Lush Cosmetics Limited

Directors' report and consolidated financial statements

Registered number 04162033

30 June 2005

Contents

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2005.

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 £4,434,000 *(2004: £4,006,000)*.

Dividends

The directors declared a dividend of £183.24 per share *(2004: £134.54)* and £2,602,000 *(2004: £2,661,000)* 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 2005 and 30 June 2004
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 *(2004: £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

7 April 2006

A Gerrie
Director

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

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 22.

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 2005 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

KPMG LLP
Chartered Accountants
Registered Auditor
27 April 2006

Consolidated profit and loss account
for the year ended 30 June 2005

	Note	2005 £000	2004 £000
Turnover	2	**74,389**	52,098
Cost of sales		**(51,519)**	(35,795)
Gross profit		**22,870**	16,303
Administrative expenses		**(13,476)**	(7,987)
Operating profit	2-4	**9,394**	8,316
Income from shares in associated undertakings		**429**	408
Other interest receivable and similar income	5	**87**	65
Interest payable and similar charges	6	**(134)**	(152)
Profit on ordinary activities before taxation		9,776	8,637
Tax on profit on ordinary activities	7	**(3,726)**	(2,677)
Profit on ordinary activities after taxation		**6,050**	5,960
Equity minority interest	19	**(1,616)**	(1,954)
Profit for the financial year		**4,434**	4,006
Dividends	8	**(1,832)**	(1,345)
Retained profit for the year for the group and its share of associates		**2,602**	2,661

There were no recognised gains or 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 18.

Consolidated balance sheet
at 30 June 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Intangible assets	*9*		**259**		34
Tangible assets	*10*		**9,084**		6,323
Investments	*11*		**998**		625
			10,341		6,982
Current assets					
Stocks	*12*	**4,719**		3,312	
Debtors	*13*	**8,922**		6,059	
Cash at bank and in hand		**2,810**		2,038	
		16,451		11,409	
Creditors: amounts falling due within one year	*14*	**(14,318)**		(10,014)	
Net current assets			**2,133**		1,395
Total assets less current liabilities			**12,474**		8,377
Creditors: amounts falling due after more than one year	*15*		**(470)**		(542)
Provisions for liabilities and charges	*16*		**(596)**		(162)
Net assets			**11,408**		7,673
Capital and reserves					
Called up share capital	*17*		**10**		10
Other reserves	*18*		**142**		142
Profit and loss account	*18*		**7,852**		5,286
Equity shareholders' funds	*20*		**8,004**		5,438
Minority interest	*19*		**3,404**		2,235
			11,408		7,673

These financial statements were approved by the board of directors on 7 April 2006 and were signed on its behalf by:

A Gerrie
Director

Company balance sheet
at 30 June 2005

	Note	2005		2004	
		£000	£000	£000	£000
Fixed assets					
Investments	*11*		6,090		6,090
Current assets					
Debtors	*13*	811		171	
Creditors: amounts falling due within one year	*14*	(811)		(171)	
Net current assets			-		-
Net assets			6,090		6,090
Capital and reserves					
Called up share capital	*17*		10		10
Other reserve	*18*		6,080		6,080
Equity shareholders' funds	*20*		6,090		6,090

These financial statements were approved by the board of directors on 7 April 2006 and were signed on its behalf by:

A Gerrie
Director

Consolidated cash flow statement
for the year ended 30 June 2005

	Note	2005 £000	2004 £000
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		9,394	8,316
Depreciation and amortisation		2,247	1,108
Loss on sale of tangible fixed assets		317	24
Increase in stock		(1,387)	(1,193)
Increase in debtors		(3,139)	(1,901)
Increase/(decrease) in creditors		3,344	(172)
Exchange differences		106	(27)
		10,882	6,155
Cash flow statement			
Cash flow from operating activities		10,882	6,155
Returns on investments and servicing of finance	*21*	43	13
Taxation		(2,909)	(1,372)
Capital expenditure and financial investments	*21*	(5,730)	(3,571)
Equity dividends paid		(1,564)	(1,447)
Dividends received from associates		111	112
Cash inflow/(outflow) before management of liquid resources and financing		833	(110)
Financing	*21*	(7)	519
Increase in cash in the year		826	409
Reconciliation of net cash flow to movement in net debt	*22*		
Increase in cash in the year		826	409
Cash outflow/(inflow) from financing activities		546	(519)
Change in net funds resulting from cash flows/movement in net debt in the period		1,372	(110)
Net cash at 1 July		1,435	1,545
Net cash at 30 June		2,807	1,435

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 2005. 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 retained result for the Company for the period was £Nil *(2004: £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 buildings	Period of lease
Fixtures, fittings and equipment	20%
Computer equipment	33%

No depreciation is provided on leasehold land.

Investments

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

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 Analysis of 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:	**2005**	2004
	£000	£000
Auditor's remuneration - Audit	**128**	100
Depreciation and other amounts written off tangible fixed assets:		
Owned	**2,236**	1,098
Leased	**6**	8
Amortisation of goodwill	**13**	2
Hire of other assets – operating leases	**11,086**	5,034

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

3 Remuneration of directors

	2005	2004
	£000	£000
Directors' emoluments	**510**	809

No contributions were made to money purchase pension schemes during the year *(2004: £nil).*

The aggregate of emoluments of the highest paid director was £160,000 *(2004: £316,000).* No company pension contributions were made to a money purchase scheme on his behalf *(2004: Nil).*

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees	
	2005	2004
Administration	**121**	96
Production	**334**	253
Retail	**1,211**	1,130
	1,666	1,479

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£000	£000
Wages and salaries	**20,203**	14,884
Social security costs	**1,951**	1,304
Other pension costs	**87**	-
	22,241	16,188

5 Other interest receivable and similar income

	2005	2004
	£000	*£000*
Bank interest	**87**	65

6 Interest payable and similar charges

	2005	2004
	£000	£000
On bank loans and overdrafts	**13**	-
Finance charges payable in respect of finance leases	**-**	1
Other	**31**	51
Interest payable – associates	**90**	100
	134	152

Notes *(continued)*

7 Tax on profit on ordinary activities

Analysis of charge in year	**2005**	2004
	£000	£000
UK corporation tax		
Current tax on income for the year	**3,401**	2,571
Adjustments in respect of prior periods	**-**	(74)
Share of associates current tax	**313**	142
Total current tax	**3,714**	2,639
Deferred tax (note 16)	**12**	38
Tax on profit on ordinary activities	**3,726**	2,677

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2004: higher)* than the standard rate of corporation tax in the UK. The differences are explained below.

	2005	2004
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**9,776**	8,637
Current tax at 30% *(2004: 30%)*	**2,933**	2,591
Effects of:		
Expenses not deductible for tax purposes	**26**	45
Capital allowances for period in excess of depreciation	**50**	(64)
Higher tax rates on overseas earnings	**268**	58
Unrelieved tax losses	**529**	-
Double taxation relief	**(99)**	-
Other	**(11)**	84
Adjustments to tax charge in respect of prior periods	**18**	(75)
Total current tax (see above)	**3,714**	2,639

8 Dividends

	2005	2004
	£000	£000
Dividend proposed and partly paid £183.24 per share *(2004: £134.54)*	**1,832**	1,345

Notes *(continued)*

9 Intangible fixed assets

Group	**Goodwill £000**
Cost	
At beginning of year	36
Additions	238
At end of year	274
Amortisation	
At beginning of year	2
Charged in year	13
At end of year	15
Net book value	
At 30 June 2005	**259**
At 30 June 2004	34

10 Tangible fixed assets

Group	**Leasehold land and buildings £000**	**Fixtures, fittings and equipment £000**	**Computer equipment £000**	**Total £000**
Cost				
At 1 July 2004	1,189	9,038	499	10,726
Difference arising on exchange	(54)	1	3	(50)
Additions	747	4,354	307	5,408
Disposals	(135)	(339)	-	(474)
At 30 June 2005	1,747	13,054	809	15,610
Depreciation				
At 1 July 2004	348	3,888	167	4,403
Difference arising on exchange	(9)	43	4	38
Provided in year	233	1,819	190	2,242
On disposals	(8)	(149)	-	(157)
At 30 June 2005	564	5,601	361	6,526
Net book value				
At 30 June 2005	**1,183**	**7,453**	**448**	**9,084**
At 30 June 2004	841	5,150	332	6,323

Included in the total net book value is £10,000 *(2004: £16,000)* in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £6,000 *(2004: £8,000)*.

Notes *(continued)*

11 Fixed asset investments

Group	**Associated companies £000**
Cost	
At beginning of year	625
Exchange differences	34
Share of profit for year	448
Dividends receivable from associated undertakings	(111)
Additions	2
At end of year	**998**

Company	**Shares in subsidiary and associated companies £**
Cost or valuation at 1 July 2004 and 30 June 2005	**6,090**

At 30 June 2005 the company held the following principal investments in subsidiary and associated companies:

	Country of incorporation	**Class of share capital held**	**Proportion held**	**Nature of business**
Subsidiary undertakings				
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

Notes *(continued)*

11 Fixed assets investments *(continued)*

	Country of incorporation	Class of share capital held	Proportion held	Nature of business
Subsidiary undertakings (continued)				
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 Cosmetics S.L	Spain	Ordinary	100%	Retailer of cosmetic products
Lush USA Inc	USA	Ordinary	51%	Retailer of cosmetic products
Lush Internet Inc	USA	Ordinary	51%	Retailer of cosmetic products
Associated undertakings				
Lush Handmade Cosmetics Limited	Canada	Class A	48%	Manufacturer and 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)*

11 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 £339,000 *(2004: £308,000).*

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

	Associates 2005 £000
Share of turnover of associates	**11,399**
Share of assets	
Share of fixed assets	**1,070**
Share of current assets	**3,066**
	4,136
Share of liabilities	
Due within one year	**(3,112)**
Due after one year	**(448)**
	(3,560)
Share of net assets	**576**
Shown as:	
Fixed asset investment (note 11)	**998**
Provisions for associates (note 16)	**(422)**
	576

12 Stocks

	Group 2005 £000	Group 2004 £000
Raw materials	**2,789**	1,983
Work in progress	**89**	119
Finished goods	**1,841**	1,210
	4,719	3,312

Notes *(continued)*

13 Debtors

	Group	
	2005	2004
	£000	£000
Amounts owed by associated undertakings	**2,138**	1,678
Corporation tax	**-**	349
Other debtors	**4,402**	2,125
Prepayments and accrued income	**2,382**	1,907
	8,922	6,059

	Company	
	2005	2004
	£000	£000
Amounts owed by group undertakings	**811**	171

14 Creditors: amounts falling due within one year

	Group	
	2005	2004
	£000	£000
Bank overdraft	**-**	54
Obligations under finance leases	**3**	7
Trade creditors	**4,480**	4,018
Amounts owed to associated undertakings	**1,666**	-
Taxation and social security	**4,270**	3,472
Other creditors	**1,864**	103
Accruals and deferred income	**1,224**	2,189
Dividend proposed	**811**	171
	14,318	10,014

	Company	
	2005	2004
	£000	£000
Dividend proposed	**811**	171

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group 2005 £000	Group 2004 £000
Obligations under finance leases	-	3
Other creditors	**470**	539
	470	542

Analysis of debt:

	2005 £000	2004 £000
Debt can be analysed as falling due:		
In one year or less	**3**	7
Between one and two years	-	3
	3	10

16 Provisions for liabilities and charges

	Deferred taxation £000	Provision for associates £000	Total £000
At 1 July 2004	162	-	162
Provided during the year	12	422	434
At 30 June 2005	**174**	**422**	**596**

The elements of deferred taxation are as follows:

	2005 £000	2004 £000
Differences between accumulated depreciation and capital allowances	**85**	162
Tax Losses	**(150)**	-
Other timing differences	**239**	-
	174	162

17 Called up share capital

	2005 £000	2004 £000
Group and Company		
Authorised		
100,000 Ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid		
10,000 Ordinary shares of £1 each	**10**	10

Notes *(continued)*

18 Statement of movement on reserves

	Other reserves £000	Profit and loss account £000
Group		
At 1 July 2004	142	5,286
Arising on exchange differences	-	(36)
Retained profit for the year	-	2,602
At 30 June 2005	**142**	**7,852**

	Other reserves £000
Company	
At 1 July 2004 and at 30 June 2005	6,080

19 Equity minority interest

The minority interests in the balance sheet is analysed as follows:

	2005 £000	2004 £000
Lush Retail Limited	**1,826**	1,268
Fresh Handmade Cosmetics Private Limited	**(70)**	(69)
Lush Japan KK	**1,436**	653
Lush USA Inc	**216**	360
Lush Gmbh	**(4)**	23
	3,404	2,235

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

	2005 £000	2004 £000
Lush Retail Limited	**762**	958
Lush Japan KK	**993**	543
Lush USA Inc	**(121)**	448
Lush Gmbh	**(18)**	5
	1,616	1,954

Reconciliation of the movement in minority interests in the balance sheet:

	2005 £000
As at 1 July 2004	**2,235**
Profit and loss account	**1,616**
Dividends paid to minority shareholders	**(372)**
Foreign exchange movement	**(75)**
As at 30 June 2005	**3,404**

Notes *(continued)*

20 Reconciliation of movements in equity shareholders' funds

	2005 £000	2004 £000
Group		
Profit for the financial year	**4,434**	4,006
Dividends	**(1,832)**	(1,345)
Arising on exchange	**(36)**	49
Net increase in shareholders' funds	**2,566**	2,710
Shareholders' funds at 1 July 2004	**5,438**	2,728
Shareholders' funds at 30 June 2005	**8,004**	5,438

	2005 £000
Company	
Profit for the financial year	**1,832**
Dividends	**(1,832)**
Net increase in shareholders funds	-
Shareholders' funds at 1 July 2004 and 30 June 2005	**6,090**

21 Analysis of cash flows

	2005 £000	2004 £000
Returns on investment and servicing of finance		
Interest received	**87**	65
Interest paid	**(44)**	(52)
	43	13
Capital expenditure		
Purchase of tangible fixed assets	**(5,327)**	(3,571)
Investment in subsidiary undertaking	**(403)**	-
	(5,730)	(3,571)
Financing		
Capital element of finance lease rental payments	**(7)**	(20)
Increase in borrowings	**-**	539
	(7)	519

Notes *(continued)*

22 Analysis of net debt

	At 1 July 2004 £000	Cash flow £000	Other changes £000	**At 30 . £000**
Cash in hand, at bank	2,038	772	-	**2,810**
Overdrafts	(54)	54	-	-
	1,984	826	-	**2,810**
Debt due after one year	(7)	7	(3)	**(3)**
Debt due within one year	(542)	539	3	-
Total	**1,435**	**1,372**	**-**	**2,807**

23 Commitments and contingent liabilities

a) The group had a capital commitment of £815,000 as at 30 June 2005. The company had no capital commitments at 30 June 2005 or 30 June 2004.

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

Group	**2005 £000**	2004 £000
Operating leases which expire:		
Within one year	**614**	925
In the second to fifth years inclusive	**2,730**	4,037
Over five years	**6,335**	4,119
	9,679	9,081

c) **Contingent liability** - During the year group management became aware of a local income tax and import duty under declaration and therefore under recording of liabilities within one of its associated undertakings. Group management are working with local management to estimate these liabilities but cannot currently accurately estimate them and their potential impact on these financial statements.

24 Pension scheme

The group 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.

25 Related party disclosures

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 *(2004: £24,000).* 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 £61,000 *(2004: £88,000)* for consultancy services. Mr P Blacker is a director of Lush Limited.

During the year the Group made royalty payments of £893,000 *(2004: £759,000)* to Cosmetic Warriors Limited.

Notes *(continued)*

26 Ultimate controlling party

In the view of the directors there is no ultimate controlling party.