Cosmetic Warriors Limited

Directors' report and financial statements

Registered number 04165681

30 June 2016

Contents

Strategic Report
For the year ended 30 June 2016

The directors present their Strategic Report for the Company for the year ended 30 June 2016.

Principal Activities

The Company creates, holds and defends the intellectual property rights for the Lush Cosmetics Limited products and charges licence and royalty fees for their use. The Company receives royalty income for the use of manufacturing and retail intellectual property, for which it grants Lush Ltd an exclusive licence to exploit the brand. The Company also incurs costs relating to invention (including the salary costs of the inventors), research and development, brand development and creative buying relating to the Lush brand.

Review of Business

	2016	2015	**Movement**
	£000	£000	**%**
Turnover	**11,719**	8,889	**+31.8**
Gross profit	**6,323**	3,878	**+63.0**
Profit on ordinary activities before taxation	**5,440**	1,939	**+180.6**

Licence fees and royalty income in the year ended 30 June 2016 increased by 31.8% broadly reflecting the continued global growth of the Lush brand in its network of shops and digital offerings.

Profit on ordinary activities before taxation increased to £5,439,790, an increase of £3,500,940 on last year, which also represents percentage growth of 180.6%. Our profit growth is disproportionate to the revenue growth due to proceeds (£1,100,000) received in the current year in respect of defending our intellectual property rights and higher development costs associated with the large volume of new products last year.

For the year ended 30 June 2016, the Company presented its results under FRS102. The date of transition to FRS 102 was 1 July 2014 and the effects of this transition are detailed in Note 22.

Key Performance Indicators (KPIs)

The Company uses several KPIs to monitor the performance of the business, the main indicators being turnover and profit before tax which are summarised in the table above.

During the year there were approximately 200 products launched. To protect those products there were a total of 21 patent applications filed around the world, with a further 42 trademark applications and 75 design rights supporting both brand and product identity.

An unavoidable consequence of an active IP portfolio is the need to take action against those that infringe our rights and in the year there were 97 new infringement cases.

Strategy and Future outlook

The new financial year is expected to show further increases in our income streams, driven by further double-digit growth in global Lush sales.

The Company will continue to defend the uniqueness of these products through an increasing number of patent, trademark and design right applications both in the UK and across the rest of the world.

Strategic Report *(continued)*

Principal Risks and Uncertainties

The management of the business and execution of the Company's strategy are linked to the performance of the Lush brand and its network of Group companies, associates and licensees. Management consider the following to be the main risks to the business.

Economic climate – As licence and royalty income is directly linked to the performance of the Lush Group, the performance of the Company is dependent on the retail markets that sell Lush products and their performance. The increased sales performance in the year has illustrated the uniqueness and innovation of the products. The uniqueness of these products will continue to be protected through an on-going programme of registering and renewal of patents and trademarks.

Availability of natural materials – Cosmetic Warriors specialises in the development of natural based cosmetic products. As this category of products continues to grow as a percentage of the cosmetics industry, there are increasing pressures on the availability of these natural ingredients which could hold back sales growth.

Legal challenges – At present a significant portion of the costs incurred in the Company are related to the defence of the intellectual property. It is possible that in the future these costs will increase, as the range of products that have been protected increase. There is also the potential for legal costs on cases that reach court to become significant if a case becomes long-running and a negotiated settlement is not possible. However our Intellectual Property team continue to mitigate this risk through constant monitoring and review of the Company's IP activities, with the support of external legal advice where required.

The Strategic Report was approved by the Board of Directors on 3 March 2017 and signed on its behalf by:

S Constantine
Director

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 30 June 2016.

Principal activities

The principal activities of the Company have been addressed in the Strategic Report on page 1.

Results and dividends

The profit after tax for the financial year totalled £4,184,720 *(2015: £1,601,791)*. No dividends were paid or proposed during the year *(2015: £nil)*.

Subsequent to the year end, the directors declared a final dividend payment on 27 September 2016. The dividend proposed was £304.17 per share, a total of £2,500,000.

Future developments

As royalty income is directly linked to the sales of Lush products, turnover is expected to increase in the new financial year in line with the growth of the Lush Cosmetics group. The future development of the Company has been addressed further within the Strategic Report on page 1.

Financial Risk Management

The Company's operations expose it to a variety of financial risks, including the following:

Price risk

The income received by the Company is derived from sales of Lush products made by entities that have been granted a licence to manufacture and sell such products. As the royalty is based on a percentage of sales made by these entities as per the transfer pricing agreement, the income received by the Company is directly linked to the performance of the licensee entities.

Liquidity and interest rate risk

In order to manage the liquidity and cash flow risks, the Company prepares monthly reports to ensure that sufficient funds are available to support the working capital need and capital requirements as planned. The Company has no material exposure to interest rate risk as they do not have any interest bearing creditor balances.

Exchange risk

Our exposure to foreign exchange fluctuations is limited as all of our sales and most of our purchases are Sterling denominated. No hedging instruments have been used by the Company.

Directors and directors' interests

The directors who held office during the year and up to the date of signing the financial statements were:

M Constantine
M J Constantine
S Constantine
H E Ambrosen
K Bygrave (appointed 3 September 2015)

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

Political and charitable contributions

The Company made no political or charitable contributions during the year *(2015: nil)*.

Directors' report *(continued)*

Employment policies and Corporate Social Responsibility

The Company has a policy of communicating openly to employees and provides information about the entity's performance on an ongoing basis.

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

Disclosure of information to auditors

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

Independent auditors

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

The directors' report was approved by the Board of Directors on 3 March 2017 and signed on its behalf by:

S Constantine
Director

29 High Street
Poole
Dorset
BH15 1AB

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report to the members of Cosmetic Warriors Limited

Report on the financial statements

Our opinion

In our opinion, Cosmetic Warriors Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the balance sheet as at 30 June 2016;
- the profit and loss account and the statement of comprehensive income for the year then ended;
- the statement of changes of equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Independent auditors' report to the members of Cosmetic Warriors Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Natasha Jones

Natasha Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
3 March 2017

Profit and loss account and statement of comprehensive income
for the year ended 30 June 2016

	Note	2016 £	2015 £
Turnover		**11,718,613**	8,889,212
Cost of sales		**(5,395,724)**	(5,010,833)
Gross profit		**6,322,889**	3,878,379
Operating expenses		**(1,764,800)**	(2,373,300)
Operating profit	3	**4,558,089**	1,505,079
Other income		**881,797**	433,776
Interest payable and similar charges	7	**(96)**	(5)
Profit on ordinary activities before taxation		**5,439,790**	1,938,850
Tax on profit on ordinary activities	8	**(1,255,070)**	(337,059)
Profit for the financial year		**4,184,720**	1,601,791
Other comprehensive income		**-**	-
Total comprehensive income for the financial year		**4,184,720**	1,601,791

All results relate to continuing activities.

A statement of changes in equity is given on page 10.

Balance sheet
As at 30 June 2016

	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	*10*		**534**		-
Tangible assets	*11*		**90,847**		44,817
			91,381		44,817
Current assets					
Debtors: amounts falling due within one year	*12*	**1,722,322**		4,134,137	
Cash at bank and in hand		**7,226,853**		81,196	
		8,949,175		4,215,333	
Creditors: amounts falling due within one year	*13*	**(1,332,535)**		(736,849)	
Net current assets			**7,616,640**		3,478,484
Total assets less current liabilities			**7,708,021**		3,478,484
Net assets			**7,708,021**		3,523,301
Capital and reserves					
Called up share capital	*16*		**8,219**		8,219
Share premium account			**841,642**		841,642
Capital redemption reserve			**3,100**		3,100
Retained earnings			**6,855,060**		2,670,340
Total equity			**7,708,021**		3,523,301

These financial statements on pages 8 to 25 were approved by the Board of Directors on 3 March 2017 and signed on its behalf by:

S Constantine
Director

Cosmetic Warriors Limited
Registered Number - 04165681

Statement of changes in equity
for the year ended 30 June 2016

	Called-up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 July 2014	8,319	841,642	3,000	1,091,049	**1,944,010**
Purchase of own shares	(100)	-	100	(22,500)	**(22,500)**
Profit and total comprehensive income for the financial year	-	-	-	1,601,791	**1,601,791**
At 30 June 2015	**8,219**	**841,642**	**3,100**	**2,670,340**	**3,523,301**
Profit and total comprehensive income for the financial year	-	-	-	4,184,720	**4,184,720**
At 30 June 2016	**8,219**	**841,642**	**3,100**	**6,855,060**	**7,708,021**

<u>Other reserves</u>

Capital redemption reserve

The capital redemption reserve consists of the nominal value of the Company's shares that were purchased by the Company.. These shares were cancelled immediately on purchase.

Statement of cash flows
for the year ended 30 June 2016

	Note	2016 £	£	2015 £	£
Net cash flow from operating activities	*19*	**8,085,226**		242,843	
Taxation		**(864,602)**		(159,964)	
Net cash generated from operating activities			**7,220,624**		82,879
Cash flow from investing activities					
Capitalisation of intangible fixed assets	*10*	**(570)**		-	
Purchase of tangible fixed assets	*11*	**(74,301)**		(58,275)	
Net cash used in investing activities			**(74,871)**		(58,275)
Cash flow from financing activities					
Interest paid		**(96)**		(5)	
Purchase of own shares		**-**		(22,500)	
Net cash used in financing activities			**(96)**		(22,505)
Net increase in cash and cash equivalents			**7,145,657**		2,099
Cash and cash equivalents at the beginning of the year			**81,196**		79,097
Cash and cash equivalents at the end of the year			**7,226,853**		81,196

Analysis of changes in net cash

	At 1 July 2015 £	Cash flow £	At 30 June 2016 £
Cash at bank and in hand	81,196	7,145,657	**7,226,853**
Cash and cash equivalents	81,196	7,145,657	**7,226,853**
Debt due after one year	-	-	**-**
Debt due within one year	-	-	**-**
Net cash	81,196	7,145,657	**7,226,853**

Notes to the financial statements
(forming part of the financial statements)

1 Summary of significant accounting policies

General information

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 22.

a) Statement of compliance

The financial statements of Cosmetic Warriors Limited ("the Company") 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, under the historical cost accounting rules, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. Where applicable management have used its judgement in the process of applying the Company's accounting policies, as disclosed in Note 1 (q).

c) Going concern

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

d) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions. However, Cosmetic Warriors Limited is not considered a qualifying entity under FRS 102 and as such has not taken the disclosure exemptions.

e) Foreign currency

The Company's functional and presentational currency is pound sterling.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, or an approximation thereof.

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account within administrative expenses. Non-monetary items measured at historical cost are translated using the exchange rate at the date of transaction and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

f) Revenue recognition

Royalty income

The Company receives royalty income for the use of manufacturing and retail intellectual property, for which it grants Lush Ltd an exclusive licence to exploit the brand. Royalty income is recognised on an accruals basis in accordance with the royalty agreement, and is based on sales accruing under the Lush brand. The royalties are invoiced on a quarterly basis and are based on a percentage of sales.

Other Income

Other income in the profit and loss account relates to net proceeds received during the year from legal cases arising from the protection of the intellectual property and Lush brand. Income has been recognised in the profit and loss account on receipt of settlement.

Notes to the financial statements *(continued)*

1 Summary of significant accounting policies *(continued)*

g) Employee benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received and recorded as an accrual in the balance sheet where necessary.

Defined contribution pension plans

The Company is recharged the contributions payable to the defined contribution pension scheme that is operated by Lush Ltd, in respect of those employees who provide services for Cosmetic Warriors Limited. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

h) Taxation

Taxation expense 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 respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

The current tax charge is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws in the UK that have been enacted, or substantively enacted, by the year end.

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.

Deferred tax is recognised on all timing differences at the reporting date. A deferred tax asset is recognised only if it can be regarded as probable that the asset can be recovered against the reversal of deferred tax liabilities, or that there will be suitable taxable profits to allow the future reversal of the underlying timing differences.

Deferred tax is calculated on the basis of tax rates and laws in the UK that have been enacted, or substantively enacted, by the year end and that are expected to apply to the reversal of the timing differences.

i) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Cost includes the original purchase price, or the fair value of other consideration given, to acquire an asset at the time of its acquisition or construction, plus any directly attributable costs of preparing the asset for its intended use. Amortisation is calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows;

- Computer software and website costs 3 years

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.

Costs associated with maintaining computer software and digital offerings are recognised as an expense as incurred. Development costs that are directly attributable to the design and production of identifiable software and websites / mobile applications are recognised as intangible assets when the following criteria are met.

- It is probable that the Company will obtain future economic benefits from the asset.
- The project is technically feasible and the Company 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.

Notes to the financial statements *(continued)*

1 Summary of significant accounting policies *(continued)*

i) Intangible assets *(continued)*

All other research and development costs are recognised in the profit and loss as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

j) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated 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 is calculated, using the straight line method, to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

- Fixtures, fittings and equipment	5 years
- Computer equipment	3 years

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

Subsequent additions

Subsequent costs are included within tangible fixed assets when recognition criteria are met. Where assets are considered replacements for existing assets, the replaced component is written down to nil 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 new useful economic life.

Repairs, maintenance and inspection costs are expensed as incurred.

Derecognition

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 profit or loss and included in administrative expenses.

k) Leased assets

At inception of each lease the Company assesses the nature of the agreement to identify whether a lease is recognised as a finance lease or an operating lease. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer 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.

l) Cash at bank and in hand

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits held at call with banks, less overdrafts payable on demand. Bank overdrafts, if any, are shown within borrowings in current liabilities.

m) Provisions and contingencies

Provisions

Provisions are recognised when the Company 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. Provisions are recognised at the expected final obligation, except where the difference between this value and the discounted present value of the obligation is considered to be material.

Notes to the financial statements *(continued)*

1 Summary of significant accounting policies *(continued)*

m) Provisions and contingencies *(continued)*

Contingencies

Contingent liabilities arise as a result of past events when it is not probable that there will be an outflow of resources or that amount cannot be reliably measured at the balance sheet date or when the existence will be confirmed by the occurrence or non-occurrence on uncertain future events not wholly within the Company's control. 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.

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.

n) Financial instruments

The Company has adopted Section 11 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including amounts owed by other related parties, other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction. Discounting of such assets is unlikely to be material and hence the assets are measured at an undiscounted amount. Such assets are subsequently carried at amortised cost using the effective interest method which, for assets falling due within one year, is likely to be the transaction price less any impairment.

At the end of each reporting period the financial assets measured at amortised cost are assessed for evidence of impairment. If the asset is impaired then the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate expected to be received. The impairment loss is recognised in the profit and loss account.

The financial assets are derecognised when the rights to the cash flows from the asset expire, are settled, or substantially all the risks and rewards of the ownership of the asset are transferred to another party.

Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to related parties are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost using the effective interest method which, for assets falling due within one year, is likely to be the transaction price less any impairment.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

The financial liabilities are derecognised when the liability is extinguished which is when the contractual obligation is discharged, cancelled or expires.

o) Dividends payable to shareholders

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

p) Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

Notes to the financial statements *(continued)*

1 Summary of significant accounting policies *(continued)*

q) Key accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below;

i) *Recognition of deferred tax assets (see note 14)*

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

Notes to the financial statements *(continued)*

2 Segmental analysis

All of the Company's turnover, results and net assets are attributable to the Company's operations based in the United Kingdom.

The directors consider that there is only one class of business. The turnover and operating profit are attributable to the management of the intellectual property rights for the Lush Cosmetics products.

3 Operating profit

Operating profit is stated after charging / (crediting):	**2016**	2015
	£	£
Depreciation of tangible fixed assets:		
Owned	**27,482**	15,215
Amortisation of intangible assets	**36**	-
Impairment fixed asset investments	**-**	25,000
Loss on disposal of fixed assets	**789**	-
Operating lease rentals – Other	**43,000**	25,350
Write-back of intercompany creditor balance	**-**	(188,152)
Foreign exchange losses	**12,687**	-

Auditors' remuneration:	**2016**	2015
	£	£
Audit of these financial statements	**9,790**	9,500

4 Remuneration of directors

	2016	2015
	£	£
Directors' emoluments	**766,684**	1,705,500

The emoluments of four of the directors have been recharged to Cosmetic Warriors Limited by a related company, Lush Ltd. The split of emoluments received by these directors are based on the services provided to each entity.

The aggregate of emoluments of the highest paid director was £175,000 (*2015: £795,000*). The Company has made £nil payments to the company's defined contribution pension scheme on behalf of the highest paid director *(2015: £nil)* and no contributions have been made to money purchase schemes.

The Company has made payments of £851 *(2015: £nil)* on behalf of the directors to the company's defined contribution pension scheme.

The Company has paid £88,910 *(2015: £nil)* to a previous director for loss of office.

Notes to the financial statements *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2016	2015
Administration	**59**	50
	59	50

The average number of employees relates to staff that are employed by a related party, Lush Ltd, but whose costs are recharged to Cosmetic Warriors Limited, as these employees provide services to this Company.

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£	£
Wages and salaries	**3,253,111**	3,965,320
Social security costs	**402,265**	490,982
Other pension costs	**29,314**	23,582
	3,684,690	4,479,884

6 Key management compensation

Key management includes the directors and members of senior management of the Company. The compensation paid or payable to key management for employee services is shown below:

	2016	2015
	£	£
Salaries and other short-term benefits	**940,834**	2,086,340
Post-employment benefits	**851**	840
	941,685	2,087,180

7 Interest payable and similar charges

	2016	2015
	£	£
Interest paid on bank loans and overdrafts	**96**	5
	96	5

Notes to the financial statements *(continued)*

8 Tax on profit on ordinary activities

Analysis of charge in year	2016 £	2015 £
Current Tax		
UK current tax		
UK current tax on income for the year	**1,145,798**	338,143
Adjustments in respect of prior periods	**108,770**	2,968
Total current tax	**1,254,568**	341,111
Deferred tax		
Current year movement in timing differences	**1,554**	(1,347)
Impact of change in tax rate	**-**	49
Adjustments in respect of prior periods	**(1,052)**	(2,754)
Total deferred tax	**502**	(4,052)
Tax on profit on ordinary activities	**1,255,070**	337,059

Factors affecting the tax charge for the current year

The tax charge for the year is higher *(2015: lower)* than the standard rate of corporation tax in the UK of 20% *(2015: 20.75%)*. The differences are explained below.

	2016 £	2015 £
Profit on ordinary activities before taxation	**5,439,790**	1,938,850
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 20% *(2015: 20.75%)*	**1,087,958**	402,311
Effects of:		
Expenses not deductible for tax purposes	**59,394**	8,849
Income not subject to tax	**-**	(39,043)
Additional deduction for R&D expenditure	**-**	(35,321)
Remeasurement of deferred tax – change in UK tax rate	**-**	49
Adjustments to tax charge in respect of prior periods	**107,718**	214
Total tax on results on ordinary activities (see above)	**1,255,070**	337,059

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

Notes to the financial statements *(continued)*

9 Dividends

The dividends proposed and paid in 2016 were £nil *(2015: £nil)*

Subsequent to the year end, the directors declared a final dividend payment on 27 September 2016. The dividend proposed was £304.17 per share, a total of £2,500,000.

10 Intangible assets

	Computer software costs £
Cost	
At 1 July 2015	-
Additions	570
At 30 June 2016	**570**
Accumulated amortisation	
At 1 July 2015	-
Charged in year	36
At 30 June 2016	**36**
Net book value	
At 30 June 2016	**534**
At 30 June 2015	-

Notes to the financial statements *(continued)*

11 Tangible assets

	Fixtures, fittings and equipment	Computer equipment	Total
Group	**£**	**£**	**£**
Cost			
At 1 July 2015	49,408	10,869	60,277
Additions	46,061	28,240	74,301
Disposals	-	(1,235)	(1,235)
At 30 June 2016	**95,469**	**37,874**	**133,343**
Accumulated depreciation			
At 1 July 2015	12,901	2,559	15,460
Provided in year	20,111	7,371	27,482
On disposals	-	(446)	(446)
At 30 June 2016	**33,012**	**9,484**	**42,496**
Net book value			
At 30 June 2016	**62,457**	**28,390**	**90,847**
At 30 June 2015	36,507	8,310	44,817

12 Debtors: amounts falling due within one year

	2016	2015
	£	£
Amounts owed by other related parties	**1,580,760**	4,004,335
Other debtors	**95,702**	94,503
Prepayments and accrued income	**43,687**	32,624
Deferred tax asset *(see note 14)*	**2,173**	2,675
	1,722,322	4,134,137

Amounts owed by other related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements *(continued)*

13 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	**453,869**	186,983
Amounts owed to other related parties	**31,283**	86,674
Corporation tax liability	**527,276**	137,310
Other taxation and social security	**-**	89,431
Other creditors	**188,156**	123,552
VAT creditor	**131,951**	112,899
	1,332,535	736,849

Amounts owed to other related parties are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Deferred Tax

The movement in the deferred tax asset is as follows:	**Deferred taxation asset £**
At 1 July 2015	2,675
Charge to the profit and loss account for the year *(see note 8)*	(1,554)
Adjustment in respect of prior years	1,052
At 30 June 2016	**2,173**

The elements of the deferred taxation are as follows:

	2016	2015
	£	£
Differences between accumulated depreciation and capital allowances	**1,880**	875
Other timing differences	**293**	1,800
	2,173	2,675

The amount of the net reversal of deferred tax expected to occur next year is £7,913 (*2015: £1,554*), relating to the reversal of existing timing differences on tangible fixed assets and other timing differences.

Notes to the financial statements *(continued)*

15 Financial Instruments

The Company has the following financial instruments

	2016		2015	
	£	£	£	£
Financial assets				
Financial assets - debt instruments measured at amortised cost				
- Amounts owed by other related parties *(see note 12)*	**1,580,760**		4,004,335	
- Other debtors *(see note 12)*	**83,352**		83,352	
		1,664,112		4,087,687

	2016		2015	
	£	£	£	£
Financial liabilities				
Financial liabilities measured at amortised cost				
- Trade creditors *(see note 13)*	**453,869**		186,983	
- Amounts owed by other related parties *(see note 13)*	**31,283**		86,674	
- Other creditors *(see note 13)*	**184,558**		110,123	
		669,710		383,780

16 Called up share capital

	2016	2015
Allotted, called up and fully paid		
8,219 *(2015: 8,219)* Ordinary shares of £1 each	**8,219**	8,219

17 Commitments and contingent liabilities

a) The Company had no capital commitments at 30 June 2016 or 30 June 2015.

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

	Land and Buildings	
	2016	2015
	£	£
Operating leases which expire:		
Within one year	**26,515**	31,592
In the second to fifth years inclusive	**10,890**	23,463
Over five years	**9,092**	11,815
	46,497	66,870

Notes to the financial statements *(continued)*

18 Pension scheme

The Company is recharged the contributions payable to the defined contribution pension scheme that is operated by Lush Ltd, in respect of those employees who provide services for Cosmetic Warriors Limited. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £29,314 *(2015: £23,582)*. There were no outstanding contributions at the end of the financial year *(2015: £7,333)*.

19 Net cash flow from operating activities

	2016 £	2015 £
Reconciliation of profit for the financial year to net cash flow from operating activities		
Profit for the financial year	**4,184,720**	1,601,791
Tax on profit on ordinary activities	**1,255,070**	337,059
Net interest expense	**96**	5
Profit on ordinary activities before taxation	**5,439,886**	1,938,855
Depreciation and impairment charges	**27,518**	40,215
Loss on disposal of tangible fixed assets	**789**	-
Decrease / (increase) in debtors	**2,411,313**	(1,823,651)
Increase in creditors	**205,720**	87,424
Net cash flow from operating activities	**8,085,226**	242,843

Notes to the financial statements *(continued)*

20 Related party disclosures

Lush Ltd, Lush Manufacturing Limited, Lush Retail Limited and Lush GmbH have transactions with the Company during the year and are under common control and therefore are deemed to be related parties. Cosmetic Warriors Limited receives royalties from Lush Ltd for the use of Intellectual Property, for which Cosmetic Warriors Limited has granted exclusive licence to exploit the Lush Brand.

	Other recharges 2016	Other recharges 2015	**Sales 2016**	Sales 2015	**Balance Dr/(Cr) 2016**	Balance Dr/(Cr) 2015
	£	£	**£**	£	**£**	£
Lush Ltd	**228,106**	(1,182,772)	**11,718,613**	8,852,944	**1,340,419**	4,004,335
Lush Manufacturing Limited	**(169,149)**	(191,898)	**-**	-	**(6,928)**	(86,674)
Lush Retail Limited	**(15,778)**	6,546	**-**	-	**(20,916)**	-
Lush GbmH	**(32,977)**	-	**-**	-	**(3,400)**	-
ECC Records Limited	**127,646**	-	**-**	-	**152,633**	-
The Sound Approach	**2,145**	(90)	**-**	-	**(39)**	-

Other recharges with ECC Records Limited are in respect of legal costs incurred by Cosmetic Warriors Limited on behalf of ECC Records Limited. Recharges to the other entities listed above are in respect of payroll costs borne on behalf of Cosmetic Warriors Limited, and research and development stock wastage incurred by Lush Manufacturing Limited on behalf of Cosmetic Warriors Limited.

Rental recharges from Lush Ltd in the year amounted to £43,000 *(2015: £25,350)*. During the year, the Company paid rent for properties jointly owned by Mr M Constantine and Mrs M Constantine amounting to £8,400 *(2015: £21,125)*.

The Company has a short-term debtor account with Mr M Constantine and Mrs M Constantine. At the 30 June 2016, the amounts due from the directors totalled £87,708 *(2015: £nil)*. The balance is considered to be repayable on demand, is interest free and was settled in full in July.

21 Ultimate controlling party

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

22 Transition to FRS 102

This is the first year that Lush Cosmetic Warriors Limited has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 30 June 2015. The date of transition was 1 July 2014. The transition did not give rise to any adjustments to the previously reported result for the financial year ended 30 June 2015, total equity or balance sheet reported items at 1 July 2014 and 30 June 2015, and accordingly no reconciliations have been prepared.