Lush Cosmetics Limited

Annual report and consolidated financial statements
Registered number 04162033
30 June 2022

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Strategic Report

For the year ended 30 June 2022

The Directors present their Strategic Report on Lush Cosmetics Limited (the "Company") and its consolidated subsidiaries and equity accounted joint ventures and associates (together, the "Group") for the year ended 30 June 2022.

Principal Activities

The Group's principal activity is the manufacturing and retailing of fresh handmade cosmetics.

At the 30 June 2022, the Lush Brand operated through retail outlets in 50 countries and manufacturing facilities in 6 countries through its subsidiaries, joint ventures, associates, licensees and franchises. The total number of permanent shops at 30 June 2022 was 886 *(2021: 919)* of which 656 were in Group subsidiaries *(2021: 403)*. The Group's subsidiaries, joint ventures and associates are listed in Note 26 to the accounts.

Review of Business

Results overview

On 28th September 2021 we acquired full control of our North American joint venture, significantly increasing the size of the consolidated group. This acquisition has resulted in a substantial change in the presentation of the North American results and financial position which makes comparison with the previous year more complex. Up to the date of acquisition this joint venture was accounted for under the equity method with the Group's share of its profit presented in the profit and loss account as a single line item and the share of its net assets presented in the balance sheet as an investment. Since the date of acquisition and as a fully owned subsidiary, the North American business has been consolidated into the Group results on a line-by-line basis in accordance with the purchase method of accounting.

In order to provide a meaningful overview of our performance and position we have separated the impact of this acquisition out as summarised in the table below and commented on the performance of the "Old Group". Some key definitions, reconciliations and explanations have been provided below:

	2022 £m	2022 £m	2022 £m	2021 £m	Movement £m
	As Reported	**Impact of North America transaction**	**Old Group**		
Group Turnover	657.1	(226.3)	430.8	408.7	**22.1**
Group EBITDA	31.8	(14.5)	17.3	38.9	**(21.6)**
Group Operating profit	(0.6)	(5.1)	(5.7)	19.6	**(25.3)**
Share of joint venture and associate earnings	5.4	3.6	9.0	12.0	**(3.0)**
Interest payable	(1.5)	(0.1)	(1.6)	(2.4)	**0.8**
Group profit/(loss) before tax	**3.3**	**(1.6)**	**1.7**	**29.2**	**(27.5)**

Strategic Report *(continued)*

Results overview (continued)

Defining and presenting the Group

"Old Group" comprises the group structure immediately prior to the acquisition of the remaining shares in our North American joint venture and represents what the Group results would have looked like if the acquisition had not occurred; these results are therefore comparable with FY21. The list of companies included in this "Old Group" and the group as reported at the year end can be seen in note 26 and a more detailed explanation of the transaction and entities we describe as "North America" can be seen in note 28.

Share of joint venture and associate

Our reported figures show 3 months of accounting for North America as a joint venture under the equity method and 9 months (post acquisition) of fully consolidating the North America results on a line by line basis. In order to show a like for like and underlying comparison with FY21 we have removed the fully consolidated results and added what our share of the North America results would have been using the equity method for this 9 month period. This adds £3.6m to Joint venture and associates earnings in the underlying figures used for comparison purposes.

Group Turnover

Group Turnover for 2022 and 2021 in the table above can be reconciled to the Consolidated Profit and Loss account and the Turnover Analysis presented in note 1. 2022 Old Group turnover excludes North America turnover but includes an adjustment to reverse the elimination of manufacturing sales from Lush Ltd to the North American business of £23.4m to ensure that our 2022 Old Group turnover presented in the table is comparable with 2021.

	2022 £m
2022 Group Turnover as presented in the Consolidated Profit and Loss	657.1
Less North America consolidated turnover	-249.7
Plus consolidation adjustment of post acquisition Old Group sales to North America	23.4
2022 Group Turnover excluding the impact of the North America acquisition	**430.8**

Group EBITDA

Old Group EBITDA as shown in the table above represents the Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) as reported in the Consolidated Profit and Loss account less an adjustment for the impact of the North America acquisition and before our share of Joint Venture profits. This Old Group EBITDA enables proper comparison and explanation of the Group's performance against the previous year.

North America EBITDA impact	£m
North America EBITDA	14.8
less elimination of intercompany stock profit margin	-0.3
	14.5

The reconciliation above starts with the £14.8m of post acquisition EBITDA that is reflected in the Consolidated Profit and Loss account including acquisition accounting adjustments; however if the transaction had not occurred the overall impact on the Group's results would have been lower by £14.5m due to differences in the stock profit calculation.

Group Operating profit

To make the FY22 results more comparable with FY21 we have calculated the impact on the Group Operating Profit had we not acquired the North American business. Our Operating Profit would be £5.1m lower which represents the North America EBITDA figure per above of £14.5m plus additional North America operating expenses and acquisition adjustments of £9.4m.

Brand turnover (Group turnover as reported plus turnover from joint ventures, associates, licensees and franchises of £179.2m) in the year was £836.3m which is an increase of 7.5% on 2021 and a 10.5% increase when converted at consistent exchange rates.

Old Group turnover of £430.8m represents a 5.4% increase on 2021 and a 9.0% increase when converted at consistent exchange rates. However, the comparison with last year is confused as FY21 sales were heavily impacted by Covid related closures and restrictions throughout the year with different markets impacted at different times. A more meaningful comparison of sales is versus FY19, representing our last full financial year not impacted by Covid disruption. This shows that we had a year of contrasting halves in FY22 recording sales declines of -14% in the first half of the year and -23% in the second half.

The first half of the year saw some markets initially severely impacted by the Omicron variant but then our sales growth trend gradually improved to Christmas with our UK market recording sales growth of +2% in Q2 versus FY19; seasonal sales could have been better but for further Covid disruption which impacted our Manufacturing capacity in the UK and Australia.

We were not able to maintain this sales momentum in the second half of the year as inflationary pressures compounded by the war in Ukraine resulted in a decline in consumer spending power in most of our main markets and understandably impacted customer sentiment. As a result our sales in the second half of the year fell well short of expectations.

Strategic Report *(continued)*

Results overview (continued)

With the majority of our shops fully open for most of the financial year the weighting of online sales naturally diminished, accounting for 18% of total sales in the year compared to 30% in FY21, but still in excess of the 10% that we were experiencing pre-pandemic.

Old Group EBITDA in the year was £17.3m which is £21.6m lower than FY21. The movement on last year is impacted by £6.8m of bonuses (including NI) paid out as a result of finalising the North America acquisition, accounting adjustments relating to onerous leases (adverse movement of £8.6m on last year) and unrealised foreign exchange moving from an exchange loss to an exchange gain in the year (favourable movement of £7.1m). Excluding the items above there is still a £13.3m decline in EBITDA despite the increase in sales. This decline is mainly due to the amount of furlough and other government support that we received last year which has naturally reduced in FY22; total relief in FY22 was £5.1m versus £30.1m in FY21. We have also put through much needed wage and salary increases in many of our markets (summarised in the Employees, Engagement and Diversity note later in this report) and added back some headcount across our support teams as the business returned to some sort of post pandemic 'normal'. Our cost base has also been impacted by inflationary pressures in the second half of the year with notable increases in some raw material costs along with increased sea and air freight costs.

The reductions in Operating profit and Profit before tax are for the same reasons as explained for EBITDA and also impacted by a £5.9m adverse movement in the shop impairment charge compared to last year.

Our European markets have struggled to get back to pre-pandemic levels of sales with FY22 sales being 28% lower than FY19 compared to the UK which has recovered to -10%. Is Brexit to blame? Our popularity in Europe has certainly waned since Brexit and we need to rebuild the love for our UK owned brand across Europe. We invested in a Manufacturing facility in Germany after the referendum but this has lost money partly due to lost economies of scale on the lower sales.

In North America, US sales in the full financial year were 14% higher than FY21 and Canada sales were 12% higher with the latter still impacted by Covid restrictions for part of the year. From a trading perspective, the North American business generated £22.8m of EBITDA and £13.4m of Operating profit in the 9-month post acquisition period which includes the impact of compensation increases that were awarded to our hourly paid and production staff in February 2022. These EBITDA and Operating profit contributions are reduced to £14.5m and £5.1m respectively after adjustments that were necessary to account for the acquisition in line with current accounting standards.

Financial position and current trading

The Group finished the year with net cash, being cash less debt, of +£68.0m with +£37.4m held within our North American businesses. The consolidated balance sheet at 30 June 2022 reflects a healthy position with net assets of £197.9m and net current assets of £115.0m.

Trading in FY23 has continued to be challenging with a continuation of inflationary factors impacting consumer sentiment. Old Group sales growth in Q1 was -1% versus FY22, whilst Q2 to Christmas improved to +2% (weighted by very strong sales in the UK which recorded its highest December sales on record) and Q3 sales were +7%. North America sales have struggled to a greater extent recording -12% in Q1, -13% in Q2 and -10% in Q3.

Strategy

Despite the challenging environment in 2022 we remain optimistic that the momentum gained during the year and our Master plan goals will continue to drive sustainable growth.

The three main goals of our not so secret 'Lush Cosmetics Master Plan' remain:

1. Make products for every need.

2. Be number one in every category.

3. Create a cosmetic revolution to save the planet.

Overarching these goals is our mission to **Leave the world Lusher than we found it** and we believe that this mission and our goals will help to accelerate our growth and reach whilst we maintain our focus on what customers really want and what they care about.

Our product led approach offering cosmetic products with no harmful preservatives and that our customers can trust to protect their skin, hair, body and minds remains a key part of our plan, as does reminding customers of what we believe in, what we stand for and how we operate so that their love of our brand is reignited and they are reminded what makes Lush and our products so special.

Strategic Report *(continued)*

Strategy (continued)

When looking at our potential for growth and our ambition to be number one in every category the opportunities are enormous. Our Brand sales are still less than 0.25% of the Global Cosmetics industry and we aim to strengthen sales in all categories through the following priorities: -

Doing what matters most to us. On Black Friday 2021 we launched our 'Global Anti-Social Media Policy' which is our pledge to stop posting on Facebook, Instagram, Tiktok and Snapchat throughout the Lush brand until significant changes are made by these platforms.

When we made the decision to finally come off those Social Media platforms that refused to acknowledge or adjust for the dangerous impact of their algorithms on teenager mental health we knew it would impact our business. At the time we estimated that this might be £10m in sales but it could well have been £10m in profit or 10% of our £800m brand sales (£80m). We simply don't know. The manipulation of those same algorithms renders it impossible to know what might have happened anyway. As many businesses have found, particularly smaller ones struggling to be seen and with smaller budgets to pay for visibility, it is those who generate the most clicks and revenue for the social media platforms, and who pay the most, that the algorithms favour. Whatever the figure for Lush, we remain proud of and committed to our stance and until we are convinced that proper actions have been taken to protect young people on these platforms we will not be returning to them.

We will instead continue our focus on reinvigorating our staff and customers through a more human approach with community activities, more meaningful, inclusive campaigns and on spreading our charitable giving to a wide spread of human rights, animal rights and environmental causes.

Pioneering on ways to care for the planet. As described in more detail in the Impact Report within our Directors' Report, our Climate and Nature Strategy outlines a To Do list of actions needed as part of our revolution to save our planet. To quote the environmentalist David Brower, "There is no business to be done on a dead planet". We continue to drive towards our goals of 100% renewable energy throughout our business and to become carbon positive through insetting models rather than offsetting i.e. reducing CO2 emissions in our own supply chain rather than buying carbon offsets.

New shops, products, concepts and collaborations. Our approach is not just about adding new shops or upsizing them for growth but really focusing on what ranges are available in which stores to optimise the customer experience and to ensure that every store can offer a product for every need and present these products in the best possible way. By honing our core product ranges with further curation in those stores that can accommodate additional product, the aim is for store managers to be able to adapt their offering to their local customers at the same time as being able to highlight and display new concepts and seasonal ranges when needed.

We remain very committed to physical retail and continue to move quickly when the most exciting opportunities arise. Our brand new anchor (an anchor being a large store in a key location offering most of our products and concepts) for Glasgow Buchanan Street is a great example of this. Moving into the most iconic building on the busiest shopping street in Scotland, this store (due to open for 2023 Christmas trading) will provide the perfect pitch with 1,769 square metres of space to house our shop and spa.

In total we expect to open 17 new shops in the year ending 30 June 2023 (13 opened to date) and to complete 13 "upsizes" or relocations (11 completed to date). As well as investing in our stores we are investing in our e-commerce and focusing on bringing our digital operations to top of class with aims to bring our Lush Lens to peak form and usage and our Lush Pay tills integrated with stock management systems to enable seamless supply for our customers and staff.

Our drive for a cosmetic revolution continues to focus on setting the best possible standards throughout our business operations. We believe a modern form of capitalism can co-exist with profitability; that we can operate high standards of business alongside our aspirations to become a real living wage payer globally, to become carbon positive through insetting rather than by offsetting our excesses, to become zero waste with Bring it Back deposit schemes globally that treat packaging like gold, by paying our suppliers fairly and working with them to ensure they can operate to the highest standards to protect and, where possible, regenerate the planet. Along with these areas of focus, by continuing to support good causes and organisations through our charitable giving, and by paying our fair share of taxes rather than operating in ways to minimize our liabilities, we will continue to strive for these better standards and hope that others will follow.

Strategic Report *(continued)*

Strategy (continued)

Key Performance Indicators (KPIs)

The Group uses several KPIs to monitor the performance of the business, the main indicators being our turnover, EBITDA and profit before tax which are stated in the table on page 1. In addition, we also monitor the following indicators:

Like For Like sales (LFL)[1] *and Sales Growth* - We review the LFL for all individual shops (including relocated stores) that have been trading for longer than one year and also from a total territory and Group perspective.

We have had temporary shop closures across all markets since March 2019 as a result of the pandemic which continued into the first half of FY22. With the consequent surge in online sales, we have temporarily reverted to total sales growth as a more appropriate measure for sales performance; these growth figures are referenced in the Results overview section above.

The LFL and sales growth measures are broken down further into 'Business Drivers', the main drivers being visitor numbers, customer conversion % (i.e. the rate at which our visitors are converted into sales) and average sale per transaction. These are recorded by shop and by individual market.

Gross margin % – We monitor this on a monthly basis for our individual Manufacturing and Retail operations and also from a Group perspective; we compare against our previous expectations to ensure that any variations can be understood, explained and acted upon where the costs are of a controllable nature.

Staff costs % - Staff costs across the business is our largest overhead and is reviewed on a monthly basis (by territory and by discipline) to identify variances against prior year and forecast and take subsequent action if necessary.

Net cash – We review our actual and forecast cash balances regularly ensuring that we have sufficient cash reserves going forward and are also maintaining comfortable headroom against the loan facilities available to us.

Employees, Engagement and Diversity

Living Wage

Lush is continuing the aspirational journey of becoming a 'Real Global Living Wage' employer, which is even more crucial as we enter a period of increased cost of living. We are working closely with the Living Wage Foundation in the UK, a partnership that we are forever grateful for, but we are finding it challenging to find similar foundations in other countries that we operate in. Despite these challenges, and in the spirit of "Do not let perfect be the enemy of good", we have made some big steps towards our goal.

Currently, we are officially paying the Real Living Wage across the UK and Ireland and in New Zealand. As real living wage organisations are not yet established in most other markets, we remain committed to paying above the government minimum wage, averaging at +20% above this across the world. In addition, we have been able to pay an estimated real living wage in Czechia and Hungary, which were rises of £1.47 (+27%) and £1.80 (+50%) respectively per hour in each market. We have also implemented a wage rise for our lowest paid staff in a further 16 countries, averaging at 12%.

The most significant in terms of value have been in the USA (on average +27%), Japan (on average +17%) and Germany (+10% and a further +15% in FY23) as we strive to keep ahead of the minimum wages, whilst balancing profitability. This investment in our staff is in the region of £10m in 2022.

We are looking forward to implementing the next UK Living Wage increase in 2023, an increase of 10.1% which is the highest in the 11 years of the Living Wage Foundation, reflecting the sharp increase in the cost of living. We will also be continuing our research into credible, external organisations that are working towards Global Living Wages. The journey is challenging, however we are committed to paying for a 'fair day's work deserving a fair day's pay' in all our markets.

[1] Like-for-like (LFL) sales growth represents the constant currency, year on year sales growth for open stores that have been open for more than one year. This measure is widely used in the retail industry as an indicator of sales performance on a comparable basis. Constant currency is achieved by restating prior year sales figures at current year exchange rates.

Strategic Report *(continued)*

Employees, Engagement and Diversity *(continued)*

Equity, Diversity and Inclusion

The Group is committed to inclusive values and behaviours, practising equity, and diversifying the business. We continue to take a collective approach to actioning 'All Are Welcome Always' and Lush becoming the Company we want it to be.

Part of our commitment to equity, diversity and inclusion is to understand diversity across the global Lush businesses. In June 2022 we ran our first Global Demographic survey in 23 Lush Group and Partner markets covering over 6,000 staff and with a response rate of 43%. Our North American markets also ran a demographic survey using an in-house platform, covering 3,000 employees with a response rate of 47%.

The demographic surveys included questions on age, gender, sexuality, race and ethnicity, religion and belief, disability and chronic illness, neurodiversity and educational background. The survey's findings are part of the 'Lush Diversity Report 2022' and is available on the 'We Are Lush' platform. The report's findings show that Lush's dominant demographics are white, able-bodied, neurotypical, cis-gendered women, aged 21-35, with no religious belief and having an undergraduate university degree or equivalent. Through the findings we have learnt that transparency is a goal in and of itself, as we have ambitions to improve the response rate for a more accurate understanding of who works at Lush. This report is part of a commitment to regularly monitor and measure diversity at Lush, and continuously work towards diversifying Lush.

Community networks continue to grow and evolve, allowing employee participation in ED&I direction and sharing valuable insight into employee engagement and feedback with the business. The UK and Ireland community networks started their second term in September 2022. These include active networks for Disability & Chronic Illness, the Global Majority, LGBTQIA+, Menopause, Menstruation, Neurodiversity, Parents & Carers and Trans & Non-Binary. We are now starting to see networks building outside of the UK and Ireland, for example Australia and New Zealand are beginning to build their Community Networks with the LGBTQIA+ network.

Employee Benefit Trust

10% of our shares are held on behalf of our staff in the Lush Cosmetics Ltd Employee Benefit Trust (EBT). We believe the Trust, which was established in 2017, will protect the prosperity of the Lush business and the company ethics through the Lush Ethical Charter, while recognising the contribution our employees make to its success. The EBT has grown in size, profile and trust within the business and is developing to successfully fulfil its intended purpose for the business and our staff.

This year, Lush North America joined the Lush Group and welcomed all employees as beneficiaries of the Lush EBT, taking the total number of beneficiaries to over 12,500. The structure of representation and staff-led election process was replicated across North America taking our total number of EBT Representatives to 827.

The EBT and its representatives play a pivotal role in facilitating two-way communication between all Group colleagues and the business continuing to provide vital, timely insight into staff sentiment while encouraging equal opportunity for contribution in making Lush the company we want it to be. We enjoy continued engagement through our first staff only publication 'The Lush Insider', regular operational and performance updates and direct communications from leadership through a multitude of in-person and digital channels including all-staff events which continue to ensure knowledge and information is shared directly with all colleagues.

The Trustee board continues to be composed of two company appointed Trustees, two staff-elected Trustees and one independent Trustee. Our very first staff-elected Trustees reached the end of their maximum three-year term this year. To maintain experience on the Trustee Board and ensure future appointments are staggered, one staff-elected Trustee will remain on the board for an additional year.

We are still in the early development stages of our Employee Ownership journey. We continue to build on our knowledge and experience to further develop our Employee Benefit Trust and employee ownership culture at Lush with the aim of effectively representing employee voice and preserving Lush's ethics and independence. The intention is that the EBT will be offered re-issued shares by the Company to replace cancelled shares sold back to the Company from the shareholders when they wish to sell them, with those shareholders currently active in the business having agreed to a valuation method using the higher of net asset value and a multiple of five times the average post tax profits of the last three financial years. Over time a future EBT shareholding of 35% is envisaged.

Strategic Report *(continued)*

Employees, Engagement and Diversity *(continued)*

Lush Listens and Employee Engagement

This year we have carried out a another 'Lush Listens' global staff survey to provide information on sentiment and capturing valuable data on staff engagement and morale. The survey was sent to just under 12,500 employees across 46 countries, with a 68% response rate and covering our new North American colleagues for the first time.

'Goal setting' came out top of our strengths, followed by; 'Organisational Fit', 'Peer Relationships' and 'Management Support.' This shows there is a sense of belonging within Lush and our employees have clear goals with support from their managers. In last year's survey our areas for opportunity were 'Reward, Strategy, Growth and Accomplishment'. We have implemented several initiatives over the last year including 'The Liz Bennett Awards' which allows employees to nominate their colleagues for excellence in peer development. There is also the 'Learning Fund' for employees to apply for funding to add qualifications to their skillset. We also welcomed back our '3 Wishes' initiative on a global scale, for every employee to submit 3 Wishes to a panel of objective peers to grant at random.

As the world faces new challenges which impact the cost of living, it is no surprise that 'Growth' and 'Reward' continued to be areas of opportunity for Lush. The shift in social climate sees more people moving jobs for better flexibility and more benefits, which we can see in requests for additional benefits. The focus of our people team for the next year is recruitment, retention and development; attracting talent and looking after those on the front line who are making and selling our products, and strengthening our connections with global counterparts to align our efforts in developing and empowering our people.

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.

Supply Chain risk

It has been almost two years since the UK completed its withdrawal from the EU and trade between the two regions feels a lot more settled. The extra administrative burden remains, but the physical shipment of goods has been flowing without too much disruption and we have found solutions for most of the lingering headaches. Beyond this the global transport industry is still very challenging and has not fully recovered from the pandemic; transport costs and lead times remains high for raw materials distributed from our UK premises to other group manufacturing sites in Canada, Japan and Australia. We have found sea freight to be very unreliable with booking taking longer than pre-pandemic and several of our shipments being 'bumped' to the next vessel. The lack of confidence in ocean movements resulted in us sending more deliveries via air freight, which is far more costly and carbon intensive. Shipping rates for our main transit routes have ranged from 100% to 400% higher than pre-pandemic. We are in the process of reviewing our stock levels and global sourcing strategy to allow us to send more goods via sea without risking supply and sales. We are also reviewing our launch schedules to provide us with more time to import and distribute goods. Following on from the successful planning in 2021, our 2022 Christmas & Halloween collection was signed off several weeks earlier than usual to ensure healthy stocks of raw material and gift packaging were located in the right places at the right time.

The severe levels of inflation seen globally are affecting our raw material prices with our suppliers passing on cost increases for inputs such as labour, energy, vegetable oils, packaging and shipping. In addition to general inflation, some of our core ingredients have dramatically increased in price due to individual market circumstances. We are constantly negotiating with trade partners, looking at alternatives and reviewing our usage. We are seeing some signs that prices are starting to settle, but don't anticipate significant movement until at least mid-2023 and expect to absorb some of the extra cost in the meantime.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

We also mitigate supply risks through a flexible and responsive creative process whereby in extreme circumstances we can quickly adapt our product formulations. This is a tactic we successfully deployed at Christmas, to counter supply issues with a key material used extensively in our Christmas product range. To secure long-term access to key natural materials, we continue to invest in growing and processing projects. Taking responsibility for this aspect of our supply chain also allows us to have a positive impact on the climate and communities we work with.

Some of our investments are starting to mature and supply important raw materials to the business. With the disruption from Covid becoming more manageable, we hope to pursue further opportunities in the near future.

Economic and political climate

Given the number of territories in which we have a presence, we remain alert to changes in customer sentiment as a result of economic and political factors. Our concerns around the full economic impact of the pandemic have been replaced by the downturn in customer sentiment in many of our markets since the beginning of the 2022 calendar year as a result of inflationary pressures and the so called 'cost of living crisis'. We are naturally monitoring sales performances in all of our markets.

In light of the invasion of Ukraine, we terminated our supply agreement and License with our Russian partner and have exited the Russian market. In order to support our Ukrainian business and staff we have incorporated a new company in Ukraine that is 100% owned by the Lush Group. The resumption of product supply will enable the new company to trade normally whilst we will continue to provide financial support to our staff and local charities. Our overarching goal is to stand with Ukraine and with all people of peace in the region.

Foreign exchange risk

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.

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

- ***Current liquidity***

The latest cash position for the Group prior to signing these accounts was net cash reserves of £49.2m at the end of April. At this date there were no drawings under the NatWest £35m revolving credit facility.

- ***Facilities available***

We have a £35m revolving credit facility with NatWest which was due to expire on 11 September 2023. There were no covenant breaches in the year to 30 June 2022, however there was a breach in December 2022 which was waived by NatWest. Due to a change in our funding strategy (see below) this facility was terminated at our request on 15 May 2023. Our March covenants were not formally reported due to the cessation of this facility.

We have traditionally only required bank financing during the working capital build prior to Christmas each year, albeit this was not required in the run up to Christmas 2021. The Board has therefore decided that renegotiating another 3-5 year revolving facility is not an efficient use of internal resource and that our seasonal funding requirement could be managed in a different way by drawing on temporary seasonal facilities each year. To this purpose, the Board of Cosmetic Warriors Ltd, a related company to the Group, have agreed to provide a seasonal facility of £22m during the period from 1 July 2023 to 31 December 2023 repayable in full by 1 September 2024 and with no more than £15m outstanding for repayment as at 31 December 2023.

We have also maintained our relationship with NatWest through a £15m overdraft facility which is available annually from 1 September to 31 December. In North America we are also negotiating a CAD $20m (approx. £12m) seasonal facility due to commence on 1 September 2023 and expire on 15 January 2024, reverting to a CAD$0.4m guarantee line from this date. At the date of signing these Accounts this facility has been credit approved with final documentation being drafted. Accordingly, as this documentation remains outstanding, the directors have not assumed the availability of this facility in their assessment of going concern.

In August 2020, our French subsidiary Lush SARL finalised a €4.0m loan with Le Credit Lyonnais which is backed by a French State guarantee; we have taken the option to spread repayment over an extended period to August 2026. The amount outstanding on this loan at 30 June 2022 was €4.0m and €3.5m at the date of signing these accounts.

Strategic Report *(continued)*

Going Concern *(continued)*

- ***Base forecast***

The directors have prepared financial projections and cash flow forecasts for the period to 30 June 2024. This base case assumes sales growth of 5% in FY24. The overall growth reflects some cautious optimism having had a difficult 12 months to December 2022 with consumer sentiment subdued in many of our markets as a result of the decline in spending power caused by inflationary pressures. In reaction to this, we have concentrated on bringing together a cohesive team concentrated on 'brand' and have begun to see some benefit from this in terms of collaborations and B2B initiatives whilst there is also considerable focus on improving our messaging to customers. From a market perspective our UK business has remained resilient and we are enjoying growth in our Eastern markets of Japan and 'Greater China' (consisting of Hong Kong, Macau and Taiwan), most recently boosted by the reopening of borders with mainland China. However, our largest market of the US has continued a trend of sales decline and will be the main focus from a brand perspective.

The base case forecast shows that there is sufficient liquidity within the business to operate within the facilities available, with some drawdown needed on the Cosmetic Warriors and NatWest facilities to manage cash flow requirements in the build up to Christmas trading. We have not assumed any drawdown on the Wells Fargo facility as the loan has not been finally documented and signed at the date of signing these Accounts.

- ***Downside scenario***

Whilst the directors believe that the base case scenario is reasonable, they recognise that there remains the possibility of further downside should customer sentiment deteriorate further.

Therefore, in addition to the base case scenario, the directors have considered the potential impact of a severe but plausible downside scenario which assumes a 10% reduction in FY24 sales compared to FY23; this also equates to a 15% reduction on the base case sales scenario. This modelling included a consideration of our cost base including to what extent these costs would flex with the downturn in sales and also which costs are controllable rather than committed. A similar consideration was applied to our Capital investment programme. The impact on cash flow also took into account the availability of funds from the contracted borrowing facilities referred to above.

This downside scenario shows that there remains headroom within the business up to June 2024 taking into account the repayment terms of the loan from Cosmetic Warriors.

- ***Beyond FY24***

Outside of the going concern assessment period, the Group will move into its normal working capital low point in the Autumn of 2024 as we build inventory for Christmas 2024. The directors anticipate that, by the end of the 2024 financial year, extensions will be in place for the Cosmetic Warriors facility and the soon to be finalised North America seasonal facility, as well as reconfirming the availability of the NatWest overdraft, in order to support the inventory build through this period. Whilst there is no guarantee these facilities will be extended, the directors have no reason to believe that they will not be.

- ***Summary***

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

We have considered the impact of other financial risks such as interest risk and do not believe there is a material impact on the business.

The Strategic Report was approved by the Board of Directors on 26 June 2023 and signed on its behalf by:

Mr M Constantine
Director

Directors' report

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2022.

Results and dividends

There was a loss for the financial year amounting to £260,000 *(2021: profit of £21,745,000).*

No dividends have been paid or declared for the years ended 30 June 2022 or 30 June 2021.

Directors

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

Mr M Constantine
Mrs M Constantine
Mr K Bygrave

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

Branches outside the UK

As at 30 June 2022 and 30 June 2021 the Lush Group had overseas branches in Luxembourg and Czechia.

Disclosure of information to the 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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

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

Matters covered in the Strategic Report

The Company has chosen in accordance with the Companies Act 2006, s414C to set out in the Company and Group Strategic Report information required by Schedule 7 to the Large and medium-sized Companies and Groups (Accounts and reports) Regulations 2008. Certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report. These matters relate to the principal activities, review of business and principal risks and uncertainties facing the Company and Group.

Directors' Report *(continued)*

Section 172 statement

Under section 172 of the Companies Act, directors are required to make a statement explaining how we have adhered to certain duties as members of the Board and explain how we have acted in the best interests of the Company.

We as directors have acted in a way as we consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term,

Every decision we make as a Board is to preserve the longevity of the business, and ensure we are working towards our long-term master plan of creating a cosmetics revolution to save the planet. We hold weekly leadership meetings to discuss business changes and consider the longer-term consequences of these in helping us to meet the goals of the master plan. By making all aspects of our 'secret' master plan public we can be held accountable to it and demonstrate that we are thinking long term. We believe in the right to make a profit, but when making major business considerations and adjustments, all aspects of our core values are taken into consideration.

We have additional decision-making processes for Pay and Property Projects given the investment levels required. Our Pay Circles support the development of proposals, approve increases for Shop and Manufacturing staff (up to £100k), and monitor progress towards our aspiration of paying a Living Wage in every market we operate in. This aspiration requires ongoing careful planning to ensure the business model can sustain higher rates of pay whilst preserving the long-term stability of our business.

Our stringent Property Appraisal process ensures that the Global Retail and Property teams, in conjunction with the shop managers, work thoroughly on Business Cases until they are confident in the proposals. This is then passed on to the local directors for approval, following final approval from the Global Property Director and Global Retail Director on all projects. Throughout this there is room for on the ground research and healthy debate. A record is kept of all queries and approvals.

(b) the interests of the company's employees,

Our people are what makes the Company what it is, and therefore our employees' interests are considered at every turn. We are very proud of our Employee Benefit Trust which helps empower our staff and protect their interests - Lush has been 10% Employee owned since 2017. Along with the other shareholders of the business, the Lush EBT owns a proportion of the Lush business, and 5 trustees look after the trust on behalf of all staff. The board appreciates the contribution that every member of staff makes to the business and having all of our staff as beneficiaries of the EBT recognises their efforts and commitment in making us the Company that we are.

The EBT constitution states that every member of staff has access to a bonus scheme and that all staff will earn above government minimum wages. As stated above, the Pay Circles and local leadership teams continue to work towards achieving our goal to become a Global Real Living Wage payer.

We have our own section of the website to aid dialogue with staff – 'weare.lush.com'. This website covers all aspects of our business to ensure staff are informed of all the latest developments. We have also created the 'Lush Insider' magazine, an internal magazine circulated to all staff to answer questions arising through the EBT.

(c) the need to foster the company's business relationships with suppliers, customers and others,

We always wish to conduct our business so that all people who have contact with us, from our suppliers through to our staff and customers, benefit from their contact with Lush.

For many years we have sought to maintain a transparent supply chain which means often switching to direct sourcing, developing 'on the ground' relationships and co-developing growing projects. We have seen that fostering good, honest, long-term relationships with suppliers is key to ensuring good quality control of ingredients as well as making sure all sources comply with our supplier policies (People Care, Earth Care and Fair Share Policy). We now also use supplier webinars to provide our suppliers with transparent updates on the health of our business as well as our upcoming goals.

We maintain strong customer relations and believe the customer is always right. Our customers enjoy effective products produced without exploitation of people or planet, safe in the knowledge that all ingredients are vegetarian and that we do not test any of our products or ingredients on animals. In our shops, we encourage our staff to be day makers and turn our stores into an "ocean of kindness". Through our Random Acts of Kindness programme, staff are encouraged to gift one product a week (daily at Christmas) to help make a customer's day.

Directors' Report *(continued)*

Section 172 statement *(continued)*

Last year, we also took the bold step to stop posting on Instagram, Facebook and TikTok due to our understanding that many of those platforms cause harm to young women, our key customer demographic, as we do not wish to encourage the use of those platforms.

(d) the impact of the company's operations on the community and the environment,

Community and the environment are at the heart of everything we do – we don't just want to negate our impact, put bluntly we want to make a positive difference in the world, leaving the world Lusher than we found it. These initiatives are fully supported by the members of the Board. For example, we actively give back to the community through our giving programmes like Charity Pot, funding animal rights, human rights and the environment and Re:fund supporting ecological and social regeneration. Board members also work closely with and get guidance from the environment, buying and people teams to take these issues into the heart of decision making.

We continue to actively fight against animal testing through promoting alternative in-vitro testing and influence the market to address over packaging issues through innovation like 'naked' products. We take responsibility for our packaging with our 'bring it back' scheme, where customers get 50p towards their next Lush purchase for returning any of our plastic packaging which is then fully recycled. Alternatively, customers can still exchange 5 pots for a free fresh face mask, honouring our old scheme. These are now active in all main markets.

When it comes to addressing the climate and ecological emergencies, we have been prioritising the use of renewable electricity in our main markets, and this year approved renewable gas contracts for North America, full transition to 100% renewable electricity in Japan and North America, which will take us close to 90% of all electricity in group markets coming from renewable sources.

However, most of our impact and opportunity lie in our supply chain. We have a commitment to life, and through the sourcing of ingredients we continue to help develop social enterprises, restore wildlife corridors, and encourage the move away from highly hazardous pesticides. There are two priorities for us, protecting high biodiversity habitats and supporting transition to regenerative agriculture. The former we do through partnerships with conservation organisations and communities working in places like Sumatra, Gola Rainforest, or the Amazon. The latter we do through partnering with farmers practising agroecology or agroforestry, funding and encouraging the transition to more planet-friendly practices through our insetting strategy. Our insetting programme supports greenhouse gas emissions reductions in the supply chain, rather than using offsets. This was enthusiastically signed off by the board last year.

(e) the desirability of the company maintaining a reputation for high standards of business conduct,

As members of the Board, it is imperative for us to maintain a high reputation in everything we do. When conducting business, such as buying, we have put a number of policies in place to ensure that best practice is always followed, whether it be workers' rights, transport, the environment or animal protection. All of these policies can be found on our website. We are particularly proud of our Buying and Ethical Tax policies and of being awarded the Fair Tax Mark.

We believe that all business should be ethical, and all trade should be fair. Individual companies should not stand out simply by not being damaging or unfair. No company should be trading from an unethical position and society has a right to expect as the norm fairness and resource stewardship from the companies that supply them. We always act in a way that supports this and believe that we should pay our fair share of taxes in the countries in which we operate.

(f) the need to act fairly as between members of the company.

In essence, what this means is that shareholders ('members') are treated equally with regards to access to the financial information that they are entitled to in their capacity as shareholders, no matter the size of the shareholding, whether it is 1%, 10% or 80%. We are a privately held, family run business with shareholder representation on the Board, and all decisions are made in the interests of the Company, taking every view into account.

Directors' Report *(continued)*

Charitable contributions

Lush worldwide (including all subsidiaries, joint ventures, associates, licensees and franchisees) raised and set aside funds of £7,511,000 *(2021: £6,270,000)* and donated a total of £6,657,000 (*2021: £3,959,000*) of funds to charities and other good causes. Of the total amount donated, £6,075,000 was from the Lush Group (*2021: £3,180,000*). Funds raised in the year but not donated are carried forward for distribution in the following year.

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. This year we contributed £338,000 to support charities in Ukraine. 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.

The majority of funds raised in the year were through the sale of Charity Pot body lotion, which is sold in various sizes online and in our shops. This year Lush Charity Pot globally raised £6,584,000 (*2021: £5,418,000*) and donated £5,828,000 (*2021: £3,488,000*), with 100% of the retail price of the product, less VAT, going to a variety of good causes working in the focus areas. Of the total amount donated, £5,246,000 (*2021: £2,800,000*) was from the Lush Group.

Other Group contributions to our Charitable donations total are as follows:

- Our Campaign Products are designed, produced and sold to raise both money and awareness for specific causes we support. We raised £506,000 (*2021: £527,000*) and donated £419,000 (*2021: £181,000*) during the year in relation to a variety of campaign products. This year our book shaped bath bomb (#TBH365) was sold for Teach People's History, which campaigns for a more complete people's history to be taught by and about those left out of the mainstream narrative. We also brought our Rose Butterfly bath bomb back briefly to raise awareness about the importance of pollinators during Pollinator Week. Proceeds from our Orangutan bath bomb were used to support the Sumatran Orangutan Society in bringing global awareness to a little-known wildlife haven, West Toba, and supporting communities there in protecting their incredible rainforests.

- We continued with a 5p charge for all our paper carrier bags through which we raised £118,000 (*2021: £74,000*), with £75,000 (*2021: £26,000*) being donated to projects which support ecological and social regeneration around the world, known internally as our Re:Fund programme. Re:Fund has a primary aim to create networks and increase the regenerative capacity of the system as a whole.

- Since 2020 the Lush Prize and the Spring Prize have been held in alternating years. During 2022 the Spring Prize was held and the Lush Group donated £200,000 (*2021 Lush Prize: £250,000*) to groups that focus on research, campaigning or training to end animal testing.

Impact Report for the year ended 30 June 2022

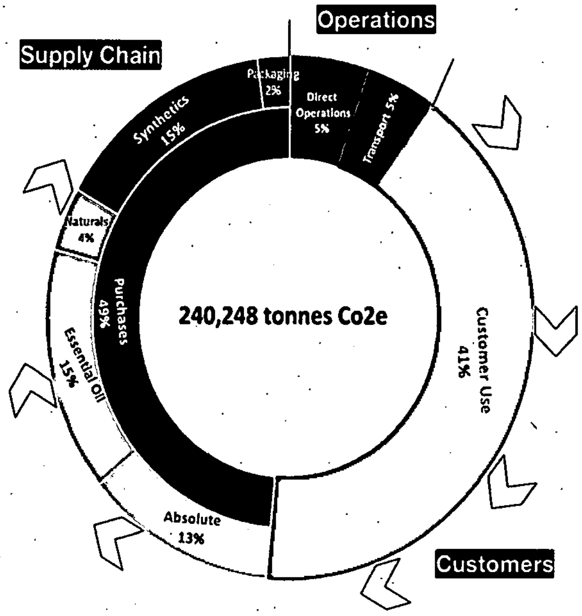
Leaving the World Lusher than we Found it

Our 2022 financial year saw Lush strengthen its commitment to leaving the world Lusher than we found it by doing what it does best, a clear focus on action - with a little mischief, while embodying the values of care and community.
In the planetary context, 2021 and 2022 have seen the sad normalisation of extreme weather events, with temperature records broken across the world, including the UK, severe flooding in Europe, Canada, Pakistan, Brazil and even Saudi Arabia followed by record drought in the summer of 2022. It was also the first time it rained rather than snowed at the peak of Greenland's ice sheet! Fossil fuels are not only powering our energy systems, they are also powering wars with dire effects for people and the planet.

This urgency needs to be met with aligned and bold action. In this spirit we updated our environmental policy in the financial year ended 30 June 2022 and launched it as the "To-do List for Climate and Nature" - a top level strategy co-created by our global team in a unified Lush business that warmly welcomed our North American colleagues. 2050 or 2040 targets and commitments are too little, too late, and we must focus on what we can do now.

Directors' Report *(continued)*

Impact Report for the year ended 30 June 2022 *(continued)*



* Excludes exports and DF emissions

Insights from our footprint

With the full incorporation of our North American business into the Lush Group, we will have an increasingly accurate estimate (including our complex supply chain emissions) of our carbon footprint. Our 2022 footprint is still being determined following the North America acquisition. Our carbon footprint in the year ended 30 June 2021 was just over 240,000 tonnes of CO2e. We are working to plug the remaining data gaps, mainly related to smaller markets and parts of our global logistics chain.

As with most cosmetics companies, both supply chain (49%) and customer use (41%) play a big role in the value chain. Our main fragrance materials, essential oils and absolutes, have an outsized impact (28%) in the total footprint. This is largely down to the low yield behind these materials. On the other hand, they also represent the biggest opportunity for implementing regenerative and nature-based solutions. When it comes to operations (10%), the energy needed to power our shops and factories have a big role to play (5%) but are easier to address than transport (5%). Decarbonisation of transport is the hardest to achieve within a short time frame.

In addition to the carbon footprint of our business, focusing on regenerative agriculture, agroforestry and ecosystem protection through our supply chain means we also have a carbon "handprint", by reducing and removing greenhouse gases from the atmosphere through forest protection, reforestation and change in agricultural practices. We estimate a conservative reduction and removal potential of at least 80,000 tonnes of CO2e per year due to nature-based solutions developed through our buying practices. There are recently published standards for measuring and reporting on those and we plan to validate and improve the accuracy of these numbers in our next set of financial statements.

The 5 main broad actions we can take

Our overall aim is to go for full short-term decarbonisation of scopes 1 and 2, our direct and indirect energy use. We call that real zero as opposed to net zero, as we do not want to make use of offsets. In addition to that, we aim to develop a climate positive or net positive scope 3, mainly through developing greenhouse gas reduction and removals projects within our supply chain, also called insetting. Wishing to move beyond the jargon, we transformed that ambition into five broad actions that are easier to communicate and engage:

1. Protect forests, protect wildlife
2. 100% renewable power everywhere
3. Make our materials regenerative and circular
4. Radically reduce our transport emissions
5. Stand up for climate justice and adaptation

Each of these have one or more global working groups focused on identifying our main priorities and delivering projects to support our goals, with strong engagement and contributions from Lush staff everywhere. From a governance point of view, each pillar has a global strategy circle working on the priorities and we are evolving our Environmental Board into a Steering Group for the Climate and Nature plan, which reports directly to our leadership team.

Directors' Report *(continued)*

Impact Report for the year ended 30 June 2022 ***(continued)***

1. Protect forests, protect wildlife

Our core strategy is to use our supply chain and buying power to help protect high biodiversity habitats and large carbon sinks, areas on the planet which absorb more greenhouse gases than it releases like healthy soils, mangroves and forests, for example. This can be done by both reducing deforestation in the supply chain and increasing the amount of materials benefiting communities living in harmony with the wild. In the year ended 30 June 2022, we moved our soya oil purchases from Brazil to a biodiversity farm in Germany and completed the research and development needed to relaunch all our shampoo bars in their palm-oil-free version. We continued to develop our Guatemalan, Peruvian and Ugandan businesses focusing on producing raw materials regeneratively, as well as growing the number of materials directly connected to protecting endangered species to 14. For example, 26% (77 tonnes) of the ethanol we use is from a farm in Brazil protecting the habitat of the jaguar.

2. 100% renewable power everywhere

Our strategy here is to power down - reduce our energy use, replace fossil gas and power up with renewables. In the UK, 84% of electricity we use is renewable. For the year ended 30 June 2022 we estimate an increase on our global renewable electricity mix compared to the 63% achieved in the year to 30 June 2021. Considering the carbon intensity of the grid, as well as market size, Hong Kong, Australia, Japan and the US are priorities for our 100% renewable electricity goal. Through renewable energy certificates, signed off during the year ending 30 June 2023 for Japan and North America, we estimate we will be just short of 90% overall renewable electricity in the Lush group. Lush North America recently contracted natural gas from non-fossil fuel sources, being our first market to be close to 100% renewable power, including gas.

For the UK & Ireland business, the year ending 30 June 2022 saw a further 5.45% reduction in our scope 1 and 2 emission intensity (CO2e/sq m) compared to the year ending 30 June 2021, which was primarily driven by cleaner UK & Ireland grid emissions.

Total Scope 1 & 2 Emissions - Electricity, Gas, Transport, Ballistics								
		15/16	16/17	17/18	18/19	19/20	20/21	21/22
Totals	kWh	10,779,413	12,393,775	13,148,398	14,038,564	12,539,999	12,505,011	12,881,862
	£	£926,097	£829,621	£1,062,026	£1,246,390	£1,347,069	£1,211,717	£1,422,936
	F Gas kg					1.41	13.59	8.82
	CO2 tonnes	4,665	4,509	4,186	4,033	3,388	3,144	3,101
	SQM	50,597	51,551	57,907	57,560	57,902	57,077	59,263
	CO2t/SQM	0.092	0.087	0.072	0.070	0.059	0.055	0.052
	kWh/SQM	213.04	240.42	227.06	243.89	216.57	219.09	217.37

We have also invested £295,000 in energy reduction measures in UK & Ireland and commissioned 125kWp of photovoltaics on our first net zero building in Poole.

3. Make our materials regenerative and circular

We have been working on developing a climate positive supply chain for our materials and making our packaging circular whilst creating livelihood opportunities and plan to accelerate the pace towards this over the next few years. The year ending 30 June 2023 has seen further development of our supply chain emissions reduction programme, with the identification of the most impactful materials and a roadmap to greatly reduce their environmental impact. Our first targets were rose, lemon, bergamot, jasmine, ylang ylang, lavender, peppermint, chamomile, henna, and benzoin, where we have been working on developing project plans around improving soil health, irrigation practices, pesticide use, sources of energy for production and composting of the final biomass. These materials account for one third of supply chain emissions.

When it comes to circularity, 74% (out of our 100% goal) of our packaging materials are from recycled, regenerative, or organic feedstocks. Recently, the first recycled labels from ocean-bound plastic were launched for one product, as a test. We finalised testing a spray pump with 30% recycled content and have continued with more naked innovation, launching our naked mascaras. 75% of our packaging is now recyclable or compostable, whilst an additional 18% is returnable through our Bring it Back scheme, so that we are moving closer to our aim of a 100% recyclable, compostable or returnable packaging goal. We have extended our Bring it Back scheme, to cover more of our plastic packaging, and this has now been launched in 25 markets. In the UK & Ireland alone, 12 tonnes (or half a million items) have been returned this year. The move to our larger £2.1 million Green Hub recycling and re-use facility in Poole has been completed. Besides the technical processing, this will also become an educational and networking hub. We have launched activities there by convening an event on net zero and circular economy with the local council.

Directors' Report *(continued)*

Impact Report for the year ended 30 June 2022 *(continued)*

4. Radically reduce our transport emissions

As mentioned previously, decarbonising transport in the short term is challenging. Our options are to support electrifying fleets, reduce air freight to as close to zero as possible and be early adopters of new alternative fuels with proven sustainability benefits.

The biggest avoidable source of transport emissions is the redistribution of packaging and raw materials from the UK to our other manufacturing sites. This is being addressed in our transport working group through working on better analysis and a reduction plan. Business travel continues to be significantly reduced when compared to pre-Covid and, despite picking up pace, will likely remain below previous levels. The positive news for the year ended 30 June 2022 was the partnership with Good Shipping. They powered ships with sustainable HVO fuel made from waste sources on our behalf to make up for 500 tonnes of equivalent CO2 impact. This was enough to inset all our sea freight emissions, and a little more, which is about 5% of our total transport footprint. We considered insetting when the compensation for carbon emission happens within our value chain rather than by paying for offsetting in projects that are completely outside of our business operations. There are also many projects in the pipeline for greener distribution to the shops and customers, including electric vehicles, HVO and carbon neutral options.

5. Stand up for climate justice and adaptation

It is clear that those least responsible for causing the climate emergency are suffering its worst impacts. Protecting vulnerable people, staying in solidarity with climate activists and embedding climate justice through all of our actions is key to our approach. Keeping fossil fuels in the ground and stopping funding for new fossil fuel developments are paramount. At the very end of the year ended 30 June 2022, we took on a bold commitment to divest our financing and during the year started to move our surplus cash reserves in the UK and North America to banks not supporting fossil fuel infrastructure, such as Triodos and Unity Trust Bank in the UK. Through our charitable giving and campaigning we continue to support the important work of climate activists, land and water defenders. The group has donated £6.1 million to support animal rights, human rights and the environment. We ran campaigns to support biodiversity through community development in Sumatra and pollinators in North America. The time is right for revolution, but we cannot do it alone. We can use our voice as a business to demand bolder action and inspire other businesses. We hope to grow our influence and support customers, colleagues, suppliers and other businesses to leave the world Lusher than they found it.

Taxation and Country by Country Reporting

The table below provides a summary of key financial information, including our contribution to taxation globally on a country by country basis. The group's effective tax rate (ETR) of 108.0% in the financial year ended 30 June 2022 compares with 25.6% in the financial year ended 30 June 2021, and is higher than the UK's rate of corporation tax (19%). This variance is driven by several contributing factors (as explained in note 7 of these financial statements), with a significant proportion relating to non-tax-deductible expenses arising on the acquisition of minority shareholdings in Lush North America, as well as the additional state taxes applicable following the acquisition of Lush US. Removing the impact of these factors (£2.8m) results in a revised tax charge of £0.7m and an effective tax rate of 23%.

As a business we are committed to paying the right amount of taxes globally. As part of this commitment, and in accordance with our company tax policy, we strive to maintain a Transfer Pricing policy which is transparent and demonstrably arm's length. To ensure that our policy continually complies with the arm's length principle and all relevant laws, we review and update our policy regularly with support from external advisors who specialise in Transfer Pricing. In response to the significant changes taking place within the business during the year, and given recent feedback received by tax authorities globally, a review of our policy was undertaken, and resulting updates were implemented from 1 July 2021. Based on functional analysis of the group entities, the Transfer Pricing review determined that, in accordance with Transfer Pricing guidelines, the retail and manufacturing entities should make an arm's length return with Lush Ltd, as the entrepreneurial, risk-bearing group company, being exposed to the residual profits, or supporting those markets, and in doing so, assuming residual losses. These updates have temporarily impacted the ETR of many of our manufacturing and retail entities globally, as we recognise deferred tax assets in respect of brought forward losses.

Whilst we are mindful of the importance of contributing back to the economies in which we trade and have always been proud to pay tax fairly in each of the countries in which we operate, the difficult trading conditions which we, and many other businesses, have experienced in recent years is having a direct impact on those contributions. In the financial year ended 30 June 2019 the Group (adjusted to include North America for consistency purposes) paid a total of £68.6m in taxes. This compares with £50.4m in the year ended 30 June 2022 demonstrating that where a business cannot flourish, it simply cannot support society.

During the financial year we have continued to work collaboratively with tax authorities on a global basis to assist with enquiries and engage openly and honestly.

Directors' report *(continued)*

Taxation and Country by Country Reporting

The country by country breakdown in respect of the year ended 30 June 2022 is as follows:

										Taxes charged £ k			Taxes paid / (recovered) £k					
Country of operation[1]	Number of shops	Number of factories	Number of emp'ees	Net assets	External revenue - £ k	Related party revenue - £ k	Total revenue - £ k	Staff costs - £ k	Profit / (loss) before tax - £ k	Corp tax charge / (credit) (current tax)	Total corp tax charge / (credit) (including DT)	Effective tax rate	Corp tax	Premises tax[5]	Payroll taxes	Stamp duty	Customs duty	Total taxes paid / (recovered) - £k
UK	99	1	3,705	104,334	151,326	107,103	258,429	75,651	(38,795)	3,003	2,969	-7.7%	1,141	4,782	7,546	40	181	13,690
Japan	75	1	1,116	12,814	63,768	19,608	83,376	25,736	5,610	300	(1,725)	-30.7%	129	94	3,938	1	292	4,454
Australia	27	1	641	(2,754)	27,138	11,425	38,563	14,149	370	(144)	(285)	-77.1%	(28)	-	1,181	-	67	1,220
Germany	34	1	685	(16,962)	20,238	19,109	39,347	14,910	690	1,302	870	126.0%	391	-	1,887	-	97	2,375
France	38	-	347	2,022	24,047	107	24,154	7,768	(1,131)	54	54	-4.8%	(105)	-	-	-	-	(105)
Italy	28	-	307	284	17,182	-	17,182	6,402	408	977	977	239.6%	-	25	1,788	-	-	1,813
Hong Kong and Macau	9	-	162	2,526	13,002	265	13,268	2,963	636	-	(211)	-33.3%	2	-	-	4	-	6
Spain	16	-	256	(112)	10,919	-	10,919	4,528	252	-	(332)	-131.6%	-	60	896	-	-	956
Croatia - Manufacturing	-	1	381	6,290	-	17,197	17,197	4,718	2,339	448	424	18.1%	(442)	-	669	4	68	299
UAE	16	-	199	3,305	7,589	228	7,817	2,425	372	-	-	0.0%	-	-	-	-	-	-
Bahrain	2	-	28	244	970	-	970	171	44	-	(0)	0.0%	-	-	-	-	-	-
Oman	-	-	-	-	-	-	-	-	38	-	-	0.0%	-	-	-	-	-	-
Netherlands	10	-	195	2,057	9,986	-	9,986	3,492	280	52	(80)	-28.5%	(35)	37	617	-	-	619
New Zealand	6	-	73	4,844	4,789	-	4,789	1,172	226	159	127	56.1%	59	-	6	-	2	67
Sweden	8	-	88	99	4,672	-	4,672	2,030	115	-	(66)	-56.9%	-	25	455	-	2	482
Austria	6	-	77	1,226	3,989	-	3,989	1,850	101	85	2	2.1%	58	-	415	1	-	474
Belgium	6	-	59	410	4,460	-	4,460	1,383	99	-	(116)	-117.9%	(0)	-	276	-	-	276
Ireland	4	-	50	278	2,780	-	2,780	741	176	27	27	15.6%	20	48	64	-	-	132
Czechia	3	-	56	1,045	2,765	-	2,765	-	159	(2)	(2)	-1.1%	-	-	-	-	-	-
Hungary	4	-	37	395	2,366	-	2,366	600	56	2	2	4.2%	(6)	30	86	-	8	118
Poland	-	-	-	(76)	90	-	90	-	(77)	-	-	0.0%	-	-	-	-	-	-
Portugal	2	-	44	(825)	1,168	-	1,168	751	13	-	(4)	-34.5%	-	-	108	-	-	108
Luxembourg	2	-	15	98	1,142	-	1,142	436	25	(8)	(17)	-68.5%	50	-	-	-	-	50
Taiwan	3	-	2	17	375	-	375	-	20	7	7	32.1%	-	-	-	-	-	-
Brazil[2]	-	-	2	7	-	-	-	167	(623)	-	-	0.0%	-	-	-	-	-	-
Lebanon	-	-	-	(1,017)	-	213	213	-	(158)	-	-	0.0%	-	-	-	-	-	-
Kenya	-	-	10	(352)	-	-	-	17	(87)	-	-	0.0%	-	-	-	-	-	-
Ghana	-	-	-	(586)	-	10	10	35	(65)	-	-	0.0%	-	-	-	-	-	-
Peru	-	-	-	(886)	-	-	-	60	(113)	-	-	0.0%	-	-	-	-	-	-
SWIL	-	-	-	(59)	-	-	-	-	(0)	-	0	-72.2%	-	-	-	-	-	-
Canada	50	2	2,117	62,056	44,017	80,759	124,776	46,436	4,341	3,034	2,292	52.8%	3,385	1,352	1,567	-	25	6,329
US	209	-	2,051	1,043	205,732	-	205,732	45,115	15,230	856	232	1.5%	6,323	2,683	3,013	-	273	12,292
Elimination and consolidation[3]	-	-	-	4,067	(7,787)	(215,691)	(223,478)	-	7,303	-	(5,404)	-74.0%	-	-	-	-	-	-
Group subtotal	**657**	**7**	**12,703**	**185,832**	**616,722**	**40,334**	**657,056**	**263,706**	**(2,143)**	**10,153**	**(260)**	**12.1%**	**10,942**	**9,136**	**24,512**	**50**	**1,015**	**45,655**
Share of PBT:																		
Joint Ventures'[4]				-			30,126		2,416	2,251	2,928	121.2%						
Associates'				8,726			37,568		2,982	891	847	28.4%						
Non group subtotal				**8,726**			**67,694**		**5,398**	**3,142**	**3,775**	**69.9%**						
Consolidated total				**194,559**			**724,750**		**3,255**	**13,294**	**3,515**	**108.0%**						

Directors' report *(continued)*

Taxation and Country by Country Reporting *(continued)*

Notes in relation to table on previous page:

Note 1: All companies are tax resident only in their country of operation: this is also where their registered office and place of incorporation is located.

Note 2: Our manufacturing and retail operations in Brazil ceased during 2019; no shops were open at the balance sheet date.

Note 3: Elimination of manufacturing sales to group companies and consolidation adjustments.

Note 4: The Joint Ventures' profit before tax relates to our share of the North American business up to the date of the acquisition set out in Note 28.

Note 5: Premises taxes refers to business rates or their country equivalent.

We are pleased to be associated with the Fair Tax Mark and to support the work they do to encourage companies to be open and transparent about their tax affairs. We are proud to have been awarded the Fair Tax Mark for the ninth consecutive year and continue to promote the importance of this throughout our global business.

The Group have complied with the commitments set out in our Ethical tax policy (published on our website weare.lush.com/lush-life/our-policies/company-tax-policy/) and continue to monitor and report on our compliance with the policy.

On behalf of the board

Mark Constantine
Director
26 June 2023

29 High Street
Poole
Dorset
BH15 1AB

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company 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 they have elected to prepare the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUSH COSMETICS LIMITED

Opinion

We have audited the financial statements of Lush Cosmetics Limited ("the Company") for the year ended 30 June 2022 which comprise the Consolidated Profit and Loss Account, Consolidated statement of comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cashflows, and related notes, including the accounting policies in note 29.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Leadership meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUSH COSMETICS LIMITED *(continued)*

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates; and
- risk of fraudulent revenue recognition at year end.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, payment card industry regulations, money laundering, export controls and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUSH COSMETICS LIMITED *(continued)*

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUSH COSMETICS LIMITED *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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

James Childs-Clarke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

26 June 2023

Consolidated profit and loss account
for the year ended 30 June 2022

A helpful summary	The profit and loss account shows the total turnover generated by the Lush Group less the expenses incurred in the financial period ended 30 June 2022. The expenses include costs incurred in operating activities, interest costs on financing and taxation charges. The total profit includes the Group's share of the profit generated by joint ventures and associates. The result is split between the amount that is attributable to the shareholders of the Group and the amount that is attributable to non-controlling interests (NCI), which are the other shareholders of entities that are not 100% owned.

		Note	**2022 £000**	2021 £000
Group turnover		*1*	**657,056**	408,661
Cost of sales			**(213,778)**	(128,140)
Gross profit			**443,278**	280,521
Operating expenses *(including onerous lease costs of £4,828,000 (2021: £1,759,000)*		*2*	**(447,546)**	(282,870)
Other operating income		*2*	**3,621**	21,942
Group EBITDA*			**31,800**	38,946
Annual Group depreciation and amortisation		*2*	**(28,323)**	(17,347)
Fixed asset impairments		*2*	**(4,124)**	(2,006)
Group operating (loss) / profit			**(647)**	19,593
Share of operating profit from joint ventures		*11*	**2,423**	8,480
Share of operating profit from associates		*11*	**2,978**	3,525
Net interest (payable) / receivable and similar items	- Group	*5*	**(1,495)**	(2,317)
	- Joint ventures	*6*	**(7)**	(26)
	- Associates	*6*	**3**	(27)
Profit before taxation			**3,255**	29,228
Tax on profit	- Group	*7*	**260**	(4,139)
	- Joint ventures	*7*	**(2,928)**	(2,691)
	- Associates	*7*	**(847)**	(653)
(Loss) / Profit for the financial year			**(260)**	21,745
(Loss) / Profit attributable to:				
- Owners of the parent			**(809)**	19,813
- Non-controlling interests		*20*	**549**	1,932
(Loss) / Profit for the financial year			**(260)**	21,745

All results relate to continuing activities.

The accompanying notes form an integral part of the financial statements.

* EBITDA = Profit before interest, taxation, depreciation, amortisation and the share of earnings from joint ventures and associates.

Consolidated statement of comprehensive income

for the year ended 30 June 2022

A helpful summary	The consolidated statement of comprehensive income includes other income and costs that are not included in the consolidated profit and loss account on the previous page, as defined by the applicable accounting standard (FRS102). Other comprehensive income is generally made up of unrealised income and costs that are outside of the Group's core operations. For the Lush Group this includes the movement in value of our cryptocurrency holding (an intangible asset) and the impact of foreign exchange translation differences arising on consolidation of overseas entities.

	Note	2022 £000	2022 £000	2021 £000	2021 £000
(Loss) / Profit for the financial year			**(260)**		21,745
Other comprehensive income:					
Revaluation of intangible assets		**(3,727)**		5,863	
Tax on components of other comprehensive income	*7*	**317**		(953)	
Currency translation differences - Group		**1,351**		6,370	
- Joint Ventures	*11*	**540**		(2,807)	
- Associates	*11*	**817**		(563)	
- Non-controlling interests		**(26)**		13	
Other comprehensive income for the year			**(728)**		7,923
Total comprehensive (expenditure) / income for the year			**(988)**		29,668
Total comprehensive (expenditure) / income attributable to:					
- Owners of the parent			**(1,511)**		27,723
- Non-controlling interests	*20*		**523**		1,945
Total comprehensive (expenditure) / income for the year			**(988)**		29,668

The accompanying notes form an integral part of the financial statements.

Consolidated balance sheet

at 30 June 2022

A helpful summary

The consolidated balance sheet provides a snapshot of the Group's assets and liabilities at the year-end date. Generally, assets can be defined as items or amounts owned or controlled by the Group that can be utilised to generate future benefit; liabilities on the other hand are amounts the Group owes or is estimated to owe in the future as a result of actions that have already been taken. The difference between total assets and total liabilities is referred to as 'net assets' (or 'net liabilities') and is an indication of the financial health of the Group.

	Note	2022		2021	
		£000	£000	£000	£000
Fixed assets					
Goodwill	*9*		**6,280**		2,198
Other intangible assets	*9*		**27,058**		19,017
Tangible assets	*10*		**97,494**		33,004
Investments in joint venture undertakings	*11*		**-**		59,168
Investments in associate undertakings	*11*		**8,726**		8,052
			139,558		121,439
Current assets					
Stocks	*12*	**67,086**		38,682	
Debtors: amounts falling due within one year	*13*	**53,185**		41,936	
amounts falling due after more than one year	*13*	**31,534**		19,363	
Cash at bank and in hand		**71,350**		41,875	
		223,155		141,856	
Creditors: amounts falling due within one year	*14*	**(108,117)**		(88,802)	
Net current assets			**115,038**		53,054
Total assets less current liabilities			**254,596**		174,493
Creditors: amounts falling due after one year	*14*		**(25,364)**		(3,434)
Provisions for liabilities	*15*		**(31,369)**		(20,540)
Net assets			**197,863**		150,519
Capital and reserves					
Called up share capital	*18*		**8**		8
Treasury share reserve	*18*		**1**		1
Share premium account	*19*		**987**		987
Capital redemption reserve	*19*		**3**		3
Revaluation reserve	*19*		**48,152**		-
Merger reserve	*19*		**13,988**		13,988
Other reserves	*19*		**142**		142
Retained earnings			**131,278**		132,609
Equity attributable to owners of the parent			**194,559**		147,738
Non-controlling interests	*20*		**3,304**		2,781
Total equity			**197,863**		150,519

The accompanying notes form an integral part of the financial statements.

These financial statements on pages 24 to 74 were approved by the Board of Directors on 26 June 2023 and signed on its behalf by:

Mark Constantine
Director

Lush Cosmetics Limited: Registered Number - 04162033

Company balance sheet
at 30 June 2022

A helpful summary

This is the balance sheet for the parent company, Lush Cosmetics Limited, only. The Company indirectly holds investments in Lush subsidiaries from which it receives dividends that it uses to pay dividends to shareholders.

	Note	2022		2021	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*11*		**7,078**		7,078
Current assets					
Debtors	*13*	**154**		82	
Cash at bank and in hand		**338**		234	
		492		316	
Creditors: amounts falling due within one year	*14*	**(815)**		(275)	
Net current (liabilities)/assets			**(323)**		41
Total assets less current liabilities			**6,755**		7,119
Net assets			**6,755**		7,119
Capital and reserves					
Called up share capital	*18*		**8**		8
Treasury share reserve	*18*		**1**		1
Share premium account	*19*		**987**		987
Capital redemption reserve	*19*		**3**		3
Other reserves	*19*		**6,080**		6,080
Retained earnings			**(324)**		40
Total equity			**6,755**		7,119

The accompanying notes form an integral part of the financial statements.

These financial statements on pages 24 to 74 were approved by the Board of Directors on 26 June 2023 and signed on its behalf by:

Mark Constantine
Director
Lush Cosmetics Limited
Registered Number - 04162033

Consolidated statement of changes in equity

for the year ended 30 June 2022

A helpful summary This statement shows the movement in net assets of the Group during the year. The reconciliation breaks down the movement between profits generated by the Group, other items of comprehensive income/(expense), changes in ownership interests and distributions to the shareholders.

	Note	**Called up share capital**	**Treasury share reserve**	**Share premium account**	**Capital redemption reserve**	**Revaluation reserve**	**Merger and other reserves**	**Retained earnings**	**Total shareholder funds**	**Non-controlling interests**	**Total equity**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
As at 30 June 2020		**8**	**1**	**987**	**3**	**-**	**14,130**	**104,785**	**119,914**	**836**	**120,750**
Profit for the financial year		-	-	-	-	-	-	19,813	**19,813**	1,932	**21,745**
Other comprehensive income:											
Revaluation of intangible assets		-	-	-	-	-	-	5,863	**5,863**	-	**5,863**
Tax on other comprehensive income		-	-	-	-	-	-	(953)	**(953)**	-	**(953)**
Arising on exchange differences		-	-	-	-	-	-	3,000	**3,000**	13	**3,013**
Total comprehensive income for the year		-	-	-	-	-	-	27,723	**27,723**	1,945	**29,668**
Movement in associate reserves		-	-	-	-	-	-	101	**101**		**101**
As at 30 June 2021		**8**	**1**	**987**	**3**	**-**	**14,130**	**132,609**	**147,738**	**2,781**	**150,519**
(Loss) / profit for the financial year		-	-	-	-	-	-	(809)	**(809)**	549	**(260)**
Other comprehensive income:											
Revaluation of intangible assets		-	-	-	-	-	-	(3,727)	**(3,727)**	-	**(3,727)**
Tax on other comprehensive income		-	-	-	-	-	-	317	**317**	-	**317**
Arising on exchange differences		-	-	-	-	-	-	2,708	**2,708**	(26)	**2,682**
Total comprehensive (expenditure) / income for the year		-	-	-	-	-	-	(1,511)	**(1,511)**	523	**(988)**
Increase in reserves through business combinations		-	-	-	-	48,152	-	180	**48,332**	-	**48,332**
As at 30 June 2022		**8**	**1**	**987**	**3**	**48,152**	**14,130**	**131,278**	**194,559**	**3,304**	**197,863**

The accompanying notes form part of the financial statements.

Company statement of changes in equity
for the year ended 30 June 2022

	Note	Called up share capital £000	Treasury share reserve £000	Share premium account £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
As at 1 July 2020		8	1	987	3	6,080	(85)	6,994
Profit for the financial year	29(b)	-	-	-	-	-	125	125
As at 30 June 2021		8	1	987	3	6,080	40	7,119
Loss for the financial year	29(b)	-	-	-	-	-	(364)	(364)
As at 30 June 2022		8	1	987	3	6,080	(324)	6,755

The accompanying notes form part of the financial statements.

Consolidated statement of cash flows
for the year ended 30 June 2022

A helpful summary

The table below shows the movement of cash in and out of the Group during the year. It shows how much the Group businesses have generated through trading, what this cash has been spent on, how cash has been impacted by our financing arrangements and the available cash reserves at the end of the year.

		2022		2021	
	Note	**£000**	**£000**	£000	£000
Net cash from operating activities	*21*	**35,475**		48,864	
Taxation paid		**(10,942)**		(5,632)	
Net cash generated from operating activities			**24,533**		43,232
Investing activities					
Dividends received from joint ventures and associates		**2,195**		850	
Interest received		**173**		35	
Purchase of intangible and tangible fixed assets	*9/10*	**(19,221)**		(6,277)	
Proceeds on disposal of intangible and tangible fixed assets		**409**		942	
Net cash acquired through acquisition of Joint Ventures	*28*	**25,010**		-	
Net cash generated from / (utilised in) investing activities			**8,566**		(4,450)
Financing activities					
Increase in borrowings		**-**		3,574	
Repayment of bank loans		**-**		(38,450)	
Interest paid and similar charges		**(1,346)**		(2,054)	
Net cash utilised in financing activities			**(1,346)**		(36,930)
Net increase in cash and cash equivalents			**31,753**		1,852
Cash and cash equivalents at the beginning of the year			**41,875**		40,940
Non-cash movements					
Unrealised foreign exchange loss on cash and cash equivalents			**(2,278)**		(1,216)
Issue costs on bank loans			**-**		299
Cash and cash equivalents at the end of the year			**71,350**		41,875

The accompanying notes form part of the financial statements.

Consolidated statement of cash flows *(continued)*
for the year ended 30 June 2022

A helpful summary	The table below shows the breakdown of the net cash / (debt) position in the Group and the movement that has occurred during the year. A positive total indicates a net cash position, where the Group's cash holdings are greater than the borrowings from third party finance providers. A negative total indicates a net debt position, where the Group's borrowings are greater than the cash holdings.

Analysis of changes in net debt

	As at 1 July 2021 £000	Cash flow movement £000	Acquired £000	Non-cash movement £000	As at 30 June 2022 £000
Cash and cash equivalents					
Cash	**41,875**	6,743	25,010	(2,278)	**71,350**
	41,875	**6,743**	**25,010**	**(2,278)**	**71,350**
Borrowings					
Debt due within one year	**257**	-	-	(128)	**129**
Debt due after one year	**(3,434)**	-	-	(7)	**(3,441)**
	(3,177)	-	-	**(135)**	**(3,312)**
Total	**38,698**	**6,743**	**25,010**	**(2,413)**	**68,038**

Non-cash movements represent foreign exchange translation adjustments arising on consolidation and amortisation of capitalised issue costs arising on the existing borrowing facilities.

Notes to the financial statements

1 Turnover analysis

A helpful summary	The first part of this note provides a breakdown of turnover by geographic region. The second part of this note breaks down the turnover of our Group countries by the different revenue streams of the business. Sales are exclusive of the sales tax we collect from customers and pass on to local governments. Manufacturing turnover represents sales of raw materials and finished goods to joint ventures, associates and licencees.

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

	UK and Europe		Americas		Asia		Rest of world		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Turnover by origin										
Total turnover	**403,418**	366,980	**330,507**	-	**106,159**	104,425	**44,070**	55,084	**884,154**	526,489
Inter-group sales	**(130,841)**	(100,138)	**(80,759)**	-	**(3,193)**	(3,198)	**(12,305)**	(14,492)	**(227,098)**	(117,828)
Group turnover to third parties	**272,577**	266,842	**249,748**	-	**102,966**	101,227	**31,765**	40,592	**657,056**	408,661
Share of joint ventures' turnover	**-**	-	**30,126**	146,307	**-**	-	**-**	-	**30,126**	146,307
Share of associates' turnover	**12,973**	12,754	**698**	686	**23,123**	19,221	**774**	762	**37,568**	33,423
Total turnover (including share of joint ventures and associates)	**285,550**	279,596	**280,572**	146,993	**126,089**	120,448	**32,539**	41,354	**724,750**	588,391

Analysis of Group turnover by class of business;

	2022	2021
	£000	£000
Retail sales	**505,209**	243,796
Digital sales	**109,655**	105,487
Manufacturing sales	**40,791**	58,932
Other turnover income	**1,401**	446
	657,056	408,661

Other turnover income

Other income includes £1,401,000 *(2021: £446,000)* of income that relates to digital support charges made to non-Group Lush entities by Lush Global Digital Limited.

Accounting Policies

Turnover

Turnover consists of amounts receivable for cosmetic products supplied and spa treatments rendered through our Group retail and digital outlets. Turnover also includes raw material and finished product sales from Group manufacturing companies to manufacturing and retail companies where a controlling interest is not held. Turnover is stated net of returns, discounts and value added taxes and is measured at fair value.

Sales of finished cosmetic products made through retail outlets are recognised upon sale to the customer. Sales of cosmetic products made through the Group's digital platform are recognised on despatch of the product, when it is deemed that the risks and rewards of the stock have been passed to the customer. Sales are made to customers with a right to return, however based on the historic rate of returns, management do not consider it necessary to include a provision for future returns on the grounds of materiality.

Sales of spa treatments are recognised at the date that the service is provided to the customer.

Notes to the financial statements *(continued)*

1 Turnover analysis *(continued)*

Accounting Policies

Turnover

Gift cards and spa vouchers are also sold within retail outlets and online, the turnover for which is deferred until the goods or services are delivered to the customer. Based on historic experience, the portion of gift cards and spa vouchers expected to remain unredeemed are released to the profit and loss account each year. Classification of the turnover from gift cards and vouchers is determined whether redemption is made via retail outlets or online.

Sales of raw materials and finished goods to retail and manufacturing companies where no controlling interest is held are recognised when the risks and rewards have been passed to the customer. This is typically when goods are despatched from the manufacturing site.

2 Group operating profit

A helpful summary	This note splits out the main components within cost of sales and operating expenses in our profit and loss account on page 24.

The operating profit before taxation is stated after charging/(crediting):	2022 £000	2021 £000
Depreciation of tangible assets *(see note 10)*	**23,134**	15,932
Impairment of tangible assets *(see note 10)* - standard	**855**	851
- anchor stores	**1,996**	378
Amortisation of goodwill and other intangible assets *(see note 9)*	**5,189**	1,415
Impairment of intangible assets *(see note 9)*	**1,273**	777
Loss on disposal of tangible and intangible assets	**59**	290
Net royalty expense	**19,356**	11,128
Impairment charge / (reversal) on inventory holdings	**1,547**	(302)
Operating lease rental - Other	**329**	479
- Property *(including creation and release of provisions for onerous leases)*	**91,874**	56,701
Foreign exchange (gain) / loss	**(1,898)**	6,684
(Gain) / loss in fair value on forward exchange contracts	**(380)**	331
Staff costs *(see note 4)*	**263,706**	167,374

Auditor's remuneration:	2022 £000	2021 £000
Audit of these financial statements	**244**	167
Amounts receivable by auditor and their associates in respect of:		
- Audit of financial statements of subsidiaries, joint ventures and associates pursuant to legislation	**978**	1,083
- Other services relating to taxation	**19**	152
- All other services	**80**	171

Notes to the financial statements *(continued)*

2 Group operating profit *(continued)*

Other operating income	**2022 £000**	2021 £000
Covid-19 government support income	**3,621**	21,942

Accounting Policies

Cost allocation

Cost of sales represents the total cost of producing finished products sold in the year. The support teams' payroll, premises and operating costs and general overheads of the business are disclosed within administrative expenses.

Royalty expense

The Group is charged a royalty for the use of Intellectual Property ("IP") by a related party entity, Cosmetic Warriors Limited, which grants the exclusive licence to exploit the Lush Brand.

Coronavirus government support income

Government income arising from Covid-19 support schemes has only been recognised through the profit and loss account when there is reasonable assurance that the entities will comply with the conditions attached to the support and that the income will be received. The income includes grants received by multiple Lush companies, including the Coronavirus Job Retention Scheme (CJRS) in the UK, JobKeeper Payment in Australia and the Employment Adjustment Subsidy Program in Japan.

3 Remuneration of directors

A helpful summary	This note sets out the total amounts paid to the directors of Lush Cosmetics Limited, the parent company, by any of the Group companies. It includes all forms of remuneration including salary, bonuses and pension contributions.

	2022 £000	2021 £000
Directors' emoluments	**3,000**	-

The directors are remunerated through performance related bonuses for qualifying services provided for the Group but receive no fixed remuneration. For the year ended 30 June 2022 the directors received a bonus of £3,000,000. These bonuses were paid shortly after, and as a direct result of, the successful acquisition of the remaining shareholdings of the Lush US and Lush Canada businesses by the Lush Group in September 2021 and as detailed in Note 28. This acquisition has significantly increased the size, value and potential of the Lush Group and represents the most exciting acquisition in our history. It also brought to an end the potential legal claims which would have involved a significant time investment and cost to the Lush Group. In the 9 months since acquisition the Lush North America business has already contributed EBITDA in excess of the bonus payments. As a result, the criteria for bonus payments under the directors' bonus scheme was met (2021: no bonus was payable under the scheme).

The directors are separately employed and remunerated by a related party company, Cosmetic Warriors Limited, for qualifying services provided to that company.

The aggregate of emoluments received by the highest paid director from the Group was £1,000,000 *(2021: £nil)*. The Group has made £nil payments to the Company's defined contribution pension scheme on behalf of the highest paid director *(2021: £nil)* and no contributions have been made to money purchase schemes.

Notes to the financial statements *(continued)*

4 Staff numbers and costs

A helpful summary This note sets out the total number of employees by department across the Group and also the total Group payroll costs, split by wages and salaries, social security costs and pension 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	
	2022	2021
Administration	**1,795**	1,120
Digital	**602**	577
Manufacturing	**2,358**	1,572
Retail	**7,949**	5,369
	12,704	8,638

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	**234,699**	147,570
Social security costs	**22,769**	16,404
Other pension costs	**6,238**	3,400
	263,706	167,374

The Company employs no staff *(2021: nil)*.

Key management remuneration

Key management includes the directors and six members of senior management of the Group *(2021: six)*. The remuneration paid or payable to key management for employee services from the Group is shown below:

	2022	2021
	£000	£000
Salaries and other short-term benefits	**4,822**	628
Post-employment benefits	**4**	4
	4,826	632

Six members of key management are separately employed and remunerated by a related party company, Cosmetic Warriors Limited, for qualifying services provided to that Company. These key management personnel are also remunerated through performance related bonuses for qualifying services provided for the wider Lush Cosmetics Group. In the year ended 30 June 2022, total bonuses of £4,000,000 *(2021: £nil)* were received by these directors as a result of meeting the agreed criteria regarding the acquisition of the remaining shares in the Lush North America business by the Lush Group as explained on page 34.

Notes to the financial statements *(continued)*

4 Staff numbers and costs *(continued)*

Accounting Policies

Short term benefits

Short term benefits, including holiday pay and other similar benefits, are recognised as an expense in the period in which the benefit is earned in return for the service provided and recorded on an accruals basis.

Defined contribution pension plans

There are a number of entities within the Group that operate defined contribution pension schemes within their territory, managed on a local basis. The assets of the schemes are held separately from those of the Group in an independently administered fund.

Other employment benefit plans

There are other post-employment benefit schemes in operation across the Group, including end of service schemes in Italy, France, Australia and the UAE. Amounts owed are generally linked to length of service. Local managements' estimates of the future benefits payable in the current and prior periods are accrued at the balance sheet date.

Bonus arrangements

The Group operates a number of monthly and quarterly bonus plans for retail, online, manufacturing and administrative employees which are recognised through the profit and loss account on an accruals basis.

5 Net interest payable and similar items

A helpful summary	This note breaks down the components of the Group's net interest charge for the year. The main components include: - Interest incurred on the bank borrowings that are used to fund the Group's investment and working capital requirements. - Finance costs arising on the unwinding of the discounting of balance sheet items - Annual amortisation of the issue costs that were incurred when the bank borrowings were renewed. Note 6 contains a similar breakdown in respect of our share of joint ventures and associates' interest charge.

	2022	2021
	£000	£000
Interest payable on bank loans	**(331)**	(531)
Other interest payable and similar items	**(1,209)**	(1,606)
Amortisation of issue costs on bank loan	**(128)**	(215)
Bank interest receivable	**172**	27
Other interest receivable	**1**	8
Total Group net interest payable and similar items	**(1,495)**	(2,317)

Other interest payable and similar items in the year ended 30 June 2022 includes finance costs relating to the unwinding of the discounting on the onerous lease provision booked in the previous financial period and a change in the discount rate applied to the onerous lease provisions on our Japanese stores.

The balance also includes £194,000 relating to the unwinding of the discounting applied to the deferred consideration balance arising on the acquisition of Lush Handmade Cosmetics Limited, see note 28 for further explanation.

Notes to the financial statements *(continued)*

6 Share of joint ventures' and associates' interest (payable) / receivable and similar items

	2022 £000	2021 £000
Joint ventures		
Interest payable on bank loans and overdrafts	(49)	(184)
Bank interest receivable	42	158
Group share of joint ventures' interest payable and similar items	(7)	(26)
Associates		
Interest payable on bank loans	-	(27)
Bank interest receivable	3	-
Group share of associates' interest receivable / (payable) and similar items	3	(27)

7 Tax on profit

A helpful summary

This note summarises the tax charge for the year, split between current and deferred tax. Current tax is the tax arising on the taxable income for the year, whereas deferred tax is a result of timing differences between accounting and tax profit that are expected to unwind over time. The tax charge includes charges in respect of Group companies and our share of charges in respect of joint ventures and associates.

Analysis of charge in year;	2022 £000	2021 £000
Current Tax		
UK current tax		
UK current tax on income for the year	101	3,520
Adjustments in respect of prior periods	1,531	(1,168)
Foreign current tax		
Foreign tax	5,578	1,261
Adjustments in respect of prior periods	2,943	142
Share of joint ventures' current tax	2,250	2,788
Share of associates' current tax	891	725
Total current tax charge	13,294	7,268
Deferred tax		
Current year movement in timing differences	(6,097)	58
Effect of changes in tax rate on opening liability	(885)	-
Adjustments in respect of prior periods	(92)	326
Share of joint ventures' deferred tax	678	(97)
Share of associates' deferred tax	(44)	(72)
Tax losses carried forward	(3,339)	-
Total deferred tax (credit) / charge	(9,779)	215
Tax charge on profit	3,515	7,483

Notes to the financial statements *(continued)*

7 Tax on profit *(continued)*

Tax (credit) / charge included in other comprehensive income	**2022 £000**	2021 £000
Deferred tax	**(317)**	953
Total tax (credit) / charge included in other comprehensive income	**(317)**	953

Factors affecting the tax charge for the current year

The total tax charge for the year is higher *(2021: higher)* than the standard rate of corporation tax in the UK of 19% *(2021: 19%)*. The differences are explained below.

	2022 £000	2021 £000
Total tax reconciliation		
Profit before taxation	**3,255**	29,228
Total tax at 19% *(2021: 19%)*	**618**	5,553
Effects of:		
Adjustments in respect of prior periods *(i)*	**4,382**	(700)
Expenses not deductible for tax purposes *(ii)*	**3,020**	602
Different tax rates on overseas earnings *(iii)*	**2,009**	885
Current year losses for which no deferred tax has been recognised *(iv)*	**1,491**	2,688
Foreign taxes *(v)*	**1,427**	155
Utilisation of unrecognised tax losses brought forward *(vi)*	**359**	(109)
Remeasurement of deferred tax *(vii)*	**(864)**	-
Deferred tax on unremitted earnings *(viii)*	**(1,615)**	26
Fixed asset/other timing differences *(ix)*	**(2,047)**	124
Non-taxable income *(x)*	**(5,265)**	(1,741)
Total tax charge (see above)	**3,515**	7,483

The Group's total tax charge of £3,515,000 on a profit before tax of £3,255,000 gives an effective tax rate (ETR) of +108.0%, compared to +25.6% last year. The notes below set out the factors contributing to the ETR in the current year.

(i) Adjustments in respect of prior periods arise due to the difference between the estimated tax charge calculated for statutory accounts purposes, and the final tax charges subsequently filed with the relevant tax authorities. This amount also includes tax provisions which have been accounted for in respect of earlier accounting periods. Such provisions amounted to £2,402,000 during the financial year.

(ii) Expenses not deductible for tax purposes. This relates to expenses included in our financial statements where no tax deduction is available, therefore contributing to our higher ETR. A significant proportion of non-deductible expenses incurred during the year, £1,297,000, relate to costs associated with the acquisition of North America. Otherwise, expenses largely relate to legal and professional fees and entertaining expenses.

(iii) Different tax rates on overseas earnings. The impact of profits and losses being taxed at a higher rate (most notably in Japan, Canada and the US) has the impact of increasing our ETR in the current financial year.

(iv) Current year losses for which no deferred tax has been recognised. The majority of this relates to losses incurred by Lush Ltd (UK) following the Transfer Pricing policy update. A deferred tax asset can only be recognised where it is anticipated that companies will make sufficient profits in the foreseeable future. Whilst management are confident that Lush Ltd (UK) will return to profitability in the long term, we have taken the view not to recognise a deferred tax asset until the point the entity has made demonstrable taxable profits.

(v) This is the net result of foreign tax suffered on royalty, interest, and dividend payments, made to the UK from overseas entities, against which any corresponding UK tax credit is lower than the foreign tax suffered.

Notes to the financial statements *(continued)*

Tax on profit *(continued)*

(vi) This represents the utilisation of tax losses from previous years against taxable profits of the current year. Where tax losses have been utilised and no benefit had previously been booked for accounts purposes (that is, deferred tax has not been recognised in respect of these losses) utilisation of these losses reduces our total tax charge, and therefore our ETR.

(vii) Remeasurement of deferred tax – change of tax rate. The main UK Corporation Tax rate increased from 19% to 25% from 1 April 2023. This amount therefore relates to the adjustment required to revalue the deferred tax assets and liabilities from a rate of 19% to 25%.

(viii) Under FRS 102 we are required to recognise deferred tax on the unremitted earnings of our overseas entities. A deferred tax liability arises where such profits will only be assessed to tax in a future period, for example, when profits are distributed back by way of dividend. Deferred tax must be recognised unless it is probable that the timing difference will not reverse in the foreseeable future (i.e. the dividend will not be paid) and the investor is able to control the reversal of the timing difference.

(ix) Timing differences arise when the tax allowance for an expense is received either before or after the expense is recognised within our profit and loss account.

(x) Non-taxable income predominantly relates to research and development expenditure credits which have been booked for accounts purposes in the year but relate to amounts already considered for tax purposes in prior years, together with the release of related party debt provisions which are not taxable.

Accounting Policies

Tax on the profit or loss for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income, or directly in equity, respectively.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax arises from timing differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax returns in periods that are different from those in which they are recognised in the financial statements and are recognised only to the extent that it is probable that future taxable profits will be available for utilisation. Deferred tax assets are reduced as utilised, or to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of tax rates and laws in the relevant countries that have been enacted, or substantively enacted, by the year end and that are expected to apply to the reversal of the timing differences. Deferred tax balances are not discounted.

8 Dividends

No dividends have been paid or declared for the year ended 30 June 2022 or for the year ended 30 June 2021.

Notes to the financial statements *(continued)*

9 Intangible assets

A helpful summary	Intangible assets have no physical form. These assets are considered to have value for the business beyond the current accounting period. The Group holds five main types of intangible assets on its balance sheet which are: (i) cryptocurrencies: including Bitcoin and Ethereum. (ii) goodwill arising on past acquisitions; the difference between the consideration paid and the fair value of the net assets acquired. (iii) re-acquired licence rights arising on acquisition of the North American entities (iv) purchased key money; being amounts paid to enter a leasehold property. (v) computer software and website costs in relation to the computer systems that we use. This note details the additions, disposals of intangible assets in the year, together with amortisation (a charge to the profit and loss account to represent usage of these assets).

Group	Crypto currency	Goodwill	Reacquired rights	Key money	Software and website costs	Total
	£000	£000	£000	£000	£000	£000
Cost (or valuation)						
At 1 July 2021	9,420	10,393	-	16,048	10,614	46,475
Arising on acquisition *(see Note 28)*	-	5,503	13,638	-	740	19,881
Additions	464	-	-	86	948	1,498
Disposals	(11)	-	-	(731)	(2,248)	(2,990)
Foreign exchange	-	-	1,473	156	873	2,502
Revaluation	(4,017)	-	-	-	-	(4,017)
At 30 June 2022	**5,856**	**15,896**	**15,111**	**15,559**	**10,927**	**63,349**
Accumulated amortisation/ impairment						
At 1 July 2021	-	8,195	-	8,093	8,972	25,260
Amortisation charged in year	-	716	2,466	935	1,072	5,189
Impairment charge	-	705	-	568	-	1,273
Disposals	-	-	-	(540)	(2,197)	(2,737)
Foreign exchange	-	-	205	25	796	1,026
At 30 June 2022	**-**	**9,616**	**2,671**	**9,081**	**8,643**	**30,011**
Net book value						
At 30 June 2022	**5,856**	**6,280**	**12,440**	**6,478**	**2,284**	**33,338**
At 30 June 2021	9,420	2,198	-	7,955	1,642	21,215

Management have conducted a review of indicators of impairment on material goodwill balances at the balance sheet date. The value in use calculation is based on three-year cash flow projections using the latest forecast data for the entities that the goodwill has arising on, which has been prepared by management utilising all information available and their best estimates. This exercise has resulted in an additional impairment charge of £705,000 to the carrying value of goodwill.

The key money impairment charge of £569,000 *(2021: £777,000)* relates to the reduction in the valuation of the carrying value of key money resulting from the annual impairment reviews undertaken at the balance sheet date. As a result of the economic fallout from the Covid-19 pandemic, management have supplemented the value in use calculation with independent third-party valuations in territories with material key money carrying values.

Notes to the financial statements *(continued)*

9 Intangible assets *(continued)*

Company

The Company had no intangible assets as at 30 June 2022 *(2021: £nil)*

Accounting Policies

Intangible assets (other than cryptocurrencies) are stated at cost less accumulated amortisation and impairment losses. Cost includes the original purchase price, plus any direct costs of preparing the asset for its intended use.

Amortisation rate

Amortisation is calculated, using the straight-line method, over their estimated useful lives as follows;
- Re-acquired rights => Remaining life of the licence re-acquired as part of the North American acquisition
- Software and website costs => 3 years
- Key money => Life of the lease / 30 years for key money on French shops

Impairment

The assets are reviewed for impairment when there are indicators that the carrying value of the asset may not be recoverable, such as technological advancement. See Note 10 for the detailed accounting policy adopted for impairment reviews.

Development costs

Development costs that are directly attributable to the design and production of software and websites / mobile applications are recognised as intangible assets when the following criteria are met.
- It is probable that the Group will obtain future economic benefits from the asset.
- The project is technically feasible and the Group intends to complete and use the asset.
- Adequate technical, financial and other resources to complete development are available.
- The cost / value of the asset can be reliably measured.

Key money

Key money relates to certain premiums paid on acquisition of short leasehold property in mainland Europe and reflects the right to lease a property on favourable terms. Key money is subject to amortisation, as management consider the value of the asset to be consumed over time. The amortisation period is equal to the lease term, except for key money held in France, which is amortised over a period of 30 years based on expected useful life of the leased premises and the fact that we retain the right to renew the leases in France at minimal cost. Market valuations are obtained from independent valuation experts on a regular basis in order to identify any impairment to the carrying value of the asset.

Cryptocurrencies

Cryptocurrencies are recognised as an intangible asset and carried at their fair value (the revaluation model). Any changes in value above the original cost are recognised through other comprehensive income and accumulated in equity. Changes in value below the original cost are recognised through the profit and loss account.

Goodwill

Goodwill arises on the acquisition of shares in subsidiary undertakings, joint ventures and associates and represents the excess of the fair value of the consideration paid for the shares over the fair value of the net assets acquired.

Goodwill is amortised on a straight-line basis over a period of between 10 and 20 years based on management's experience and knowledge of the specific market acquired.

Goodwill is assessed for impairment when there are indicators of impairment, and any impairment is charged to the profit and loss account.

Notes to the financial statements *(continued)*

10 Tangible assets

A helpful summary	Tangible assets have a physical form. These assets will be used to generate value for the business beyond the current accounting period. The Group holds three main types of tangible assets on its balance sheet which are: (i) Costs associated with land and buildings held on short-term leases (being less than 50 years) (ii) Fixtures, fittings and equipment; mainly shop and factory fitout costs (ii) Computer equipment; mainly consisting of shop and office laptops This note details the additions, disposals and transfers of these assets in the year, together with depreciation (a charge to the profit and loss account to represent usage of these assets).

	Short leasehold land and buildings	Fixtures, fittings and equipment	Computer equipment	Total
Group	**£000**	**£000**	**£000**	**£000**
Cost				
At 1 July 2021	26,917	138,143	10,080	175,140
Arising on acquisition *(see note 28)*	58,656	6,778	727	66,161
Additions	6,771	9,650	1,302	17,723
Disposals	(3,153)	(3,887)	(789)	(7,829)
Reclassifications	6,632	(5,955)	(677)	-
Difference arising on exchange	13,986	2,907	683	17,576
At 30 June 2022	**109,809**	**147,636**	**11,326**	**268,771**
Accumulated depreciation and impairment				
At 1 July 2021	13,849	120,337	7,950	142,136
Provided in year	10,872	10,946	1,316	23,134
Impairment charge	4,907	(2,287)	231	2,851
On disposals	(3,027)	(3,887)	(746)	(7,660)
Reclassifications	4,935	(4,953)	18	-
Difference arising on exchange	8,741	1,560	515	10,816
At 30 June 2022	**40,277**	**121,716**	**9,284**	**171,277**
Net book value				
At 30 June 2022	**69,532**	**25,920**	**2,042**	**97,494**
At 30 June 2021	13,068	17,806	2,130	33,004

The reclassification relates to assets reallocated between fixed asset classifications following a review of the substance of the assets by management.

Management have conducted an impairment review on all retail stores that made a negative retail margin in the financial year. The value in use calculation is based on three-year cash flow projections using the latest forecast data. Any changes in sales performance and costs are based on past experience and expectations of future changes in the market. Although it is extremely difficult to predict the full extent and duration of the impact of the economic repercussions of the Covid-19 pandemic, subsequent lockdowns and war in Ukraine on the Lush business, management have used the information available and their best estimates to forecast the impact on future cash flows.

The review indicated that the stores' net carrying amounts exceeded their recoverable amounts by £2,851,000 (*2021: £1,229,000*) and consequently they have been written down by this amount. Of this amount, £1,996,000 *(2021: £378,000)* relates specifically to our 5 Anchor stores (i.e. stores with customer facing space in excess of 500 sqm).

Notes to the financial statements *(continued)*

10 Tangible assets *(continued)*

To the extent that the circumstances resulting in an impairment are no longer in place in future periods, it may be possible to reverse the impairment charge in future periods. Due to the ongoing global economic turbulence arising from the cost of living crisis, management have taken the view that due to the level of uncertainty over future performance no impairment reversals have been recognised in the year ended 30 June 2022.

Company

The Company does not own any fixed assets as at 30 June 2022 *(2021: £nil)*.

Accounting Policies

Tangible assets are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation rate

Depreciation is calculated, using the straight line method, to write off the asset cost over its estimated useful economic life as follows:

- Leasehold costs / improvements => 10 – 20 years
- Plant and machinery => 5 years
- Fixtures, fittings and equipment => 5 years
- Computer equipment => 3 years

Land is not depreciated.

Impairment

The assets are reviewed for impairment when there are indicators that the carrying value of the asset may not be recoverable. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

At each balance sheet date non-financial assets are reviewed to determine whether there is any indication of impairment. Depending on the asset's role in generating cash the review is conducted on the asset in isolation or as part of a group of assets (CGU - cash generating unit). If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the greater of fair value less costs to sell and value in use. The value in use is the sum of its expected future cash flows. Where discounting is expected to be significant a pre-tax discount rate is applied to calculate the present value of the cash flows.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. If the initial reason for impairment no longer exists, the impairment loss is reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Subsequent additions

Subsequent costs are included within tangible fixed assets when recognition criteria are met. Where assets are considered replacements for existing assets, the depreciation of the replaced component is accelerated to write down to a nil net book value (NBV). When the expenditure is considered to be enhancement of an existing asset, the cost is added to the carrying value of the original asset and depreciated over the newly assessed useful economic life.

Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Disposals

Tangible assets are derecognised on disposal or when no future economic benefits are expected. The difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included in operating expenses.

Decommissioning costs

The Group accounts for decommissioning costs within short leasehold land and buildings cost. Such decommissioning costs include those expected to be incurred at the end of the relevant lease when dismantling and removing significant structural developments made in our larger stores, as required under the lease agreements.

Such costs are depreciated over the life of the corresponding lease.

Notes to the financial statements *(continued)*

11 Investments in subsidiaries, joint ventures and associated undertakings

A helpful summary

This note shows the Group's share of the results and the net assets of entities that the Group does not fully consolidate.

Joint ventures were entirely comprised of the US and Canadian entities, in which the Group has acquired the remaining shares from the minority shareholders during the current year. As such, at the date of acquisition the Group share of net assets were derecognised as investment in joint ventures. Associates include other overseas entities in which the Group hold between 25 – 50% shareholdings.

Group	**Joint ventures £000**	**Associates £000**
Share of net assets		
At 1 July 2021	59,168	8,052
Exchange differences	540	817
Share of (loss)/profit for the financial year after interest and tax	(512)	2,134
Less dividends paid by joint ventures and associates	-	(2,195)
Revaluation of joint venture assets to fair value	48,152	-
Disposal arising from business combination	(107,348)	(82)
At 30 June 2022	-	**8,726**

Disposal arising from business combination

In September 2021 the Group entered into a series of transactions with the minority shareholders of the joint venture entities in North America which have increased the proportion of shares and voting rights held by the Group to 100%. These entities have therefore been fully consolidated in these financial statements in the year ending 30 June 2022. FRS102 indicates that the share of the net assets in the Joint Ventures held at the transaction date should be revalued to their fair value on acquisition with the change in value recognised within a revaluation reserve. Further details on this acquisition have been included in Note 28.

Impact of Russo-Ukraine conflict

In March 2022 the Group agreed in principle to the acquisition of Lush Ukraine TZOV, with its shareholding increasing from 35% to 100% for £nil consideration. Lush Ukraine TZOV has therefore ceased to be accounted for as an associate, resulting in the above £82,000 disposal. During the year the Group ceased supplying our associate Lush Russia LLC with stock and online sales into Russia were stopped. The Lush licence was terminated and the Lush brand ceased operating in Russia. As part of our exit strategy from the Russian market we are disposing of our 35% shareholding in Lush Russia LLC to the majority shareholder for £nil consideration. To date it has not been possible because the Russian authorities have made the process overly onerous. As a result of these actions the associate investment is considered to be impaired at the balance sheet date. An impairment charge of £1,500,000, equal to our share of the net assets of the associate, has been recognised in the share of profit for the financial year after interest and tax.

	Joint ventures 2022 £000	Joint ventures 2021 £000	**Associates 2022 £000**	Associates 2021 £000
Share of turnover of joint ventures and associates	**30,126**	146,307	**37,568**	33,423
Share of assets				
Share of fixed assets	-	30,821	**1,815**	2,572
Share of current assets	-	56,657	**11,508**	10,332
	-	87,478	**13,323**	12,904
Share of liabilities				
Due within one year	-	(21,424)	**(4,265)**	(4,407)
Due after one year	-	(6,886)	**(332)**	(445)
	-	(28,310)	**(4,597)**	(4,852)
Total share of net assets	-	59,168	**8,726**	8,052

Notes to the financial statements *(continued)*

11 Investments in subsidiaries, joint ventures and associated undertakings *(continued)*

Information relevant to the 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 £2,416,000 *(2021: £8,454,000)*. The total of the Group's profit before taxation from interests in associates was £2,981,000 *(2021: £3,498,000)*. The amounts included in respect of all joint ventures and associates comprise the following:

Company	Shares in subsidiary and associated companies
	£000
Cost and net book value	
At 1 July 2021 and 30 June 2022	7,078

A full list of subsidiaries, joint ventures and associates has been listed in note 26 to these financial statements.

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

Accounting Policies
Investments in subsidiaries, joint ventures and associates are included in the Company balance sheet at historic cost, less impairment.
Investment in joint ventures and associates
The basis of consolidation for joint ventures and associates has been addressed in note 29 – General Accounting Policies, section (d).

12 Stocks

A helpful summary	This note shows the direct cost to the business of the stock that is held by the Group at the year end. This mainly consists of raw materials held for use in the manufacturing process and goods for resale held either at stores or at manufacturing sites prior to distribution. The stock value is stated after deducting provisions for the value of stock we do not expect to sell due to it being out of date, excessive or obsolete.

	Group	
	2022	2021
	£000	£000
Raw materials	**42,933**	28,088
Work in progress	**1,418**	806
Finished goods	**22,735**	9,788
	67,086	38,682

There is no significant difference between the replacement cost of the stock and its carrying amount.

Stock is stated after provisions for impairment of £4,688,000 *(2021: £3,141,000)*.

Company

The Company had no stock at 30 June 2022 *(2021: £nil)*.

Accounting Policies
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes direct expenditure incurred in production. Work in progress includes raw material costs and an appropriate proportion of direct labour. Provisions are made for obsolete, excessive and out of date stock.

Notes to the financial statements *(continued)*

13. Debtors

A helpful summary	This note provides a breakdown of the amounts owed to the Group that have arisen from trading and other activities. The balances are shown net of any provisions where the recoverability of the debt is considered doubtful. They are split between short term items (which will be settled/redeemed within one year) and long term items (which will be settled/redeemed after more than one year).

	Group	
	2022	2021
	£000	£000
Amounts falling due within one year:		
Trade debtors	**7,653**	4,994
Amounts owed by joint ventures	**-**	3
Amounts owed by associates and related parties	**1,863**	2,170
Other debtors	**5,415**	5,690
Corporation tax	**10,251**	7,592
Sales tax debtors	**4,258**	4,476
Deferred taxation *(see note 16)*	**3,541**	1,094
Derivative financial instruments	**594**	40
Prepayments and accrued income	**19,610**	15,877
	53,185	41,936
Amounts falling due after more than one year:		
Property deposits	**17,666**	16,623
Deferred taxation *(see note 16)*	**13,868**	2,740
Total debtors	**84,719**	61,299

Amounts owed by joint ventures, associates, related parties and third-party trade debtors falling due within one year are stated after provisions for impairment of £275,000 *(2021: £237,000).*

	Company	
	2021	2020
	£000	£000
Amounts owed by Group undertakings	**134**	78
Sales tax debtors	**17**	4
Prepayments and accrued income	**3**	-
	154	82

No provision for impairment has been recognised on the Company debtors noted above *(2021: £nil).*

Accounting Policies

Financial assets

Basic financial assets, including trade and other debtors, amounts owed by joint ventures, associates and other related parties, property deposits and cash and bank balances are initially recognised at transaction price. Trade and other debtors are recognised at transaction price, less any provision for impairment. Such provisions are based on an assessment of recoverability of the debtor at the balance sheet date. Debts are written off when there is no realistic prospect of recovery of the amounts owing.

Deferred taxation

Refer to note 7 for the accounting policy on deferred tax assets.

Derivative financial instruments

Derivatives, such as forward foreign exchange contracts, are not considered to be basic financial instruments. The derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. Changes in the fair value of derivatives are recognised in profit or loss in operating expenses.

Property deposits

Property deposits are paid to landlords on inception of the lease where applicable and the recoverable amount held on the balance sheet. Discounting is not applied to the carrying value of the deposits as the time value of money is not deemed to be material.

Notes to the financial statements *(continued)*

14 Creditors

A helpful summary

This note provides a breakdown of the significant liabilities that the Group is exposed to at the balance sheet date. All liabilities within the Group are considered to fall due within one year. The note also summarises the Group's current external bank borrowings and the terms that are attached to these borrowings.

	Group	
	2022	2021
Amounts falling due within one year:	**£000**	£000
Bank loans due within one year *(see below)*	**(129)**	(257)
Trade creditors	**24,068**	25,138
Amounts owed to associates and related parties	**5,290**	4,113
Sales tax creditors	**5,736**	5,384
Taxation and social security	**4,314**	5,799
Other creditors [1]	**14,252**	7,065
Derivative financial instruments	**766**	175
Accruals	**43,778**	37,230
Deferred income	**10,042**	4,155
	108,117	88,802
Amounts falling due after one year:		
Bank loans due after one year *(see below)*	**3,441**	3,434
Other creditors [1]	**21,923**	-
	133,481	92,236

[1] Other creditors falling due within one year totals £14,252,000 at 30 June 2022 and includes the present value of the deferred consideration of CD$10,000,000 that formed part of the total consideration paid under the North America acquisition as detailed in Note 28, payable on 28 September 2022. A further $10,000,000 of deferred consideration is payable on 28 September 2023 and has been recorded within Other creditors falling due after one year. The remaining balance within Other creditors falling due after one year relates to other long-term creditors held in the acquired North American entities.

	2022	2021
Bank loans:	**£000**	£000
Within one year	**(129)**	(257)
Between 1 and 5 years	**3,441**	3,434
	3,312	3,177

Bank loan arrangements in existence at the 30 June 2022 were as follows:

1) The main bank loan arrangement at 30 June 2022 is a £35,000,000 revolving credit facility with NatWest in the name of Lush Cosmetics Limited and expiring 11 September 2023. The amount drawn down on the facility at 30 June 2022 by the Group and its subsidiaries was £nil *(2021: £nil)*. Cross guarantees exist between Lush Cosmetics Limited, Lush Ltd., Lush Retail Limited, Lush Manufacturing Limited, Lush Global Digital Limited, Lush BV, Lush GmbH, Lush Asia Limited, Lush Japan KK, Lush SAS, Lush Manufacturing GmbH, Lush (New Zealand) Limited, Lush Australasia PTY Manufacturing Ltd and Lush Australasia PTY Retail Ltd.

   Issue costs totalling £645,000 arising on the above credit facility have been capitalised. These issue costs are allocated to the profit and loss account over the three-year term of the facility. The total unamortised costs at 30 June 2022 were £129,000 *(2021: £257,000)* – these costs have been recorded within Bank loans due within one year in the table above.

Notes to the financial statements *(continued)*

14 Creditors *(continued)*

There were no covenant breaches in the year to 30 June 2022, however there was a breach in the December 2022 covenants which was waived by NatWest. The revolving credit facility has been terminated on 15 May 2023 and a new overdraft facility arranged with NatWest which allows up to £15,000,000 to be drawn down between 1 September 2023 to 31 December 2023. Our March 2023 covenants were not formally reported due to the cessation of the revolving credit facility. See Note 27 on Post Balance Sheet Events for further details.

2) In August 2020, our French subsidiary, Lush SARL finalised a €4,000,000 loan with Le Credit Lyonnais which is backed by a French State guarantee. At 30 June 2022, the amount drawn down on the loan was €4,000,000 (£3,441,000 at year end rates). The loan was repayable in August 2021 as a bullet repayment, but the Group has taken up the option to spread the repayment over an extended period to August 2026.

The interest rate applied to the borrowings above are based on the relevant interbank borrowing rate plus a margin, dependent on the currency being borrowed. The margin applied is considered to be insignificant in the context of future interest charges expected to be incurred.

Company

Amounts falling due within one year:	**2022** **£000**	2021 £000
Amounts owed to Group companies	**124**	46
Amounts owed to related parties	**9**	9
Trade creditors	**1**	23
Accruals	**681**	197
	815	275

Amounts owed by the Company to Group undertakings and related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Accounting Policies
Cash at bank and in hand
Cash, for the purpose of the statement of cash flows, comprises cash in hand and bank deposits repayable on demand, less overdrafts payable on demand. Bank overdrafts, if any, are shown within borrowings in current liabilities.
Financial liabilities
Trade and other creditors, amounts owed to associates and related parties, bank loans and overdrafts are initially recognised at transaction price.
Landlord contributions
Contributions received from landlords are recognised within other creditors and released to the profit and loss account on a straight–line basis over the lease term, unless the contributions received are in relation to works performed on behalf of the landlord. In such cases the contribution is offset against the cost of the assets.

Notes to the financial statements *(continued)*

15 Provisions for liabilities

A helpful summary	This note shows liabilities that have arisen but where there is some uncertainty as to the timing and/or the cost to settle the liability in the future. The note provides an analysis of the Group's provisions by type, and shows how the value of each provision has changed during the year.

	Onerous lease provision £000	Dilapidation provision £000	Other provisions £000	Deferred tax liability £000	Total £000
At 1 July 2021	9,889	6,448	1,017	3,186	20,540
Arising from business combinations *(see note 28)*	-	-	-	9,457	9,457
Charged to the profit and loss account	7,053	1,553	1,625	-	10,231
Released during the year	-	(29)	(300)	(3,391)	(3,720)
Utilised during the year	(2,668)	(335)	(160)	(2,281)	(5,444)
Difference arising on exchange	(477)	37	22	723	305
At 30 June 2022	**13,797**	**7,674**	**2,204**	**7,694**	**31,369**

Onerous lease provision

The onerous lease provision of £13,797,000 *(2021: £9,889,000)* mainly relates to leases where the expected economic benefits are lower than the unavoidable cost of meeting our obligations under the lease. A provision has also been recognised on 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.

Dilapidation provision

The dilapidation provision of £7,674,000 *(2021: £6,448,000)* relates to future expenditure that is required on termination of property leases in the name of Lush Group companies. The provision includes an estimate of the discounted fair value of the decommissioning cost expected to be incurred at the end of the lease when dismantling and removing significant structural developments made in our larger stores. In this case the liability is immediately recorded at the inception of the lease and the same amount is included in property, plant and equipment.

A further provision is made on other properties for additional costs required to return premises to their pre-existing condition and is calculated on leases on retail premises that are within 3 years of expiry, where we expect to exit the lease and the provision is expected to be utilised as the leases terminate. The provision on manufacturing and office premises is calculated on all leases and is expected to be utilised as leases terminate.

Other provisions

The other provisions of £2,204,000 *(2021: £1,017,000)* relates to all other liabilities expected to arise as a result of past events within the Group. The provision includes ongoing employee related claims and liabilities. In the opinion of management, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at the balance sheet date.

Deferred tax liability

See note 16 for analysis of the deferred tax liability at 30 June 2022.

Accounting Policies

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Contingencies

Contingent assets are not recognised in the balance sheet, but are disclosed in the financial statements when an inflow of economic benefits is considered probable. Contingent liabilities are not recognised in the balance sheet, but are disclosed in the financial statement notes unless the probability of an outflow is considered remote, see Note 22 for further information regarding contingent liabilities at the balance sheet date.

Notes to the financial statements *(continued)*

16 Deferred taxation

A helpful summary This note shows deferred tax which arises as a result of timing differences between accounting and tax profit that relates to future periods and are expected to unwind over time.

	Deferred taxation asset £000	Deferred taxation liability £000
At 1 July 2021	3,834	(3,186)
Balance arising on acquisition	7,478	(9,511)
Charge to the profit and loss for the year	4,454	4,982
Adjustment in respect of prior years	(191)	283
Charge to other comprehensive income	-	317
Effect of changes in tax rate on opening liability	759	126
Foreign exchange adjustment	1,075	(705)
At 30 June 2022	**17,409**	**(7,694)**

The elements of the net deferred tax balance are as follows:

	2022 £000	2021 £000
Differences between accumulated depreciation and capital allowances - asset *(i)*	**2,896**	3,071
- liability *(i)*	**(7,404)**	-
Unrelieved tax losses carried forward *(ii)*	**9,160**	21
Other timing differences - asset *(iii)*	**10,879**	(889)
- liability *(iii)*	**(4,578)**	-
Revaluation of non-current assets *(iv)*	**(1,238)**	(1,555)
	9,715	648

(i) Deferred tax arises in respect of tangible fixed assets where there is a difference between the tax treatment (capital allowances) and the accounting treatment (depreciation). A deferred tax liability arises where the accounting value of the assets is higher than their tax value, and therefore the accounting add backs exceed the future relief for tax purposes. The movement in the year ended 30 June 2022 has arisen as a result of fully consolidating the deferred tax position in the acquired US and Canadian entities, both of which are in a deferred tax liability position relating to fixed asset timing differences.

(ii) Unrelieved tax losses can be carried forward for utilisation against profits of future years subject to restrictions in certain countries in respect of the amount of profits which can be reduced by historic losses, or timing restrictions. A deferred tax asset arises on these losses where there is sufficient evidence of their future utilisation, that is, it is probable that they will be recovered against future taxable profits.

As a result of an external review of the benchmarking applied through the Group transfer pricing policy, there is greater certainty unrelieved tax losses carried forward will be able to be recovered against future taxable profits in a number of group entities. This has resulted in an increase in the deferred tax asset recognised on such tax losses.

At the balance sheet date there are unrelieved tax losses carried forward in the Group of £121,621,000 *(2021: £134,985,000)*. For the majority of these losses no provision for a deferred tax asset has been made as there is insufficient evidence to know whether it is probable that they will be recovered against future profits. These losses give rise to an unrecognised deferred tax asset of £27,897,000 *(2021: £41,982,000)*. The largest components of unrecognised losses relate to our subsidiaries in Japan of £36,810,000 *(2021: £47,892,000)*, Italy of £14,975,000 *(2021: £16,347,000)* and Australia Retail of £10,829,000 *(2021: £12,112,000)*.

Unused tax losses can, subject to meeting certain conditions, be carried forward indefinitely, except for those generated in Japan, Portugal, Ghana and Peru, which will expire within 10 years, 5 years, 3 years and 4 years respectively.

Notes to the financial statements *(continued)*

16 Deferred taxation *(continued)*

(iii) Other timing differences consist of the following balances:

Unremitted earnings: We are required to recognise deferred tax on the unremitted earnings of our overseas entities. A deferred tax liability arises where such profits will only be assessed to tax in a future period, for example, when profits are distributed back by way of dividend. Deferred tax must be recognised unless it is probable that the timing difference will not reverse in the foreseeable future (i.e. the dividend will not be paid) and the investor is able to control the reversal of the timing difference (i.e. are we able to control when the dividend is paid). A provision of £415,000 *(2021: £2,030,000)* has been recognised on our unremitted earnings of our non-UK associates in respect of the proportion of retained earnings in these businesses at the balance sheet date which are anticipated to be remitted to the UK in the foreseeable future. The deferred tax liability represents the withholding tax which will apply to the distribution.

Stock profit adjustment: Deferred tax is calculated and recognised in respect of the stock profit adjustment. This amount represents the tax arising on intercompany sales between related parties which are removed on consolidation.

Timing differences on deferred rent and lease incentives: Deferred tax also arises where there is a timing difference between the accounting treatment for rental costs booked through the profit and loss statement and the tax treatment of the corresponding rent payments. In the year ended 30 June 2022 there has been an increase in such differences as a result of the acquisition of the North American entities.

iv) The Lush Group have an investment in cryptocurrencies. Any gain arising on the sale of this investment would be taxable. Cryptocurrencies are accounted for on a fair value basis within the accounts with the gain being recognised in other comprehensive income. For tax purposes deferred tax arises in order to account for the liability which would arise were the gain to be realised, giving rise to a deferred tax liability of £1,238,000 *(2021: £1,555,000).*

The amount of the net reversal of deferred tax expected to occur next year is £3,541,000 *(2021: £1,094,000)* relating to the reversal of existing timing differences on tangible fixed assets, other timing differences and utilisation of losses.

Accounting Policies
Deferred tax liabilities
Refer to note 7 for the accounting policy used for deferred tax assets and liabilities.

Notes to the financial statements *(continued)*

17 Financial Instruments

A helpful summary	This note summarises the main financial assets and liabilities held by the Group at the balance sheet date. All assets and liabilities have been recorded at their original cost less any provisions against them with the exception of the forward exchange contracts held by the Group, which have been recorded at their value to the business at the balance sheet date.

The Group has the following financial instruments:

	2022 £000	2021 £000
Financial assets		
Financial assets at fair value through profit or loss		
- Derivative financial instruments *(see below)*	**594**	40
Financial assets measured at amortised cost	**32,597**	29,480
Financial liabilities		
Financial liabilities at fair value through profit or loss		
- Derivative financial instruments *(see below)*	**766**	175
Financial liabilities measured at amortised cost	**68,845**	39,493

Derivative financial instruments – Forward contracts

The Group enters into forward foreign currency contracts to mitigate the exchange risk arising for certain purchases made in foreign currency both within the Group and from third party suppliers. At 30 June 2022, the outstanding contracts are all due to mature within 14 months *(2021: 12 months)*. The Group is committed to sell £5,007,000 (*2021: £3,780,000*) for a fixed US dollar amount, to sell £2,087,000 *(2021: £3,120,000)* for a fixed EUR amount, to sell US$51,560,000 *(2021: US$nil)* for a fixed CD$ amount and is committed to sell JPY662,505,000 (*2021: JPY nil)*, HK$nil *(2021: HK$*13,358,000*)*, AU$3,267,000 *(2021: AU$2,390,000)*, CD$18,570,000 (*2021: CD$nil*) and US$7,833,000 (2021: *US$nil*) for fixed sterling amounts.

The forward currency contracts are measured at fair value. The key inputs used in valuing the derivatives are the forward exchange rates appropriate for the contracts in place. The aggregated fair value of the forward foreign currency contracts at the year-end rate leaves a net liability of £172,000 *(2021: net liability of £135,000).*

Accounting Policies
Financial assets
Basic financial assets, including trade and other debtors, amounts owed by joint ventures, associates and other related parties and property deposits and are initially recognised at transaction price. Trade and other debtors are recognised at transaction price, less any provision. Debts are written off when there is no realistic prospect of recovery of the amounts owing.
Financial liabilities
Trade and other creditors, amounts owed to associates and related parties, bank loans and overdrafts are initially recognised at transaction price.
Derivative financial instruments
Derivatives, such as forward foreign exchange contracts, are not considered to be basic financial instruments. The derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each balance sheet date. Changes in the fair value of derivatives are recognised in profit or loss in operating expenses.

Notes to the financial statements *(continued)*

18 Share capital

A helpful summary	This note provides details on the ultimate parent Company's share capital including the class of share capital and the rights that are attached to those shares. The shares issued to the Employee Benefit Trust have been held in a separate reserve for accounting purposes.

Group and Company

Allotted, called up and fully paid	**Number**	**Called up share capital £000**	**Treasury share reserve £000**
At 1 July 2021 and 30 June 2022	**9,132**	**8**	**1**

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

The treasury share reserve includes 913 ordinary £1 shares in the Company held by The Lush Cosmetics Employee Benefit Trust ("EBT"), a discretionary trust set up to acquire and hold Company shares on behalf of the employees of the Lush Group as beneficiaries of the trust and to protect and promote the Lush business ethics in accordance with the Lush Ethical Charter. The Group have accounted for these shares as if it had purchased the shares directly and therefore holds the shares in a Treasury share reserve.

The trust deed signed by the trustees of the EBT and the Company states that the trustees shall waive and otherwise forgo any dividend in respect of any Lush Cosmetics Limited shares. The trustees also agree to abstain from voting any shares held by the EBT, unless directed by the directors of the Company.

19 Other reserves

A helpful summary	This note explains the nature of the 'other reserves' held by the Group on the balance sheet and how they have arisen. These reserves form part of the Group's total equity but are not distributable to the shareholders.

Reserves other than share capital, treasury share reserve and profit and loss reserve include;

	Share premium account £000	**Capital redemption reserve £000**	**Revaluation reserve £000**	**Merger reserve £000**	**Other reserves £000**
Group					
At 1 July 2021	987	3	-	13,988	142
Arising on acquisition *(see Note 28)*	-	-	48,152	-	-
At 30 June 2022	**987**	**3**	**48,152**	**13,988**	**142**

Notes to the financial statements *(continued)*

19 Other reserves *(continued)*

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Other reserves £000
Company				
At 1 July 2021 and 30 June 2022	**987**	**3**	**-**	**6,080**

Capital redemption reserve

The Group and Company capital redemption reserve consists of the nominal value of the Company's shares that have been purchased by the parent company. These shares were cancelled immediately on purchase.

Revaluation reserve

The revaluation reserve of £48,152,000 has arisen on consolidation as part of the acquisition of the remaining shares in the North American Joint Ventures (see note 28 for details). Where a business combination is achieved in stages, FRS102 indicates that the share of the net assets in the Joint Ventures held at the transaction date should be revalued to their fair value on acquisition with the change in value recognised within a revaluation reserve.

Merger reserve

The merger reserve has arisen on the purchase of shares in a subsidiary company in the year ended 30 June 2013. The transaction qualified for merger relief under the Companies Act 2006, therefore the difference between the nominal value of the shares issued in the parent company in exchange for the shares purchased and the net value of the investment has been accounted for in the merger reserve.

Other reserves

Of the other reserves balance, £6,070,000 relates to a balance that arose when the Company was set up and acquired the share capital of Lush Ltd and its subsidiaries via a share for share exchange in the year ended 30 June 2001, which was accounted for under the merger method. Under the merger method, the subsidiaries acquired were included as if they had always been members of the Group.

20 Non-controlling interests

A helpful summary

This note shows the net assets and profit that are attributable to external shareholders of companies that are controlled by the Lush Group, but where we do not hold 100% of the share capital. The note also shows dividends paid from these entities to external shareholders.

The non-controlling interest in the balance sheet is broken down as follows:

	2022 £000	2021 £000
Lush Retail Limited	**3,764**	3,151
Lush Peru SAC	**(89)**	(78)
Lush Swedru Ghana Limited	**(117)**	(104)
Roots Middle East SAL	**(254)**	(188)
	3,304	2,781

Notes to the financial statements *(continued)*

20 Non-controlling interests *(continued)*

The non-controlling interest charge in the consolidated profit and loss account is broken down as follows:

	2022	2021
	£000	£000
Lush Retail Limited	**613**	2,015
Lush Peru SAC	**(12)**	(11)
Lush Swedru Ghana Limited	**(13)**	(7)
Roots Middle East SAL	**(39)**	(65)
	549	1,932

Reconciliation of the movement in non-controlling interests in the balance sheet:

	2022	2021
	£000	£000
At 1 July 2021	**2,781**	836
Non-controlling interest charge in the consolidated profit and loss account	**549**	1,932
Foreign exchange adjustment	**(26)**	13
At 30 June 2022	**3,304**	2,781

Notes to the financial statements *(continued)*

21 Notes to the cash flow statement

A helpful summary	This note shows how our operating profit figure, as reported in the consolidated profit and loss account, is reconciled to the net cash from operating activities as shown at the beginning of the cash flow statement on page 30. The reconciling items include non-cash transactions included in the profit figure such as depreciation, amortisation and exchange differences and fluctuations in the working capital of the business during the year.

	2022 £000	2021 £000
Reconciliation of operating profit to net cash flow from operating activities		
(Loss) / profit for the financial year	**(260)**	21,745
Tax on loss / profit	**3,515**	7,483
Net interest expense	**1,499**	2,370
Income from interest in associates and joint ventures	**(5,401)**	(12,005)
Operating (loss) / profit	**(647)**	19,593
Amortisation of goodwill and other intangible assets	**5,189**	1,415
Impairment of intangible assets	**1,273**	777
Depreciation of tangible assets	**23,134**	15,932
Impairment of tangible assets	**2,851**	1,229
Loss on disposal of tangible and intangible assets	**59**	290
Add back of other non-cash related adjustments [1]	**(3,839)**	-
Decrease / (increase) in stock [2]	**13,369**	(4,051)
Decrease in debtors [2]	**393**	5,515
(Decrease) / increase in creditors [2]	**(8,261)**	9,265
Increase / (decrease) in provisions for liabilities [2]	**6,322**	(5,788)
Exchange differences	**(4,368)**	4,687
Net cash flow from operating activities	**35,475**	48,864

[1] Other non-cash related adjustments include adjustments to the profit and loss statement for the directly attributable costs incurred as part of the North American acquisition *(see Note 28)* and amortisation of issue costs arising on the NatWest revolving credit facility.

[2] Movement in working capital movements in the reconciliation above exclude assets and liabilities acquired as part of the North American acquisition *(see Note 28)*.

22 Commitments and contingent liabilities

A helpful summary	The note shows the capital expenditure that the Group is contractually committed to spending at the balance sheet date. Part b) sets out the total future lease payments, mainly in relation to its shop portfolio, that the Group is committed to make, split between the periods that the payments will fall due. Part c) shows the guarantees that the Group has entered into as part of its financing relationships.

a) The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Property		Plant and machinery	
Group	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Payments due:				
Within one year	**81,080**	58,471	**179**	892
In the second to fifth years inclusive	**170,169**	76,402	**283**	1,054
Over five years	**44,362**	16,607	**-**	-
	295,611	151,480	**462**	1,946

Notes to the financial statements *(continued)*

22 Commitments and contingent liabilities *(continued)*

Company

The Company had no non-cancellable operating leases as at 30 June 2022 *(2021: none)*.

b) Capital commitments

The Group had capital commitments of £nil as at 30 June 2022 *(£173,000 as at 30 June 2021)*. The Company had no capital commitments at 30 June 2022 or 30 June 2021.

c) Contingent liabilities

Group

A number of the companies within the Group form part of the security guaranteeing the borrowings of some of its fellow group undertakings as part of the NatWest revolving credit facility *(see note 14)*. The guarantee has been secured by way of fixed and floating charges over the assets of Lush Cosmetics Limited, Lush Ltd., Lush Retail Limited, Lush Manufacturing Limited, Lush Global Digital Limited, Lush BV, Lush GmbH, Lush Asia Limited, Lush Japan KK, Lush SAS, Lush Manufacturing GmbH, Lush (New Zealand) Limited, Lush Australasia PTY Manufacturing Ltd and Lush Australasia PTY Retail Ltd. The amount of borrowings outstanding at 30 June 2022 was £nil *(2021: £nil)*.

The Group has also issued guarantees to third parties over lease arrangements and other transactions. The amount guaranteed at 30 June 2022 was £1,599,000 *(2021: £1,541,000)*.

d) Exemption from audit

The Group has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 30 June 2021:

- Lush Distribution Limited
- Lush Global Digital Limited

The Group guarantees the liabilities of the relevant companies at the end of the year until those liabilities have been settled in full. The contingent liability at 30 June 2022 was £15,304,000 (*2021: 13,066,000)*.

Accounting Policies

The nature of the lease agreements are assessed at inception to identify whether they are recognised as a finance lease or an operating lease.

Operating leased assets

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives

Rent free periods and lease inducements receivable on entering an operating lease are recognised on the balance sheet and released to the profit and loss account on a straight–line basis over the lease term.

23 Pension schemes

A helpful summary	This note summarises the Group's outstanding liabilities at the balance sheet date arising from pension arrangements and other similar long term employment benefit arrangements within the Lush Group.

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 4 for contributions payable during the year. There is a net accrual amount outstanding of £889,000 at the year-end *(2021: £797,000)*. There is a further accrual of £790,000 *(2021: £659,000)* held within various Group entities for amounts payable to employees at the end of their service.

Within the net accrual above are included the following amounts:

Notes to the financial statements *(continued)*

23 Pension schemes *(continued)*

An accrual in Lush Italia SRL of £70,000 *(2021: £74,000)* 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 an employee retires or leaves employment. Lush SASU has an accrual of £53,000 *(2021: £71,000)* at the year end, which relates to the arrangement under French law requiring an amount to be paid to employees that reach retirement age whilst employed by the Company.

The Group also holds an additional accrual of £394,000 *(2021: £659,000)* relating to other various long-term employment and end of service accruals that are payable to employees when they leave the employment of their relevant entity. These include balances in Lush Australasia Manufacturing Pty Limited, Lush Australasia Retail Pty Limited and Lush (New Zealand) Limited.

Accounting Policies
Refer to note 4 for the accounting policy on pension schemes and similar arrangements.

24 Related party disclosures

A helpful summary	This note provides details of transactions and balances between the Group and its 'related parties'. Related parties can include people (such as the shareholders, directors or key management personnel) and their close family, as well as entities outside of the Group (such as associates and joint ventures).

Group

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

	Recharges	Recharges	**Royalties received/ (paid)**	Royalties received/ (paid)	**Sales**	Sales	**Balance**	Balance
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£000s	£000s	**£000s**	£000s	**£000s**	£000s	**£000s**	£000s
Lush Handmade Cosmetics Limited	**-**	-	**-**	-	**10,902**	30,984	**-**	(342)
Lush US Inc	**-**	-	**-**	-	**-**	-	**-**	(3)
Lush Russia LLC	**14**	20	**302**	452	**3,325**	4,737	**194**	230
Lush Korea Limited	**11**	58	**3,598**	3,069	**14,646**	13,773	**970**	1,203
Lush Switzerland AG	**7**	-	**416**	442	**2,399**	2,597	**6**	203
Fersk Kosmetikk AS	**67**	51	**-**	-	**595**	628	**121**	81
Lush Ukraine TZOV	**2**	14	**-**	-	**431**	601	**67**	6
UKM Cosmeticos Naturales	**6**	6	**-**	-	**291**	323	**45**	50
Green Bubbles Cosmetics Propriety Limited	**10**	9	**-**	-	**981**	867	**80**	5
Sash Natural Pte Limited	**27**	20	**-**	-	**973**	972	**67**	8
Lush Panama Inc	**53**	8	**-**	-	**114**	109	**46**	19
Natha Pure Co Limited	**-**	1	**-**	-	**597**	432	**70**	36
Lush Slovenia D.O.O	**-**	-	**-**	-	**147**	143	**12**	-
Lush Sarajevo D.O.O	**-**	-	**-**	-	**76**	68	**10**	-
Prosrednik Promet D.O.O	**-**	-	**-**	-	**98**	222	**9**	-
Lush IKE	**-**	-	**-**	-	**192**	164	**21**	-
Abeaute SDN BHD	**-**	2	**-**	-	**849**	573	**60**	19
Eetiline Kosmeetika OU	**-**	1	**-**	-	**118**	109	**32**	-
Lush Bulgaria O.D.D.	**-**	-	**-**	-	**105**	89	**13**	-

Notes to the financial statements *(continued)*

24 Related party disclosures *(continued)*

	Recharges	Recharges	**Royalties received/ (paid)**	Royalties received/ (paid)	**Purchases**	Purchases	**Sales**	Sales	**Balance**	Balance
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£000s	£000s	**£000s**	£000s	**£000s**	£000s	**£000s**	£000s	**£000s**	£000s
Cosmetic Warriors Limited	**5,095**	1,253	**(20,622)**	(12,318)	**(2,513)**	(5,185)	**-**	-	**(4,913)**	(824)
Ping Pong Sourcing Limited	**-**	-	**-**	-	**-**	-	**-**	-	**(1)**	(1)
The Sound Approach	**3**	7	**-**	-	**-**	-	**-**	-	**1**	4
ECC Records Limited	**3**	7	**-**	-	**-**	-	**-**	2	**-**	3
Birds of Poole Harbour	**13**	24	**-**	-	**-**	-	**2**	1	**5**	2
Keystone Species	**-**	(17)	**-**	-	**-**	-	**-**	-	**-**	(2)
And Fragrance	**-**	-	**-**	-	**-**	-	**3**	4	**3**	4

Cosmetic Warriors Limited, Ping Pong Sourcing Limited, The Sound Approach, ECC Records Limited, Birds of Poole Harbour, Keystone Species and And Fragrance are considered to be related parties as they share a degree of common ownership.

Recharges with related parties include costs in respect of payroll costs, other central costs such as travel and meeting costs and stock delivery and wastage costs borne by the Group on behalf of the related parties. The cost recharged to Birds of Poole Harbour relates to the fit-out costs incurred on new offices that were initially borne by Lush Ltd. These costs were fully repaid by the balance sheet date.

Lush Handmade Cosmetics Limited and Lush US Inc were considered to be related parties due to their status as joint venture investments. These investments became wholly owned subsidiary companies on 23 September 2021 and are thus exempt from related party disclosure requirements at that point. The above transactions and balances therefore relate to the pre-acquisition period within the financial year ended 30 June 2022.

Transactions with individuals

During the year, the Group paid rent for properties jointly owned by Mr M Constantine and Mrs M Constantine, amounting to £30,000 *(2021: £10,000)*. Mr M Constantine is a director of Lush Cosmetics Limited, Lush Ltd, Lush Retail Limited and Lush Manufacturing Limited. Mrs M Constantine is a director of Lush Cosmetics Limited, Lush Ltd and Lush Manufacturing Limited. The Group also paid a close family member of the directors a fixed fee of £nil *(2021: £25,000)* for consultancy services provided to the Group.

As minority shareholders in Lush USA Inc and Lush Internet Inc, two of the directors of Lush Cosmetics Limited received consideration amounting to $2,555,000 from the acquisition by the Group of the residual shares in our Joint Venture entities in North America (see Note 28 for details of the transaction).

Company

During the year the Company recharged costs of £4,000 *(2021: £nil)* to Cosmetic Warriors Limited, a related party. At 30 June 2022 the Company owes a balance of £13,000 (*2021: £nil)* to Cosmetic Warriors Limited. The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

Accounting Policy

The Group discloses transactions and balances with all related parties which are not subsidiaries within the same Group. The shareholders of Group companies and entities that have common shareholders with Group companies are considered to be related parties. The Group has no shareholdings in licensee operations and for that reason they are not considered to be related parties.

Notes to the financial statements *(continued)*

25 Ultimate controlling party

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

26 Subsidiaries, joint ventures and associates

A helpful summary This note is a statutory requirement and lists the details of subsidiaries, joint ventures and associates within the Lush Group.

At 30 June 2022, other than the shares held in Lush Ltd, the Company did not hold any shares directly in any other subsidiaries or associated companies. The results of all subsidiaries listed below are included in the results of these consolidated financial statements. Through its 100% shareholding in Lush Ltd, the Company indirectly holds the following investments in subsidiary and associated companies:

Subsidiary undertakings

Name of undertaking	Registered Office	Principal Activity	Proportion of shares and voting rights held by the Group
Lush Retail Limited	29 The High Street, Poole, Dorset, BH15 1AB, England	Retailer of cosmetic products	Ordinary - 87%
Lush Dublin Limited	116 Grafton Street, Dublin 2, Republic of Ireland	Retailer of cosmetic products	Ordinary – 87%
Lush Manufacturing Limited	29 The High Street, Poole, Dorset, BH15 1AB, England	Manufacturer of cosmetic products	Ordinary - 100%
Lush Global Digital Limited	29 The High Street, Poole, Dorset, BH15 1AB, England	Digital service provider	Ordinary – 100%
Lush Distribution Limited	29 The High Street, Poole, Dorset, BH15 1AB, England	Dormant	Ordinary – 87%
B Never too Busy to be Beautiful Ltd	29 The High Street, Poole, Dorset, BH15 1AB, England	Dormant	Ordinary - 75%
Lush SASU	77 Boulevard Voltaire, 75011, Paris, France	Retailer of cosmetic products	Ordinary – 100%
Lush GmbH	Klosterstraße 64, 10179 Berlin, Germany	Retailer of cosmetic products	Ordinary – 100%
Lush Manufacturing GmbH	209-215 Bonner Straße, 40589, Dusseldorf, Germany	Manufacturer of cosmetic products	Ordinary – 100%
Lush Italia SRL	Via Atto Vannucci 13, 20135 Milan, Italy	Retailer of cosmetic products	Ordinary - 100%
Lush Manufaktura DOO	5 Augusta Šenoe, 0434, Strmec, Croatia	Manufacturer of cosmetic products	Ordinary – 100%
Lush Cosmetics S.L	Alcala, n° 104, 28009, Madrid, Spain	Retailer of cosmetic products	Ordinary – 100%
Lush BV	Kalverstraat 121-123, 1012 PA, Amsterdam, Netherlands	Retailer of cosmetic products	Ordinary - 100%
Lush Sweden AB	Hammarby Fabriksväg 43, 12030 Stockholm, Sweden	Retailer of cosmetic products	Ordinary - 100%
Lush Investment 1234 Limited	29 The High Street, Poole, Dorset, BH15 1AB, England	Dormant	Ordinary - 100%

Notes to the financial statements *(continued)*

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

Subsidiary undertakings

Name of undertaking	Registered Office	Principal Activity	Proportion of shares and voting rights held by the Group
Lush NV	Nieuwstraat 22, 1000 Brussels, Belgium	Retailer of cosmetic products	Ordinary – 100%
Lush GmbH	Barnabitengasse 6/16, 1060 Wien, Vienna, Austria	Retailer of cosmetic products	Ordinary – 100%
Lush Hungary Kft	1052, Kristóf tér 3, Budapest, Hungary	Retailer of cosmetic products	Ordinary – 100%
Nature & You Lda	Amoreiras Shopping Center, Loja 1113, Av. Engenheiro Duarte Pacheco, 1070 103, Lisbon, Portugal	Retailer of cosmetic products	Ordinary – 100%
SWIL AG	SWIL AG, Ammannsmatt 8, 6300 Zug, Switzerland	Holding company	Ordinary – 100%
Lush Fresh Handmade Cosmetics D.O.O.	22 Atanasija Pulje, Belgrade, 11080, Serbia	Dormant	Ordinary – 50%
LIWS Industria de Cosmeticos Ltda	Rua José Ramos Guimarães, 279, São Paulo, Bom Jesus dos Perdões, 12955-000, Brazil	Dormant	Ordinary – 99%
SWIL Brasil Comerica de Cosmetics e Produtos de Beleza Ltda	Alameda Campinas, 1063, São Paulo, São Paulo, 01404-001, Brazil	Dormant	Ordinary – 99%
LCM (Lush Chile Manufacturing) SA	1387, av. Americo vespucio, Santiago, Chile	Dormant	Ordinary - 99%
Lush Japan KK	4027-3 Nakatsu, Aikawamachi, Aiko-gun, Kanagawa-ken, Japan	Manufacturer and retailer of cosmetic products	Ordinary – 100%
Fresh Handmade Digital Limited (HK)	Unit 01-06, 33/F, Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong	Dormant	Ordinary – 100%
Lush Asia Limited	Unit 01-06, 33/F, Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong	Retailer of cosmetic products	Ordinary – 100%
Lush Fresh Handmade Cosmetics LLC	L07, Second Floor, Deira City Centre, Deira, Dubai, PO BOX 62627, United Arab Emirates,	Retailer of cosmetic products	Ordinary – 100%
Happy Days WLL	Shop 115, Block 428, Building 2102, Road 2825, Al Seef, Kingdom of Bahrain	Retailer of cosmetic products	Ordinary – 100%

Notes to the financial statements *(continued)*

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

Subsidiary undertakings

Name of undertaking	Registered Office	Principal Activity	Proportion of shares and voting rights held by the Group
Lush Australasia Manufacturing Pty Limited	Unit A1, 76 Biloela Street, Villawood, NSW 2163, Australia	Manufacturer of cosmetic products	Ordinary - 100%
Lush Australasia Retail Pty Limited	Unit A1, 76 Biloela Street, Villawood, NSW 2163, Australia	Retailer of cosmetic products	Ordinary – 100%
Lush (New Zealand) Limited	Unit A, 162, Foundry Road, Silverdale, 0932, New Zealand	Retailer of cosmetic products	Ordinary - 100%
Lush Swedru Ghana Limited	DS25/1 Dechesu, Agona, Swedru, Ghana	Manufacturer of raw materials	Ordinary – 80%
Mount Kenya Regenerative Oils Limited	ICEA Lion Centre, Riverside Park, Chiromo Road, P. O. Box 10643 - 00100 - G.P.O, Nairobi	Manufacturer of raw materials	Ordinary – 100%
Lush Peru SAC	Jr. Purus Mza. 85 Lote, Ucayali, Coronel Portillo, Yarinacocha, Peru	Manufacturer of raw materials	Ordinary – 90%
Roots Middle East SAL	Opal Building, Third Floor, Nejmeh Square, Beirut, Lebanon	Producer of raw materials	Ordinary – 75%
Lush Ukraine TZOV	Baseyna 15, Kyiv, 01004, Ukraine	Retailer of cosmetic products	Ordinary –100%
Fresh Handmade Cosmetics Poland sp. Z.o.o.	Grzybowska 5A, 00-132, Warsaw, Poland	Retailer of cosmetic products	Ordinary –100%
Lush Taiwan Limited	2/F No. 280, Xinhu 3rd Rd., Neihu Dist., Taipei City 114065, Taiwan (R.O.C.)	Retailer of cosmetic products	Ordinary –100%

Entities accounted for as Joint Ventures in 2021 and subsidiaries for 2022

Name of undertaking	Registered Office	Principal Activity	Proportion of shares and voting rights held by the Group
Lush USA Inc	3064 Silver Sage Drive, Suite 150, Carson City, NV 89701, USA	Retailer of cosmetic products	Ordinary – 100%
Lush Internet Inc	3064 Silver Sage Drive, Suite 150, Carson City, NV 89701, USA	Retailer of cosmetic products	Ordinary – 100%
Lush Handmade Cosmetics Limited	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Retailer of cosmetic products	Ordinary – 100%
Lush Manufacturing Limited	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Manufacturer of cosmetic products	Ordinary – 100%

Notes to the financial statements *(continued)*

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

Name of undertaking	Registered Office	Principal Activity	Proportion of shares and voting rights held by the Group
Entities accounted for as Joint Ventures in 2021 and subsidiaries for 2022			
Lush Handmade Cosmetics Inc	8825 N 23rd Avenue, Suite 100, Phoenix, Arizona, USA	Retailer of cosmetic products	Ordinary – 100%
Lush Licencing Inc	1000 East William Street, Suite 204, Carson City, Nevada, 89701	Licencing company	Ordinary – 100%
Lush Cosmetics LLC	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	Retailer of cosmetic products	Ordinary – 100%
Lush Cosmetics NY LLC	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	Retailer of cosmetic products	Ordinary – 100%
Lush Cosmetics Puerto Rico LLC	Oriental Center, Suite P-1, 254 Muñoz Rivera Avenue, San Juan, PR, 00918	Retailer of cosmetic products	Ordinary – 100%
Regenerative US Holding Inc	251 Little Falls Drive, Wilmington, DE 19808, United States.	Holding company	Ordinary – 100%
0935541 BC Limited	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Property company	Ordinary – 100%
0948162 BC Limited	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Property company	Ordinary – 100%
1047375 BC Limited	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Property company	Ordinary – 100%
Rural Opportunities International Limited	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Holding company	Ordinary – 100%
Regenerative Lush Holdings	1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2	Holding company	Ordinary – 100%
Jojoba Conservation LLC	251 Little Falls Drive, Wilmington, DE 19808, United States.	Producer of raw materials	Ordinary – 100%
Alumalum Rural Investments Limited	Paomo Village, Juba Road, Amuru District, P.O. Box 599, Gulu, Uganda	Producer of raw materials	Ordinary – 90%
Alumulum Properties Limited	Paomo Village, Juba Road, Amuru District, P.O. Box 599, Gulu, Uganda	Producer of raw materials	Ordinary – 49%
Inversiones Agroforestales Regenerativas SA	Diagonal 6, 12-42 Edificio Design Center Dos Oficina 1001, zona 10, Guatemala City, Guatemala	Producer of raw materials	Ordinary – 90%
Inversiones Agroforestales Regenerativas Peru SAC	Av.Ricardo Angulo N.776, Urb Corpac, San Isidro, Lima, Peru	Producer of raw materials	Ordinary – 90%

In September 2021 the Group entered into a series of transactions with the minority shareholders of the entities listed above which have increased the proportion of shares and voting rights held by the Group.

Notes to the financial statements *(continued)*

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

Associate undertakings

Name of undertaking	Registered Office	Principal Activity	Proportion of shares and voting rights held by the Group
Lush Russia LLC	9 Skakovaya str, office 405, Moscow, 125040, Russia	Retailer of cosmetic products	Ordinary - 35%
Lush Korea Limited	6F, 138, Seoun-ro, Seocho-gu, Seoul, Republic of Korea	Retailer of cosmetic products	Ordinary - 25%
Prosrednik Promet D.O.O.	Petrinjska 4, 10 000 Zagreb, Croatia	Retailer of cosmetic products	Ordinary - 35%
Fersk Kosmetikk AS	Guldalsgata 38, NO-1467, Strømmen, Norway	Retailer of cosmetic products	Ordinary - 35%
Lush Kazakhstan LLC	Shevchenko Str., 157, Almalinskiy,District, Almaty, 050008, Kazakhstan Republic	Retailer of cosmetic products	Ordinary - 35%
Lush Panama Inc	Samuel Lewis Avenue, 55 East St, Optima Tower, 25th floor, Obarrio, Panama	Retailer of cosmetic products	Ordinary - 35%
UKM Cosmeticos Naturales, S.A. de C.V	Félix Berenguer 125-B, Lomas Virreyes, CP 11000, CDMX, México	Retailer of cosmetic products	Ordinary - 35%
Lush Switzerland AG	Hinterbergstrasse 56, 6312 Steinhausen, Switzerland	Retailer of cosmetic products	Ordinary - 35%
Sash Natural Pte. Ltd	207 River Valley Road, Unit 1852, 238275, Singapore	Retailer of cosmetic products	Ordinary - 35%
Green Bubbles Cosmetics Proprietary Limited	Unit 32 Roeland Square, Roeland Street, Cape Town, 8001, South Africa	Retailer of cosmetic products	Ordinary - 35%
Natha Pure Co. Limited	102/77 M. Laddarom Y44, Saphang Sung, Bangkok 10240, Thailand	Retailer of cosmetic products	Ordinary - 35%
Extracts4Life Pvt Limited	17A/3 Abid Majeed Road, Lahore Cantt, Pakistan	Manufacturer of raw materials	Ordinary - 33%
Abeaute Sdn Bhd	568-9-22, Mutiara Office Suites, Kompleks Mutiara, 3 ½ Mile Jalan Ipoh, 51200 Kuala Lumpur, Malaysia	Retailer of cosmetic products	Ordinary - 35%
Korektivna mera D.O.O.	22 Atanasija Pulje, Belgrade, 11080, Serbia	Retailer of cosmetic products	Ordinary – 35%
Lush IKE	Tsimiski I.120, GR-546 21 Thessaloniki, Greece	Retailer of cosmetic products	Ordinary - 35%
Lush Bulgaria O.D.D.	Druzhba, bl. 284 vh. 3, et. 7, ap. 4 Sofia, 1582, Bulgaria	Retailer of cosmetic products	Ordinary – 50%
Eetiline Kosmeetika OU	Narva mnt 5, Kesklinna district, Tallinn city, Harju County, 10117, Estonia	Retailer of cosmetic products	Ordinary - 50%

Notes to the financial statements *(continued)*

27 Post balance sheet events

A helpful summary	This note discloses significant events that have taken place after the balance sheet date of 30 June 2022 and before the date the financial statements are signed.

NatWest Funding

The £35,000,000 revolving credit facility with NatWest in the name of Lush Cosmetics Limited was due to expire on 11 September 2023. The facility has been terminated by the Group on 15 May 2023 and as such all existing cross-guarantees relating to this facility have been released.

On 18 May 2023 Lush Ltd, a subsidiary of Lush Cosmetics Limited, has entered into a new overdraft facility arrangement with NatWest which allows up to £15,000,000 to be drawn down between 1 September 2023 to 31 December 2023. The interest rate applied to borrowings under the facility is 2.5% per annum over Base Rate for borrowing up to the overdraft limit, and 15% per annum on any amount over the overdraft limit. An arrangement fee of £150,000 per annum is payable at the beginning of each annual limit increase.

Lush Cosmetics Limited, Lush Retail Limited, Lush Manufacturing Limited and Lush Global Digital Limited are listed as guarantors under the arrangement.

Cosmetic Warriors Funding

Cosmetic Warriors Ltd, a related company to the Group, has agreed to provide a seasonal facility of £22,000,000 during the period from 1 July 2023 to 31 December 2023, repayable in full by 1 September 2024, and with no more than £15,000,000 outstanding for repayment as at 31 December 2023.

The interest rate applied to borrowings under the facility is 2.5% per annum over Base Rate. An arrangement fee of £100,000 per annum is payable at the beginning of the facility agreement.

Notes to the financial statements *(continued)*

28 Business Combinations

A helpful summary	This note discloses the transaction details and accounting treatment arising on the North American business combinations that have taken place during the year and the fair value of the assets and liabilities acquired. Goodwill arising on the transaction relates to the difference between the total consideration given for the shares acquired (including any directly attributable costs incurred as part of the acquisition) less the fair value of the net assets acquired.

North America

On the 23 September 2021 the Group entered into a series of agreements with the minority shareholders of our Joint Venture entities in North America to acquire their shares in these entities, resulting in the Group's ownership in these entities increasing to 100% of the issued share capital and associated voting rights. The completion date of the purchase agreements was 28 September 2021. On the same date all legal proceedings between Lush Ltd and Lush Handmade Cosmetics Limited (Canada) and Lush Licensing Inc (USA) were withdrawn.

USA

On the 28 September 2021, Lush USA Inc completed the transaction to purchase a total of 466 ordinary shares held by the minority shareholders in that company for a total consideration of US$22,727,000 ($48,770 per share) from its own cash reserves. On the same date, Lush Internet Inc entered into an agreement to purchase a total of 466 ordinary shares held by the minority shareholders in that company for a total consideration of US$36,975,000 ($89,959 per share) from its own cash reserves. The total consideration for the share purchase of $59,522,000 was settled through a distribution of cash from the relevant entities.

Subsequent to the transaction the shares purchased by Lush USA Inc and Lush Internet Inc have been held in treasury. As such the remaining shareholder, Lush Ltd, has held 100% of the voting share capital since the transaction date and the entities will be treated as wholly owned subsidiaries from this date.

For accounting purposes, management consider Lush USA Inc and Lush Internet Inc to form a single cash-generating unit (CGU) and as such the calculation of goodwill arising on acquisition has been calculated on this basis.

Canada

On the 28 September 2021, Lush Ltd. and Lush Handmade Cosmetics Limited completed the transaction to acquire all ordinary Class A and Class C shares held by the minority shareholders in Lush Handmade Cosmetics Limited, via a new Company ("Buyerco") wholly owned by Lush Ltd. The total consideration paid for these shares was CD$125,432,000, which consisted of:

- Real estate properties held within the Lush Canada business with an aggregate fair value of CD$100,000,000 less the associated mortgage loans payable at the transaction date on these properties of CD$15,781,000. The carrying value of these properties prior to the transaction (less mortgage and other fees) was CD$17,207,000.

- Deferred consideration of CD$20,000,000 due to the minority shareholders in two tranches of $10,000,000 each, payable on 28 September 2022 and 28 September 2023.

- Cash consideration of CD$21,213,000, receivable net of all associated property taxes and corporate taxes payable by the vendors, from its own cash reserves.

On completion of the transaction, Buyerco was amalgamated with Lush Handmade Cosmetics Limited, such that Lush Ltd. holds 100% of the post-acquisition Canadian company.

For accounting purposes, the acquisition of the USA and Canadian entities set out above has been treated as a linked transaction. Management consider the entities to be intrinsically linked due to common ownership and management structures of both entities and the interdependent nature of the operational relationship between the entities. Therefore the negotiations around the consideration to be paid for the outstanding shares was focussed on the total amount payable for the combined entities.

Notes to the financial statements *(continued)*

28 Business Combinations

	Note	Canada			USA			Acquisition Total
				£000s			£000s	£000s
Fair value of consideration								
Cash paid				10,396			44,225	**54,621**
Tangible fixed assets				49,228			-	**49,228**
Deferred consideration *(see note 2 - page 68)*				11,186			-	**11,186**
Directly attributable costs				1,003			621	**1,624**
Total consideration				**71,813**			**44,846**	**116,659**

Recognised amounts of identifiable assets acquired and liabilities assumed (Total assets in acquired entities)	Note	**Pre-acquisition Book Value £000s**	**Fair Value Adjustments £000s**	**Fair Value £000s**	**Pre-acquisition Book Value £000s**	**Fair Value Adjustments £000s**	**Fair Value £000s**	**Total FV acquired £000s**
Intangible assets	*a*	740	-	**740**	-	13,638	**13,638**	**14,378**
Tangible assets	*b*	45,531	37,912	**83,443**	37,676	3,494	**41,170**	**124,613**
Stock	*c*	23,677	3,552	**27,229**	8,365	6,178	**14,543**	**41,772**
Trade and other receivables		5,550	-	**5,550**	1,478	-	**1,478**	**7,028**
Cash and cash equivalents		19,117	-	**19,117**	60,513	-	**60,513**	**79,630**
Trade and other payables		(23,231)	-	**(23,231)**	(28,041)	-	**(28,041)**	**(51,272)**
Deferred tax assets / (liabilities)	*d*	(2,496)	(612)	**(3,108)**	5,624	(6,049)	**(425)**	**(3,533)**
Total identifiable net assets		68,888	40,852	**109,740**	85,615	17,261	**102,876**	**212,616**
Trading balances now recognised as intercompany				5,881			7	**5,888**
Share of Joint Venture assets at fair value				(56,348)			(51,000)	**(107,348)**
Goodwill *(see Note 1 below)*				12,540			(7,037)	**5,503**
Total				**71,813**			**44,846**	**116,659**

The fair value adjustments arising on acquisition were in respect of the following;

a) The increase in the value of intangible assets is in respect of recognition of the reacquired rights associated with the US business, being the right to sell Lush branded products in the US. The reacquired rights will be released to the profit and loss statement over the remaining contractual period of the reacquired right.
b) The increase in the value of tangible fixed assets includes a revaluation of the land and buildings transferred as consideration to their market value based on third-party expert valuations. All other tangible fixed assets have been revalued based on a third-party valuation of their depreciated replacement cost.
c) The uplift in stock relates to the revaluation of the finished good stock to its fair value, which is approximate to its final retail value.
d) Deferred tax adjustments arising as a result of the acquisition adjustments noted above. The fair value increase in the deferred tax liability arising on acquisition has been released to the profit and loss statement over the remaining UEL of the assets that the timing difference relates to.

Notes to the financial statements *(continued)*

28 Business Combinations *(continued)*

Acquisition accounting

In calculating the goodwill arising on acquisition, the fair value of net assets of Lush USA Inc, Lush Internet Inc and Lush Handmade Cosmetics Limited have been assessed using third party valuation experts and adjustments from book value have been made where necessary. The table on the previous page summarises the consideration paid by the Group, the fair assets of the assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Note 1 - Goodwill on acquisition

The goodwill arising on the acquisition of the holdings in the North American business represent the difference between the fair value of the consideration paid and the fair value of the assets acquired. The goodwill is attributable to the expected synergies arising on taking full control over the operations of the business and other matters not resulting in a recognisable asset, such as the assembled workforce.

Management have estimated that the goodwill arising on the purchase on the Canadian and US operations of £12,540,000 and (£7,037,000) respectively, and has a useful economic life of 10 years. The acquired business includes stores that are well established in their local markets, a well-established brand protected by several patents and trademarks and a history of profit generation. The amortisation period is mitigated by the difficult trading conditions faced by traditional high street retailers and the length of the contracted leases of the retail stores.

Note 2 - Deferred consideration

As noted above the acquisition of the Canadian shares included deferred consideration of $20,000,000 payable in two tranches of $10,000,000. $10,000,000 was paid on 28 September 2022 and the remaining $10,000,000 is payable on 28 September 2023. Due to the materiality of the deferred consideration payable the amounts have been discounted at the acquisition date. The discount rate used was a market based pre-tax cost of debt as at the valuation date of 3% (rounded mid-point figure), which gives a total discounted balance of £11,185,000. The deferred consideration sum was unconditional of the entity's performance.

Post acquisition performance

Since the acquisition date Lush USA has contributed £205,732,000 to group turnover and £14,998,000 to group profit, and Lush Handmade Cosmetics Limited has contributed £43,682,000 to group turnover and £2,049,000 to group profit.

Accounting Policies

Business combinations have been accounted for by applying the purchase method as at the acquisition date, which is the date on which control is transferred to the Group.

The cost of the business combination is considered to be the fair value of the consideration given, deferred consideration given and the costs directly attributable to the business combination.

Identifiable assets and liabilities acquired

On acquisition the fair value of the identifiable intangible and tangible assets acquired as part of the business combination have been assessed by third party experts using standard valuation principles and techniques. The increase in fair values will be released to the Consolidated profit and loss account over the same expected useful life previously allocated to the underlying assets and liabilities. The Group recognises intangible assets from goodwill if the intangible meets all of the following three criteria:

- meets the recognition criteria per FRS 102.18.4; and
- are separable; and
- arise from contractual or other legal rights.

Value of existing share of Joint Ventures

Where the acquisition results in the acquirer gaining control of an investee in which it previously held an interest, this is considered to be a step acquisition. Goodwill is calculated based on the difference between the cost and share of net assets acquired at each step of the transaction and using this method, 100 percent of the identifiable net assets are recognised at fair value on acquisition and a revaluation reserve arises on the revaluation of the share of net assets previously held as a share of Joint Ventures.

Goodwill

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill is amortised over its expected useful life which is estimated to be 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the Consolidated profit and loss account. No reversals of impairment are recognised.

Notes to the financial statements

29 General accounting policies

A helpful summary	This section details the accounting policies of the Group that relate to the financial statements as a whole and other statutory disclosures, as well as an explanation of how the results of the Group are consolidated. Details of specific accounting policies are included within the notes to the financial statements to which they relate.

a) Statement of compliance

The Company is domiciled and incorporated in England as a private company limited by shares. The address of its registered office is 29 High Street, Poole, Dorset, BH15 1AB.

The principal accounting policies set out below and in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Group and individual financial statements of Lush Cosmetics Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

b) Basis of preparation

The financial statements have been prepared on a going concern basis (see below), under the historical cost accounting rules, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Significant judgements and estimates made by management when applying accounting policies have been disclosed in this note in section (i).

For the purpose of these financial statements, the Group is considered to be Lush Cosmetics Limited and its share of subsidiaries, associates and joint ventures. The Group has no shareholdings in licensee operations and for that reason they are not considered to be related parties.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The net loss before dividends received for the Company for the year was £1,164,000 *(2021: loss of £175,000)*. During the year the Company received a dividend equivalent to a total income of £800,000 *(2021: £300,000)* from Lush Ltd.

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

- ***Current liquidity***

The latest cash position for the Group prior to signing these accounts was net cash reserves of £49.2m at the end of April. At this date there were no drawings under the NatWest £35m revolving credit facility.

- ***Facilities available***

We have a £35m revolving credit facility with NatWest which was due to expire on 11 September 2023. There were no covenant breaches in the year to 30 June 2022, however there was a breach in December 2022 which was waived by NatWest. Due to a change in our funding strategy (see below) this facility was terminated at our request on 15 May 2023. Our March covenants were not formally reported due to the cessation of this facility.

We have traditionally only required bank financing during the working capital build prior to Christmas each year, albeit this was not required in the run up to Christmas 2021. The Board has therefore decided that renegotiating another 3-5 year revolving facility is not an efficient use of internal resource and that our seasonal funding requirement could be managed in a different way by drawing on temporary seasonal facilities each year. To this purpose, the Board of Cosmetic Warriors Ltd, a related company to the Group, have agreed to provide a seasonal facility of £22m during the period from 1 July 2023 to 31 December 2023 repayable in full by 1 September 2024 and with no more than £15m outstanding for repayment as at 31 December 2023.

We have also maintained our relationship with NatWest through a £15m overdraft facility which is available annually from 1 September to 31 December. In North America we are also negotiating a CAD $20m (approx. £12m) seasonal facility due to commence on 1 September 2023 and expire on 15 January 2024, reverting to a CAD$0.4m guarantee line from this date. At the date of signing these Accounts this facility has been credit approved with final documentation being drafted. Accordingly, as this documentation remains outstanding, the directors have not assumed the availability of this facility in their assessment of going concern.

Notes to the financial statements *(continued)*

29 General accounting policies *(continued)*

Going Concern (continued)

In August 2020, our French subsidiary Lush SARL finalised a €4.0m loan with Le Credit Lyonnais which is backed by a French State guarantee; we have taken the option to spread repayment over an extended period to August 2026. The amount outstanding on this loan at 30 June 2022 was €4.0m and €3.5m at the date of signing these accounts.

- ***Base forecast***

The directors have prepared financial projections and cash flow forecasts for the period to 30 June 2024. This base case assumes sales growth of 5% in FY24. The overall growth reflects some cautious optimism having had a difficult 12 months to December 2022 with consumer sentiment subdued in many of our markets as a result of the decline in spending power caused by inflationary pressures. In reaction to this, we have concentrated on bringing together a cohesive team concentrated on 'brand' and have begun to see some benefit from this in terms of collaborations and B2B initiatives whilst there is also considerable focus on improving our messaging to customers. From a market perspective our UK business has remained resilient and we are enjoying growth in our Eastern markets of Japan and 'Greater China' (consisting of Hong Kong, Macau and Taiwan), most recently boosted by the reopening of borders with mainland China. However, our largest market of the US has continued a trend of sales decline and will be the main focus from a brand perspective.

The base case forecast shows that there is sufficient liquidity within the business to operate within the facilities available, with some drawdown needed on the Cosmetic Warriors and NatWest facilities to manage cash flow requirements in the build up to Christmas trading. We have not assumed any drawdown on the Wells Fargo facility as the loan has not been finally documented and signed at the date of signing these Accounts.

- ***Downside scenario***

Whilst the directors believe that the base case scenario is reasonable, they recognise that there remains the possibility of further downside should customer sentiment deteriorate further.

Therefore, in addition to the base case scenario, the directors have considered the potential impact of a severe but plausible downside scenario which assumes a 10% reduction in FY24 sales compared to FY23; this also equates to a 15% reduction on the base case sales scenario. This modelling included a consideration of our cost base including to what extent these costs would flex with the downturn in sales and also which costs are controllable rather than committed. A similar consideration was applied to our Capital investment programme. The impact on cash flow also took into account the availability of funds from the contracted borrowing facilities referred to above.

This downside scenario shows that there remains headroom within the business up to June 2024 taking into account the repayment terms of the loan from Cosmetic Warriors.

- ***Beyond FY24***

Outside of the going concern assessment period, the Group will move into its normal working capital low point in the Autumn of 2024 as we build inventory for Christmas 2024. The directors anticipate that, by the end of the 2024 financial year, extensions will be in place for the Cosmetic Warriors facility and the soon to be finalised North America seasonal facility, as well as reconfirming the availability of the NatWest overdraft, in order to support the inventory build through this period. Whilst there is no guarantee these facilities will be extended, the directors have no reason to believe that they will not be.

Summary

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements *(continued)*

29 General accounting policies *(continued)*

c) Exemptions for qualifying entities under FRS 102

The Company is a qualifying entity for the purpose of FRS 102 and as such the following exemptions for the parent Company have been taken:

- No separate parent company Cash Flow statement has been included;
- Key management personnel compensation from the parent company has not been presented
- Certain financial instrument disclosures for the parent company have not been presented.

d) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings, together with the Group's share of results of its joint ventures and associate undertakings made up to 30 June 2022.

Subsidiaries

A subsidiary is an entity controlled by the Group, usually where the Group holds more than 50% of the equity voting rights. Control is considered to be the power to govern the financial and operating policies of the entity.

The purchase 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.

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 equity method of accounting.

The Group's share of the profit or loss of the investee 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.

Associates

An associate is an entity in which the Group has a long-term interest, usually from 20% to 50% of the equity voting rights, and over which the Group exercises significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associates. Investments in associates are also accounted for using the equity method of accounting.

Employee Benefit Trust

On 16 November 2017, the Company agreed to issue 913 new ordinary £1 shares to The Lush Cosmetics Employee Benefit Trust ("EBT"), a discretionary trust set up to acquire and hold Company shares on behalf of the employees of the Lush Group as beneficiaries of the trust and to protect and promote the Lush business ethics in accordance with the Lush Ethical Charter.

The trust deed signed by the trustees of the EBT and the Company states that the trustees shall waive and otherwise forgo any dividend due or to become due at any time in the future in respect of any Lush Cosmetics Limited shares.

Notes to the financial statements *(continued)*

29 General accounting policies *(continued)*

The trustees also agree to abstain from voting any shares held by the EBT, unless directed by the directors of the Company.

For accounting purposes the Group is considered to have de facto control over the Trust. As such the assets and liabilities of the EBT have been consolidated as part of the results of the Group.

e) Foreign currency

Functional and presentation currency

The Group and Company functional and presentational currency is pound sterling.

Transactions and balances

Transactions in foreign currencies are translated into sterling using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet date and the gains or losses on translation are included in the profit and loss account within operating expenses. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction.

Translation

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 monthly average rates of exchange that correspond to the relevant monthly results. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised through equity in 'Other comprehensive income'.

f) Other income streams

Royalty income

The Lush Group receives royalties from operating companies outside of the Group but within the Lush Brand for use of Retail and Manufacturing Intellectual Property. The royalties are based on a percentage of sales. The Group subsequently pay royalties to Cosmetic Warriors Limited, a related entity, for use of the Retail and Manufacturing Intellectual Property over which the Group have a licence. The net royalty expense is recognised as other operating cost and is therefore included within operating expenses in the consolidated profit and loss account.

Dividend income

Dividend income is recognised in the profit and loss account at the date that the dividends are appropriately approved by the shareholders of the relevant entity.

g) Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results, such as impairment of fixed assets at a territory level, as 'exceptional items'. Where such transactions are identified they are disclosed separately on the face of the profit and loss account to provide further understanding of the financial performance of the Group.

h) Cost allocation

Cost of sales represents the total cost of producing Essential Components and Finished Goods sold in the year. All other retail and support teams' payroll, premises and operating costs and general overheads of the business are disclosed within operating expenses.

Notes to the financial statements *(continued)*

29 General accounting policies *(continued)*

i) Accounting judgements, estimates and assumptions

Estimates and judgements are based on historical experience and other factors, including reasonable expectations of future events. There are no estimates, judgments or assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Other estimates and judgments are considered below;

Other judgements in applying the Group's accounting policies

i) Recognition of cryptocurrency investments (see note 9)

Cryptocurrencies are recognised as an intangible asset and carried at their fair value. Increases in fair value and decreases to the extent they reverse previous increases are recognised through other comprehensive income and accumulated in the revaluation reserve. Decreases in fair value and increases to the extent they reverse previous decreases are recognised through the profit and loss account. Realised gains or losses recognised at the point of selling cryptocurrencies or using cryptocurrencies to settle a liability are recycled through the profit and loss account through operating expenses.

ii) Classification of joint ventures and associates (see note 11)

When assessing the classification of the Group's investment in other entities, the Group have considered a number of factors to determine the degree of actual and inferred control exerted by the Group, and therefore the appropriate classification for each investment and the basis of consolidation. These factors include the percentage of shares held in the entity and the corresponding voting power these shares carry, the power to make financial and operating decisions through the board of directors, the power to appoint and/or remove directors and the degree of influence over the day-to-day operations of the entity.

Other accounting estimates and assumptions

iii) Impairment of intangible and tangible fixed assets (see notes 9 & 10)

The estimates of the recoverable value of the relevant investments, assets or CGUs in subsidiary and associate entities were determined from value in use calculations that incorporated cash flow forecasts covering a 3-year period. The forecast assumptions reflect management's best estimates of revenue, margin, operating costs and capital expenditure over the forecasted period, which have regard to historical performance and knowledge of the current market. Cash flows are extrapolated using an appropriate country-specific long-term growth rate based on OECD forecasts and an internally calculated country-specific discount rates derived from the Lush Group's weighted average cost of capital. The pre-tax discount rates range from 10.8% to 15.6%.

The ongoing global cost of living pressures and war in Ukraine have resulted in significant market and business disruption. The projected cash flows have been updated to include the Group's best estimate of what could have been reasonably known about the expected impact of this disruption as at 30 June 2022.

The key assumptions for the value in use calculation are those regarding the discount rate, growth rates and expected trading performance. A change in the assumptions used in the estimate of impairment adjustments could lead to a significant change in the value of the impairment in the next financial year.

iv) Key Money recognition (see note 9)

Key money relates to certain premiums paid on acquisition of short leasehold property and reflects the right to lease a property on favourable terms. When determining the appropriate amortisation period to allocate to the key money, management have performed a review of the terms of the lease contracts and the legal position in each territory. Where there is a right to renew the contract at an insignificant cost, the lease will be amortised over a period longer than the lease term, otherwise the lease will be amortised over the agreed lease term. The Group have used their judgement to assess the relevant cost of the right to renew and have concluded that the amortisation period should be equal to the lease term, with the exception of key money held in France, which is amortised over a period of 30 years.

v) Stock valuation (see note 12)

The provision is estimated by management based on historic stock movements, estimated future stock usage and the nature and condition of the existing stock.

Notes to the financial statements *(continued)*

29 General accounting policies *(continued)*

***i) Accounting judgements, estimates and assumptions** (continued)*

vi) Provisions (see note 15)

Provisions have been made in respect of future dilapidation costs and onerous contracts. These have required calculation of management's best estimate of costs that will be incurred based on contractual requirements and third-party property valuations. Discounting has been applied to the calculation of the decommissioning cost element of the dilapidation provision only, as the impact of discounting on the other provisions is not deemed to be significant, as well as to the calculation for the provision for onerous contracts.

vii) Recognition of deferred tax assets (see note 16)

Deferred income tax assets are recognised only to the extent that the Group believe that it is probable that future taxable profit will be available against which the timing differences can be utilised.