on tangible assets	**0.2**	0.2
Impairment charges on right of use assets	**0.0**	0.8
Cost of inventories recognised as an expense	**407.5**	365.1
Write downs of inventories recognised as an expense	**(0.6)**	9.0
Impairment credit recognised on trade receivables	**(0.5)**	(0.1)
(Gain)/Loss on foreign exchange	**(4.4)**	5.5
Costs of hedging transactions	**7.9**	2.9
Audit fees payable to the company auditor	**0.4**	0.4

6. Finance costs

	2023 £million	2022 £million
Lease liabilities	**1.8**	0.8
Other interest costs	**0.1**	-
	1.9	0.8

7. Finance income

	2023 £million	2022 £million
Bank interest	**5.4**	2.0
Net interest income on defined benefit pension plan	**3.7**	2.9
	9.1	4.9

Notes to the Financial Statements

8. Employees and directors

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

	2023 Number	2022 Number
Selling and distribution	**2,728**	2,631
Administration	**447**	467
	3,175	3,098

Directors’ emoluments:	**2023 £million**	2022 £million
Aggregate emoluments	**1.8**	1.6
Aggregate gains on exercise of share incentives	**0.8**	0.8
Aggregate emoluments	**2.6**	2.4

Highest paid director:	**2023 £million**	2022 £million
Aggregate emoluments (excluding pension costs)	**0.8**	0.7
Aggregate gains on exercise of share incentives	**0.8**	0.7
Aggregate emoluments	**1.6**	1.4

Two directors exercised share options in the year (2022: three).

Contributions of £13,000 (2022: £8,000) were paid by the Company into the defined contribution pension scheme for one (2022: one) director during the year.

9. Tax on profit

	2023 £million	2022 £million
Current tax:		
United Kingdom corporation tax on profits for the year	**45.8**	36.2
Adjustment in respect of prior years	**(0.1)**	1.4
	45.7	37.6
Deferred tax:		
Origination and reversal of temporary differences in the current year	**5.8**	2.4
Adjustment in respect of prior years	**0.0**	0.4
Effect of change in tax rates	**0.0**	(0.5)
	5.8	2.3
Tax expense for the year in income statement	**51.5**	39.9

Notes to the Financial Statements

9. Tax on profit (continued)

In addition to the amount charged to the Income Statement, the following amounts relating to tax have been recognised directly in equity:

	2023 £million	2022 £million
Deferred tax on actuarial loss on defined benefit obligations	**(3.8)**	(16.4)
Current tax credit relating to pension deduction	**(1.4)**	(0.8)
Deferred tax on cash flow hedges	**(1.9)**	2.2
Deferred tax on equity settled share-based payment	**(0.3)**	0.7
Tax recognised directly in equity	**(7.4)**	(14.3)

The tax assessed for the year is lower (2022: higher) than the blended rate applied in the UK: 23.5% (2022 standard rate: 19%). The differences are explained below:

	2023 £million	2022 £million
Profit before taxation	**220.0**	188.6
Tax at the UK corporation tax rate of 23.5% (2022: 19%)	**51.7**	35.8
Effects of expenses that are not deductible for tax purposes	**0.2**	3.3
Effect of income definitively not taxable	**(0.2)**	(0.6)
Effect of taxation at different rates	**0.4**	0.8
Origination and reversal of temporary differences	**(0.5)**	(0.7)
Adjustment in respect of prior years	**(0.1)**	1.8
Effect of change in tax rates	**0.0**	(0.5)
Tax expense for the year in income statement	**51.5**	39.9

The Company’s profits for the accounting period to 31 December 2023 were taxed at an effective rate of 23.41% (2022: 21.16%). The main rate of UK corporation tax is 19% to 31 March 2023, and 25% effective since 1 April 2023.

During 2021, the Organisation for Economic Co-operation and Development (OECD) published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 23 March 2023, HM Treasury released draft legislation as part of the Spring Finance Bill 2023 to implement these 'Pillar 2' rules with effect for years beginning on or after 31 December 2023. The Group is reviewing these draft rules to understand potential impacts.

10. Dividends

	2023 £million	2022 £million
Equity dividend paid: 36.61p (2022: 30.90p) per share	**148.7**	125.5

The directors propose a final dividend for the year ended 31 December 2023 of £168.5 million (2022: £148.7 million) which equates to 41.49p (2022: 36.61p) per share. The proposed final dividend is subject to approval by the Board of Directors and has not been included as a liability in these financial statements.

Notes to the Financial Statements

11. Intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the fair value of the acquired assets and liabilities over the fair value of the identified assets and liabilities. Goodwill is allocated to the Cash Generating Units (CGU) expected to benefit from the acquisition. Goodwill is considered to have an indefinite useful life. Goodwill is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment.

The goodwill balance below is allocated to one cash-generating unit. The value of goodwill was tested for impairment during the current year by means of comparing the recoverable amount of the CGU with the carrying value of its goodwill.

The recoverable amount is its value in use. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering a period of 5 years and a terminal value. The discount rate used for these calculations is based on the weighted average cost of capital and has been determined by L’Oréal S.A. to be 8% in 2023 (2022: 7.7%). The assumptions adopted in terms of growth (2%) and terminal values are reasonable and consistent with the available market data. No impairment loss was identified in 2023 nor 2022. There is sufficient headroom such that a reasonably possible change in the key assumptions used would not result in an impairment of the goodwill.

Other intangible assets

Trademarks are measured at purchase cost and are amortised on a straight line basis over five or eight years. Software acquired for internal use is recorded at purchase cost less any subsequent accumulated amortisation. Costs are classed as under construction and are not amortised until such a time that the main functions of the software application become operational. Completed software is amortised on a straight line basis over its probable service life, with a maximum of eight years. Amortisation is charged to selling, general and administrative expenses.

	Goodwill £million	**Trademarks £million**	**Software £million**	**Software under construction £million**	**Total £million**
Cost					
At 1 January 2023	2.8	0.7	20.4	1.3	25.2
Additions	-	-	1.5	-	1.5
Disposals	-	-	(7.4)	-	(7.4)
Transfers within assets	-	-	1.2	(1.0)	0.2
At 31 December 2023	**2.8**	**0.7**	**15.7**	**0.3**	**19.5**
Accumulated amortisation					
At 1 January 2023	-	0.7	15.3	-	16.0
Disposals	-	-	(7.4)	-	(7.4)
Charge for the year	-	-	2.3	-	2.3
At 31 December 2023	**-**	**0.7**	**10.2**	**-**	**10.9**
Net book value					
At 31 December 2023	**2.8**	**-**	**5.5**	**0.3**	**8.6**
At 31 December 2022	2.8	-	5.1	1.3	9.2

Commitments

	2023 £million	2022 £million
Contracts for future capital expenditure not provided for in the financial statements	**0.0**	0.5

12. Tangible assets

Accounting policy

Tangible assets are recorded at purchase cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Assets in the course of construction are carried at purchase cost and are not depreciated until ready for their intended use. Depreciation is provided on all fixed assets using the straight line method, except assets in the course of construction, at the following rates:

Point of sale advertising, stands and displays	- 3 or 5 years
Other tangible assets	- 2 to 15 years

The Company reviews the carrying amounts of its property, plant and equipment to determine whether there has been an indication of impairment loss. If an indication exists then the recoverable amount of the asset, being its value in use, is estimated to determine the extent of the impairment loss. Where the asset does not generate cash flows independently from other assets, the asset is allocated to a Cash Generating Unit (CGU) to which the asset belongs.

	Point of sale advertising, stands and displays £million	**Other tangible assets £million**	**Assets under construction £million**	**Total £million**
Cost				
At 1 January 2023	22.1	33.1	10.3	65.5
Additions	6.8	21.8	3.6	32.2
Disposals	(1.2)	(14.7)	-	(15.9)
Transfers	1.4	6.4	(7.8)	(0.0)
Transfer within assets			(0.2)	(0.2)
At 31 December 2023	**29.1**	**46.6**	**5.9**	**81.6**
Accumulated depreciation				
At 1 January 2023	12.3	30.3	-	42.6
Charge for the year	6.9	2.8	-	9.7
Disposals	(1.2)	(14.7)	-	(15.9)
Impairment charge	0.0	0.2	-	0.2
At 31 December 2023	**18.0**	**18.6**	-	**36.6**
Net book value				
At 31 December 2023	**11.1**	**28.0**	**5.9**	**45.0**
At 31 December 2022	9.8	2.8	10.3	22.9

An impairment loss on point of sale and other tangible assets of £221,000 was charged to the Income Statement related to stores that continue to trade but where the cash flows no longer support the carrying value of the assets. The discount rate used within the impairment calculation was 8% (2022: 7.7%).

Commitments

	2023 £million	2022 £million
Contracts for future capital expenditure not provided for in the financial statements	**8.3**	1.8

13. Leases

Accounting policy

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases buildings for offices, distribution centres, hair academies and retail stores. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases are typically made for a fixed period of 10 – 15 years and may include extension options which provide operational flexibility. The Company also leases vehicles and equipment for use in the business. Lease terms on these are generally 3 – 7 years.

Right of use (ROU) assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to restore the underlying asset or site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of; the end of the useful life of the right of use asset or the end of the lease term.

Under IFRS 16, right of use assets are tested for impairment in accordance with *IAS 36 Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The lease liability at commencement date is measured as the present value of future lease payments, discounted by the interest rate implicit in the lease, or where this is not readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of:

(a) fixed lease payments (including in substance fixed payments), less any lease incentives
(b) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
(c) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
(d) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included as operating expenses in the Income Statement.

The lease liability is subsequently measured at amortised cost, increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The liability is re-measured when there is a change in future lease payments due to a change in assessment of exercising a purchase, extension or termination option.

In March 2021, the Board issued *Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022. The practical expedient permits these reductions in rent payments to be credited to the Income Statement, rather than requiring a remeasurement of the lease. For the year ended 31 December 2022, the total credit to the Income Statement as a result of these practical expedients was: £88,000.

Notes to the Financial Statements

13. Leases (continued)

Right of use assets

The balance sheet shows the following amounts relating to leases:

	2023 £million	2022 £million
Short leasehold buildings	**84.1**	88.8
Short leasehold retail buildings	**3.8**	2.7
Equipment and vehicles	**2.4**	4.0
	90.3	95.5

Additions to right of use assets during the financial year were £1,196,000 (2022: £79,039,000 mainly new headquarters lease).

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2023 £million	2022 £million
Due within one year	**4.8**	**9.5**
Due between one and five years	**14.9**	**14.0**
Due after five years	**68.9**	**66.9**
	88.6	**90.4**

Changes in lease liabilities in the year include a total cash outflow of £9,104,000 (2022: £11,898,000). New borrowings raised in the year amounted to £8,424,000 (2022: £73,596,000).

The income statement shows the following amounts relating to leases:

	2023 £million	2022 £million
Depreciation charge of right of use assets		
Buildings	**11.3**	8.5
Retail buildings	**0.6**	0.9
Equipment and vehicles	**0.5**	0.6
	12.4	10.0
Impairment expense	**0.0**	1.9
Reversal of impairment loss	**-**	(1.1)
Expense relating to short term leases (included in administrative expenses)	**-**	0.0
Expense relating to leases of low-value assets (included in administrative expenses)	**0.6**	0.6
Expenses relating to variable lease payments (included in administrative expenses)	**0.2**	0.3

13. Leases (continued)

An impairment loss on retail right of use assets of £25,000 (2022: £1,890,000) was charged to the Income Statement in the year. The discount rate used within the impairment calculation was 8% (2022: 7.7%).

During 2022 the Company reported a reversal of impairment losses amounting to £1,121,000 within the Income Statement. The reversal was a result of a decision to abandon its planned restructure of its distribution network which would have replaced its existing three distribution centres into one new hub. Past impairment losses related to both right of use buildings and equipment.

The future commitments on short term and low value assets are £552,000 (2022: £549,000) due in less than 1 year and £513,000 (2022: £499,000) due between 2 and 5 years.

The effects of excluding future cash outflows arising from variable lease payments, termination options and residual value guarantees from lease liabilities was not material.

Leases not yet commenced

The Company has committed to leases with a future commencement date. At the 31/12/2023 we had committed to equipment leases for our 3 distribution centres with a lease commencement date of January 2024. The future aggregate minimum lease payments on such leases are as follows:

	As at December 2023 £million	As at December 2022 £million
Due within one year	**1.0**	0.1
Due between one and five years	**3.8**	0.4
Due after five years	**1.9**	0.0
	6.7	0.5

Notes to the Financial Statements

14. Investments

Investments are recognised at amortised cost less any provision considered necessary for impairment.

	2023		2022	
	£million	**£million**	£million	£million
	Investment in subsidiaries	**Other**	Investment in subsidiaries	Other
At 1 January	**-**	**0.3**	-	0.5
Addition	**-**	**0.5**	-	-
Amortisation	**-**	**(0.2)**	-	(0.2)
At 31 December	**-**	**0.6**	-	0.3

Investments in subsidiaries

At 31 December 2023, the Company held ordinary shares in the following subsidiary undertakings:

Subsidiary undertaking	**Country of incorporation**	**Registered office**	**Percentage holding of ordinary share capital**	**Nature of business**
Two Five Five Limited	England and Wales	Gateway Central, 187 Wood Lane, London, W12 7SA	100%	Not trading

Other investments
During the year ended 31 December 2018, 2020 and 2022, employees of the Company were invited to join a Share Incentive Plan and purchase shares in L'Oréal S.A. Participants were awarded 'Matching (bonus) shares'. The Company funded the purchase of these bonus shares and is amortising the value of the loan over the five-year vesting period of the Plan.

15. Inventories

Accounting policy

Stocks are valued at the lower of cost and estimated net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is based on estimated selling price in the ordinary course of business, less applicable variable selling expenses. The difference between the balance sheet value of inventories and the replacement value is not material.

	2023	2022
	£million	£million
Finished products	**77.1**	73.9
Less: provision for obsolete inventories	**(7.6)**	(9.0)
Net inventories	**69.5**	64.9

Notes to the Financial Statements

16. Trade and other receivables

Accounting policy

In line with the requirement of *IFRS 9 Financial instruments,* trade receivables are recorded net of an allowance for expected credit loss. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective trade receivable.

The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Movement in the expected credit loss is shown within selling, general and administrative expenses in the Income Statement.

Trade receivables are due within one year.

	2023 £million	2022 £million
Trade receivables	**259.6**	208.5
Amounts owed by immediate parent company	**0.6**	0.1
Amounts owed by group undertakings	**69.6**	64.1
Less: expected credit losses on trade receivables	**(1.3)**	(2.0)
Net trade receivables	**328.5**	270.7

Amounts owed by parent company and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Group undertakings refers to other companies in the L’Oréal S.A group.

The allowance for credit loss does not include any amount related to intercompany receivables because there are no historic write offs of such amounts, and hence any expected credit loss calculation would result in a nil allowance.

17. Other current assets

Accounting policy

Loans and other receivables are recorded at amortised cost. Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as other current assets.

	2023 £million	2022 £million
Tax and employee related receivables (excluding current tax)	**12.2**	8.5
Prepaid expenses	**5.7**	4.3
Other	**2.0**	1.8
	19.9	14.6

There are no amounts due after more than one year (2022: nil).

Other also includes an amount of £40,000 (2022: £394,000) which is fully impaired and is carried at a nominal value of nil (2022: £289,000). Movements in the provision for impaired other current assets is shown within selling, general and administrative costs in the Income Statement.

18. Called up share capital and share premium account

Ordinary shares issued are classified as equity.

	2023 Number	2022 Number	**2023 £million**	2022 £million
Authorised share capital				
Issued and fully paid ordinary shares (par value £0.25)	**406,132,842**	406,132,842	**101.5**	101.5
Share premium account				
Share premium			**0.3**	0.3

19. Other reserves

	Merger reserve £million	**Hedging reserve £million**	**Cost of hedging reserve £million**	**Share - based payment reserve £million**	**Total other reserves £million**
Balance at 1 January 2022	**(99.0)**	**(5.0)**	**(0.2)**	**18.7**	**(85.5)**
Effective portion of gains and losses on cash flow hedges (net of tax)	-	11.4	(3.0)	-	**8.4**
Credit to equity for equity settled share-based payments (net of tax)	-	-	-	1.7	**1.7**
Balance at 31 December 2022	**(99.0)**	**6.4**	**(3.2)**	**20.4**	**(75.4)**
Effective portion of gains and losses on cash flow hedges (net of tax)	-	(6.4)	0.4	-	**(6.0)**
Credit to equity for equity settled share-based payments (net of tax)	-	-	-	2.8	**2.8**
Transfer to retained earnings for discontinued business	6.0	-	-	-	**6.0**
Balance at 31 December 2023	**(93.0)**	**0**	**(2.8)**	**23.2**	**(72.6)**

The merger reserve was created on 1 July 2009 following the transfer in of the assets and liabilities of YSL Beauté Limited. It has later been adjusted by transfers of the assets and liabilities of De cléor (U.K.) Limited in 2015, IT Cosmetics Limited on 1 July 2018 and 8 January 2019, and Azzaro Mugler Beauté Limited on 1 January 2021. A loss was realised in 2023 as a result of the discontinuance of the De cléor brand in the UK and was transferred to Retained Earnings.

The hedging reserve represents the cumulative effective fair value gains and losses on cash flow hedges. These gains and losses are reclassified to the Income Statement in the period when the hedged item affects the profit or loss.

The share-based payment reserve represents the fair value gains and losses on equity-settled share-based payment transactions.

Notes to the Financial Statements

20. Share-based payments

Accounting policy

The financial statements are prepared in accordance with the requirements of standard IFRS 2 Share-based Payment in respect of options granted to employees to purchase or subscribe for shares in its parent Company. The fair value of equity-settled share-based payments is determined at the date of grant and is expensed to the income statement on a straight-line basis over the vesting period, which is five years for purchase options and four years for free shares.

As the share options are equity-settled the corresponding entry is recognised in equity.

The fair value of stock options is determined using the Black Scholes model. This model allows for the characteristics of the plan such as exercise price and exercise period, market data at the grant date such as the risk-free rate, share price, volatility, expected dividends and behavioural factors of the beneficiaries. The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

ACAS shares

These are 'free shares' given to senior employees of the global Company on an annual basis. The scheme has been in place since 2009. For the UK, approximately 50 employees participate each year. The grant date is usually October of each year, and the plans have a four-year vesting period. The plans are subject to performance criteria as follow for the 2015 - 2023 plans:

- For one half, L'Oréal growth when compared to cosmetic sales of a panel of competitors; and
- For one half, the growth in consolidated operating profit of the L'Oréal Group. In addition, the participants must remain employed by the Company throughout the vesting period.

The table below summarises data related to the free share plan vesting after 1 January 2018:

Share Subscription plans	Vesting date	Number of shares granted	Share price (Euros)	Fair Value (Euros)
17.04.2014	18.04.2018	13,850	€121.35	€109.99
22.04.2015	23.04.2019	12,875	€177.10	€164.50
20.04.2016	21.04.2020	15,325	€168.10	€154.32
20.04.2017	21.04.2021	14,275	€181.75	€166.90
17.04.2018	18.04.2022	16.300	€191.85	€176.17
18.04.2019	19.04.2023	13,900	€243.80	€226.25
14.10.2020	15.10.2024	12,250	€288.00	€269.37
07.10.2021	08.10.2025	8,575	€360.00	€339,34
13.10.2022	14.10.2026	10,470	€327.80	€303.33
12.10.2023	13.10.2027	10,975	€399.90	€371.96

The fair value corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

L'Oréal Employee Share Plan and Share Incentive Plan (SIP)

As part of the Group's global all-employee share plan, employees were given the opportunity to subscribe to a L'Oréal Employee Share Plan in which free shares were offered. The number of free shares offered was dependent on the contribution made to the plan with a maximum of four shares offered for every ten shares subscribed. The shares vest over a five year period. Should the employee leave before the end of the vesting period, the free shares would be lost.

20. Share-based payments (continued)

Plan 2018
For employees in the Republic of Ireland, the subscription price set was €162.52 representing 80% of the average opening share price in the stock market between 4 May 2018 and 31 May 2018. The number of shares in which employees subscribed was 562 and that amounted to 140 free shares.

For employees in the United Kingdom, they became involved in the L’Oréal Share Incentive Plan (SIP). The subscription price set was €205.66 representing the lower of the share price on 1 July 2018 or the purchase price in November 2018. The number of shares in which employees subscribed was 4,514 and that amounted to 2,010 free shares. Shares, including the matching shares, in the L’Oréal SIP are held in an employee share trust.

Plan 2020
For employees in the Republic of Ireland, the subscription price set was €223.25 representing 80% of the average opening share price in the stock market between 17 August 2020 and 11 September 2020. The number of shares in which employees subscribed was 502 and that amounted to 109 free shares.

For employees in the United Kingdom, they became involved in the L’Oréal Share Incentive Plan (SIP). The subscription price set was €276.62 representing the lower of the share price on 1 October 2020 or the purchase price in June 2021. The number of shares in which employees subscribed was 3,728 and that amounted to 1,599 free shares. Shares, including the matching shares, in the L’Oréal SIP are held in an employee share trust.

Plan 2022
For employees in the Republic of Ireland, the subscription price set was €254.90 representing 80% of the average opening share price in the stock market between 6 May 2022 and 2 June 2022. The number of shares in which employees subscribed was 240 and that amounted to 165 free shares.

For employees in the United Kingdom, they became involved in the L’Oréal Share Incentive Plan (SIP). The subscription price set was €324.50 representing the lower of the share price on 1 October 2022 or the purchase price in October 2023. The number of shares in which employees subscribed was 3,974 and that amounted to 1,446 free shares. Shares, including the matching shares, in the L’Oréal SIP are held in an employee share trust.

The total amount of expense recorded in 2023 for all share-based payment was £2,509,000 (2022: £2,392,000).

The carrying amount at the year-end of liabilities arising from social security costs on share-based payment transactions amounted to £1,244,000 (2022: £1,324,000).

Notes to the Financial Statements

21. Retirement benefit schemes

Accounting policy

The Company operates a defined benefit scheme, The L’Oréal (U.K.) Limited Retirement Benefit Plan. Pension benefits are provided through a trustee administered scheme which is entirely separate from the Company’s finances.

The defined benefit pension cost and the present value of the defined benefit obligations are calculated at the reporting date by the schemes’ actuaries using the Project Unit Credit Method. The net charge to the Income Statement comprises the current service cost, plus the interest cost (the unwinding of the discount rate on plan liabilities), less the expected return on plan assets. Past service costs are charged immediately to the Income Statement to the extent that the benefits have vested, and are otherwise recognised on a straight-line basis over the average period until the benefits vest.

Guaranteed Minimum Pensions (GMP) is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted-out of the State Earnings-Related Pension Scheme between 6 April 1978 and 5 April 1997.

On 26 October 2018, the High Court ruled that pensions provided to members who had contracted-out of the state pension scheme must be recalculated. Pension schemes which provided GMPs must equalise their benefits to ensure no inequality between men and women. GMP equalisation will increase benefits for some members. Where GMPs are already in payment, GMP equalisation is likely to mean an arrears payment will need to be made to members as well as correcting benefits going forward. At 31 December 2018 the Balance Sheet liability was increased to make allowance for this ruling.

On 20 November 2020, the High Court ruled that UK pension schemes with GMPs built up from 17 May 1990 to 5 April 1997 should revisit, and where necessary, top up historic cash equivalent transfer values that were calculated on an unequalised basis if an affected member makes a successful claim. In respect of this further ruling, and following review, the Company decided that no further adjustment to liabilities was required.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actual occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

The defined benefit asset recognised represents the present value of defined benefit obligations adjusted for unrecognised past service costs and reduced by the fair value of plan assets. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future through a cash refund or a reduction in future payments.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The discount rate has been determined by considering yields available on high quality corporate bonds of an appropriate duration.

The Company also operates a defined contribution pension scheme. Contributions to this scheme are charged to the Income Statement as they fall due. Any contributions unpaid at the end of the reporting period are included as an accrual at that date.

21. Retirement benefit schemes (continued)

Defined benefit scheme principal risks

Through its defined benefit pension plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If Plan assets underperform this yield, this will create a deterioration in the balance sheet position (all else being equal). This volatility has been partly mitigated by the pensioner buy-in and asset de-risking.

Inflation risk

The majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). This risk has been partly mitigated by the pensioner buy-in and asset de-risking.

Longevity

Increases in life expectancy in excess of the increases allowed for in the assumptions will increase non-insured Plan liabilities. Longevity risk has been partly mitigated by the pensioner buy-in which reduced the non-insured Plan liabilities.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Plan liabilities, although this will be partially offset by an increase of the Plan's insured annuities, bonds and LDI holdings.

L'Oréal (U.K.) Limited Retirement Benefits Plan

The Plan operates in respect of some of its employees (and former employees) in the UK. The plan is a funded defined benefit arrangement and is a Registered Pension Scheme under the Finance Act 2004. Funding valuations for the plan are carried out under the requirements of the Pensions Act 2004. The plan provides benefits based on length of service and final salary at retirement or earlier date of leaving. The Plan is open to future accrual but closed to new entrants.

Trustees have the primary responsibility for governance of the Plan. Benefit payments are from Trustee-administered funds and Plan assets are held in trust which is governed by UK regulation. Part of the responsibility for governance of the Plan, including setting contribution rates, lies jointly with the Company and the Trustees as required by the Plan's Trust Deeds and Rules and overriding legislation. However, investment decisions are the responsibility of the Trustees only, although they must consult the Company. The Trustees are comprised of nominations from the Company and members in accordance with the Trust Deed and Rules.

The most recent formal funding review valuation had an effective date of 5 April 2023 and was completed by the scheme actuary, Buck Consultants Limited, in December 2023. Under an agreed contingency funding plan, the funding of the plan is assessed on a quarterly basis and the deficit contributions made by the Company will depend on those assessments, varying between nil and £1,250,000 per month. The Company has not made additional funding contributions during 2023 and does not expect to make additional funding contributions during 2024.

The Company makes contributions in respect of active members; the rate of such contributions in 2023 is 38.6% (2022: 38.6%) of relevant salaries (plus an additional amount in respect of members participating in a salary sacrifice arrangement).

The Company also contributes towards the expenses of operating the Plan (including the Pension protection levy and life assurance premiums). Additional contributions may be made in respect of the expenses associated with special projects related to the Plan.

The next formal funding review valuation will commence on 5 April 2026.

21. Retirement benefit schemes (continued)

The duration of the plan liabilities is around 16 years. The following table provides information on the timing of the benefit payments (amount undiscounted):

	£million
Year ending 31 December 2024	**14.0**
Year ending 31 December 2025	**15.6**
Year ending 31 December 2026	**15.5**
Year ending 31 December 2027	**15.4**
Year ending 31 December 2028	**15.3**
Five years ending 31 December 2033	**97.4**

The major assumptions used by the actuaries were as follows:

	2023	2022
Salary increases	**3.75%**	3.75%
Rate of increase of LPI pensions in payment – L'Oréal plan	**3.05%**	3.05%
Discount rate	**4.50%**	4.75%
Inflation (Retail Prices) assumption	**3.15%**	3.15%
Inflation (Consumer Prices) assumption	**2.75%**	2.75%

The base mortality assumptions are based on the SAPS S3 tables (2022: SAPS S3 tables), with adjustments to reflect the Scheme's population. Future mortality improvements are CMI 2022 (2022: CMI 2021) projections with a long-term rate of improvement of 1.5% per annum for males and 1.25% per annum for females (2022: 1.5% per annum for males and 1.25% per annum for females).

Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below:

	2023 £million
Value of obligations at the end of the year if:	
Assumptions as set out above	**392.5**
Discount rate reduced by 0.5% p.a.	**424.6**
Discount rate increased by 0.5% p.a.	**363.9**
Inflation reduced by 0.25%* p.a.	**382.1**
Inflation increased by 0.25%* p.a.	**403.6**

*This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases (subject to the relevant caps and floors)).

Notes to the Financial Statements

21. Retirement benefit schemes (continued)

The reconciliation of Plan assets and liabilities is as follows:

	Assets £million	Liabilities £million	Carrying amount £million
At 1 January 2023	466.9	(390.0)	76.9
Benefit paid	(14.4)	14.4	-
Employer contributions	3.8	-	3.8
Employee contributions	0	0	0
Current service cost	-	(2.2)	(2.2)
Interest income/(expense)	21.9	(18.2)	3.7
Actuarial gains/(losses) recognised in the Statement of Comprehensive Income	(24.1)	3.5	(20.6)
At 31 December 2023	**454.1**	**(392.5)**	**61.6**

Amounts recognised in the Statement of Comprehensive Income are:

	2023 £million	2022 £million
Return on plan assets excluding interest income	**(24.1)**	(323.0)
Experience gain/(loss) arising on the plan liabilities	**8.5**	(12.2)
Actuarial (losses)/gains arising from change in financial assumptions	**(15.0)**	265.9
Actuarial gains arising from change in demographic assumptions	**10.0**	0.8
Actuarial loss recognised in the Statement of Comprehensive Income	**(20.6)**	(68.5)

The amounts recognised in the Income Statement are as follows:

	2023 £million	2022 £million
Current service cost	**(2.2)**	(3.5)
Net interest income	**3.7**	2.9
Total included in the Income Statement	**1.5**	(0.6)

The current service cost has been included in the income statement as ‘Selling, general and administrative expenses’. The net interest income has been included within ‘Finance income’.

The Trustees of the Plan undertake asset-liability matching studies on a regular basis and consult with the Company regarding any changes to the Plan’s investment strategy. The matching assets to the pension obligations are considered to be long-term fixed interest/inflation-linked securities.

The majority of the Plan’s assets are held in matching assets and it would be expected that this proportion would increase over time, as the Plan matures. The balance of the Plans’ assets is invested in a diversified portfolio of growth-oriented assets with the aim of achieving higher levels of return at an acceptable level of risk.

21. Retirement benefit schemes (continued)

The breakdown of plan assets, by asset class, is as follows:

	2023	2022
	%	%
Equities	**5**	6
Bonds	**81**	68
Property	**13**	15
Cash and cash equivalents	**1**	11
	100	100

22. Provisions for liabilities

Accounting policy

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The provision for product returns represents the refund liability for the expected refunds to customers. It is estimated using historical return rates which have demonstrated to have been reliable in the past and is expected to be utilised or reversed within one year.

Leasehold improvement provisions have been created because the Company leases premises which contain lease rectification clauses that impose certain requirements on the Company to return the properties to their original state. Dilapidation provisions are recognised where the Company expect to have to repair a leased property before returning it to the landlord. The provision will be utilised on exit of the properties which will happen at varying times over the next 15 years.

A restructuring provision is recognised when the Company has developed a detailed plan for the restructuring and has a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of the restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Other includes a provision for social security contributions payable on exercise of share-based payments and litigation, which is expected to be utilised within one year. Other also includes a provision for long term employee benefits. Participants of the Plan who have met the conditions of the plan will be entitled to receive an award automatically after three years.

	2023	2022
	£million	£million
Product returns	**5.0**	7.0
Leasehold improvement/dilapidations	**9.6**	15.3
Restructuring	**1.0**	0
Other	**2.0**	2.7
	17.6	25.0
Current	**7.7**	15.3
Non-current	**9.9**	9.7
	17.6	25.0

Notes to the Financial Statements

22. Provisions for liabilities (continued)

	Product returns	Leasehold improvement/ dilapidations	Restructuring	Other	Total
	£million	£million	£million	£million	£million
At 1 January 2023	7.0	15.3	0	2.7	25.0
New provisions during the year	3.5	-	1.0	1.0	5.5
Utilisation of provision	(2.8)	(1.7)	-	(1.5)	(6.0)
Reversal of provision without cost	(2.7)	(4.0)	-	(0.2)	(6.9)
At 31 December 2023	**5.0**	**9.6**	**1.0**	**2.0**	**17.6**

23. Deferred tax liability

Accounting policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method.

Deferred tax is measured using the tax rate enacted at the closing date.

Deferred tax assets are only recognised to the extent it is probable that sufficient future taxable profits will be available against which they can be utilised.

Deferred tax assets and liabilities are offset as the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

The following are the major deferred tax assets and liabilities recognised and movements during the current and prior years.

Notes to the Financial Statements

23. Deferred tax liability (continued)

	Accelerated tax depreciation £million	Share-based payments £million	Retirement benefit obligations £million	Foreign exchange derivatives £million	Other £million	Total £million
At 1 January 2022	**1.8**	**2.2**	**(35.6)**	**1.2**	**1.3**	**(29.1)**
Credit/(charge) to income statement	(1.7)	0.1	-	-	(1.2)	(2.8)
Credit/(charge) to equity or other comprehensive income	-	(0.7)	16.4	(2.2)	-	13.5
Effect of change in tax rate in the income statement	0.3	-	-	-	0.2	0.5
At 31 December 2022	**0.4**	**1.6**	**(19.2)**	**(1.0)**	**0.3**	**(17.9)**
Credit/(charge) to income statement	(5.7)	0.0	-	-	0.0	(5.7)
Credit to equity or other comprehensive income	-	0.3	3.8	1.9	-	6.0
Effect of change in tax rate in the income statement	0.0	-	-	-	0.0	0.0
At 31 December 2023	**(5.3)**	**1.9**	**(15.4)**	**0.9**	**0.3**	**(17.6)**

Deferred tax is measured at 25% (2022: 23.5%).

There is an unrecognised deferred tax asset in respect of trading losses carried forward of £39,500 (2022: £39,500) relating to two ancillary trades carried on by the Company. These losses may only be offset against future profits arising from those particular trades. In the view of the directors of the Company it is not considered that, in the foreseeable future, sufficient suitable profits will arise against which the losses may be offset and, therefore, no deferred tax asset is recognised in respect of these losses.

24. Trade and other payables

Trade and other payables and other current liabilities are recognised at amortised cost.

	2023 £million	2022 £million
Trade creditors	**143.4**	115.2
Accruals	**80.0**	101.4
Amounts owed to immediate parent company	**12.4**	9.2
Amounts owed to group undertakings	**41.8**	34.2
	277.6	260.0

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Amounts owed to parent and group undertakings are unsecured, have no fixed repayment period but are repayable on demand, and are non-interest bearing in both years. Group undertakings refers to other companies in the L’Oréal S.A group.

Notes to the Financial Statements

25. Other current liabilities

	2023	2022
	£million	£million
Personnel and social security	**28.1**	26.5
Other taxation (excluding current tax)	**25.6**	21.7
Year end and promotional rebates	**122.3**	114.5
Deferred income	**0.2**	0.1
Fixed asset payables	**6.6**	9.6
Accrued interest on lease liability	**2.3**	0.5
Other current liabilities	**0.1**	0.3
	185.2	173.2

26. Financial risk management and derivative financial instruments

Accounting policy

Financial instruments

Forward foreign exchange contracts and options are put in place in order to hedge cash flows. They are recorded in the Statement of Financial Position as fair value hedges of cash flows on future commercial transactions whose completion is considered to be highly probable.

All hedging instruments are recorded at their market value, including those which relate to purchases and sales in the next accounting year. If the future cash flow hedging relationship is duly documented and the effectiveness of the hedges demonstrated, the variation in the fair value of these hedging instruments is recorded directly in equity, and impacts the Income Statement on the date on which the transactions hedged are completed. Any ineffective part is charged directly to the Income Statement within selling, general and administrative expenses.

In application of hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the Statement of Financial Position.

The management of the business and the execution of the Company's strategy are subject to a number of risks: market risk, credit risk and liquidity risk.

Market risk
Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market price.

The Company's operations expose it to foreign currency exchange risk due to exchange rate movements, which will affect the Company's transaction costs and the translation of net assets of its branch in the Republic of Ireland.

The Company manages its exposure to currency rate risks arising through its normal course of business using derivatives.

It is the policy of the Company to enter into forward foreign exchange contracts and options to cover foreign currency payments and receipts. Using detailed forecasts, the Company will use forward foreign exchange contracts to reduce its exposure so that, at the end of the year, 80% to 100% of any currency risk identified has been hedged.

All foreign exchange hedging is carried out by the L'Oréal S.A. Group Treasury Department who do not enter into or trade financial instruments for speculative purposes.

Notes to the Financial Statements

26. Financial risk management and derivative financial instruments (continued)

The fair value of the Company’s foreign currency denominated monetary assets and liabilities are as follows:

	2023		2022	
	Assets £million	**Liabilities £million**	Assets £million	Liabilities £million
Forward foreign exchange contracts – cash flow hedge	**5.9**	**7.8**	10.0	6.4
	5.9	**7.8**	10.0	6.4

The fair value of the hedging derivatives is classified as a current asset or liability in the Statement of Financial Position as the maturity of the hedged items are less than 12 months. Gains and losses recognised in the hedging reserve in equity on foreign exchange contracts are recognised in the Income Statement in the years during which the hedged forecast transaction affects the Income Statement.

Set out below is the analysis of the impact on other comprehensive income:

	2023 £million	2022 £million
Change in fair value	**(4.1)**	3.8
Reclassified to profit and loss as hedged item effects profit and loss	**(3.8)**	6.8
	(7.9)	10.6

The total nominal amount of outstanding foreign exchange contracts as at year end:

	2023 £million	2022 £million
Buy:		
PLN	**22.5**	17.9
EURO	**708.6**	588.3
USD	**24.8**	34.8
	755.9	641.0
Sell:		
CAD	**0.1**	1.4
EURO	**243.8**	228.7
USD	**25.8**	26.6
	269.7	256.7

The Company has neither short nor long term borrowings and, therefore, considers its exposure to interest rate risk to be not significant.

Credit risk
Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is particularly exposed to credit risk through its transactions with wholesale and hairdressing salon customers.

The Company has policies in place that require appropriate credit checks on customers, both new and existing, which are reviewed on a regular basis. Credit limits are set for each customer based on the independent rating of that customer or, if no independent rating is available, based on an assessment of the financial position of the customer.

Trade receivables are recorded net of an allowance for doubtful debts. The allowance is calculated using the expected credit loss model. The calculation is based using historic actual loss statistics. If further evidence exists of a customer in significant financial difficulty or continuous default in payment then a specific provision is made against that customer.

Notes to the Financial Statements

26. Financial risk management and derivative financial instruments (continued)

Credit insurance cover has been purchased by the Company to protect the trade and other receivables from financial loss.

Other activities to mitigate credit risk include guarantees received and not releasing goods until payment received.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities that are settled in cash. The Company manages liquidity in conjunction with the L’Oréal S.A. Group’s Financial Services Department. The Company has substantial short term credit facilities through its Group cash pooling arrangements and has no long term external debt.

27. Related Party Transactions

The Company has no related party transactions which need to be disclosed in these financial statements.

The Company has taken advantage under *FRS 101 Reduced Disclosure Framework* not to disclose information about transactions between its parent and fellow subsidiaries.

28. Ultimate Parent Undertaking

The immediate parent undertaking is L’Oréal S.A.

The ultimate parent undertaking and controlling party is L’Oréal S.A., a Company incorporated in France.

L’Oréal S.A. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2023. The consolidated financial statements of L'Oréal S.A. can be obtained from its registered office: 31 Rue Martre, 92117 Clichy, France.