Lush Cosmetics Limited

Directors' report and consolidated financial statements
Registered number 04162033
30 June 2015

Contents

Strategic Report

For the year ended 30 June 2015

The Directors present their Strategic Report on the Group for the year ended 30 June 2015.

Principal Activities

The Group's principal activity is the manufacturing and retailing of fresh handmade cosmetics. The Group had retail outlets in 49 countries and manufacturing facilities in 6 countries at the end of the year, being a combination of subsidiaries, joint ventures and associated undertakings, and licensees. The Group's subsidiaries, joint ventures and associates are listed in Note 29 to the Accounts.

Review of Business

Our Strategy

In our financial year ended 30 June 2013 we set some key objectives around our Global strategy summarised as follows:

1) 1,000 shops - Not any old shops but prime sites, bigger stores, confident positioning with an eye on £1million turnover.
2) Be the online cosmetics retailer - We've learnt hard lessons in recent years, now let's get it right. We can hit 25% of sales online and we can dream of 50%.
3) Launch it right – Execution and attention to detail are key. Success lies in getting it right.
4) Change the game – Preservative free, ultra-fresh product, beyond ethical ingredients, new product categories...

Since this review of our strategy, our openings have concentrated on prime locations with higher turnover potential, and, along with sustained like-for-like (LFL) growth in most countries, we have made significant headway in increasing the number of £1m plus turnover shops in our portfolio and improving our average sales per store. In the financial year ended 30 June 2013 we had 26 shops with annual sales of more than £1m, this has increased to 115 shops grossing more than £1m and 9 more than £2m by the end of our 2015 financial year (using consistent exchange rates for both periods). Over the same period our average annual sales per store has increased from £387k to £566k, still some way to go to achieving £1m but a significant 46% increase over 2 years.

Our LFL performance in the 2 year period has been remarkable with compound growth of 33% across all markets and actually dampened by a 19% decline in Japan, our 3rd largest market. In our 2 main markets, the US and UK have recorded compound LFL growth of +65% and +51% respectively against a backdrop of relatively flat figures being recorded on the High Street.

In assessing our success we cannot underestimate the impact of our continued investment in great training facilities and training programmes to ensure all store staff are equipped with excellent product, ingredient and brand knowledge to provide the best possible level of customer service to our customers. The results of this investment were highlighted once again in the UK by coming top of the Which? Customer Service Awards, announced in October 2015.

We have also made great strides in 'changing the game'. We have made a major advancement in cosmetic science with the launch of self-preserving products which include three of our top selling skin care ranges, our first self-preserving moisturiser, our lip balm range and our top selling Christmas shower gel, and there are more in the pipeline. We have enjoyed the raw materials produced from our SLush fund projects in Ghana (Ylang oil and Moringa), Kenya (Geranium and Aloe) and Peru (Rosewood), whilst being committed to food security and sovereignty, community development and resilience to those with whom we work. The vision is that our entire supply chain develops to become regenerative in this way, providing economic, climatic and financial sustainability for all.

Strategic Report *(continued)*

Our Strategy *(continued)*

We also believe that our industry is changing. The sales of the large cosmetic companies are traditionally supported by TV and Magazine advertising. As the reach of these media are reducing, so the sales in their traditional markets are stagnating, and as the power of the internet bloggers and social media has grown, so have our sales. Simply by formulating self-preserving toiletries, and saving money and resources by selling unpackaged, we can afford finer and better sourced ingredients.

Our strategy of opening bigger stores in prime locations has taken a huge step forward with the opening of the 9,500 square foot Oxford Street store in April 2015; the store was opened 9 months after taking possession and included 214 new products. Since opening our sales have greatly exceeded expectations (monthly sales are more than 4x higher than our 2nd busiest shop) and we expect a payback on our investment within 2 years – a great example of 'launching it right'. We are actively seeking similar sites for flagship stores in other markets.

With the enormous growth in our sales comes new challenges and part of our strategy for the new financial year and beyond is around 'coping with our success'. In Manufacturing, our 7 facilities around the world have been stretched producing over 124 million items, an increase of 49% on last year; this was particularly felt in the UK which supplies 33 of our international markets and also had the additional responsibility of testing, manufacturing and supplying the new products for Oxford Street. To ease the pressure on the UK facility, we will open a new factory in Dusseldorf, Germany which will supply most mainland Europe markets by the end of the 2015/16 financial year. Elsewhere we have relocated our Australia factory to larger premises to cater for its own remarkable growth, opened a new factory in Brazil to supply our new shops in that market and potentially the rest of South America, and refitted and expanded our North America and Japan facilities to create better working conditions and a more efficient working space.

As the Lush Brand continues to expand and the climate causes shortages and crop failures, so sourcing the top quality essential oils used in our products is becoming more of a challenge for us. Our growth has led to the purchases of some of our preferred materials now representing a significant proportion of the total amount produced and exported in some countries. In the short term we manage our exposure to supply, exchange rate and political risks (including import restrictions) by ensuring we have a wide range of ethical suppliers in a number of countries. We also mitigate supply risks through a flexible and responsive creative process – when certain essential oils become unavailable we are able to react quickly to reformulate our products with substitutes from different origins. Our long term strategy is to invest, either directly or through partnerships, in regenerative projects to grow, distil and extract our own essential oils.

The drive to connect our global Lush community continues after the new lush.co.uk Drupal website launched in March 2014. It recorded LFL of +56.5% in the year just ended and +46% growth in the final quarter of the year, being the first true LFL comparison of the new Digital offering. From here we are building a global multilingual open-source platform designed to connect Lush customers and staff across all Group countries, as well as securing a stable, secure and reliable Digital estate. Our online or 'digital' sales have also increased significantly in the 2 year period with Group sales of £26.0m reflecting growth of 36% over 2 years, although the phenomenal success of the shops in most countries has meant that there has been little impression on the 25% of total sales target (8.0% of total sales in 2015 versus 7.9% in 2013).

Following the burst of creativity that led to the new products for the launch of Oxford Street, our strategy for the next financial year is focused on introducing these new products on a phased basis across the rest of our shop portfolio as well as the continued development of our Digital offering and addressing the issues in our Japanese market (see later). We will continue to search for, and open, larger format shops in prime locations and have several relocations planned for stores where our sales are capped by insufficient sales space and location.

Strategic Report *(continued)*

Summary of Results

-	2015	2014	Movement
No of shops (Brand)	**933**	898	35
No of shops (Group)	**482**	485	(3)
Brand Turnover (£'000)	**574,097**	454,129	119,968
Group Turnover (£'000)	**326,456**	282,467	43,989
Group EBITDA (£'000)	**24,162**	25,047	(885)
Exceptional Item (£'000)	**(6,810)**	-	(6,810)
Group Operating profit (£'000)	**4,820**	13,984	(9,164)
Profit before tax (£'000)	**24,520**	23,263	1,257

Note 'Group' figures for shops and turnover include all countries which are fully consolidated in the profit and loss account on page 14. 'Brand' figures include all Group countries plus joint ventures, associates and licensee operations.

Shop Growth

We finished the financial year with 933 shops across the Lush brand having opened 93 shops and closed 58. Shop growth was most prominent in the US which opened 32 shops and closed the year with 174 shops. Amongst our Group companies we opened 23 shops which is consistent with our strategy of seeking sites in prime locations with higher turnover potential, and beautifully illustrated by the opening of our 9,500 square foot Oxford Street store in April. We continued to make good progress in our 'Emerging Markets' (Hong Kong, Middle East and Brazil) with a further 8 openings during the year including 4 in Saudi Arabia. 15 of our 26 Group closures were in Japan.

Turnover

Total Brand turnover (across all shops and digital sites irrespective of shareholding and including licensees) of £574.1m is 26% higher than last year. The multi-national nature of the business means that currency fluctuations can distort the underlying trends. Excluding the impact of currency movements, total Brand turnover increased 32% on last year reflecting strong underlying like-for-like (LFL) growth of +22.0%, the full year effect of previous year shop openings, and the strategy of opening higher turnover shops.

Total Group turnover (across all subsidiary undertakings) of £326.5m is 15.6% higher than last year, the underlying increase being higher at 23.3% excluding the impact of currency movements.

LFL is one of our main Key Performance Indicators. LFL growth across all markets of +22.0% is the combination of +21.4% in our shops and +27.8% across our Digital outlets. Within our Group markets, our LFL growth was +17.4% (being the net of +17.5% in our shops and +17.1% in Digital).

In our 3 main markets which accounted for 59% of our total Brand turnover:

1) The US reported double-digit growth for the 6th consecutive year and at its highest rate yet of +37.2% LFL. This was achieved while adding 32 new shops including new markets such as Alaska and Puerto Rico. Total sales growth in this market was 63%.

2) Whilst the rest of the High Street showed little upturn in the year, our UK business recorded LFL growth in excess of 30% for 10 months of the financial year. The weighting of Christmas sales is much more significant in the UK than our other main markets so it was also incredibly pleasing to record +28.4% LFL in December. Overall LFL for the year was +38.8%.

3) Japan continued its LFL decline at -11.2% for the year, although some comfort was gained from recording -0.7% in the final quarter of the year having previously suffered 12 months of double digit decline.

Strategic Report *(continued)*

Profit

Despite our sales growth in the year, Group EBITDA (before our share of joint venture profits) of £24.2m reflects a £0.9m drop in profit from last year. This adverse movement is heavily influenced by a £4.8m increase in unrealised exchange losses which mainly relate to sterling denominated loans within the Group to subsidiary undertakings such as Brazil where the local currency has weakened significantly during the year.

Excluding the impact of unrealised exchange our underlying EBITDA has increased by £3.9m and this reflects increased profit contributions from Europe, Australasia and the Emerging markets being offset by a significant £7.1m decline in our Japan contribution (from profit of £7.7m last year to £0.6m in 2015).

We were pleased to continue the Group profit share scheme for senior and long service employees which paid out £3.7m (an increase of £1.0m on last year), and also to pay £5.0m to charitable causes, an additional £1.2m on last year (for more detail refer to 'Charitable donations' in the Directors' Report).

The Exceptional charge of £6.8m (explained in the Japan section below) impacted our Group operating profit position which shows a £9.2m decline on last year, however our Profit before tax of £24.5m still shows a £1.3m improvement once the contribution from joint ventures and associates is taken into account. Once again we enjoyed a huge increment in our share of profit of the North America business (which is accounted for under the joint venture method) from £9.3m to £19.6m, a result of the continued LFL growth in this market, strong sales in new shops and further leverage of fixed costs.

Japan

The turnaround of our Japan market remains the greatest challenge within the business but one which we are committed to. Total sales decreased by 13% as a result of the LFL decline and shop count reducing by 11 as we start to address the property estate and close loss making shops where appropriate. Digital also experienced a very difficult year with traffic and sales down 17% and 22% respectively. Costs were higher as retail and manufacturing staff's salaries were increased to be competitive in the market. Much needed repairs and fascia updates were applied to several shops. The combination of lower sales and higher costs culminated in a loss before tax of £2.9m which represents an £8.2m decline on last year.

Due to the loss making position of Lush Japan the Directors of Lush Cosmetics have also considered the carrying value of its fixed assets at the balance sheet date and whether this value exceeds the 'recoverable amounts' (i.e. the net cash inflows) that are anticipated from these assets in the medium to long term. Due to the further decline in sales in the new financial year, continued additional costs and the anticipated reinvestment required in the property estate, the Directors have concluded that a full impairment of £6.8m is required. This is shown as a separate line on the face of our profit and loss account on page 14.

We have established a 'guiding team' to rebuild the business in Japan based on a proper understanding of the market and investment in the right places. We believe the investment in training our Japan store Managers and bringing them to the UK alongside their UK and European counterparts for regular Communication Meetings has improved their understanding of the Lush Brand. Now we need to do more to make sure the Japanese customers understand our Brand too. In particular we have started to address our property estate with each shop being considered for a relocation, refit or closure with a view to moving away from unsuitable shopping malls and re-establishing ourselves in more street locations and areas more appropriate for our business.

This investment in the stores is already beginning to pay off. All 17 stores that were refitted during the year have seen at least a significant reduction in their negative LFL, with the vast majority having turned their negative performance into a positive, and LFLs of +20% being achieved in 5 locations. The Shinsaibashi store in Osaka provides a great example, having been refitted with the latest reclaimed wood design, and recording +46% LFL in the subsequent period and becoming the highest turnover store in Japan in the process.

Having opened the first shop in excess of 100 square meters during the year, the first in excess of 200 square meters has opened early in the new financial year and we are actively seeking further higher turnover shops in prime locations and perhaps even an 'Oxford Street' style shop in central Tokyo.

Strategic Report *(continued)*

Key Performance Indicators (KPIs)

The Group uses several KPIs to monitor the performance of the business, the main indicators being our turnover, operating profit and profit before tax which are stated in the table on page 3. In addition we also monitor the following indicators:

Like For Like sales (LFL) - for all individual shops that have been trading for greater than one year and also from a total territory and Group perspective. As mentioned above the LFL growth in the year was +22.0% across all shops and digital outlets in the Lush Brand, and +17.4% across our Group companies only.

Average sales - we monitor average shop sales by country when appraising additional investment and as a measure of our progress in opening bigger stores with higher turnover. Average shop sales has increased from £438k to £566k in the year.

Gross margin% - we monitor this on a monthly basis, particularly for our Manufacturing operations, against our previous expectations to ensure that any variations in our material and staff costs can be understood and explained, and acted upon where the costs are of a controllable nature

We also place great emphasis on the 'Candy shop' mystery shop visits and results which can range from a 1* rating to 5*. These visits are carried out by a central team employed by Lush Limited and are carried out consistently across shops worldwide.

Future outlook

Sales in the first quarter of the new financial year have continued the positive trend with LFL growth of +23.9% being a combination of +21.7% in the shops and +26.5% in our Digital sales. In our top 3 markets the US and the UK have continued their positive momentum recording LFL of +34.0% and +40.9% respectively, whilst Japan's rate of decline continues to slow at -2.7%.

Principal risks and uncertainties

The management of the business and execution of the Group's strategy are subject to risks as with any large undertaking in a competitive market.

Economic and political climate – Whilst most of our major markets have sustained economic growth and consumer spending, we realise our growth bucks the trend and try not to assume that this will continue in the face of, for example, a slowdown in China and the prolonged Eurozone crisis. We believe that the sales performance in the year across most markets illustrates that the uniqueness of our products can distinguish us from the rest of the High Street.

Supply of raw materials – As explained more fully in the Strategy section, the growth of the Lush Brand in the last 2 years means that sourcing high quality essential oils has become more of a challenge for us, exacerbated by crop failures and shortages. We deal with this by ensuring we have a wide range of ethical suppliers in a number of countries and also by reformulating products where necessary, whilst having the long term strategy of being able to grow, distil and extract our own essential oils.

Credit risk and liquidity – We currently have a £40m revolving credit facility with Barclays which expires in July 2016. Due to the continued LFL sales growth we have operated comfortably within the facility limits and covenant requirements during the year. Given the investment that may be required in our Japan business over the next few years, we are currently reviewing the most efficient funding structure for the Group. The directors are confident that a renewal of the existing facility, or alternative funding structures, will be available to the Group if required.

The Directors have reviewed financial projections and cash flows for the 12 months from the date these accounts are approved, along with covenant compliance under the bank facilities up to its expiry, and are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and consequently the financial statements continue to be prepared on a going concern basis.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Foreign exchange – The Group is subject to exchange risk due to the multinational nature of the business, although natural hedges do exist between some currencies. The Group uses derivative instruments to manage any significant exchange risk in accordance with prescribed Group policy.

The Strategic Report was approved by the Board of Directors on 14 December 2015 and signed on its behalf by:

K Bygrave

Director

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2015.

Results and dividends

There was a profit for the financial year after taxation amounting to £11,068,000 *(2014: £12,567,000)*. No dividends were paid or proposed during the year *(2014: £nil)*.

Subsequent to the year end, the directors declared a final dividend payment on 14 December 2015. The dividend proposed was £273.76 per share, a total of £2,250,000.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M Constantine
Mrs M Constantine
A Gerrie (removed 15 December 2014)
K Bygrave (appointed 15 December 2014)

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Charitable contributions

Lush partners worldwide raised £7,957,000 and donated a total of £6,311,000 *(2014: £4,597,000)* to charities and other good causes; of the total amount donated, £4,980,000 was from Lush Group and associate companies *(2014: £3,824,000)*.

Our charitable giving focus remains on innovative, effective giving through support of small, grassroots organisations working in the areas of environment, human rights and animal protection. We aim to support causes and organisations that are overlooked by others and also address the root causes of issues through campaigns, education and activism. Our support is not limited to registered charities. We also give donations to campaign groups and other organisations which are not registered with the Charity Commission.

Lush raises most of its funds through the sale of Charity Pot body lotion, which is sold in various sizes online and in our shops. We donate 100% of the retail price of the product, less VAT, to a variety of good causes working in the focus areas. In this financial year Charity Pot was sold in 34 countries compared to 25 countries last year. We also sell limited edition products, which raise funds for specific charities and campaigns. In the UK the May Day bath bomb raised £135,000 for badger conservation groups. Lush North America and Lush Australasia both sold 'Life's A Beach' shower scrub, raising funds for marine conservation charities campaigning against micro beads.

In addition to Charity Pot and limited edition charity products, the UK, Sweden, Japan, Hong Kong and Korea continued the Carbon Tax fund. This self-imposed tax is charged on staff's international flights at a rate of £50 per tonne of carbon dioxide emitted and the funds raised are donated to environmental groups. A total of £246,000 was raised and £130,000 was donated from Carbon Tax funds this year *(2014: £215,000)*.

The 'Sustainable Lush' (SLush) fund grew considerably where a total of £1,640,000 was raised as a percentage of our buying budgets in UK and North America *(2014: £616,000)*. Of this £909,000 *(2014: £557,000)* was donated through the North American and UK funds, predominantly to permaculture farms and to some of our suppliers to enable them to become more sustainable. Ingredients from projects funded through the SLush Fund are included in our new Charity Pot formula.

We also ran the Lush Prize again in this financial year, where we donated a total of £250,000 to the winners, all of which are working in the fields of research against animal testing.

Directors' report *(continued)*

Charitable contributions *(continued)*

Our FUN product, where a percentage of global sales is donated to support children affected by the Fukishima disaster, raised £141,000 for the FunD *(2014: £107,000),* of which £132,000 was donated *(2014: £34,000)*, leaving a balance of £135,000 to be distributed.

Taxation and Country by Country Reporting

In order to support all countries with a logical and clearly documented transfer pricing policy, we carried out a full review of how we set our prices between all of our companies. We have performed a comprehensive analysis of all the functions of our operations from invention, brand management and IP (intellectual property) protection to the Manufacturing and Retail operations and benchmarked these activities to ensure the pricing structure was appropriate. Currently all our Lush countries have signed up to the new pricing policy, with the exception of our Joint Venture entities in North America who have chosen to remain under the previous pricing policy.

From 1 July 2014, our intercompany pricing structure now includes the charging of royalties from Lush Limited for the provision of Retail and Manufacturing IP, as well as revised prices for the flow of physical product through the supply chain. The prices for finished products and Essential Components target a return based upon a cost plus model which is supported by third party benchmarking. This exercise has resulted in prices which more closely match the underlying costs of development and manufacture.

Our Ethical Tax Policy underpins our commitment to paying our fair share of taxes in the right places at the right time. Our policy ensures that our staff, our customers and our suppliers are clear with regards to our responsibility, disclosure and decision making where tax is concerned and that our tax affairs are consistent with our broader corporate objectives: we believe in operating our business in the simplest possible way with decisions being driven to serve our customers, to encompass our values, to look after our staff and to generate a profit and not by tax planning or the use of tax havens for avoidance purposes. Our presence in countries where little or no tax is levied, for example the Middle East, is supported by our retail operations, where we have increased our number of shops by 4 to 12. The decision to operate in such jurisdictions as these are based on commercial decisions in order to provide our products to local consumers, rather than for tax motivated decisions. Although we have no shops in Peru and Ghana, our operations are enabling us to build a supply chain with the local communities through funding from 'Sustainable Lush' (SLush) Fund projects.

Our prior year Financial Statements saw the publication of our first country by country breakdown of the taxes incurred in the countries in which we operate, supported by some additional financial information in order to improve our transparency and enable the readers of our accounts to understand our contribution in respect of taxation globally. As a result of what has been described as "genuinely ground-breaking for a multinational in the retail sector" we are extremely flattered and proud to have been awarded the Fair Tax Mark: we are the first High Street multinational company to have been awarded the Mark which is an accreditation scheme awarded to companies making a genuine effort to be open and transparent about their tax affairs.

The formal country by country reporting requirements do not come into effect until 2016, and we do not currently meet the threshold where official reporting is required, however we will continue to present this information annually within our financial statements in order to illustrate the Group's tax contribution, which is displayed on the next page in respect of the year ended 30 June 2015:

Directors' report *(continued)*

Taxation and Country by Country Reporting *(continued)*

Country of operation	Number of shops	Number of factories	Number of employees	Sales - £ k	Staff costs - £ k	Profit before tax - £ k	Taxes charged £ k: Tax on profits	Taxes charged £ k: Effective tax rate	Taxes Paid £k: Corporation tax	Taxes Paid £k: Premises tax	Taxes Paid £k: Payroll taxes	Taxes Paid £k: Stamp duty	Taxes Paid £k: Customs duty	Total taxes paid - £k
UK	103	1	2,155	216,260	57,123	21,866	4,639	21.2%	4,461	4,661	3,834	46	521	**13,523**
Japan [1]	142	1	1,583	71,787	26,065	(9,662)	(99)	1.0%	397	84	3,820	2	177	**4,480**
Australia	27	1	289	29,120	8,091	(2,347)	8	-0.3%	-	-	399	-	170	**569**
France	42	-	350	22,230	7,959	1,614	81	5.0%	360	-	2,746	-	-	**3,106**
Germany	43	-	321	18,910	5,884	512	4	0.8%		1	1,206	-	-	**1,207**
Hong Kong	8	-	157	14,653	2,362	4,222	660	15.6%	11	99	-	2	-	**112**
Italy	37	-	170	11,794	4,844	(927)	87	-9.4%	34	7	182	2	-	**225**
Middle East	12	-	122	7,718	1,844	1,375	49	3.6%	-	-	-	-	-	**-**
Holland	9	-	60	4,712	1,536	(766)	-	0.0%	-	-	466	-	-	**466**
Spain	11	-	103	4,615	1,828	(1,004)	-	0.0%	-	21	445	-	-	**466**
Sweden	9	-	36	4,374	1,677	261	-	0.0%	-	15	294	-	-	**309**
New Zealand	9	-	50	4,281	1,126	(65)	-	0.0%	-	-	5	-	19	**24**
Austria	6	-	48	3,676	1,491	371	27	7.2%	12	-	640	-	-	**652**
Belgium	5	-	26	2,519	746	305	-	0.0%	-	-	167	-	-	**167**
Ireland	3	-	24	2,168	614	(15)	-	0.0%	-	51	93	-	-	**144**
Brazil	2	1	44	1,469	1,031	(4,909)	-	0.0%	-	-	298	-	281	**579**
Czech Republic	1	-	10	1,017	159	318	28	8.9%	-	-	41	-	-	**41**
Hungary	4	-	24	875	282	(97)	10	-10.3%	-	-	81	-	-	**81**
Luxembourg	1	-	5	506	128	85	25	29.4%	-	-	1	-	-	**1**
Portugal	2	-	15	492	200	(212)	-	0.0%	-	-	56	-	-	**56**
Bulgaria	2	-	10	204	87	2	-	0.0%	-	-	8	-	-	**8**
Estonia	1	-	7	171	66	6	-	0.0%	-	-	16	-	-	**16**
Latvia	2	-	16	148	92	(87)	-	0.0%	-	-	17	-	-	**17**
Lithuania	1	-	6	107	52	(48)	-	0.0%	-	-	16	-	-	**16**
Peru	-	-	5	-	35	(140)	-	0.0%	-	-	1	-	3	**4**
Ghana	-	-	22	-	44	(58)	-	0.0%	-	-	2	-	-	**2**
Croatia - Manufacturing	-	1	104	5,441	1,398	(526)	-	0.0%	-	-	237	-	1	**238**
Elimination and consolidation [2]				(102,791)		(5,850)	(9)							**-**
Deferred tax consol [3]							(921)							
Group subtotal	482	5	5,762	326,456	126,764	4,224	4,589	108.6%	5,275	4,939	15,071	52	1,172	**26,509**
Share of PBT:														
Joint Ventures' [4]	227	2		105,667		19,360	6,806	35.2%						
Associates'	224	-		141,974		936	200	21.4%						
Non group subtotal	451	2		247,641		20,296	7,006	34.5%						
	933	**7**		**574,097**		**24,520**	**11,595**	**47.3%**						

Note 1: The results for Japan also include the fixed asset impairment of £6.8m, which has been booked at Group level in the Financial Statements and does not impact the ETR.

Note 2: Elimination of manufacturing sales to group companies and consolidation adjustments.

Note 3: Recognition of deferred tax asset on unrecognised intra-group profits.

Note 4: The Joint Ventures' profit before tax relates to our share of the North American business.

In addition to the £26,509k group country tax charge paid, £52,132k of sales tax was collected from our customers during the year on behalf of Tax Authorities in the countries in which our Group subsidiaries operate.

Note 8 of the accounts provides further detail and narrative around the corporation tax charge for the year ended 30 June 2015, which is only one element of our tax contribution for the year.

Directors' report *(continued)*

Employees

The Company has a policy of communicating openly to employees and provides information about the business's performance on an ongoing basis. Our regular International Managers' Meetings are great forums for clearly communicating our values, our buying stories, our innovation and our charitable giving stories as well as our financial results.

The training and development of employees, to ensure their involvement in the Group's business, is regularly reviewed and the directors are committed to encouraging greater involvement for all employees. Formal and informal briefing of employees takes place and we hope that our great training programmes build upon this by bringing staff together to again learn formally and informally from great trainers and from each other. We also work hard to try to ensure that the messages from our central training and communication meetings are taken back and reach all store, digital and support staff.

The Company takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race, colour, ethnic background, body piercings, hair styles, body art, hair colour, religion or disability. Full and fair consideration is given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an existing employee becomes ill or disabled we work hard to support them and, where practicable, to find an appropriate vacancy in order to continue their employment. Disabled employees are supported and given fair consideration for training, career development and promotion.

The Company is committed to Corporate Social Responsibility and to rewarding staff at all levels of the business fairly. We are working to improve the rates of pay throughout the business and try to be as transparent as we can with our pay scales to demonstrate how progression can be made. All staff are entitled to take their birthdays off (where these fall on a working day).

We also hope that our great training and positive attitude towards internal promotion encourages staff to take on more responsibility and to progress through the business.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board

K Bygrave
Director

14 December 2015

29 High Street
Poole
Dorset
BH15 1AB

Statement of Directors' responsibilities

The Directors are responsible for preparing the directors' report and consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditors' report to the members of Lush Cosmetics Limited

Report on the financial statements

Our opinion

In our opinion, Lush Cosmetics Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2015 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the directors' report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and Company balance sheets as at 30 June 2015;
- the statement of group total recognised gains and losses for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Lush Cosmetics Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Natasha Jones

Natasha Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

18/12/15

Consolidated profit and loss account
for the year ended 30 June 2015

	Note	2015 £000	2014 £000
Turnover (including share of joint ventures' and associates' turnover)		**448,605**	365,728
Less: share of joint ventures' turnover	12	**(105,667)**	(66,934)
share of associates' turnover	12	**(16,482)**	(16,327)
Group turnover	2	**326,456**	282,467
Cost of sales		**(236,821)**	(203,104)
Gross profit		**89,635**	79,363
Administrative expenses		**(84,815)**	(65,379)
Group EBITDA		**24,162**	25,047
Recurring Group depreciation and amortisation	3	**(12,532)**	(11,063)
Exceptional impairment of fixed assets	3	**(6,810)**	-
Group operating profit	3	**4,820**	13,984
Share of operating profit from joint ventures	2	**19,582**	9,276
Share of operating profit from associates	2	**943**	1,088
Net interest payable and similar charges - Group	6	**(596)**	(828)
- Joint ventures	7	**(222)**	(236)
- Associates	7	**(7)**	(21)
Profit on ordinary activities before taxation		**24,520**	23,263
Tax on profit on ordinary activities - Group	8	**(4,589)**	(7,224)
- Joint ventures	8	**(6,806)**	(2,900)
- Associates	8	**(200)**	(262)
Profit on ordinary activities after taxation		**12,925**	12,877
Equity minority interest	20	**(1,857)**	(310)
Profit for the financial year	19	**11,068**	12,567

All results relate to continuing activities.

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

A statement of movement on reserves is given in note 19.

Statement of group total recognised gains and losses
for the year ended 30 June 2015

	2015 £000	2014 £000
Profit for the financial year	**11,068**	12,567
Currency translation differences - Group	**1,837**	(2,423)
- Joint Ventures	**(1,027)**	(744)
- Associates	**(393)**	(185)
Total recognised gains and losses relating to the year	**11,485**	9,215

Consolidated balance sheet
at 30 June 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Intangible assets	*10*		**4,060**		4,475
Tangible assets	*11*		**34,332**		36,204
Investments in joint ventures	*12*				
- Share of gross assets			**35,105**		29,687
- Share of gross liabilities			**(18,308)**		(20,946)
Investments in associates	*12*		**2,408**		2,424
			57,597		51,844
Current assets					
Stocks	*13*	**20,268**		17,030	
Debtors: amounts falling due within one year	*14*	**20,427**		17,919	
amounts falling due after more than one year	*14*	**9,669**		9,311	
Cash at bank and in hand		**21,301**		19,991	
		71,665		64,251	
Creditors: amounts falling due within one year	*15*	**(43,591)**		(33,798)	
Net current assets			**28,074**		30,453
Total assets less current liabilities			**85,671**		82,297
Creditors: amounts falling due after more than one year	*16*		**(183)**		(10,323)
Provisions for liabilities and charges	*17*		**(2,136)**		(1,426)
Net assets			**83,352**		70,548
Capital and reserves					
Called up share capital	*18*		**8**		8
Share premium account	*19*		**987**		987
Capital redemption reserve	*19*		**3**		3
Merger reserve	*19*		**13,988**		13,988
Other reserves	*19*		**142**		142
Profit and loss account	*19*		**66,611**		55,730
Total shareholders' funds	*21*		**81,739**		70,858
Minority interests	*20*		**1,613**		(310)
Capital employed			**83,352**		70,548

These financial statements on pages 14 to 41 were approved by the Board of Directors on 14 December 2015 and signed on its behalf by:

K Bygrave
Director

Lush Cosmetics Limited
Registered Number - 04162033

Company balance sheet
at 30 June 2015

	Note	2015		2014	
		£000	£000	£000	£000
Fixed assets					
Investments	*12*		7,078		7,078
Current assets					
Debtors	*14*	498		2,624	
Cash at bank and in hand		2		2	
		500		2,626	
Creditors: amounts falling due within one year	*15*	(1,557)		(1,514)	
Net current (liabilities) / assets			(1,057)		1,112
Total assets less current liabilities			6,021		8,190
Creditors: amounts falling due after more than one year	*16*		-		(1,350)
Net assets			6,021		6,840
Capital and reserves					
Called up share capital	*18*		8		8
Share premium account	*19*		987		987
Capital redemption reserve	*19*		3		3
Other reserves	*19*		6,080		6,080
Profit and loss account	*19*		(1,057)		(238)
Total shareholders' funds	*21*		6,021		6,840

These financial statements on pages 14 to 41 were approved by the Board of Directors on 14 December 2015 and signed on its behalf by:

K Bygrave
Director

Consolidated cash flow statement

for the year ended 30 June 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Net cash inflow from operating activities	*22*		**35,326**		28,240
Dividends received from joint ventures and associates			**3,881**		732
Returns on investment and servicing of finance					
Dividends paid to minority interests		**(3)**		(890)	
Interest received		**93**		28	
Interest paid		**(636)**		(700)	
Issue costs of new bank loan		**-**		(600)	
Net cash outflow from returns on investments and servicing of finance			**(546)**		(2,162)
Taxation			**(5,886)**		(6,335)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(20,303)**		(15,139)	
Proceeds on disposal of tangible fixed assets		**43**		10,057	
Net cash outflow for capital expenditure and financial investment			**(20,260)**		(5,082)
Acquisitions					
Investment in subsidiary undertakings	*29*	**(2)**		-	
Net cash outflow for acquisitions			**(2)**		-
Financing					
Increase in borrowings	*16*	**13,201**		9,309	
Repayment of bank loans	*16*	**(22,094)**		(12,059)	
Purchase of own shares	*18*	**(620)**		(4,343)	
Net cash outflow from financing			**(9,513)**		(7,093)
Increase in net cash			**3,000**		8,300

Reconciliation of net cash

for the year ended 30 June 2015

	Note	2015 £000	2014 £000
Net cash at 1 July		**11,193**	747
Increase in net cash		**3,000**	8,300
Movement in borrowings		**8,893**	3,350
Exchange adjustments on borrowings		**(1,340)**	(1,049)
Non-cash movements		**(211)**	(155)
Net cash at 30 June	*23*	**21,535**	11,193

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules, and on a going concern basis.

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

A summary of the more important accounting policies which have been consistently applied is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company and Group will continue trading. Based on the available facilities the directors have reviewed financial projections and cash flows for the next year following the date of approval of these financial statements, along with covenant compliance under the Group's banking facilities, and are satisfied that the Group and Company have adequate resources to continue in operation for the foreseeable future and consequently the financial statements continue to be prepared on a going concern basis.

The directors are confident that the existing facility will be renewed, or updated, so that funding will be available to the Group at the end of the current financing arrangement where required. Projections show that the Group would be able to continue on a going concern basis, albeit with a reduction in investment/capital expenditure, should the facility not be renewed.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary, joint venture and associate undertakings made up to 30 June 2015. 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 was 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.

Joint Ventures

Joint ventures are those entities over whose activities the Group has joint control with the partners, requiring mutual consent for strategic financial and operating decisions. Joint ventures are accounted for using the gross equity method of accounting.

Under the gross equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the share of profit or loss of the investee after the date of acquisition. The Group's share of the profits less losses of joint ventures is included in the consolidated profit and loss account. The Group's share of their net assets is included in investments in the consolidated balance sheet, whilst both the aggregate gross assets and liabilities underlying the net amount included for investment has also been shown on the face of the balance sheet.

Associates

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. Investments in associates are accounted for using the equity method of accounting.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Under the equity method the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the share of profit or loss of the investee after the date of acquisition. 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.

Company profit and loss account

In accordance with Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented. The net loss before dividends for the Company for the year was £198,780 *(2014: loss of £205,872).*

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 subsidiary undertakings, joint ventures and associates 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 ranging from 5 to 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:

Freehold and leasehold buildings, including lease premiums	Period of lease
Fixtures, fittings and equipment	20%
Computer equipment	33%

No depreciation is provided on leasehold land.

Investments

Investments in subsidiaries, joint ventures and associates are included in the Company balance sheet at historic cost, less provision for impairment.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiaries, joint ventures and associates are translated at the closing balance sheet exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

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

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

A deferred tax asset is recognised only if it can be regarded as more than likely that there will be suitable taxable profits from which the future reversal of the underlying timing differences are expected to reverse.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Rent free periods and lease inducements receivable on entering an operating lease are recognised on the balance sheet and released to the income statement on a straight–line basis over the lease term. Capital contributions from landlords are reflected as lease incentives in the same way.

Property deposits

Property deposits are paid to landlords on inception of the lease where applicable and are recorded in the balance sheet at the lower of cost and net realisable value. No discounting is applied to the carrying value of the deposits.

Post retirement benefits

There are a number of entities within the Group that operate defined contribution pension schemes within their territory, which are managed on a local basis. The assets of the schemes are generally held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Lush Italia SRL also operate an employees' leaving entitlement (TFR). The TFR is an arrangement required under Italian employment law and is payable when any employee retires or leaves employment. The amount payable under this scheme at the balance sheet date is recorded as an accrual on the balance sheet.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately approved by the shareholders and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the sale of cosmetic products to customers through our Group retail and digital outlets, and through sale of finished products from Group manufacturing companies to retail companies where a controlling interest is not held. Retail turnover is recognised on final sale to third parties, net of any provisions for returns, whilst turnover from digital sales and sales to joint ventures, associates and licencees is recognised on despatch of the product.

Impairment of fixed assets and goodwill

The carrying amounts of the Group's fixed assets and goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Notes to the financial statements *(continued)*

2 Segmental analysis

The table below sets out information for each of the Group's geographic areas of operation.

	UK and Europe		Americas		Asia		Other		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Turnover by origin										
Total turnover	**300,219**	242,594	**1,469**	77	**94,158**	98,630	**33,401**	24,281	**429,247**	365,582
Inter-segment sales	**(92,770)**	(76,234)	**-**	-	**(453)**	(718)	**(9,568)**	(6,163)	**(102,791)**	(83,115)
Group turnover to third parties	**207,449**	166,360	**1,469**	77	**93,705**	97,912	**23,833**	18,118	**326,456**	282,467
Share of joint ventures' turnover	**-**	-	**105,667**	66,934	**-**	-	**-**	-	**105,667**	66,934
Share of associates' turnover	**9,516**	11,089	**367**	330	**6,215**	4,908	**384**	-	**16,482**	16,327
Total turnover (including share of joint ventures and associates)	**216,965**	177,449	**107,503**	67,341	**99,920**	102,820	**24,217**	18,118	**448,605**	365,728
Segment operating profit/(loss)	**15,684**	10,125	**(4,813)**	(1,632)	**(4,030)**	6,951	**(1,602)**	(1,546)	**5,239**	13,898
Share of operating profit in joint ventures	**-**	-	**19,582**	9,276	**-**	-	**-**	-	**19,582**	9,276
Share of operating profit in associates	**780**	802	**5**	26	**118**	259	**40**	-	**943**	1,088
Net interest	**343**	(268)	**(458)**	(304)	**(30)**	1	**(680)**	(514)	**(825)**	(1,085)
Segment profit/(loss) before tax	**16,807**	10,659	**14,316**	7,366	**(3,942)**	7,211	**(2,242)**	(2,060)	**24,939**	23,177
Group(expenses)/income									**(419)**	86
Group profit before tax									**24,520**	23,263

The group (expenses)/income includes amortisation on goodwill arising on consolidation.

Net assets

	UK and Europe		Americas		Asia		Rest of World		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Group segment net assets/(liabilities)	**69,386**	52,485	**(5,480)**	(1,676)	**17,574**	24,766	**(16,496)**	(14,873)	**64,984**	60,702
Unallocated liabilities									**(837)**	(1,319)
Joint ventures' net assets	**-**	-	**16,797**	8,741	**-**	-	**-**	-	**16,797**	8,741
Associates' net assets / (liabilities)	**1,121**	1,384	**396**	133	**891**	907	**-**	1,780	**2,408**	2,424
Total net assets									**83,352**	70,548

The unallocated liabilities relate to goodwill arising on consolidation.

Notes to the financial statements *(continued)*

2 Segmental analysis *(continued)*

Group turnover by business segment;

	2015 £000	2014 £000
Retail sales	**264,761**	230,395
Internet sales	**25,990**	21,060
Manufacturing sales	**35,705**	31,012
	326,456	282,467

3 Operating profit

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/(crediting):	2015 £000	2014 £000
Depreciation of tangible fixed assets:		
Owned	**11,367**	10,451
Impairment of tangible fixed assets – Annual shop impairment review (see note 11)	**746**	303
- Japan fixed assets review (see note 11)	**6,810**	-
Amortisation and other amounts written off goodwill (see note 10)	**419**	309
Loss/(profit) on disposal of fixed assets	**1,145**	(22)
Operating lease rentals – Plant and machinery	**608**	640
- Other	**41,179**	36,714
Foreign exchange loss	**6,781**	3,450

Auditors' remuneration:	2015 £000	2014 £000
Audit of these financial statements	**56**	111
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries, joint ventures and associates pursuant to legislation	**314**	268
- Other services relating to taxation	**-**	-
- All other services	**25**	13

4 Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	**491**	468

From 1 July 2014, the emoluments of three of the directors has been partially paid through a related company, Cosmetic Warriors Limited, as this Company now holds all costs relating to invention (including salary costs of the inventors), research and development, brand development, creative buying as well as trademark and intellectual property protection. The split of emoluments received by these directors are based on the services provided to each entity.

The aggregate of emoluments received by the highest paid director during the year that were paid by the Group was £448,000 *(2014: £156,000)*. The total emoluments paid, including amounts paid by Cosmetic Warriors Limited was £596,000.

The Company has made payments of £nil *(2014: £nil)* on behalf of the directors to the company's defined contribution pension scheme.

Notes to the financial statements *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2015	2014
Administration	**550**	562
Production	**1,508**	995
Retail	**3,704**	3,428
	5,762	4,985

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£000	£000
Wages and salaries	**110,255**	94,002
Social security costs	**14,813**	12,558
Other pension costs	**1,698**	1,330
	126,766	107,890

The Company employs no staff.

6 Net interest (payable)/receivable and similar charges

	2015	2014
	£000	£000
Interest payable on bank loans and overdrafts	**(492)**	(816)
Interest payable on other loans	**(61)**	(41)
Other interest payable	**(83)**	(43)
Amortisation of issue costs on bank loan	**(212)**	(155)
Bank interest receivable	**93**	28
Interest receivable from joint ventures and associates	**159**	199
Total group net interest payable	**(596)**	(828)

7 Share of joint ventures' and associates' interest and similar items

	2015	2014
	£000	£000
Joint Ventures		
Interest payable on bank loans and overdraft	**(140)**	(141)
Other interest payable	**(82)**	(95)
Group share of joint ventures' interest and similar items	**(222)**	(236)
Associates		
Interest payable on bank loans and overdraft	**(7)**	(21)
Group share of associates' interest and similar items	**(7)**	(21)

Notes to the financial statements *(continued)*

8 Tax on profit on ordinary activities

Analysis of charge in year	**2015**	2014
	£000	£000
Current Tax		
UK current tax		
UK current tax on income for the year	**4,136**	3,689
Adjustments in respect of prior periods	**(305)**	(395)
Double taxation relief	**(102)**	(64)
Foreign current tax		
Foreign tax	**2,044**	2,006
Adjustments in respect of prior periods	**(127)**	-
Share of joint ventures' current tax	**7,016**	2,900
Adjustments in respect of prior periods: joint ventures	**(282)**	-
Share of associates' current tax	**200**	262
Total current tax	**12,580**	8,398
Deferred tax		
Current year movement in timing differences	**(164)**	(72)
Impact of change in tax rate	**1**	20
Adjustments in respect of prior periods	**(894)**	2,040
Share of joint ventures' deferred tax	**72**	-
Total deferred tax	**(985)**	1,988
Tax on profit on ordinary activities	**11,595**	10,386

The Group's effective tax rate for the year has increased from 44.6% to 47.3%. The increase in the current tax charge primarily reflects the impairment of fixed assets in Japan; excluding this, our effective tax rate would be 37.5%. The UK Current Tax adjustment in respect of prior periods includes the benefit of Research and Development (R&D) claims filed with HMRC in respect of the prior year. We expect our R&D claims to increase in future years as our innovation and new product development accelerates, particularly following this year's launch of 214 new products for our Oxford Street store launch.

The Group's deferred tax liability in Japan has also reduced as a result of the impairment of their fixed assets. Although this has resulted in a potential deferred tax asset, it has not been recognised due to uncertainty over the future profitability of the Japanese business. Our deferred tax asset has increased from the prior year due to the provision of deferred tax on accumulated unrealised intra-group profits eliminated on consolidation, however we continue to see unrecognised deferred tax in a number of loss making jurisdictions due to their historic loss position; we will reconsider the ability to utilise these losses at 30 June 2016, the recognition of which should reduce our effective tax rate in future years.

Notes to the financial statements *(continued)*

8 Tax on profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2014: higher)* than the standard rate of corporation tax in the UK of 20.75% *(2014: 22.5%)*. The differences are explained below.

	2015 £000	2014 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**24,520**	23,263
Current tax at 20.75% *(2014: 22.5%)*	**5,088**	5,234
Effects of:		
Expenses not deductible for tax purposes	**3,700**	2,074
Non-taxable income	**(323)**	(500)
Depreciation for period in excess of capital allowances	**179**	66
Other short term timing differences	**(147)**	-
Different tax rates on overseas earnings	**2,276**	363
Utilisation of brought forward losses	**(540)**	(41)
Unrelieved tax losses	**2,206**	1,573
Foreign tax charge	**854**	24
Adjustments to tax charge in respect of prior periods	**(713)**	(395)
Total current tax (see above)	**12,580**	8,398

The Finance Act 2013 included legislation to reduce the main rate of Corporation Tax from 21% to 20% from 1 April 2015. Refer to note 17 for further detail.

9 Dividends

The dividends proposed and paid in 2015 were £nil *(2014: £nil)*

Subsequent to the year end, the directors declared a final dividend payment on 14 December 2015. The dividend proposed was £273.76 per share, a total of £2,250,000.

Notes to the financial statements *(continued)*

10 Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 July 2014	10,464
Foreign exchange	4
At 30 June 2015	**10,468**
Accumulated amortisation	
At 1 July 2014	5,989
Charged in year	419
At 30 June 2015	**6,408**
Net book value	
At 30 June 2015	**4,060**
At 30 June 2014	4,475

During the year Lush Limited acquired the following shareholdings in subsidiary undertakings:

	Acquired	Consideration	Goodwill arising	Shareholding at 30 June 2015
	%	£000	£000	%
Lush Manufacturing GmbH	100	18	-	100
Lush Peru SAC	90	2	-	90

Notes to the financial statements *(continued)*

11 Tangible assets

Group	Freehold and leasehold land and buildings £000	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 July 2014	14,061	72,071	9,068	95,200
Difference arising on exchange	(1,574)	(4,446)	(427)	(6,447)
Additions	1,760	15,626	3,751	21,137
Disposals	(59)	(6,557)	(1,801)	(8,417)
Reclassification	-	576	87	663
At 30 June 2015	**14,188**	**77,270**	**10,678**	**102,136**
Accumulated depreciation				
At 1 July 2014	4,573	47,902	6,521	58,996
Difference arising on exchange	(541)	(2,678)	(322)	(3,541)
Provided in year	621	8,964	1,281	10,866
Impairment provision	117	6,614	825	7,556
On disposals	(54)	(5,801)	(539)	(6,394)
Reclassification	(22)	284	59	321
At 30 June 2015	**4,694**	**55,285**	**7,825**	**67,804**
Net book value				
At 30 June 2015	**9,494**	**21,985**	**2,853**	**34,332**
At 30 June 2014	9,488	24,169	2,547	36,204

During the year management conducted an impairment review of all retail stores that had made a negative retail margin in the financial reporting year. The review indicated that the reviewed stores' carrying amounts exceeded their recoverable amounts by £746,000 *(2014: £303,000)* and consequently they have been written down by this amount. The impairment loss has been recognised in administrative expenses in the profit and loss account.

As a result of the losses made in the Japanese business in the year ended 30 June 2015, a further impairment review has been performed over the carrying value of the fixed assets held in Japan. The review indicated that the recoverable amount is lower than the net book value of the Japanese fixed assets. Consequently an additional impairment loss of £6,810,000 has been posted.

The Company does not own any fixed assets.

12 Investments in subsidiaries, joint ventures and associates

Group	Joint ventures £000	Associates £000
Cost		
At 1 July 2014	8,741	2,424
Exchange differences	(1,027)	(393)
Share of profit for year	12,554	734
Less dividends paid by joint ventures and associates	(3,471)	(295)
Less change in bought forward reserves	-	(62)
At 30 June 2015	**16,797**	**2,408**

Notes to the financial statements *(continued)*

12 Investments in subsidiaries, joint ventures and associates *(continued)*

Company	Shares in subsidiary and associated companies
	£000
Cost and net book value	
At 1 July 2014 and 30 June 2015	**7,078**

A full list of subsidiaries, joint ventures and associates has been listed in note 29 to these accounts.

The following information is relevant to an understanding of the Group's investments in its joint ventures and associates.

The total of the Group's profit before taxation from interests in joint ventures was £19,360,000 *(2014: £9,040,000)*. The total of the Group's profit before taxation from interests in associates was £936,000 *(2014: £1,067,000)*.

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

	Joint ventures 2015 £000	Joint ventures 2014 £000	**Associates 2015 £000**	Associates 2014 £000
Share of turnover of joint ventures and associates	**105,667**	66,934	**16,482**	16,327
Share of assets				
Share of fixed assets	**16,005**	13,097	**1,826**	1,556
Share of current assets	**19,100**	16,590	**3,231**	2,909
	35,105	29,687	**5,057**	4,465
Share of liabilities				
Due within one year	**(24,523)**	(19,754)	**(2,221)**	(1,765)
Due after one year	**6,215**	(1,192)	**(428)**	(276)
	(18,308)	(20,946)	**(2,649)**	(2,041)
Total share of net assets	**16,797**	8,741	**2,408**	2,424
Shown as:				
Fixed asset investment			**2,408**	2,424

The directors believe that the carrying value of the investments above is supported by their underlying net assets.

Notes to the financial statements *(continued)*

13 Stocks

	Group	
	2015	2014
	£000	£000
Raw materials	**14,383**	11,002
Work in progress	**530**	461
Finished goods	**5,355**	5,567
	20,268	17,030

14 Debtors

	Group	
	2015	2014
	£000	£000
Amounts falling due within one year:		
Amounts owed by joint ventures	**4,394**	5,231
Amounts owed by associates and related parties	**1,557**	1,005
Other debtors	**5,701**	5,698
Prepayments and accrued income	**7,215**	5,538
Deferred taxation (see note 17)	**1,560**	447
	20,427	17,919
Amounts falling due after more than one year:		
Property deposits	**9,669**	9,311
Total debtors	**30,096**	27,230

	Company	
	2015	2014
	£000	£000
Amounts owed by group undertakings	**498**	2,624

Loans between group undertakings are repayable on demand and have interest charged at a rate of LIBOR + 3.75% per annum.

Notes to the financial statements *(continued)*

15 Creditors: amounts falling due within one year

	Group	
	2015	2014
	£000	£000
Bank overdraft	**-**	16
Trade creditors	**13,497**	10,269
Amounts owed to associates and related parties	**4,537**	2,348
Corporation tax	**1,077**	1,317
Deferred tax liability (see note 17)	**35**	-
VAT creditor	**1,298**	661
Other taxation and social security	**3,131**	2,252
Other creditors	**6,370**	7,784
Accruals and deferred income	**13,646**	9,151
	43,591	33,798

The other creditor payable balance includes a debit of £234,000 relating to unamortised issue costs arising on the Barclays facility, see note 16 for further details.

	Company	
	2015	2014
	£000	£000
Amounts owed to group undertakings	**71**	-
Other creditors	**1,486**	1,514
	1,557	1,514

The other creditor payable by the Company relates largely to a loan from Mrs E Bennett, a previous shareholder of the Company. A balance of £1,350,000 is repayable on 1 January 2016. Interest is being charged on this loan at 3% per annum and has been accrued on a monthly basis.

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due after more than one year

	Group	
	2015	2014
	£000	£000
Bank loans	**-**	8,782
Other creditors	**183**	1,541
	183	10,323

	2015	2014
	£000	£000
Bank loans		
Between one and two years	**(234)**	-
Between two and five years	**-**	8,782
	(234)	8,782
Within one year	**-**	-
	(234)	8,782

The main bank loan arrangement at 30 June 2015 is a £40 million revolving credit facility in the name of Lush Cosmetics Limited, expiring 19 July 2016. The amount drawn down on this loan at 30 June 2015 was £nil *(2014: £9,227,000)*. Cross guarantees exist between Lush Cosmetics Limited, Lush Limited, Lush Retail Limited, Lush Manufacturing Limited, Lush B.V, Lush GmbH and Lush SASU.

Issue costs totalling £600,000, arising on the above credit facility, have been capitalised. These issue costs are being allocated to the profit and loss account over the three year term of the facility. The total unamortised costs at 30 June 2015 was £234,000 *(2014: £445,000)*. These costs have been included in other creditors as the facility drawn down was £nil at 30 June 2015.

	Company	
	2015	2014
	£000	£000
Other creditors	-	1,350
	-	1,350

Notes to the financial statements *(continued)*

17 Provisions for liabilities and charges

	Onerous lease provision £000	Dilapidation provision £000	Other provision £000	Total £000
At 1 July 2014	181	1,245	-	1,426
Difference arising on exchange	-	(48)	-	(48)
Released during the year	(20)	-	-	(20)
Utilised during the year	-	(122)	-	(122)
Charged to the profit and loss account	-	823	77	900
At 30 June 2015	**161**	**1,898**	**77**	**2,136**

Onerous lease provisions

The onerous lease provision of £161,000 *(2014: £181,000)* relates to future lease costs of vacant properties for the remaining period of the lease, net of expected sub-letting income, which is estimated to be utilised over the remaining life of the lease. Future operating losses are not provided for.

Dilapidations provisions

The dilapidations provision of £1,898,000 *(2014: £1,245,000)* is expected to be utilised within 1 to 36 months, on termination of the underlying leases.

Deferred Tax

	Deferred taxation asset £000	Deferred taxation liability £000
At 1 July 2014	592	(145)
Charge to the profit and loss for the year	75	88
Change in tax rate	1	8
Foreign exchange adjustment	-	14
Adjustment in respect of prior years	892	-
At 30 June 2015	**1,560**	**(35)**

The elements of the deferred taxation are as follows:

	2015 £000	2014 £000
Differences between accumulated depreciation and capital allowances	**658**	489
Other timing differences	**867**	(42)
	1,525	447

The Group has gross unutilised tax losses of £24,978,315 *(2014: £20,830,000)* at 30 June 2015. The majority of the losses arising during the current year relate to our subsidiaries in Japan (£2,170,677) and Brazil (£4,909,304).

A deferred tax asset has not been recognised in respect of these losses due to uncertainty over their utilisation, nor in respect of other timing differences of £489,669, giving rise to an unrecognised deferred tax asset of £7,334,687 *(2014: £5,822,000)*.

Notes to the financial statements *(continued)*

17 Provisions for liabilities and charges *(continued)*

It is anticipated that the losses in respect of our German, Swedish, French and Austrian retail businesses, together with our Croatian manufacturing entity, totalling £3,401,494, may potentially be utilised within the next two years. Were there greater certainty over their utilisation, a deferred tax asset would have been recognised in respect of these losses, which would have resulted in a benefit to our tax total tax charge for the year of £990,983.

UK corporation tax rate
In the Summer Budget of July 2015, the Chancellor announced legislation to reduce the rate of Corporation Tax to 19% effective from 1 April 2017, with a further reduction to 18% from 1 April 2020. Deferred tax has been recognised at 20%, being the rate substantively enacted at the balance sheet date, and being the rate at which the company considers these timing differences are likely to unwind at.

18 Called up share capital

Group and Company

	2015 £000	2014 £000
Allotted, called up and fully paid		
8,219 *(2014: 8,319)* Ordinary shares of £1 each	**8**	8

On 19 September 2014 the Company repurchased 100 ordinary shares of £1 each for a consideration of £620,000. These shares were immediately cancelled.

19 Reserves

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Other reserves £000	Profit and loss account £000
Group					
At 1 July 2014	987	3	13,988	142	55,730
Arising on exchange differences - Group	-	-	-	-	1,837
- Joint Ventures	-	-	-	-	(1,027)
- Associates	-	-	-	-	(393)
Purchase of own shares (see note 18)	-	-	-	-	(620)
Movement in minority interests	-	-	-	-	16
Profit for the financial year	-	-	-	-	11,068
At 30 June 2015	**987**	**3**	**13,988**	**142**	**66,611**

	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000
Company				
At 1 July 2014	987	3	6,080	(238)
Loss for the financial year	-	-	-	(199)
Purchase of own shares (see note 18)	-	-	-	(620)
At 30 June 2015	**987**	**3**	**6,080**	**(1,057)**

Notes to the financial statements *(continued)*

20 Equity minority interest

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

	2015 £000	2014 £000
Lush Retail Limited	**854**	154
YRC Limited	**1,035**	566
Seebimeri OU	**(37)**	(45)
B Never too Busy to be Beautiful Limited	**(34)**	(866)
Lush Fresh Handmade Cosmetics D.O.O	**-**	(1)
Lush Bulgaria O.D.D	**-**	(1)
Lush Baltia	**(116)**	(85)
LB-LIT UAB	**(51)**	(32)
Lush Peru SAC	**(3)**	-
Lush Swedru Ghana Limited	**(35)**	-
	1,613	(310)

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

	2015 £000	2014 £000
Lush Retail Limited	**690**	20
Lush Japan KK	**-**	86
YRC Limited	**424**	272
Seebimeri OU	**3**	(7)
B Never too Busy to be Beautiful Limited	**831**	-
Lush Fresh Handmade Cosmetics D.O.O	**1**	22
Lush Bulgaria O.D.D	**1**	(7)
Lush Baltia	**(43)**	(52)
LB-LIT UAB	**(24)**	(24)
Lush Peru SAC	**(14)**	-
Lush Swedru Ghana Limited	**(12)**	-
	1,857	310

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

	2015 £000	2014 £000
At 1 July	**(310)**	12,434
On acquisition of minority interest	**-**	(13,988)
Profit and loss account	**1,857**	310
Dividends paid to minority shareholders	**(3)**	(890)
Foreign exchange movement	**69**	(758)
Capital injection	**-**	2,582
At 30 June	**1,613**	(310)

Notes to the financial statements *(continued)*

21 Reconciliation of movements in total shareholders' funds

	2015 £000	2014 £000
Group		
Opening shareholders' funds	**70,858**	54,579
Profit for the financial year	**11,068**	12,567
Arising on exchange - Group	**1,837**	(2,423)
- Joint ventures	**(1,027)**	(744)
- Associates	**(393)**	(185)
Purchase of own shares	**(620)**	(4,342)
Movement in minority interests	**16**	(2,582)
Share for share exchange	**-**	13,988
Net increase in shareholders' funds	**10,881**	16,279
Closing shareholders' funds	**81,739**	70,858

	2015 £000	2014 £000
Company		
Result for the financial year	**(199)**	(206)
Dividends receivable	**-**	4,343
Purchase of own shares	**(620)**	(4,342)
Net decrease in shareholders' funds	**(819)**	(205)
Opening shareholders' funds	**6,840**	7,045
Closing shareholders' funds	**6,021**	6,840

Notes to the financial statements *(continued)*

22 Analysis of cash flows

	2015 £000	2014 £000
Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	**4,820**	13,984
Depreciation, amortisation and impairment charges	**19,342**	11,063
Loss / (profit) on disposal of tangible fixed assets	**1,145**	(22)
Increase in stock	**(3,238)**	(452)
Decrease in debtors	**(2,412)**	4,585
Increase / (decrease) in creditors	**10,261**	(2,275)
Exchange differences	**5,408**	1,357
	35,326	28,240

23 Analysis of net cash

	At 1 July 2014 £000	Cash flow £000	Non-cash changes £000	Exchange rate £000	**At 30 June 2015 £000**
Cash at bank and in hand	19,991	2,984	-	(1,674)	**21,301**
Overdrafts	(16)	16	-	-	**-**
	19,975	3,000	-	(1,674)	**21,301**
Debt due after one year	(8,782)	8,893	(211)	334	**234**
Debt due within one year	-	-	-	-	**-**
Net cash	11,193	11,893	(211)	(1,340)	**21,535**

24 Commitments and contingent liabilities

a) The Group had capital commitments of £2,055,000 as at 30 June 2015 *(£739,000 as at 30 June 2014)*. The Company had no capital commitments at 30 June 2015 or 30 June 2014.

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

	Land and Buildings		**Other**	
Group	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Operating leases which expire:				
Within one year	**17,278**	13,414	**100**	203
In the second to fifth years inclusive	**18,522**	17,441	**45**	117
Over five years	**9,230**	7,698	**-**	-
	45,030	38,553	**145**	320

Notes to the financial statements *(continued)*

25 Pension scheme

The Group operates a number of defined contribution pension schemes for the benefit of the directors and employees. The assets of the schemes are administered by trustees in funds independent from those of the Group. See note 5 for payments made during the year. There is a net accrual amount outstanding of £86,880 at the year end *(2014: £nil)*.

Lush Italia SRL has an accrual for £101,645 *(2014: £92,486)* at the year end, which relates to an employees' leaving entitlement (TFR). The TFR is an arrangement required under Italian employment law and is payable when any employee retires or leaves employment.

26 Related party disclosures

During the year, the Group paid rent for properties jointly owned by Mr M Constantine and Mrs M Constantine, amounting to £98,817 *(2014: £124,000)*. Mr M Constantine is a director of Lush Cosmetics Limited, Lush Limited, Lush Retail Limited and Lush Manufacturing Limited. Mrs M Constantine is a director of Lush Cosmetics Limited, Lush Limited and Lush Manufacturing Limited.

At 30 June 2015, the Company owed £1,350,000 *(2014: £2,700,000)* to Mrs E Bennett as part of the agreement to purchase her shares in the Company in 2014. During the year, interest of £60,540 *(2014: £41,000)* was payable on this loan.

On 19 September 2014, the Company purchased 100 of its own ordinary shares for a total of £620,357 from Paul Greeves, a shareholder of the Company. These shares were immediately cancelled by the Company.

Transactions and balances with principal joint ventures, associates and other related parties are as follows:

	Royalties received/ (paid) 2015 £000	Royalties received/ (paid) 2014 £000	**Purchases 2015 £000**	Purchases 2014 £000	**Sales 2015 £000**	Sales 2014 £000	**Balance debit/ (credit) 2015 £000**	Balance debit/ (credit) 2014 £000
Lush Handmade Cosmetics Limited	-	-	-	-	**20,462**	12,013	**1,905**	1,627
Lush US Inc	-	-	-	-	-	-	**2,489**	3,604
Lush Russia Limited Liability Company	**417**	-	-	-	**4,046**	4,823	**59**	256
Yulshimhee Co. Limited	**461**	-	-	-	**3,622**	3,163	**340**	230
Cosmetic Warriors Limited	**(8,853)**	(2,337)	-	-	-	-	**(5,089)**	(2,223)
Lancelot Trading Limited	-	-	-	4,531	-	4,552	-	-
Galahad Trading Limited	-	-	-	1,447	-	-	-	-
Ping Pong Sourcing Limited	-	-	-	-	-	-	**(417)**	-

Cosmetic Warriors Limited, Ping Pong Sourcing Limited, Lancelot Trading Limited and Galahad Trading Limited are considered to be related parties as they are under common ownership.

Notes to the financial statements *(continued)*

27 Derivatives

The Group has entered into forward contracts against Sterling, the fair value of which is a total unrealised gain of £609,357 as at 30 June 2015 *(2014: unrealised gain of £522,569).*

28 Ultimate controlling party

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

29 Subsidiaries, joint ventures and associates

At 30 June 2015 the Company held the following investments in subsidiary and associated companies:

	Country of incorporation	Class of share capital held	Proportion of shares and voting rights held by the Company	Proportion of shares and voting rights held by the Group	Nature of business
Subsidiary undertakings					
Lush Limited	England	Ordinary	100%	100%	Manufacturer of cosmetic products
Lush Retail Limited	England	Ordinary	0%	87%	Retailer of cosmetic products
Lush Dublin Limited	Republic of Ireland	Ordinary	0%	87%	Retailer of cosmetic products
Lush Manufacturing Limited	England	Ordinary	0%	100%	Manufacturer of cosmetic products
Lush (New Zealand) Limited	New Zealand	Ordinary	0%	100%	Retailer of cosmetic products
Lush Australasia Manufacturing Pty Limited	Australia	Ordinary	0%	100%	Manufacturer of cosmetic products
Lush Australasia Retail Pty Limited	Australia	Ordinary	0%	100%	Retailer of cosmetic products
Lush Japan KK	Japan	Ordinary	0%	100%	Manufacturer and retailer of cosmetic products
Lush BV	Netherlands	Ordinary	0%	100%	Retailer of cosmetic products
Lush GmbH	Germany	Ordinary	0%	100%	Retailer of cosmetic products
Lush Cosmetics S.L	Spain	Ordinary	0%	100%	Retailer of cosmetic products
Lush Swedru Ghana Limited	Ghana	Ordinary	0%	80%	Manufacturer of raw materials products
Nature & You Lda	Portugal	Ordinary	0%	100%	Retailer of cosmetic products

Notes to the financial statements *(continued)*

29 Subsidiaries, joint ventures and associates *(continued)*

	Country of incorporation	Class of share capital held	Proportion of shares and voting rights held by the Company	Proportion of shares and voting rights held by the Group	Nature of business
Subsidiary undertakings (continued)					
Lush SASU	France	Ordinary	0%	100%	Retailer of cosmetic products
Lush NV	Belgium	Ordinary	0%	100%	Retailer of cosmetic products
Lush Austria GmbH	Austria	Ordinary	0%	100%	Retailer of cosmetic products
Lush Sweden AB	Sweden	Ordinary	0%	100%	Retailer of cosmetic products
Lush Italia SRL	Italy	Ordinary	0%	100%	Retailer of cosmetic products
YRC Limited	Dubai	Ordinary	0%	68%	Holding company
Lush Fresh Handmade Cosmetics LLC	Dubai	Ordinary	0%	68%	Retailer of cosmetic products
Seebimeri OU	Estonia	Ordinary	0%	50%	Retailer of cosmetic products
Lush Asia Limited	Hong Kong	Ordinary	0%	100%	Retailer of cosmetic products
B Never too Busy to be Beautiful Limited	England	Ordinary	0%	75%	Dormant
LCM (Lush Chile Manufacturing) SA	Chile	Ordinary	0%	99%	Dormant
Lush Hungary Kft	Hungary	Ordinary	0%	100%	Retailer of cosmetic products
Lush Fresh Handmade Cosmetics D.O.O	Serbia	Ordinary	0%	50%	Dormant
Lush Bulgaria O.D.D	Bulgaria	Ordinary	0%	50%	Retailer of cosmetic products
Lush Baltia	Latvia	Ordinary	0%	50%	Retailer of cosmetic products
SWIL AG	Switzerland	Ordinary	0%	100%	Holding company
Lush Manufacktura DOO	Croatia	Ordinary	0%	100%	Manufacturer of cosmetic products
SWIL Brasil Comerica de Cosmetics e Produtos de Beleza Ltda	Brazil	Ordinary	0%	99%	Retailer of cosmetic products

Notes to the financial statements *(continued)*

29 Subsidiaries, joint ventures and associates *(continued)*

	Country of incorporation	Class of share capital held	Proportion of shares and voting rights held by the Company	Proportion of shares and voting rights held by the Group	Nature of business
Subsidiary undertakings (continued)					
LIWS Industria de Cosmeticos Ltda	Brazil	Ordinary	0%	99%	Manufacturer of cosmetic products
LB-LIT UAB	Lithuania	Ordinary	0%	50%	Retailer of cosmetic products
Lush Distribution Limited	England	Ordinary	0%	87%	Distribution of cosmetic products

The following subsidiary undertakings have been added in the year ended 30 June 2015.

Lush Manufacturing GmbH	Germany	Ordinary	0%	100%	Manufacturer of cosmetic products
Lush Peru SAC	Peru	Ordinary	0%	90%	Manufacturer of cosmetic products

	Country of incorporation	Class of share capital held	Proportion of shares and voting rights held by the Company	Proportion of shares and voting rights held by the Group	Nature of business
Joint Ventures					
Lush Handmade Cosmetics Limited	Canada	Class A	0%	43.96%	Manufacturer and retailer of cosmetic products
Lush USA Inc.	USA	Ordinary	0%	50.5%	Retailer of cosmetic products
Lush Internet Inc.	USA	Ordinary	0%	50.5%	Retailer of cosmetic products
Associate undertakings					
Lush Russia Limited Liability Company	Russia	Ordinary	0%	35%	Retailer of cosmetic Products
Yulshimhee Co. Limited	South Korea	Ordinary	0%	25%	Retailer of cosmetic products
Lush Switzerland AG	Switzerland	Ordinary	0%	35%	Retailer of cosmetic products
Lush Kazakhstan LLC	Kazakhstan	Ordinary	0%	35%	Retailer of cosmetic products

Notes to the financial statements *(continued)*

29 Subsidiaries, joint ventures and associates *(continued)*

	Country of incorporation	Class of share capital held	Proportion of shares and voting rights held by the Company	Proportion of shares and voting rights held by the Group	Nature of business
Associates (continued)					
Prosrednik Promet D.O.O.	Croatia	Ordinary	0%	35%	Retailer of cosmetic products
Lush Ukraine TZOV	Ukraine	Ordinary	0%	35%	Retailer of cosmetic products
Fersk Kosmetikk AS	Norway	Ordinary	0%	35%	Retailer of cosmetic products
Lush Panama Inc	Panama	Ordinary	0%	35%	Retailer of cosmetic products
UKM Cosmeticos Naturales, S.A. de C.V	Mexico	Ordinary	0%	35%	Retailer of cosmetic products
Sash Natural Pte. Ltd	Singapore	Ordinary	0%	35%	Retailer of cosmetic products
Green Bubbles Cosmetics Proprietary Limited	South Africa	Ordinary	0%	35%	Retailer of cosmetic products

Not all entities above have co-terminus year ends. However, in the context of the group, all material entities have 30 June year ends.