

District of: Ontario
Division No.: 09 – Toronto
Court No.: BK-31-3050418
Estate No.: BK-24-03050418-0031

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF THE BODY SHOP
CANADA LIMITED, IN THE CITY OF TORONTO, IN
THE PROVINCE OF ONTARIO**

**FOURTH REPORT OF THE PROPOSAL TRUSTEE
ALVAREZ & MARSAL CANADA INC.**

MAY 27, 2024

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1.0 INTRODUCTION

- 1.1 On March 1, 2024 (the “**Filing Date**”), The Body Shop Canada Limited (“**TBS Canada**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)*, R.S.C. 1985, c. B-3 (the “**BIA**”) and Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as Proposal Trustee of the Company (the “**Proposal Trustee**”).
- 1.2 TBS Canada is a subsidiary of The Body Shop International Limited (the “**UK Parent**”). Prior to the Company filing the NOI, on February 13, 2024, the UK Parent commenced administration proceedings in the United Kingdom (the “**UK Administration Proceeding**”) and individuals of the firm FRP Advisory Trading Limited were appointed as the joint administrators (the “**Joint Administrators**”).
- 1.3 Facing a liquidity crisis and other challenges caused by the commencement of the UK Administration Proceeding, TBS Canada filed the NOI, commencing a proceeding (the “**NOI Proceeding**”) to provide the stability and flexibility necessary to evaluate its strategic alternatives and explore various going concern alternatives, while also commencing a closure of a subset of store locations.
- 1.4 On March 4, 2024, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an order (the “**March 4 Order**”) which, among other things:
- (i) extended the time to file a proposal, and expanded and extended the stay of proceedings triggered under the BIA by the NOI filing, until and including April 16, 2024 (the “**Stay Period**”); and

- (ii) approved an Administration Charge and a D&O Charge over the Property (each as defined in the March 4 Order).
- 1.5 As set out in further detail in the Second Report of the Proposal Trustee dated April 9, 2024 (the “**Second Report**”), upon commencement of the NOI Proceeding, the Company delivered disclaimer notices for lease agreements relating to 33 of its store locations and commenced inventory sales to exit those stores within 30 days. In connection with the closure of those locations and the Company’s general cost reduction efforts, the Company terminated the employment of approximately 220 employees (the “**Former Employees**”).
- 1.6 On March 8, 2024, Buth-Na-Bodhaige Inc. (“**TBS US**”), a United States-based affiliate of TBS Canada, commenced a proceeding under chapter 7 of title 11 of the United States Code (the “**Chapter 7 Proceeding**”) and Rimón, P.C. was appointed as trustee (the “**Chapter 7 Trustee**”).
- 1.7 On April 12, 2024, Stephanie Hood, as the proposed representative of the Former Employees, brought a motion (the “**Representation Motion**”) seeking an order, among other things: (i) appointing Stephanie Hood as the representative of the Former Employees (in such capacity, the “**Representative Plaintiff**”); and (ii) appointing Koskie Minsky LLP as counsel to the Former Employees (the “**Representative Counsel**”) and seeking payment of the Representative Counsel’s fees.
- 1.8 On April 15, 2024, Justice Osborne: (i) granted an Order which, among other things, further extended the time for TBS Canada to file a proposal under the BIA to May 31, 2024 (the “**April 15 Order**”); and (ii) issued an endorsement (the “**April 15 Endorsement**”), among other things, directing the parties to reappear before the Court at a case conference on April

24, 2024 to address the scheduling for the Representation Motion (the “**Scheduling Case Conference**”).

- 1.9 On April 24, 2024, Justice Osborne issued an endorsement (the “**April 24 Endorsement**”), setting a hearing for the Representation Motion on July 4, 2024 and, among other things, directing TBS Canada to continue to keep all stakeholders, including the Former Employees, aware of significant events or matters in the ordinary course.
- 1.10 Since the issuance of the April 24 Endorsement, the Company, the Proposal Trustee, counsel to certain of the Company’s landlords and the Representative Counsel have adhered to a litigation schedule for the Representation Motion (the “**Litigation Schedule**”). Materials have been delivered to date as contemplated by the Litigation Schedule, including the Third Report of the Proposal Trustee dated May 15, 2024 (the “**Third Report**”), which provided information to the Court with respect to the Representation Motion and recommendations thereon.
- 1.11 At this time, the Company continues to advance through the Litigation Schedule in advance of the hearing on July 4, 2024.
- 1.12 Copies of the prior reports of the Proposal Trustee (the “**Prior Reports**”) and other documents filed with the Court in the NOI Proceeding are available on the Proposal Trustee’s case website at: www.alvarezandmarsal.com/TheBodyShop (the “**Case Website**”).

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this fourth report (the “**Fourth Report**”) is to provide the Court with information on:

- (i) updates in respect of the ongoing restructuring proceeding of the UK Parent and TBS US;
- (ii) updates in respect of TBS Canada’s inventory replenishment transactions;
- (iii) TBS Canada’s cash flow results for the 7-week period ended May 10, 2024;
- (iv) TBS Canada’s updated cash flow forecast for the 13-week period ending August 16, 2024;
- (v) updates regarding the intercompany account activity between TBS Canada and the UK Parent from January 1, 2024, to and including the commencement date of the UK Administration Proceedings;
- (vi) TBS Canada’s proposed extension of the Stay Period for a 45-day period from its expiry on May 31, 2024, to and including July 12, 2024; and
- (vii) the Proposal Trustee’s activities and its recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Fourth Report, A&M, in its capacity as the Proposal Trustee, has been provided with, and has relied upon, unaudited financial information, books and records and

financial information prepared by the Company and has held discussions with management of the Company and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this Fourth Report:

- (i) the Proposal Trustee has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this Fourth Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Fourth Report was prepared based on the Company’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 This Fourth Report should be read in conjunction with the Affidavit of Jordan Searle, General Manager, North America of the Company, sworn May 23, 2024 (the “**Fourth**

Searle Affidavit”). Capitalized terms used and not defined in this Fourth Report have the meanings given to them in the Fourth Searle Affidavit.

- 3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 UPDATE ON UK PARENT AND TBS US

UK Parent

- 4.1 Following the date of the Second Report, the Joint Administrators had initially advised that they were working to advance various restructuring alternatives for the UK Parent which, if successful, would see the UK Parent emerge from the UK Administration Proceeding and continue to operate its local retail business and certain of its international operating subsidiaries.
- 4.2 On April 4, 2024, the Joint Administrators released an Administrator’s Statement of Proposals (the “**UK Report**”), which is attached to the Fourth Searle Affidavit as Exhibit “E”. Among other things, the UK Report outlined that the primary objective of the UK Administration Proceeding at that time was a rescue of the UK Parent through a company voluntary arrangement (“**CVA**”).
- 4.3 On May 2, 2024, the Joint Administrators convened a physical meeting of creditors of the UK Parent (the “**UK Meeting of Creditors**”). Ahead of the UK Meeting of Creditors, the Company submitted a proof of debt setting out the Company’s claim against the UK Parent in the minimum amount of \$44,015,347.21 (£25,770,985.79) and appointed its UK legal advisors, Macfarlanes LLP (“**Macfarlanes**”) as its proxy. The Proposal Trustee

understands that Macfarlanes attended the UK Meeting of Creditors and that all necessary approvals were obtained to allow the UK Parent to continue with the CVA process.

4.4 However, on May 17, 2024, the Joint Administrators advised TBS Canada and the Proposal Trustee that the Joint Administrators no longer thought it would be possible to reach the necessary agreements with existing stakeholders for a CVA to proceed, notwithstanding that the requisite approvals had been obtained at the UK Meeting of Creditors. On May 21, 2024, the Joint Administrators issued a letter advising of the above development and that they would be immediately launching a formal sale process for the underlying business and assets of the UK Parent (the “**UK Sale Process**”). A copy of this letter is attached to this Fourth Report as **Appendix “A”**.

4.5 As described in the Fourth Searle Affidavit, TBS Canada has prepared and shared with the Joint Administrators (among other parties) a form of term sheet that sets out a potential transaction that would see the Company emerge from this NOI Proceeding and continue as a going concern. The Proposal Trustee and the Joint Administrators remain hopeful that discussions can continue with respect to continuing to advance the preliminary term sheet and explore ways TBS Canada could emerge from its NOI Proceeding in a coordinated manner that would provide for it to continue to operate as a going concern business. The Proposal Trustee notes that these ongoing discussions will be significantly impacted by result of the UK Sale Process.

TBS US

4.6 The first meeting of creditors and equity security holders in the Chapter 7 Proceeding was held on April 9, 2024, and the appointment of the Chapter 7 Trustee was affirmed.

4.7 As described in Prior Reports, TBS US is a wholly owned subsidiary of the UK Parent. Prior to the commencement of the NOI Proceeding, TBS US was relied upon to assist with the management and execution of TBS Canada's inventory orders. As described below, the Company and the Proposal Trustee have worked closely with the Chapter 7 Trustee to facilitate the Company's inventory replenishment efforts since the commencement of the Chapter 7 Proceeding.

4.8 TBS Canada and the Proposal Trustee continue to engage and work on a collaborative basis with the Chapter 7 Trustee on matters that impact TBS Canada and these NOI Proceedings. As described in further detail below, TBS Canada has entered into a License Arrangement (as defined below) with the Chapter 7 Trustee which provides TBS Canada with access to the US Distribution Centre to arrange for the transportation of ongoing inventory purchases into Canada.

5.0 UPDATE ON INVENTORY REPLENISHMENT EFFORTS

5.1 As discussed in Prior Reports, since the commencement of the NOI Proceeding, TBS Canada and the Proposal Trustee have worked on a number of initiatives to bring merchandise into Canada to replenish inventory at the Going Concern Stores. To date, these efforts have resulted in the delivery of approximately \$12 million (retail value) of inventory from the following sources:

- (i) approximately \$1.3 million (retail value) of inventory that at the commencement of the NOI Proceeding was in-transit to Canada from the US Distribution Centre but was returned to the US Distribution Centre due to logistical disruptions caused by

the UK Administration Proceeding (the “**Returned Inventory**”). The Returned Inventory was received by TBS Canada on April 12, 2024;

- (ii) approximately \$3.5 million (retail value) of inventory that at the commencement of the NOI Proceeding was in-transit to North America (originally destined for the US Distribution Centre) (the “**In-Transit Inventory**”). The In-Transit Inventory was put on hold by a brokerage company due to unpaid freight and storage costs associated with the importing of the product from the United Kingdom and other international locations. With the assistance of the Proposal Trustee, the Company entered into a Sale and Lien Release Agreement whereby the Company purchased the In-Transit Inventory from the UK Parent, cured the unpaid freight and storage costs outstanding and received a credit for same towards the purchase of the inventory from the UK Parent. The In-Transit Inventory was received by TBS Canada on April 24, 2024; and
- (iii) approximately \$6.7 million (retail value) of inventory owned by the UK Parent and located at the US Distribution Centre (the “**Replenishment Order**”). To prepare this inventory for transport to Canada, the Company made arrangements to: (a) purchase this inventory from the UK Parent; and (b) with the cooperation of the Chapter 7 Trustee, facilitate access for TBS Canada, and contractors engaged by TBS Canada (the “**DC Contractors**”), to the US Distribution Centre to “pick and pack” the merchandise and arrange for delivery to the Going Concern Stores. The Replenishment Order was received by TBS Canada’s third-party logistics provider on May 22, 2024, and will be allocated to the Going Concern Stores in the coming weeks.

- 5.2 The Returned Inventory, In-Transit Inventory and Replenishment Order, taken together, are projected to provide TBS Canada with sufficient merchandise levels into August 2024, at which point additional inventory replenishment would be required. TBS Canada and the UK Parent are in ongoing discussions regarding additional inventory replenishment orders, which would be sourced from available inventory currently located at the US Distribution Centre.
- 5.3 To facilitate the Replenishment Order (and potential future orders), TBS Canada and the Chapter 7 Trustee entered into a real estate license arrangement that would allow TBS Canada and its DC Contractors to access the inventory stored in the US Distribution Centre (the “**License Arrangement**”).
- 5.4 The License Arrangement is attached to the Fourth Searle Affidavit as Exhibit “J”. The key terms and conditions of the License Arrangement are as follows:
- (i) TBS Canada and its employees, agents, contractors and temporary workers are granted a license to use and occupy the US Distribution Centre for the purpose of picking, packing and arranging for the delivery of inventory;
 - (ii) the license period commenced as of April 1, 2024 and expires on June 30, 2024 (the “**License Period**”), subject to the ability of TBS Canada to extend the License Period;
 - (iii) the Chapter 7 Trustee will provide basic utilities and pay for all operating costs related to the US Distribution Centre;

- (iv) TBS Canada shall pay the US Trustee a license fee in the amount of US\$100,000 per month (the “**License Fee**”) during the License Period plus a US\$50,000 security deposit;
- (v) after June 30, 2024, and if the License Period is extended, obligations under the License Arrangement can be terminated by either TBS Canada or TBS US on 5-days notice to the other party; and
- (vi) TBS Canada has no obligation to remove or pay for the removal of any merchandise inventory that remains in the US Distribution Centre at the end of the License Period.

5.5 The Proposal Trustee understands that a hearing is scheduled for June 13, 2024 in the Chapter 7 Proceeding to seek approval of the License Arrangement. The Chapter 7 Trustee has allowed the parties to exercise their rights and perform their respective obligations under the License Arrangement pending subsequent approval by the US Bankruptcy Court.

6.0 CASH FLOW RESULTS RELATIVE TO FORECAST

6.1 Actual receipts and disbursements for the period from March 30, 2024 to May 10, 2024 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “B” to the Second Report, are summarized in the following table:

Cash Flow Variance Report			\$000's
	Actual	Budget	Variance
Receipts			
Sales	5,820	5,551	268
Sales Tax Collections	669	444	225
Total Receipts	6,489	5,996	494
Disbursements			
Inventory Purchases	(480)	(700)	220
Vendor Payments	(771)	(878)	107
Rent	(2,070)	(2,068)	(2)
License Fee	(134)	--	(134)
Payroll & Benefits	(2,446)	(2,570)	124
KERP	(157)	(157)	(1)
Restructuring Professional Fees	(472)	(819)	347
Sales Tax Remittances	(948)	(923)	(25)
Other Expenditures	(98)	(108)	10
Total Disbursements	(7,578)	(8,223)	646
Net Cash Flow	(1,089)	(2,228)	1,139
Opening Cash Balance	8,000	8,000	--
Net Cash Flow	(1,089)	(2,228)	1,139
Ending Cash Balance	6,912	5,772	1,139

6.2 During the Reporting Period:

- (i) the positive variance in sales of approximately \$268,000 is due to greater-than-forecast sales across the Going Concern Stores;
- (ii) the positive variance in inventory purchases of approximately \$220,000 is due primarily to timing delays associated with the Replenishment Order and payment of same, and is expected to reverse in future weeks;
- (iii) as described above, TBS Canada entered into the License Arrangement such that it could access and transport the Replenishment Order. Pursuant to the License

Arrangement, TBS Canada funded the License Fee for the months of April and May, plus the US\$50,000 deposit. For the April License Fee payment, the Company received a credit of US\$79,000 to reflect amounts already paid by TBS Canada for the benefit of TBS US since the commencement of the NOI Proceeding; and

- (iv) the remaining positive variance in total disbursements of approximately \$560,000 is expected to reverse and is due primarily to timing in the remittance of vendor payments and restructuring professional fees.

6.3 Overall, during the Reporting Period, the Company experienced a positive net cash flow variance of approximately \$1.1 million, primarily attributable to higher than forecast sales results and lower operating disbursements and partially offset by the payment of the License Fee which was not previously contemplated in the forecast.

6.4 The closing cash balance as at May 17, 2024 was approximately \$6.9 million, as compared to the projected cash balance of \$5.8 million.

7.0 UPDATED CASH FLOW FORECAST

7.1 TBS Canada, with the assistance of the Proposal Trustee, prepared a revised and updated cash flow forecast (the “**Updated Cash Flow Forecast**”) for the period from May 18, 2024 to August 16, 2024 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with Notes and Summary of Assumptions, is attached to this Fourth Report as **Appendix “B”**.

7.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

Cash Flow Forecast		\$000's
Receipts		
Sales		10,475
Sales Tax Collections		838
Total Receipts		11,313
Disbursements		
Inventory Purchases		(1,588)
Vendor Payments		(1,531)
License Fee		(68)
Rent		(4,027)
Payroll & Benefits		(5,440)
KERP		(313)
Restructuring Professional Fees		(1,617)
Sales Tax Remittances		(965)
Other Expenditures		(166)
Total Disbursements		(15,714)
Net Cash Flow		(4,402)
Opening Cash Balance		6,912
Net Cash Flow		(4,402)
Closing Cash Balance		2,510

7.3 The Proposal Trustee notes the following with respect to the Updated Cash Flow Forecast:

- (i) sales are forecast based on normalized sale trends at the Company's 72 Going Concern Stores;
- (ii) inventory purchases are based on the status of current discussions with the Joint Administrators, disbursements for the Replenishment Order and an estimate for a second inventory replenishment order from the UK Parent;
- (iii) vendor payments consist of shipping and 3PL costs, credit and debit card processing fees, information technology services, and other store-level and general operating costs;

- (iv) license fee is based on the License Arrangement and represents the License Fee owing for June, offset by the return of the US\$50,000 security deposit (as described above);
- (v) payroll & benefits and rent consist of payments to support the Going Concern Stores and the Company's head-office, including the costs associated with the seven US Contractors and 13 DC Contractors;
- (vi) disbursements to certain key individuals (including US Contractors) are included in accordance with the KERP; and
- (vii) restructuring professional fees include costs for the Company's legal counsel, and the Proposal Trustee and its legal counsel.

7.4 The Updated Cash Flow Forecast has been prepared solely for the purpose and subject to the Cash Flow Assumptions, and readers are cautioned that it may not be appropriate for other purposes.

8.0 INTERCOMPANY ACCOUNT PRIOR TO THE NOI PROCEEDING

8.1 As described in the Second Report, TBS Canada is party to various Intercompany Agreements with the UK Parent, which among other things, provide the Company with the ability to market and sell "The Body Shop" branded products and benefit from various shared services prior to the commencement of the NOI Proceeding.

8.2 As at December 31, 2023, the Intercompany Account was in a receivable position of approximately \$48.9 million, to the benefit of TBS Canada. This net receivable position

reflects the general profitability of TBS Canada and the positive net cash flow transferred to the UK Parent over a number of years.

8.3 Since the date of the Second Report, the UK Parent provided additional information relating to the Intercompany Account for the period from January 1, 2024 to the commencement date of the UK Administration Proceeding (February 13, 2024). The Company, with the assistance of the Proposal Trustee, has reviewed the Intercompany Account details and understands that as of February 13, 2024, TBS Canada was in a receivable position of approximately \$44 million.

8.4 The following table sets out a summary of intercompany activity from January 1, 2024 to February 13, 2024:

Intercompany Account Summary (in \$000s)	
TBS Canada Opening Payable/(Receivable) Balance, as at January 1, 2024	(48,949)
Add: Inventory Purchases	1,610
Add: Costs for Shared Services	156
Add: Interest, foreign exchange and other adjustments	484
Add: UK Parent cash provided, incl. payments made on behalf of TBS Canada	8,869
Less: UK Parent cash sweep from TBS Canada	(6,185)
TBS Canada Closing Payable/(Receivable) Balance, as at February 13, 2024	(44,015)

9.0 EXTENSION OF THE STAY PERIOD

9.1 Pursuant to the April 15 Order, the Stay Period is set to expire on May 31, 2024. The Company is seeking an extension of the Stay Period to July 12, 2024.

9.2 The Proposal Trustee supports the extension request for the following reasons:

- (i) the proposed stay of proceedings will provide the stability and certainty required to enable TBS Canada to advance its ongoing review of strategic alternatives to implement a going-concern outcome for the Canadian business;
- (ii) the Company is projected to have sufficient liquidity to fund its operations, as reflected in the Updated Cash Flow Forecast, through the end of the proposed Stay Period;
- (iii) the proposed extension of the Stay Period is for the maximum permitted 45-day period for any one stay extension and remains under the total permitted stay period of six months under the BIA;
- (iv) the Company has acted, and continues to act, in good faith and with due diligence since commencing the NOI Proceeding;
- (v) the Proposal Trustee is of the view that TBS Canada is making progress toward being able to make a viable proposal and, should the Stay Period be extended as requested, that progress will continue; and
- (vi) the Proposal Trustee does not believe any creditor will be prejudiced if the extension is granted.

10.0 ACTIVITIES OF THE PROPOSAL TRUSTEE

10.1 Since the date of the Second Report, the Proposal Trustee has engaged in the following activities:

- (i) assisting the Company in its communications to employees, suppliers, landlords and other stakeholders;
- (ii) continuing to assist the Company with the calculation of estimated claims for the Former Employees and landlords of the Closing Stores;¹
- (iii) attending meetings and engaging in various correspondence with the Joint Administrators, the UK Parent and the Chapter 7 Trustee regarding their respective restructuring proceedings and matters in connection with the NOI Proceeding, including discussions to advance TBS Canada's efforts to emerge as a going concern business;
- (iv) assisting the Company with discussions regarding its inventory replenishment efforts and re-establishing its supply chain;
- (v) monitoring the Company's cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (vi) assisting the Company in the preparation of the Updated Cash Flow Forecast;
- (vii) posting non-confidential materials filed with the Court to the Case Website;
- (viii) attending calls and email correspondence with the Company, the Company's legal counsel and the Proposal Trustee's counsel, Cassels Brock and Blackwell LLP ("**Cassels**"), regarding all matters in connection with the NOI Proceeding; and

¹ As noted in the Third Report, the Proposal Trustee and the Company commenced the calculation and evaluation of the quantum of potential employee claims prior to the commencement of the NOI Proceeding.

(ix) with the assistance of Cassels, preparing the Third Report and this Fourth Report.

11.0 CONCLUSIONS AND RECOMMENDATIONS

11.1 For the reasons set out in this Fourth Report, the Proposal Trustee is of the view that the proposed extension of the Stay Period is reasonable, appropriate and necessary having regard to the Company's current circumstances and respectfully recommends that the Court grant the relief requested.

All of which is respectfully submitted to the Court this 27th day of May, 2024.

**Alvarez & Marsal Canada Inc.,
solely in its capacity as Proposal Trustee of The Body Shop Canada Limited,
and not in its personal or corporate capacity**

Per: _____


Josh Nevsky
Senior Vice-President

APPENDIX A
JOINT ADMINISTRATORS LETTER

To All Known Creditors and Members

Your ref:

Our ref: B2999LON/AO047em/TSE/AWS

Please Contact: Alex Williams

Telephone Number: 020 3005 4108

Email Address: Alex.Williams@frpadvisory.com

Date: 21 May 2024

Dear Sirs

THE BODY SHOP INTERNATIONAL LIMITED (IN ADMINISTRATION) ("THE COMPANY")

Following the appointment of Joint Administrators in February efforts have been made to stabilise the business and effect various restructuring initiatives. To date there have been efforts to deliver a rescue of the Company by proposing a Company Voluntary Arrangement ("CVA") to creditors. Prior to launching a CVA efforts have been made to engage with key stakeholders to agree terms over various matters.

Despite the engagement of these key stakeholders, it has not been possible to reach the necessary agreements for a CVA to be launched. The Joint Administrators have therefore decided to commence a sale process for the underlying business and assets of the Company. We remain encouraged by the level of interest received to date from interested parties.

The Body Shop remains an iconic brand and following the structural changes we have made to the business since our appointment we consider it has a viable future. This will be showcased to potential acquirors during the sale process.

Updates will be provided to creditors as appropriate and in line with statutory requirements.

Should you have any queries or require any further information please contact my colleague detailed at the top of this letter.

Yours faithfully
For and on behalf of
The Body Shop International Limited



Anthony John Wright
Joint Administrator

Licensed in the United Kingdom by the Institute of Chartered Accountants in England & Wales and bound by the Insolvency Code of Ethics

The Joint Administrators act as agents of the Company and without personal liability.

The Company entered Administration on 13 February 2024. The affairs, business and property of the Company are being managed by the appointed Joint Administrators Anthony John Wright, Alastair Rex Massey and Geoffrey Paul Rowley.

APPENDIX B
UPDATED CASH FLOW FORECAST

Appendix B – Updated Cash Flow Forecast

The Body Shop Canada Limited
13-Week Cash Flow Forecast ending August 16, 2024
Unaudited \$CAD 000's

Cash Flow Week: Week Ending:	Note	Week 1 24-May-24	Week 2 31-May-24	Week 3 07-Jun-24	Week 4 14-Jun-24	Week 5 21-Jun-24	Week 6 28-Jun-24	Week 7 05-Jul-24	Week 8 12-Jul-24	Week 9 19-Jul-24	Week 10 26-Jul-24	Week 11 02-Aug-24	Week 12 09-Aug-24	Week 13 16-Aug-24	13-Week Total
Receipts															
Sales	2	728	706	809	864	833	777	751	791	827	835	856	843	856	10,475
Sales Tax Collections		58	56	65	69	67	62	60	63	66	67	68	67	68	838
Total Receipts		786	763	874	933	900	840	811	854	893	902	924	910	924	11,313
Disbursements															
Inventory Purchases	3	(138)	(450)	-	(400)	-	-	-	(600)	-	-	-	-	-	(1,588)
Vendor Payments	4	(50)	(459)	(50)	(221)	(50)	(50)	(50)	(350)	(50)	(50)	(50)	(50)	(50)	(1,531)
License Fee	5	-	-	(135)	-	-	-	68	-	-	-	-	-	-	(68)
Payroll & Benefits	6	(720)	(20)	(805)	(20)	(720)	(20)	(805)	(20)	(745)	(20)	(805)	(20)	(720)	(5,440)
KERP	7	-	-	(157)	-	-	-	-	-	-	-	-	-	(157)	(313)
Rent	8	-	(656)	(30)	(656)	-	-	(656)	(30)	(656)	-	(656)	(30)	(656)	(4,027)
Sales Tax Remittances		-	(175)	-	-	-	(187)	-	-	-	(263)	-	-	(341)	(965)
Restructuring Professional Fees	9	(249)	-	(294)	-	(294)	-	(271)	-	(203)	-	(170)	-	(136)	(1,617)
Other Expenditures		(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(166)
Total Disbursements		(1,169)	(1,773)	(1,483)	(1,310)	(1,077)	(270)	(1,728)	(1,013)	(1,667)	(345)	(1,693)	(113)	(2,073)	(15,714)
Net Cash Flow		(383)	(1,011)	(609)	(378)	(177)	570	(917)	(159)	(774)	556	(769)	797	(1,148)	(4,402)
Opening Cash Balance		6,912	6,528	5,518	4,908	4,531	4,354	4,923	4,007	3,848	3,073	3,630	2,861	3,658	6,912
Net Cash Flow		(383)	(1,011)	(609)	(378)	(177)	570	(917)	(159)	(774)	556	(769)	797	(1,148)	(4,402)
Ending Cash Balance		6,528	5,518	4,908	4,531	4,354	4,923	4,007	3,848	3,073	3,630	2,861	3,658	2,510	2,510

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, OF THE BODY
SHOP CANADA LIMITED**

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW FOR THE 13-WEEK
PERIOD ENDING AUGUST 16, 2024**

A. Purpose and General Assumptions of the Updated Cash Flow Statement

1. The Body Shop Canada Limited (the “**Company**”) has prepared this Updated Cash Flow Statement and the accompanying Notes to the Cash Flow Statement (collectively the “**Updated Cash Flow Statement**”) in support of the proposal proceedings that has been filed under the Bankruptcy and Insolvency Act (“**BIA**”) on March 1, 2024.

Alvarez & Marsal Canada Inc. is the Proposal Trustee in this matter (the “**Proposal Trustee**”). The Updated Cash Flow Statement should be read in conjunction with the Report on Cash Flow Statement by the Company (Form 30 under the BIA), the Proposal Trustee’s Report on Cash Flow Statement (Form 29 under the BIA) and the Proposal Trustee’s Fourth Report to Court dated May 27, 2024 (the “**Fourth Report**”).

The Company has prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Company’s planned course of action for the period from May 18 to August 16, 2024 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Updated Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Company and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Updated Cash Flow Statement.

The Updated Cash Flow Statement has been developed pursuant to subsection 50 (6) of the BIA and is in support of these BIA proceedings. The information contained in the Updated Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary.

This Updated Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Updated Cash Flow Statement could vary based on changing future circumstances.

The projected cash flow statement is prepared in Canadian dollars.

B. Hypothetical and Probable Assumptions of the Updated Cash Flow Statement

2. **Sales:** Includes receipts from the sale of goods through the Company's Going Concern Locations, net of a provision for inventory shrinkage.
3. **Inventory Purchases:** Includes estimated disbursements to replenish inventory at the Going Concern Locations, as discussed in the Fourth Report.
4. **Vendor Payments:** Includes estimated shipping and 3PL costs related to inventory purchases, IT and software costs, store level expenses, overhead costs and other general expenses.
5. **License Fee:** Represents the license fee owing for June, in accordance with the License Agreement, as discussed in the Fourth Report.
6. **Payroll & Benefits:** Includes salaries, wages, remittances and employee benefits for salaries and part-time employees across the Company's Going Concern Locations, the Canadian head office and the US-based contractors, as discussed in the Fourth Report.
7. **KERP:** Payments to key personnel retained by the Company, in accordance with the Key Employee Retention Plan.
8. **Rent:** Includes disbursements for the Going Concern Stores and the Canadian head office.
9. **Restructuring Professional Fees:** Disbursements include fees paid to the Company's legal counsel, and the Proposal Trustee and its legal counsel.

District of: Ontario
Division No.: 09 - Toronto
Court No.: BK-31-3050418
Estate No.: BK-24-03050418-0031

FORM 29

Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C.
1985, c. B-3, AS AMENDED, OF THE BODY SHOP CANADA LIMITED

The attached statement of projected cash flow of The Body Shop Canada Limited, as of May 27, 2024, consisting of a 13-week cash flow statement and accompanying notes and assumptions, has been prepared by the management of the insolvent debtor for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2-9.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in Note 1, and readers are cautioned that it may not be appropriate for any other purpose.

Dated at Toronto, Ontario, this May 27, 2024.



Alvarez & Marsal Canada Inc., solely in its capacity
as Trustee *in re* the Proposal of The Body Shop Canada Limited,
and not in its corporate or personal capacity

Per: Josh Nevsky, Senior Vice-President

District of: Ontario Division No.: 09 -
Toronto
Court No.: BK-31-3050418
Estate No.: BK-24-03050418-0031

FORM 30

Report on Cash-Flow Statement by the Person Making the Proposal (Paragraphs 50(6)(c)
and 50.4(2)(c) of the Act)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985, c. B-3, AS AMENDED, OF THE BODY SHOP CANADA LIMITED

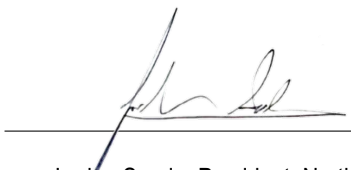
The management of The Body Shop Canada Limited (the "**Company**") has developed the assumptions and prepared the attached statement of projected cash flow of the Company, as of the May 27, 2024, consisting of a 13-week cash flow statement and accompanying notes and assumptions.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1 attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in Notes 2-9 attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for any other purposes.

Dated at Toronto, Ontario, this May 27, 2024.



Jordan Searle, President, North America

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF THE
BODY SHOP CANADA LIMITED**

Court No.: BK-31-3050418

Estate No.: BK-24-03050418-0031

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**FOURTH REPORT OF THE
PROPOSAL TRUSTEE**

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in its capacity as Proposal Trustee and not in its
personal or corporate capacity.