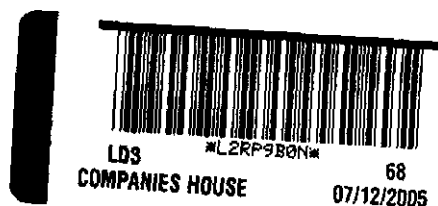


Lush Cosmetics Limited

**Directors' report and consolidated
financial statements**

Registered number 04162033

30 June 2004



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Lush Cosmetics Limited	4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Notes	9

the first of these is the fact that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The second is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

The third is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The fourth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

The fifth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The sixth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

The seventh is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The eighth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

The ninth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The tenth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

The eleventh is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The twelfth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

The thirteenth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable. The fourteenth is that the system is not a simple one. It is a complex system, and the behavior of the system is not predictable.

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2004.

Principal activities

The group is principally engaged in the production and retail of cosmetic products.

Business review

There was a profit for the year after taxation amounting to £4,279,215 (2003: £1,190,584).

Dividends

The directors declared a dividend of £80.90 per share (2003: £nil) and £1,808,633 (2003: £1,190,584) was transferred to reserves.

Directors

The directors who held office during the year were as follows:

M Constantine
Mrs M Constantine
A Gerrie
P Blacker (non-executive)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company.

	Ordinary shares 30 June 2004 and 30 June 2003
M Constantine	3,000
Mrs M Constantine	2,000
A Gerrie	700
P Blacker	2,300

Charitable contributions

Donations to charitable organisations amounted to £Nil (2003: £Nil).

Employees

Full and fair consideration is given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available then, where practicable, arrangements will be made to continue the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

The development of employee involvement in the group's business is kept under regular review and the directors are committed to encouraging greater involvement of all employees. Formal and informal briefing of employees takes place as appropriate.

The group takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race, colour, ethnic background, religion or disability.

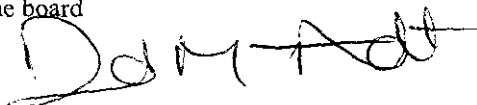
Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

D M Arnott
Secretary

A handwritten signature in black ink, appearing to read 'D M Arnott', written over the printed name and title.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

Dukes Keep
Marsh Lane
Southampton SO14 3EX
United Kingdom

Report of the independent auditors to the members of Lush Cosmetics Limited

We have audited the financial statements on pages 5 to 23.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

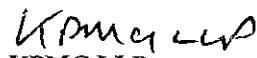
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP

Chartered Accountants
Registered Auditor

5 December 2005

Consolidated profit and loss account
for the year ended 30 June 2004

	Note	2004 £	2003 £
Turnover	2	52,098,001	33,937,035
Cost of sales		(35,794,879)	(24,811,440)
Gross profit		16,303,122	9,125,595
Administrative expenses		(7,986,970)	(6,839,456)
Operating profit	2-4	8,316,152	2,286,139
Share of the operating profit in associates		407,650	413,378
Interest receivable and similar income	5	65,465	53,631
Interest payable and similar charges	6	(152,056)	(23,239)
Profit on ordinary activities before taxation		8,637,211	2,729,909
Tax on profit on ordinary activities	7	(2,676,779)	(1,227,058)
Profit on ordinary activities after taxation		5,960,432	1,502,851
Equity minority interest		(1,681,217)	(312,267)
Profit for the year		4,279,215	1,190,584
Dividends on equity shares	8	(1,618,078)	-
Retained profit for the year for the group and its share of associates		2,661,137	1,190,584

There were no recognised gains on losses other than the profit for the year, as reported above.

All results relate to continuing activities.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial years above and their historical cost equivalents.

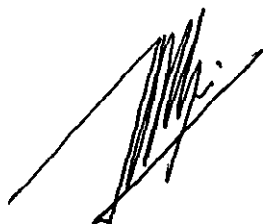
A statement of movement on reserves is given in note 17.

Consolidated balance sheet
at 30 June 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Intangible assets – goodwill	10		34,090		77,121
Tangible assets	9		6,323,319		3,870,704
Investments in associates	10		624,599		591,405
			<hr/>		<hr/>
			6,982,008		4,539,230
Current assets					
Stocks	11	3,312,468		2,118,914	
Debtors	12	6,059,271		3,809,944	
Cash at bank and in hand		2,037,613		1,755,660	
		<hr/>		<hr/>	
		11,409,352		7,684,518	
Creditors: amounts falling due within one year	13	(10,014,481)		(8,820,123)	
		<hr/>		<hr/>	
Net current assets/(liabilities)			1,394,871		(1,135,605)
			<hr/>		<hr/>
Total assets less current liabilities			8,376,879		3,403,625
Creditors: amounts falling due after more than one year	14		(541,957)		(13,645)
Provisions for liabilities and charges	15		(162,415)		(124,117)
			<hr/>		<hr/>
Net assets			7,672,507		3,265,863
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		20,000		20,000
Other reserves	17		132,008		132,008
Profit and loss account	17		5,285,875		2,575,804
			<hr/>		<hr/>
Equity shareholders' funds	19		5,437,883		2,727,812
Minority interest	18		2,234,624		538,051
			<hr/>		<hr/>
			7,672,507		3,265,863
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 5/12/04 and were signed on its behalf by:

A Gerrie
Director

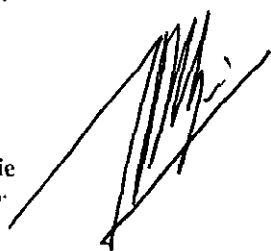


Company balance sheet
at 30 June 2004

	Note	£	2004 £	£	2003 £
Fixed assets					
Investments	10		6,090,485		6,090,485
Current assets					
Debtors	12	170,980		-	
Creditors: amounts falling due within one year	13	(170,980)		-	
Net current assets			-		-
Net assets			6,090,485		6,090,485
Capital and reserves					
Called up share capital	16		20,000		20,000
Other reserve	17		6,070,485		6,070,485
Equity shareholders' funds	19		6,090,485		6,090,485

These financial statements were approved by the board of directors on 5/12/05 and were signed on its behalf by:

A Gerrie
Director



Consolidated cash flow statement
for the year ended 30 June 2004

	<i>Note</i>	2004 £	2003 £
Cash flow from operating activities	20	6,154,809	4,033,281
Dividends received from associates		111,786	-
Returns on investments and servicing of finance	21	13,149	30,392
Taxation – corporation tax paid		(1,371,939)	(721,334)
Capital expenditure	21	(3,571,452)	(2,560,709)
Acquisitions		-	(60,323)
Equity dividends paid		(1,447,098)	-
		<hr/>	<hr/>
Net cash (outflow)/inflow before management of liquid resources and financing		(110,745)	721,307
Financing	21	519,254	(55,346)
		<hr/>	<hr/>
Increase in cash		408,509	665,961
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net debt (note 22)

	2004 £	2003 £
Increase in cash in the year	408,509	665,961
Cash (inflow)/outflow from financing activities	(519,254)	55,346
	<hr/>	<hr/>
(Decrease)/increase in net funds resulting from cash flows and movement in net funds in the year	(110,745)	721,307
Net funds at 1 July	1,546,150	824,843
	<hr/>	<hr/>
Net funds at 30 June	1,435,405	1,546,150
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

During 2001, the company was incorporated and acquired the entire issued share capital of Lush Limited in a share for share exchange. The transaction has been accounted for under the merger method of accounting in order to reflect properly the substance of the transaction. Under the merger method, subsidiaries acquired are included as if they had always been members of the Group.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

In accordance with Section 230(4) of the Companies Act 1985, a separate profit and loss account dealing with the results of the Company has not been presented. The result for the Company for the period was £Nil.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	Period of lease
Plant & machinery	20%
Fixtures and fittings	20%
Computer equipment	33%
Leasehold land is not depreciated	

Investments

Investments in subsidiary and associated companies are included in the balance sheet at historic cost.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leases

Assets under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of cosmetic products to customers and is recognised on final sale to third parties.

2 Turnover and profit on ordinary activities before taxation

The turnover and profit before taxation are attributable to the production and retail of cosmetic goods.

The profit on ordinary activities is stated after charging:	2004	2003
	£	£
Auditor's remuneration	99,673	62,225
Amortisation	1,833	-
Depreciation:		
Tangible fixed assets, owned	1,097,788	774,889
Tangible fixed assets, held under finance leases and hire purchase contracts	8,279	8,279
Other operating lease rentals	5,033,692	4,393,402
	<u> </u>	<u> </u>

The Company's auditor fees are paid by Lush Limited.

3 Remuneration of directors

Remuneration in respect of directors was as follows:	2004	2003
	£	£
Director's emoluments	809,442	892,904
	<u> </u>	<u> </u>

No contributions were made to money purchase pension schemes during the year (2003: £nil).

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2004	2003
	£	£
Emoluments	315,665	344,107
	<u> </u>	<u> </u>

No company pension contributions were made to a money purchase scheme on his behalf (2003: £nil).

Notes (continued)

4 Directors and employees

Staff costs during the year were as follows:

	2004 £	2003 £
Wages and salaries	14,883,650	11,426,432
Social security costs	1,303,915	800,651
	<u>16,187,565</u>	<u>12,227,083</u>

The average number of persons employed by the group including directors during the year, analysed by category was as follows:

	2004	2003
Administration	96	76
Production	253	250
Retail	1,130	1,007
	<u>1,479</u>	<u>1,333</u>

5 Interest receivable

	2004 £	2003 £
Other interest receivable and similar income	65,072	53,631
Interest receivable – associates	393	-
	<u>65,465</u>	<u>53,631</u>

6 Interest payable

	2004 £	2003 £
Finance charges in respect of finance leases	1,005	1,520
Other interest payable and similar charges	50,918	21,719
Interest payable – associates	100,133	-
	<u>152,056</u>	<u>23,239</u>

7 Tax on profit on ordinary activities

The tax charge represents:	2004 £	2003 £
UK corporation tax		
Current tax on income for the year	2,570,842	980,536
Adjustments in respect of prior periods	(74,578)	-
Share of associates current tax	142,217	176,743
	<hr/>	<hr/>
Total current tax	2,638,481	1,157,279
Deferred taxation (note 14)	38,298	69,779
	<hr/>	<hr/>
Tax on profit on ordinary activities	2,676,779	1,227,058
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2003: higher) than the standard rate of corporation tax in the UK (2003:30%). The differences are explained below:

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	8,637,211	2,729,909
	<hr/>	<hr/>
Current tax at 30%	2,591,163	818,973
<i>Effects of:</i>		
Expenses not deductible for tax purposes	44,711	71,008
Capital allowances for period in excess of depreciation	(64,552)	172,166
Overseas tax rates	57,824	94,779
Other	83,913	353
Adjustments in respect of prior periods	(74,578)	-
	<hr/>	<hr/>
Total current tax (see above)	2,638,481	1,157,279
	<hr/>	<hr/>

8 Dividends

	2004 £	2003 £
Dividend of £80.90 per ordinary share (2003: £nil)	1,618,078	-
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Group				
Cost				
At 1 July 2003	885,061	62,059	6,236,198	7,183,318
Difference arising on exchange	(120,088)	(13,493)	(285,290)	(418,871)
Additions	467,282	38,018	3,066,152	3,571,452
Disposals	(41,390)	-	(19,255)	(60,645)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	1,190,865	86,584	8,997,805	10,275,254
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 July 2003	336,514	37,964	2,938,136	3,312,614
Difference arising on exchange	1,339	(6,058)	(425,352)	(430,071)
Provided in year	85,766	11,297	1,009,004	1,106,067
On disposals	(26,916)	-	(9,759)	(36,675)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004	396,703	43,203	3,512,029	3,951,935
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2004	794,162	43,381	5,485,776	6,323,319
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2003	548,547	24,095	3,298,062	3,870,704
	<hr/>	<hr/>	<hr/>	<hr/>

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	£
Net book amount at 30 June 2004	15,601
	<hr/>
Net book amount at 30 June 2003	23,880
	<hr/>
Depreciation provided during the year	8,279
	<hr/>

Notes (continued)

10 Intangible assets and fixed asset investments

Group	Goodwill £
<i>Cost</i>	
At beginning of year	77,121
Disposals	(41,198)
	<hr/>
At end of year	35,923
	<hr/>
<i>Amortisation</i>	
At beginning of year	-
Charge for year	1,833
	<hr/>
At end of year	1,833
	<hr/>
<i>Net book value</i>	
At 30 June 2004	34,090
	<hr/> <hr/>
At 30 June 2003	77,121
	<hr/> <hr/>
 Group	 Associated companies £
<i>Cost</i>	
At beginning of the year	591,405
Exchange differences	(22,500)
Share of profit for year	151,528
Dividends receivable from associated undertakings	(111,786)
Additions	15,952
	<hr/>
At the end of the year	624,599
	<hr/> <hr/>
 Company	 Shares in subsidiary and associated companies £
Valuation at 1 July 2003 and 30 June 2004	6,090,485
	<hr/> <hr/>

Notes (continued)

10 Fixed assets investments (continued)

At 30 June 2004 the company held the following investments in subsidiary and associated companies:

	Country of incorporation	Class of share capital held	Proportion held	Nature of business
<i>Subsidiary undertakings</i>				
Lush Limited	England	Ordinary	100%	Manufacturer of cosmetic products
Lush Retail Limited	England	Ordinary	39.8%	Retailer of cosmetic products
Lush Dublin Limited	Republic of Ireland	Ordinary	100%	Retailer of cosmetic products
Lush (Ireland) Limited	Northern Ireland	Ordinary	100%	Retailer of cosmetic products
Sennett and Spears (1973) Limited	Jersey	Ordinary	100%	Retailer of cosmetic products
Lush Manufacturing Limited	England	Ordinary	100%	Manufacturer of cosmetic products
Lush (New Zealand) Limited	New Zealand	Ordinary	100%	Retailer of cosmetic products
Lush Australasia Manufacturing Pty Limited	Australia	Ordinary	100%	Manufacturer of cosmetic products
Lush Australasia Retail Limited	Australia	Ordinary	100%	Retailer of cosmetic products
Lush Licensing Inc	USA	Ordinary	51%	Holds IP rights
Fresh Handmade Cosmetics Private Limited	Singapore	Ordinary	80%	Dormant
Lush Japan KK	Japan	Ordinary	55%	Manufacturer and retailer of cosmetic products
Lush BV	Holland	Ordinary	96%	Retailer of cosmetic products
Lush GmbH	Germany	Ordinary	50%	Retailer of cosmetic products
Lush USA Inc	USA	Ordinary	51%	Retailer of cosmetic products

Notes (continued)

10 Fixed assets investments (continued)

	Country of incorporation	Class of share capital held	Proportion held	Nature of business
<i>Subsidiary undertakings (continued)</i>				
Lush Internet Inc	USA	Ordinary	51%	Retailer of cosmetic products
<i>Associated undertakings</i>				
Lush Sweden AB	Sweden	Ordinary	35%	Retailer of cosmetic products
Lush Italia SRL	Italy	Ordinary	35%	Manufacturer and retailer of cosmetic products
Lush Brasil LTDA	Brazil	Ordinary	35%	Manufacturer and retailer of cosmetic products
Lush Hungary KFT	Hungary	Ordinary	35%	Retailer of cosmetic products
Lush (Switzerland) AG	Switzerland	Ordinary	35%	Retailer of cosmetic products
Lush Russia Limited Liability Company	Russia	Ordinary	35%	Retailer of cosmetic products
Lush Handmade Cosmetics Limited	Canada	Class A	48%	Manufacturer and retailer of cosmetic products
Lush South Korea	South Korea	Ordinary	25%	Retailer of cosmetic products
Prosrednik Promet D.O.O.	Croatia	Ordinary	35%	Retailer of cosmetic products
Natur Pact SRL	Romania	Ordinary	35%	Retailer of cosmetic products
Lush Czech S.R.O	Czech Republic	Ordinary	35%	Retailer of cosmetic products

The directors consider that Lush Retail Limited is a subsidiary of Lush Cosmetics Limited on the basis of Lush Cosmetics Limited's 39.8% holding in the issued share capital of Lush Retail Limited and due to the actual exercise of a dominant influence over the operating and financial policies of Lush Retail Limited.

Lush Australasia Manufacturing Pty Limited and Lush Australasia Retail Pty Limited are 100% subsidiaries of Lush (New Zealand) Limited.

Notes (continued)

10 Fixed assets investments (continued)

The following information is relevant to an understanding of the group's investment in its associates.

The total of the group's profit before taxation from interests in associates was £307,910 (2003: £413,378).

The amounts included in respect of all associates comprise the following:

	Associates 2004 £
Share of turnover of associates	5,833,130
Share of assets	
Share of fixed assets	758,497
Share of current assets	1,559,372
	2,317,869
Share of liabilities	
Due within one year	(1,524,180)
Due after one year	(169,090)
	(1,693,270)
Share of net assets	624,599

11 Stocks

	2004 £	Group 2003 £
Raw materials	1,982,763	1,093,643
Work in progress	119,557	39,697
Finished goods	1,210,148	985,574
	3,312,468	2,118,914

Notes (continued)

12 Debtors

	2004 £	Group 2003 £
Amounts owed by associated undertakings (note 27)	1,678,569	857,697
Other debtors	2,124,864	1,792,794
Prepayments	1,907,057	1,159,453
Corporation tax	348,781	-
	<u>6,059,271</u>	<u>3,809,944</u>
	2004 £	Company 2003 £
Amounts owed by subsidiary undertakings	<u>170,890</u>	<u>-</u>

13 Creditors: amounts falling due within one year

	2004 £	Group 2003 £
Bank overdraft	53,526	180,082
Amounts due under finance leases	6,725	15,783
Trade creditors	4,018,191	3,446,534
Corporation tax	2,326,828	995,939
Other tax and social security	1,145,294	483,801
Other creditors	103,477	1,082,727
Accruals and deferred income	2,189,460	2,191,462
Amounts owed to associate company	-	423,795
Dividend payable	170,980	-
	<u>10,014,481</u>	<u>8,820,123</u>
	2004 £	Company 2003 £
Dividend payable	<u>170,980</u>	<u>-</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2004 £	Group 2003 £
Amounts due under finance leases	3,003	13,645
Other creditors	538,954	-
	<u>541,957</u>	<u>13,645</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2004 £	2003 £
Within one year	6,725	15,783
In one to two years	3,003	13,645
	<u>9,728</u>	<u>29,428</u>

15 Provisions for liabilities and charges - Group

	Deferred taxation £
At 1 July 2003	124,117
Provided during the year	38,298
	<u>162,415</u>
At 30 June 2004	<u>162,415</u>

The elements of deferred taxation are as follows:

	2004 £	2003 £
Differences between accumulated depreciation and capital allowances	162,415	124,117

16 Called up share capital

	2004 £	2003 £
Group and company		
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
20,000 ordinary shares of £1 each	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

Notes (continued)

17 Statement of movement on reserves

	Other Reserves £	Profit and loss account £
Group		
At 1 July 2003	132,008	2,575,804
Arising on exchange differences	-	48,934
Retained profit for the year	-	2,661,137
	<hr/>	<hr/>
At 30 June 2004	132,008	5,285,875
	<hr/>	<hr/>
		Other reserves
		£
Company		
At 1 July 2003 and at 30 June 2004		6,070,485
		<hr/>

18 Equity minority interest

The minority interests in the reserves of:

	2004 £	2003 £
Lush Retail Limited	1,267,684	488,513
Fresh Handmade Cosmetics Private Limited	(68,699)	(84,055)
Lush Japan KK	652,629	109,675
Lush USA Inc	360,426	6,630
Lush Gmbh	22,584	17,288
	<hr/>	<hr/>
	2,234,624	538,051
	<hr/>	<hr/>

The minority interest charge in the consolidated profit and loss account is analysed as follows:

	2004 £	2003 £
Lush Retail Limited	779,171	292,893
Lush Australasia Retail Limited	-	(18,953)
Fresh Handmade Cosmetics Private Limited	-	(942)
Lush Japan KK	542,954	35,146
Lush USA Inc	353,796	2,964
Lush Gmbh	5,296	1,159
	<hr/>	<hr/>
	1,681,217	312,267
	<hr/>	<hr/>

Notes (continued)

19 Reconciliation of movements in equity shareholders' funds

	2004 £	2003 £
Group		
Profit for the financial year	4,279,215	1,190,584
Dividends	(1,618,078)	-
Arising on exchange	48,934	(15,167)
	<hr/>	<hr/>
Net increase in shareholders' funds	2,710,071	1,175,417
Shareholders' funds at 1 July 2003	2,727,812	1,552,395
	<hr/>	<hr/>
Shareholders' funds at 30 June 2004	5,437,883	2,727,812
	<hr/>	<hr/>
		£
Company		
Shareholders' funds at 1 July 2003 and 30 June 2004		6,090,485
		<hr/>

20 Reconciliation of operating profit to operating cash flows

	2004 £	2003 £
Operating profit	8,316,152	2,286,139
Depreciation and amortisation	1,107,900	783,168
Loss on sale of tangible fixed assets	23,970	-
Increase in stock	(1,193,554)	(851,376)
Increase in debtors	(1,900,546)	(494,646)
(Decrease)/increase in creditors	(171,897)	2,316,561
Exchange differences	(27,216)	(6,565)
	<hr/>	<hr/>
	6,154,809	4,033,281
	<hr/>	<hr/>

Notes (continued)

21 Analysis of cash flows

	2004 £	2003 £
Returns on investment and servicing of finance		
Group interest received	65,072	53,631
Group interest paid	(50,918)	(23,239)
Interest element of finance lease rental payments	(1,005)	-
	<u>13,149</u>	<u>30,392</u>
Capital expenditure		
Purchase of tangible fixed assets	(3,571,452)	(2,610,461)
Disposal of tangible fixed assets	-	49,752
	<u>(3,571,452)</u>	<u>(2,560,709)</u>
Financing		
Capital element of finance lease rental payments	(19,700)	(55,346)
Increase in borrowings	538,954	-
	<u>519,254</u>	<u>(55,346)</u>

22 Analysis of changes in net funds

	At 1 July 2003 £	Cash flow £	Other changes £	At 30 June 2004 £
Cash in hand and at bank	1,755,660	281,953	-	2,037,613
Overdrafts	(180,082)	126,556	-	(53,526)
	<u>1,575,578</u>	<u>408,509</u>	<u>-</u>	<u>1,984,087</u>
Debt due after one year due within one year	(15,783)	19,700	(10,642)	(6,725)
Debt due after one year	(13,645)	(538,954)	10,642	(541,957)
	<u>(29,428)</u>	<u>(519,254)</u>	<u>(10,642)</u>	<u>(548,682)</u>
Total	<u>1,546,150</u>	<u>(110,745)</u>	<u>-</u>	<u>1,435,405</u>

Notes (continued)

23 Commitments

The company had no capital commitments at 30 June 2004 or 30 June 2003.

Annual commitments under non cancellable operating leases in respect of land and buildings are as follows

	2004 £	2003 £
Operating leases which expire:		
Within one year	925,371	95,000
In the second to fifth years inclusive	4,036,606	1,070,967
Over five years	4,118,559	3,879,700
	<hr/> 9,080,536 <hr/>	<hr/> 5,045,667 <hr/>

24 Contingent liabilities

There were no contingent liabilities at 30 June 2004 or 30 June 2003.

25 Pension scheme

The company operates a defined contribution pension scheme for the benefit of the directors and certain employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

26 Transactions with directors

During the year, the group paid rent for a property jointly owned by Mr M Constantine, Mrs M Constantine and Mrs E Bennett, amounting to £24,000 (2003 £58,500). Mr M Constantine is a director of Lush Limited, Lush Retail Limited and Lush Manufacturing Limited. Mrs M Constantine is a director of Lush Limited and Lush Manufacturing Limited. Mrs E Bennett is a director of Lush Retail Limited.

The group paid Mr P Blacker £88,280 (2003 £101,000) for consultancy services. Mr P Blacker is a director of Lush Limited.

27 Related Party transactions

During the year the Group made royalty payments of £759,103 to Cosmetic Warriors Limited.