Cosmetic Warriors Limited

Annual report and financial statements
Registered number 04165681
30 June 2022

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Strategic Report
For the year ended 30 June 2022

The directors present their Strategic Report for the Company for the year ended 30 June 2022.

Principal Activities

The Company creates, holds and defends intellectual property rights. The Company receives licence fee and royalty income for the licencing of this intellectual property. The Company also incurs costs relating to invention, research and development, brand development and creative buying to support the value of the intellectual property.

Review of Business

	2022	2021	Movement
	£000	£000	%
Turnover	22,511	17,503	29%
Gross profit	12,811	6,801	88%
Profit before taxation	11,244	5,162	118%

Licence fees and royalty income for the year ended 30 June 2022 of £22.5m are higher than the prior year by 29%, which is a result of a negotiated increase in royalty fees as well as increase in licensee brand sales. The base fee remains at £2.5m.

Profit before taxation has increased by £6.1m to £11.2m. This is largely a consequence of both the increase in the royalty percentage coupled with a reduction in cost of £1.4m compared to the year ended 30 June 2021.

R&D spend was up on the year ended 30 June 2021 by £0.4m due to an increase in all R&D activities, in particular; product development, tech and concept R&D. In terms of product development, we developed 323 new or reworked products, 117 seasonal products, which this year included for the first time, products for Eid al-Fitr and Lunar New Year and 206 all year round products.

To protect those products there were 2 patent applications filed around the world during the year, with 8 patents granted in respect of applications filed in previous years. A further 43 trademark applications supporting both brand and product identity were made in the year with 8 trademarks registered.

Our year end net assets of £28.7m reflects an increase of £8.9m from the prior year.

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.

Strategy and Future outlook

The Company will continue to defend the uniqueness of all our products through patent, trademark, and design right applications both in the UK and across the rest of the world, particularly in the US, a well-known litigious market. Despite our preference for agreed resolutions our commitment to vigorously defend brand names and IP rights and the noticeable increase in the number of significant IP infringement cases in the last few years will most likely see an increase in litigation and the additional costs that this entails.

The Company will continue to review the manufacturing processes within the Company's licencee, as the Process Improvement team have been working closely with them, not only to problem solve, but also to take a proactive approach to making production more efficient and effective. This includes a review of our stance on automation and being able to automate processes which ultimately don't add value to the customer whilst maintaining the core "Fresh Handmade" activities.

The Tech Warriors team continue to support the business in becoming more tech enabled, from enhancing the customer experience with a digital bath bomb, personal shopper experience on the app, AR unicorn features and Lush code, to working with the operational teams to build stock systems and tools. There have been further developments with the Lush Lens feature which supports a packaging free shopping experience.

Strategic Report *(continued)*

Strategy and Future outlook *(continued)*

Subsequent to the year end the directors have agreed to provide an unsecured seasonal facility to Lush Ltd, a related party company, of £22,000,000 during the period from 1 July 2023 to 31 December 2023, repayable in full by 30 September 2024, and with no more than £15,000,000 outstanding for repayment as at 31 December 2023.

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 subsidiaries, associates, joint ventures 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 (Lush Cosmetics Limited and its subsidiaries, associates and joint ventures) and its licensees, the performance of the Company is dependent on the retail markets that sell Lush products and their performance.

Availability of natural materials – Cosmetic Warriors Limited 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. We also mitigate commodity price risk and supply risks through a flexible and responsive creative process whereby in extreme circumstances we can adjust product formulation. The Company works with the licencee, the Lush Group, which continues to invest in growing and processing its own materials through the funding of international projects and joint ventures in order to ensure the long-term supply of natural raw materials.

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.

Going Concern

The Company is the owner of the "Lush" brand which is licenced to Lush Limited, a company within the Lush Cosmetics Limited Group (Lush Group). The directors of Lush Group have not identified a material uncertainty in relation to going concern in the consolidated 30 June 2022 annual report and financial statements. However, the Company's income is currently dependent on Lush Group turnover and therefore the Company may receive reduced future income, and therefore reduced cash, in the event of any downturn in the Lush Group performance.

The Company has significant cash reserves and the board has agreed to provide Lush Group with a seasonal lending 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. This will provide future interest income for the Company at a market rate and provide Lush Group with an extra source of financing.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. These forecasts take account of reasonably possible downsides which include a reduction in receivables collected from Lush as a result of the impact of Lush Group stress testing and the provision of the seasonal facility explained above.

Taking account of these cash flow forecasts the directors are confident that the 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 credit risk and interest rate 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:

Lee Baker (Jun 26, 2023 15:06 GMT+1)

Mr L Baker
Director

Directors' Report

The directors present their Directors' Report and the audited financial statements for the year ended 30 June 2022.

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 £8.9m *(2021: £4.4m)*.

No final dividend for the year ended 30 June 2021 was declared or paid.

No interim dividend for the year ended 30 June 2022 was declared or paid.

The unpaid amounts relating to these dividends is in respect of the shares held by The Cosmetic Warriors Employee Benefit Trust which has waived its right to receive the dividend in line with the trust deed.

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 Group. The future development of the Company has been addressed further within the Strategic report on page 1.

Directors and directors' interests

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

Mr M Constantine
Mrs M J Constantine
Mrs H E Ambrosen
Mr K Bygrave
Mr L Baker
Mr S Constantine (non-executive director)
Mr A Vickery (non-executive director - appointed 28 July 2021)

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 *(2021: £nil)*.

Employment policies and Corporate Social Responsibility

The Company is committed to a fair wage at all levels of the business. Our UK parental pay policy pays 6 months' full pay, and the Company also provides childcare funding to enable more parents to return to work after having or adopting children. Secondary carers within our UK workforce also receive full pay for 4 weeks leave.

Whilst these initiatives impact our profitability, we believe paying our staff fairly is the right thing to do and take a long-term view that anticipates a return on these investments over the years.

Directors' Report *(continued)*

Employment policies and Corporate Social Responsibility *(continued)*

Employee Benefit Trust

10% of our shares are held on behalf of our staff in the Cosmetic Warriors Employee Benefit Trust (EBT). We believe that the Trust, which was established in 2018, will protect the prosperity of the Company and the company ethics through the wider 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.

The EBT and its representatives play a pivotal role in facilitating two-way communication between all colleagues and the business continuing to provide vital, timely insight into staff sentiment while encouraging equal opportunity for contribution in making the business 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. 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 the Company with the aim of effectively representing employee voice and preserving its 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 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.

Diversity & Inclusion

Equity, Diversity and Inclusion

The Company 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 becoming the Company we want it to be.

The Company takes all reasonable steps to ensure that the same employment conditions are applied regardless of gender, race, ethnicity, physical appearance, religion, neurodiversity or disability. In June 2022 the Company's employees took part of the first Lush Group Global Demographic survey. 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. This report is part of a commitment to regularly monitor and measure diversity, and continuously work towards diversifying the Company.

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.

Directors' Report *(continued)*

Section 172 Reporting Statement

Under section 172 of the Companies Act, we as directors are required to make a statement explaining how we have adhered to certain duties as members of the board and explain how we act in the best interests of the company. We've split our statement into the relevant sections below;

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 the associated IP and every decision we make as a board is to preserve the longevity of the business and the associated IP, and ensure we are working towards our long-term goals. In the recent environment we've had to make difficult decisions and met as a board regularly to discuss options and scenarios to consider longer term consequences of everything we do.

We believe in the right to make a profit, but when making major business considerations and adjustments, all aspects of Lush's core values will be discussed and kept in mind. Cosmetic Warriors exists to protect the intellectual property of the Lush brand and ensure its future survival by protecting innovations and our ethical supply chains which are at the heart of the Lush business – as directors we make decisions with this in mind, including pursuing any litigation and settlement where necessary.

(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 – the Company has been 10% Employee owned since 2018. Along with the other shareholders of the business, the EBT owns a proportion of the 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.

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 local suppliers through to our staff and customers, benefit from their contact with the Company and have their lives enriched by it. No company is perfect, and we strive daily to get closer to the ideal vision that all our people share. We will always want and demand more, so that our business practices match our own expectations, our staff and customer expectations and the needs of the planet.

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

Cosmetic Warriors, through the Lush brand, supports Fair Trade and Community Trade initiatives. We find out what impact our buying has on the people and environment and make responsible decisions regarding from where, from whom and how we purchase ingredients and packaging for Lush.

The is one of the reasons we fight to defend our IP and protect our product from imitations – when competitors try and copy our innovations, they often do so by cutting corners and without regard to the resources they are using. By pursuing litigation against imitations, we can help uphold our commitment to the environment and community by removing the financial benefit to those who wish to 'cash in' quickly without regard to the longer-term impacts of their activities, such as unstainable harvesting of natural resources.

(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.

Directors' Report *(continued)*

Section 172 Reporting Statement *(continued)*

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.

We rigorously defend our IP and conduct business in a way that shows a zero-tolerance policy to infringements. We uphold a high standard of business conduct and pursue these defences through the proper legal processes, and as directors are involved with the proceedings throughout.

(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's 1%, 10% or 80%. We are a privately held, family run business and there is shareholder representation on the Board, along with the EBT, and all decisions are made in the interests of the Company, taking every view into account.

Disclosure of information to auditor

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

Independent 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 Companies Act 2006, s414C to set out in the Company's 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 on pages 1 to 3. These matters relate to the Principal activities, business review and principal risks and uncertainties facing the Company.

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

Lee Baker (Jun 26, 2023 15:06 GMT+1)

Mr L Baker
Director

29 High Street
Poole
Dorset
BH15 1AB

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the 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 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 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 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 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 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 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 Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSMETIC WARRIORS LIMITED

Opinion

We have audited the financial statements of Cosmetic Warriors Limited ("the Company") for the year ended 30 June 2022 which comprise the Statement of comprehensive income, Balance Sheet, Statement of changes in equity, Statement of cash flows and related notes, including the accounting policies in note 23.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its 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 Company 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 Company or to cease its operations, and as they have concluded that 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 its 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 Company's business model and analysed how those risks might affect the 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 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 Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSMETIC WARRIORS LIMITED *(continued)*

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is generated from a single source with simple processes.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test 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, through discussion with the directors and other management (as required by auditing standards) 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.

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

Firstly, the Company 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 Company 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. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Company's activities. 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSMETIC WARRIORS LIMITED *(continued)*

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, 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; 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 7, 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 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 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.

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.

Vivek Kohli

Vivek Kohli
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

26 June 2023

Statement of comprehensive income
for the year ended 30 June 2022

	Note	2022 £000	2021 £000
Turnover	*1*	**22,511**	17,503
Cost of sales		**(9,700)**	(10,702)
Gross profit		**12,811**	6,801
Operating expenses		**(1,829)**	(2,243)
Operating profit	*3*	**10,982**	4,558
Other income	*2*	**260**	597
Net interest receivable and similar items	*2*	**2**	7
Profit before taxation		**11,244**	5,162
Tax on profit	*7*	**(2,305)**	(751)
Profit and total comprehensive income for the financial year		**8,939**	4,411

All results relate to continuing activities.

A statement of changes in equity is given on page 13.

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

Balance sheet
at 30 June 2022

	Note	2022	2022	2021	2021
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*9*		-		-
Tangible assets	*10*		6,400		6,866
Investments	*11*		-		-
			6,400		6,866
Current assets					
Stock	*12*	46		59	
Debtors: amounts falling due within one year	*13*	5,390		6,067	
Cash at bank and in hand		20,122		10,379	
		25,558		16,505	
Creditors: amounts falling due within one year	*14*	(2,878)		(3,267)	
Net current assets			22,680		13,238
Provisions for liabilities	*15*		(416)		(379)
Net assets			28,664		19,725
Capital and reserves					
Called up share capital	*16*		8		8
Treasury share reserve	*16*		1		1
Share premium account			842		842
Capital redemption reserve			3		3
Retained earnings			27,810		18,871
Total equity			28,664		19,725

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

These financial statements on pages 11 to 29 were approved by the Board of Directors on 26 June 2023 and signed on its behalf by:

Lee Baker (Jun 26, 2023 15:06 GMT+1)

Mr L Baker
Director

Cosmetic Warriors Limited
Registered Number - 04165681

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**	**Retained profit £000**	**Total equity £000**
As at 1 July 2020		8	1	842	3	18,510	19,364
Profit for the financial year		-	-	-	-	4,411	4,411
Dividends paid		-	-	-	-	(4,050)	(4,050)
As at 30 June 2021		8	1	842	3	18,871	19,725
Profit for the financial year		-	-	-	-	8,939	**8,939**
As at 30 June 2022		**8**	**1**	**842**	**3**	**27,810**	**28,664**

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

Statement of cash flows
for the year ended 30 June 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Net cash from operating activities	*19*	**11,425**		3,093	
Taxation paid		**(1,418)**		(679)	
Other income		**33**		246	
Net cash generated from operating activities			**10,040**		2,660
Investing activities					
Interest received	*2*	**2**		7	
Purchase of tangible fixed assets	*10*	**(369)**		(205)	
Proceeds		**70**		-	
Net cash used in investing activities			**(297)**		(198)
Financing activities					
Dividends paid to the owners of the Company	*8*	**-**		(4,050)	
Net cash used in financing activities			**-**		(4,050)
Net increase / (decrease) in cash and cash equivalents			**9,743**		(1,588)
Cash and cash equivalents at the beginning of the year			**10,379**		11,967
Cash and cash equivalents at the end of the year			**20,122**		10,379

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

Notes to the financial statements

1 Turnover

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.

Accounting Policies
Licence fee and Royalty income
The Company grants Lush Ltd. an exclusive licence to exploit the Lush brand. In return the Company receives an annual licence fee, plus royalty income for the use of manufacturing and retail intellectual property. Income is recognised on an accruals basis in accordance with the royalty agreement, and is driven by the turnover accruing under the Lush brand.

2 Other income and net interest receivable

	2022	2021
	£000	£000
Settlement receipts	**19**	22
Sales of R&D products	**13**	32
Patent Box & RDEC	**228**	543
Total other income	**260**	597

Net interest receivable

	2022	2021
	£000	£000
Bank interest receivable	**2**	7
Total net interest receivable and similar items	**2**	7

Accounting Policies
Other income
Other income in the Statement of comprehensive income relates to receipts from legal cases arising from the protection of the intellectual property and Lush brand which are recognised upon receipt of settlement, rental income received for the lease of part of the Company's freehold building and other ad hoc product developments undertaken on behalf of companies within the Lush network. The company claims Patent Box relief and R&D credits through it's patentable creations and qualifying R&D activities. RDEC tax credits are recognised in other income.

Notes to the financial statements *(continued)*

3 Operating profit

The operating profit is stated after charging:	**2022**	2021
	£000	£000
Staff costs *(see note 5)*	**5,959**	8,065
IP protection and renewals costs	**1,969**	1,614
Research and product development	**947**	612
Other legal and consultancy costs	**358**	656
Design and branding costs	**444**	100
Depreciation of tangible assets *(see note 10)*	**734**	745

Auditor's remuneration:	**2022**	2021
	£000	£000
Audit of these financial statements	**32**	17
Other services relating to taxation	**-**	30

There were no other services provided to the Company by the Company's auditors.

Accounting Policies
Cost allocation
Cost of sales represents staff costs related to design, product development and IP protection, as well as other design and branding costs, IP protection and renewal costs.

4 Remuneration of directors

	2022	2021
	£000	£000
Directors' emoluments	**1,074**	2,570

The directors received £1,074k *(2021: £2,585k)* for their services to the Company, which included £4k *(2021 £4k)* paid on their behalf to a defined contribution pension scheme.

The aggregate of emoluments received by the Company's highest paid director during the year were £248k *(2021: £656k)*, which included £nil *(2021: £1k)* paid on their behalf to a defined contribution pension scheme. No contributions have been made on behalf of any directors to money purchase schemes in either year.

Three of the directors also performed qualifying services for related party entities, Lush Cosmetics Limited and certain of its subsidiaries, for which they are remunerated through performance related bonuses by these entities. The total amount paid to these directors by the Lush Cosmetics Group was £4,000k for the year ended 30 June 2022. 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. 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*).

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	
	2022	2021
Administration	**84**	76
	84	76

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	**5,229**	7,161
Social security costs	**655**	835
Pension costs	**75**	69
	5,959	8,065

Accounting Policies

The Company provides a range of benefits to employees, including bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

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 as an accruals basis.

Defined contribution pension plans

The Company operates a defined contribution plan for its employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

Bonus arrangements

The Company operates a bonus plan for employees which are recognised through the profit and loss account on an accruals basis.

6 Key management compensation

Key management is considered to comprise of nine members of senior management of the Company *(2021: eight)*, including the directors. The compensation paid or payable by the Company to key management for employee services is shown below:

	2022	2021
	£000	£000
Salaries and other short-term benefits	**1,606**	3,636
Post-employment benefits	**8**	7
	1,614	3,643

The compensation above relates solely to the costs borne by the Company. Key management also performed qualifying services for related party entities, Lush Cosmetics Limited and certain of its subsidiaries, for which they are remunerated through performance related bonuses by these entities.

Notes to the financial statements *(continued)*

6 Key management compensation *(continued)*

The total amount paid to these key management personnel by the Lush Cosmetics Group was £5,000k for the year ended 30 June 2022. 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. 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)*.

7 Tax on profit

Analysis of charge in year;	**2022**	2021
	£000	£000
Current Tax		
UK current tax		
UK current tax on profit for the year	**2,246**	1,084
Adjustments in respect of prior periods	**60**	(299)
Total current tax	**2,306**	785
Deferred tax		
Current year movement in timing differences	**(69)**	(61)
Adjustments in respect of prior periods	**12**	27
Effect of tax rate change	**56**	-
Total deferred tax	**(1)**	(34)
Tax on profit	**2,305**	751

Factors affecting the tax charge for the current year

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

	2022	2021
	£000	£000
Total tax reconciliation		
Profit before taxation	**11,244**	5,162
Total tax at 19% *(2021: 19%)*	**2,136**	981
Effects of:		
Expenses not deductible for tax purposes	**54**	42
Adjustments in respect of prior periods	**72**	(272)
Effect of tax rate change	**43**	
Total tax charge (see above)	**2,305**	751

UK corporation tax rate

The UK deferred tax asset and liability as at 30 June 2022 was calculated at 25% *(2021: 19%)*. An increase in the UK main corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

Notes to the financial statements *(continued)*

7 Tax on profit *(continued)*

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 final dividend for the year ended 30 June 2021 was declared or paid during the year ended 30 June 2022 *(2021: final dividend declared of £273.76 per share, a total of £2,500,000).*

No interim dividend for the year ended 30 June 2022 was declared or paid during the year ended 30 June 2022 *(2021: interim dividend declared of £219.01 per share, a total of £2,000,000).*

9 Intangible assets

	Software costs £000
Cost	
At 1 July 2021	31
Additions	-
At 30 June 2022	**31**
Accumulated amortisation and impairment	
At 1 July 2021	31
Charged in year	-
At 30 June 2022	**31**
Net book value	
At 30 June 2022	**-**
At 30 June 2021	-

Notes to the financial statements *(continued)*

9 Intangible assets *(continued)*

Accounting Policies

Intangible assets 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;
- Software and website costs => 3 years

Impairment

The assets are reviewed for impairment when there are indicators that the carrying value of the asset may not be recoverable, such as when there have been significant 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 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.

Software

Costs associated with maintaining computer software and digital offerings are recognised as an expense as incurred.

10 Tangible assets

	Land, leasehold and freehold buildings £000	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Cost				
At 1 July 2021	4,968	3,954	147	9,070
Additions	14	305	50	369
Disposals	(1)	(141)	(2)	(144)
At 30 June 2022	**4,981**	**4,118**	**195**	**9,294**
Accumulated depreciation				
At 1 July 2021	280	1,829	94	2,204
Provided in year	75	620	39	734
On disposals	-	(41)	(1)	(42)
At 30 June 2022	**355**	**2,408**	**132**	**2,896**
Net book value				
At 30 June 2022	**4,626**	**1,710**	**63**	**6,399**
At 30 June 2021	4,688	2,124	54	6,866

Notes to the financial statements *(continued)*

10 Tangible assets *(continued)*

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 life as follows;
- Freehold buildings => 50 years
- Leasehold costs / improvements => lease term
- 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 tangible and intangible (see note 9) assets are reviewed to determine whether there is any indication of impairment. Depending on the assets role in generating cash the review is conducted on the asset in isolation or as part of a group of assets (cash generating unit - CGU). 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 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.

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.

11 Investments

At 30 June 2022 the Company directly held the following investments in a subsidiary company:

Subsidiary undertakings	Registered Office	Principal activity	Class and percentage of shares held
Tech Warriors Limited	29 The High Street, Poole, Dorset, BH15 1AB, England	Dormant	100 £1 Ordinary - 100%

12 Stocks

	2022 £000	2021 £000
Work in progress	**46**	59
	46	59

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

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.

Stock includes products and furniture being designed and manufactured for use by entities in the Lush Group

Notes to the financial statements *(continued)*

13 Debtors

	2022	2021
	£000	£000
Amounts falling due within one year:		
Amounts owed by related parties	**5,687**	1,141
Other debtors	**86**	87
Prepayments	**228**	173
Accrued income	**(611)**	4,666
Total debtors	**5,390**	6,067

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

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 impairment. Debts are written off when there is no realistic prospect of recovery of the amounts owing.

14 Creditors

	2022	2021
	£000	£000
Amounts falling due within one year:		
Trade creditors	**484**	429
Amounts owed to related parties	**443**	317
Corporation tax	**661**	-
VAT creditor	**272**	333
Other taxation and social security	**184**	1,518
Other creditors	**41**	18
Accruals and deferred income	**793**	652
	2,878	3,267

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

Accounting Policies
Financial liabilities
Trade and other creditors, amounts owed to associates and related parties, bank loans and overdrafts are initially recognised at transaction price.

Notes to the financial statements *(continued)*

15 Provisions for liabilities

	Deferred taxation liability	Dilapidation Provision	Total
	£000	£000	£000
At 1 July 2021	179	200	379
Charged to the statement of comprehensive income	(1)	38	37
At 30 June 2022	**178**	**238**	**416**

Deferred Tax

	Deferred taxation liability
	£000
At 1 July 2021	179
Credit to the profit and loss for the year	(69)
Adjustment in respect of prior years	12
Effect of tax rate change	56
At 30 June 2022	**178**

The elements of the deferred taxation are as follows:	2022	2021
	£000	£000
Differences between accumulated depreciation and capital allowances	200	195
Other timing differences - employer pension contributions	(22)	(16)
	178	179

The amount of the net reversal of deferred tax expected to occur next year is £120k *(2021: £84k)* relating to the reversal of existing timing differences on tangible fixed assets and other timing differences.

Accounting Policies

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.

Deferred tax liabilities

Refer to Note 7 for the accounting policy used for deferred tax liabilities.

Notes to the financial statements *(continued)*

16 Called up share capital

Company

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

Treasury share reserve

The Company has issued 913 £1 ordinary shares to The Cosmetic Warriors Employee Benefit Trust ("EBT"), a discretionary trust set up to acquire and hold Company shares on behalf of the employees of Cosmetic Warriors Limited 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 Cosmetic Warriors Limited shares. The trustees also agree to abstain from voting any shares held by the EBT, unless directed by the directors of the Company.

The Company has accounted for the purchase of the share capital above as if it had purchased the shares directly and holds the shares in a Treasury share reserve.

Notes to the financial statements *(continued)*

17 Commitments and contingent liabilities

a) The Company had capital commitments of £nil as at 30 June 2022 *(£nil as at 30 June 2021)*.

b) The Company has no future lease payments under non-cancellable operating leases. Cosmetic Warriors bear the cost of various leases relating to printing equipment and buildings they occupy. However, the legal title of these leases belongs to related parties within the Lush Cosmetics Group and therefore Cosmetic Warriors have no legal commitment under these leases.

Accounting Policies

The nature of 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.

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 of 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.

18 Pension scheme

For part of the year, the Company was 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. For the remainder of the year Cosmetic Warriors made contributions to its own defined contribution pension scheme in respect of the same employees. The pension charge for the year represents contributions payable by the Company to the schemes and amounted to £75k *(2021: £69k)*. There were £18k of outstanding employer contributions and employee deductions payable by the Company to the scheme at the end of the financial year *(2021: £16k)*.

Accounting Policies

Refer to Note 5 for the accounting policy used for pension schemes and similar arrangements.

Notes to the financial statements *(continued)*

19 Notes to the cash flow statement

	2022 £000	2021 £000
Reconciliation of operating profit to net cash flow from operating activities		
Profit for the financial year	**8,939**	4,411
Tax on profit	**2,305**	751
Net interest expense	**(2)**	(7)
Other income	**(260)**	(597)
Operating profit	**10,982**	4,558
Depreciation of tangible assets	**734**	745
Loss on disposal of tangible assets	**32**	-
Decrease in stock	**13**	20
Decrease / (increase) in debtors	**677**	(3,970)
(Decrease) / increase in creditors (excluding tax related items)	**(1,012)**	1,740
Net cash flow from operating activities	**11,426**	3,093

20 Related party disclosures

The following companies are deemed to be related parties due to the fact that the Company shares common shareholders.

	Sales 2022 £000	Sales 2021 £000	**Other recharges 2022 £000**	Other recharges 2021 £000	**Balance Dr/(Cr) 2022 £000**	Balance Dr/(Cr) 2021 £000
Lush Ltd.	**22,511**	17,503	**4,785**	(762)	**5,271**	876
Lush Manufacturing Limited	**2**	4	**(151)**	(287)	**(41)**	(59)
Lush Retail Limited	**11**	26	**14**	(42)	**6**	36
Lush GbmH	-	-	-	17	-	-
ECC Records Limited	-	-	**(28)**	-	-	-
Lush Cosmetics Limited	-	-	**4**	-	**13**	9
Lush Global Digital Limited	-	-	**(175)**	(167)	**(26)**	(38)
Lush Japan Co. Limited	-	-	-	(11)	-	-
Lush Manufaktura d.o.o	-	-	-	(3)	-	-
Fersk Kosmetikk AS	-	-	-	2	-	-
Lush Spain	-	-	**1**	-	-	-

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, these transactions are considered to be sales for the purpose of the table above.

Recharges with Lush Cosmetics Limited are in respect of common legal expenses split between Cosmetic Warriors Limited and Lush Cosmetics 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.

Notes to the financial statements *(continued)*

20 Related party disclosures *(continued)*

Transactions with directors

Within the transactions set out above are rental recharges from Lush Ltd. in the year amounting to £77k *(2021: £74k)*. These amounts include rent paid for properties jointly owned by Mr M Constantine and Mrs M Constantine amounting to £9k *(2021: £4k)*.

In addition to the amounts disclosed in the table above, the Company has previously had a short-term debtor account with the directors. At 30 June 2022, the amounts due from the directors totalled £15k *(2021: £nil)*. Any balance would be considered to be repayable on demand and interest free.

A further balance of £20k is receivable from a director of the Company relating to shares in the Company issued to the director in previous reporting periods.

Accounting Policies

The Company discloses transactions with related parties. 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.

21 Post balance sheet events

Facility provided to Related Party Entity

The Company has agreed to provide an unsecured seasonal facility of £22,000,000 to Lush Ltd., a related party entity, 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 by Lush Ltd. 30 days from the signing of the agreement.

22 Ultimate controlling party

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

Notes to the financial statements *(continued)*

23 General accounting policies

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 financial statements of 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 (see below), under the historical cost accounting rules.

The Company is not required to prepare consolidated financial statements under s405 of the Companies Act 2006 and FRS102, on the basis that its subsidiary is not material for the purpose of giving a true and fair view. These financial statements are the Company's separate financial statements.

Management do not consider that any critical accounting estimates are required in the preparation of these financial statements.

Going Concern

The Company is the owner of the "Lush" brand which is licenced to Lush Limited, a company within the Lush Cosmetics Limited Group (Lush Group). The directors of Lush Group have not identified a material uncertainty in relation to going concern in the consolidated 30 June 2022 annual report and financial statements. However, the Company's income is currently dependent on Lush Group turnover and therefore the Company may receive reduced future income, and therefore reduced cash, in the event of any downturn in the Lush Group performance.

The Company has significant cash reserves and the board has agreed to provide Lush Group with a seasonal lending 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. This will provide future interest income for the Company at a market rate and provide Lush Group with an extra source of financing.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements. These forecasts take account of reasonably possible downsides which include a reduction in receivables collected from Lush as a result of the impact of Lush Group stress testing and the provision of the seasonal facility explained above.

Taking account of these cash flow forecasts the directors are confident that the 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.

c) Employee Benefit Trust

The Company has issued 913 £1 ordinary shares to The Cosmetic Warriors Employee Benefit Trust ("EBT"), a discretionary trust set up to acquire and hold Company shares on behalf of the employees of Cosmetic Warriors Limited 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 Cosmetic Warriors Limited shares. 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 Company is considered to have de facto control over the Trust. As such the assets and liabilities of the EBT have been included as part of the results of the Company.

d) Foreign currency

Functional and presentation currency

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

Notes to the financial statements *(continued)*

23 General accounting policies *(continued)*

e) Critical accounting estimates and assumptions

Estimates and judgements are based on historical experience and other factors, including reasonable expectations of future events. The directors consider that there have been no estimates or judgements made that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.