

PROFESSIONAL BEAUTY SYSTEMS LIMITED

COMPANY NUMBER 80712

REGISTERED OFFICE 82/90 KELVIN AVENUE
HILLINGTON INDUSTRIAL ESTATE
GLASGOW
G52 4LT

AUDITORS BLUEPRINT AUDIT LIMITED
UNIT 3, GATEWAY BUSINESS PARK
BEANCROSS ROAD
GRANGEMOUTH
FK3 8WX

**ACCOUNTANTS AND
BUSINESS ADVISERS** TENON LIMITED
UNIT 3, GATEWAY BUSINESS PARK
BEANCROSS ROAD
GRANGEMOUTH
FK3 8WX

ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30TH SEPTEMBER 2003

CONTENTS	PAGE
Directors' Report	2 - 3
Auditors' Report	4
Abbreviated Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Accounts	8 - 16



PROFESSIONAL BEAUTY SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2003

The directors present their report and the audited financial statements for the year ended 30th September 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company continues to be the manufacture and sale of professional haircare and beauty products to the trade.

During the course of this year the Company had been preparing its new production facility. This has now been completed and was fully occupied in December 2003. This will result in additional production capacity being available.

During the period covered by these accounts turnover has shown significant growth and the directors are continuing to seek out opportunities to grow the business by developing new lines.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

POST BALANCE SHEET EVENTS

Subsequent to the year-end the company has established an Employee Benefit Trust to assist in the reward and motivation of the company's employees.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the company were as stated below:

	Ordinary shares	
	At 30th Sep '03	At 1st Oct '02
Gerard Patrick Hegarty	-	-
Brian Aitken	-	-
Stephen James MacDonough	-	-

The directors have the following interest in shares in the ultimate parent undertaking - Salon Services (Holdings) Limited:

Gerard Patrick Hegarty - 1,544 shares, Brian Aitken - 25 shares and Stephen James MacDonough - 6 shares.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

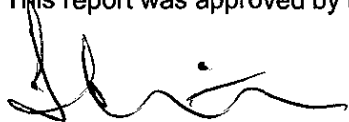
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The company has by elective resolution under Section 386(1) of the Companies Act 1985 dispensed with the annual reappointment of the auditors. Blueprint Audit Limited will be deemed to be reappointed for each succeeding financial year.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

This report was approved by the Board on 20th July 2004 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'B. Aitken', with a stylized flourish at the end.

BRIAN AITKEN
COMPANY SECRETARY

**INDEPENDENT AUDITORS' REPORT TO PROFESSIONAL BEAUTY SYSTEMS LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts set out on pages 5 to 16, together with the financial statements of Professional Beauty Systems Limited for the year ended 30th September 2003 prepared under Section 226 of the Companies Act 1985.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the accounts, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 30th September 2003, and the abbreviated accounts on pages 5 to 16 are properly prepared in accordance with that provision.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



**BLUEPRINT AUDIT LIMITED
REGISTERED AUDITOR
GRANGEMOUTH**

Dated: 20th July 2004

PROFESSIONAL BEAUTY SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 2003**

	Note	2003 £	2002 £
GROSS PROFIT		1,880,572	1,541,924
Administrative expenses		(1,466,167)	(1,300,223)
OPERATING PROFIT	2	414,405	241,701
Interest payable and similar charges	3	(50,397)	(3,327)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		364,008	238,374
Tax on profit on ordinary activities	5	(90,516)	(72,004)
RETAINED PROFIT FOR THE YEAR		273,492	166,370
Retained profit brought forward		1,471,051	1,304,681
RETAINED PROFIT CARRIED FORWARD		1,744,543	1,471,051

All amounts relate to continuing activities.

There are no recognised gains or losses other than the profits for the above two financial years.

The notes on pages 8 to 16 form an integral part of these accounts.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

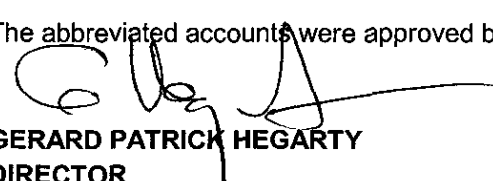
BALANCE SHEET

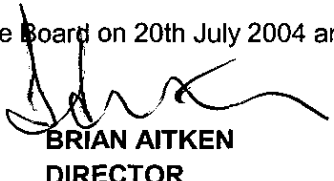
AS AT 30TH SEPTEMBER 2003

	Note	2003		2002	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		1,947,645		207,078
CURRENT ASSETS					
Stocks	8	558,971		407,293	
Debtors	9	1,281,521		1,310,474	
Cash at bank and in hand		440		57,321	
		<u>1,840,932</u>		<u>1,775,088</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(734,417)</u>		<u>(483,489)</u>	
NET CURRENT ASSETS			<u>1,106,515</u>		<u>1,291,599</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,054,160</u>		<u>1,498,677</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		(1,278,505)		(10,486)
PROVISION FOR LIABILITIES AND CHARGES	12		(31,012)		(17,040)
NET ASSETS			<u><u>1,744,643</u></u>		<u><u>1,471,151</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		100		100
Profit and loss account			<u>1,744,543</u>		<u>1,471,051</u>
EQUITY SHAREHOLDERS' FUNDS	14		<u><u>1,744,643</u></u>		<u><u>1,471,151</u></u>

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The abbreviated accounts were approved by the Board on 20th July 2004 and signed on its behalf by


GERARD PATRICK HEGARTY
 DIRECTOR


BRIAN AITKEN
 DIRECTOR

The notes on pages 8 to 16 form an integral part of these accounts.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 2003**

	Notes	2003 £	2002 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		414,405	241,701
Depreciation		61,488	33,856
Increase in stocks		(151,678)	23,370
Increase in debtors		28,953	118,241
Decrease in creditors		(52,919)	(132,890)
NET CASH INFLOW FROM OPERATING ACTIVITIES		300,249	284,278

CASH FLOW STATEMENT

Net cash inflow from operating activities		300,249	284,278
Returns on investments and servicing of finance	17	(50,397)	(3,327)
Taxation	17	(50,143)	(93,596)
Capital expenditure	17	(1,802,054)	(98,123)
		(1,602,345)	89,232
Financing	17	1,395,903	18,350
(Decrease)/Increase in cash in the year		(206,442)	107,582

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 18)

(DECREASE)/INCREASE IN CASH IN THE YEAR		(206,442)	107,582
Cash inflow from decrease in debts and lease financing		(1,395,903)	5,244
Change in net debt resulting from cash flows		(1,602,345)	112,826
New finance leases		-	(23,594)
Movement in net debt in the year		(1,602,345)	89,232
Net funds at 1st October 2002		38,971	(50,261)
NET DEBT AT 30TH SEPTEMBER 2003		(1,563,374)	38,971

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003

1. ACCOUNTING POLICIES

1.1. Accounting convention

The accounts are prepared under the historical cost convention.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

No depreciation is provided on heritable property as the property is maintained in a good state of repair and is increasing in value. In accordance with FRS 15 an annual impairment review under FRS 11 was carried out at the year-end.

Freehold Property	-	Nil
Fittings & Equipment	-	15% Reducing Balance
Motor Vehicles	-	25% Straight Line
Computer Equipment	-	15% Straight Line

1.4. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

1.5. Stock

Stock is valued at the lower of cost and net realisable value.

1.6. Pensions

The company operates a defined contribution scheme. The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.7. Deferred taxation

The company provides for deferred taxation in accordance with FRS 19 which requires full provision for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and the tax computations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003**

1.8. Employee benefit trusts (EBTs)

The company has established trusts for the benefit of employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in trust are determined by the company on the basis of employees past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

2. OPERATING PROFIT	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	61,488	35,197
Auditors' remuneration	2,750	2,700
	<u><u> </u></u>	<u><u> </u></u>
and after crediting:		
Profit/(loss) on disposal of tangible fixed assets	<u><u>-</u></u>	<u><u>1,341</u></u>
 3. INTEREST PAYABLE AND SIMILAR CHARGES	 2003	 2002
	£	£
On bank loans and overdrafts	49,733	3,072
Hire purchase interest	664	255
	<u><u>50,397</u></u>	<u><u>3,327</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003

4. EMPLOYEES

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2003 Number	2002 Number
Administration	4	4
Production	70	64
	<u>74</u>	<u>68</u>

Employment costs

	2003 £	2002 £
Wages and salaries	808,844	724,363
Social security costs	59,911	53,878
Other pension costs	13,084	8,517
	<u>881,839</u>	<u>786,758</u>

4.1. DIRECTORS' EMOLUMENTS

	2003 £	2002 £
Remuneration and other emoluments	53,710	85,853
Pension contributions	10,084	6,478
	<u>63,794</u>	<u>92,331</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>1</u>	<u>1</u>

5. TAXATION

UK current year taxation

	2003 £	2002 £
UK Corporation Tax at 30% (2002 - 30%)	76,544	50,142
Payment in respect of group relief	-	16,500
Transfer to deferred taxation	13,972	5,362
	<u>90,516</u>	<u>72,004</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003**

6. TANGIBLE FIXED ASSETS

	Freehold Property	Fittings & Equipment	Motor Vehicles	Computer Equipment	Total
	£	£	£	£	£
Cost or revaluation					
At 1st October 2002	-	310,067	36,068	7,533	353,668
Additions	1,264,600	537,454	-	-	1,802,054
At 30th September 2003	1,264,600	847,521	36,068	7,533	2,155,722
Depreciation					
At 1st October 2002	-	134,808	7,030	4,752	146,590
Charge for the period	-	51,738	9,016	733	61,487
At 30th September 2003	-	186,546	16,046	5,485	208,077
Net book values					
At 30th September 2003	1,264,600	660,975	20,022	2,048	1,947,645
At 30th September 2002	-	175,259	29,038	2,781	207,078

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2003		2002	
	Net	Depreciation	Net	Depreciation
	book value £	charge £	book value £	charge £
Motor Vehicles	18,138	7,773	25,911	5,182

7. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings Shares	Total
	£	£
Cost		
At 1st October 2002 & At 30th September 2003	100	100
Provisions for diminution in value:		
At 1st October 2002 & At 30th September 2003	100	100

PROFESSIONAL BEAUTY SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003**

7.1. Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Description of trade
Subsidiary undertaking		
Salon Services (Franchising) Limited	Scotland	Sale of Hair & Beauty Supplies through franchised units bearing the Salon Services name.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Shares held	Profit/(Loss)
	£	Class	for the year
		%	£
Salon Services (Franchising) Limited	(27,731)	Ordinary 100%	110,863

8. STOCKS

	2003	2002
	£	£
Finished goods and goods for resale	558,971	407,293

9. DEBTORS

	2003	2002
	£	£
Trade debtors	908,336	922,902
Amounts owed by group undertakings	367,833	368,000
Other debtors	1,954	11,999
Prepayments and accrued income	3,398	7,573
	1,281,521	1,310,474

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003

10. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR

	2003 £	2002 £
Bank overdraft	149,561	-
Bank loan	127,500	-
Net obligations under finance leases and hire purchase contracts	8,248	7,864
Trade creditors	248,196	181,023
Amounts owed to group undertaking	-	91,088
Corporation tax	76,544	50,142
Accruals and deferred income	124,368	153,372
	<u>734,417</u>	<u>483,489</u>

The bank overdraft & loan noted above are secured by a bond and floating charge over all the group companies and a standard security over various group properties.

11. CREDITORS: AMOUNTS FALLING DUE
AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Bank loan	1,276,650	-
Net obligations under finance leases and hire purchase contracts	1,855	10,486
	<u>1,278,505</u>	<u>10,486</u>

Loans

Repayable in one year or less, or on demand (Note 10)	127,500	-
Repayable between one and two years	170,000	-
Repayable between two and five years	510,000	-
Repayable in five years or more	596,650	-
	<u>1,404,150</u>	<u>-</u>

The bank loan noted above is secured by a bond and floating charge over all the group companies and a standard security over various group properties.

**Net obligations under finance leases
and hire purchase contracts**

Repayable within one year	8,248	7,864
Repayable between one and five years	1,855	10,486
	<u>10,103</u>	<u>18,350</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is analysed over the following timing differences:

	Provided	
	2003	2002
	£	£
Accelerated capital allowances	31,012	17,040

Movements on the provision for deferred taxation are:

	2003	2002
	£	£
At 1st October 2002	17,040	11,678
Transferred from profit and loss account	13,972	5,362
At 30th September 2003	31,012	17,040

13. SHARE CAPITAL

	2003	2002
	£	£
Authorised equity		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid equity		
100 Ordinary shares of £1 each	100	100

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the year	273,492	166,370
Opening shareholders' funds	1,471,151	1,304,781
	1,744,643	1,471,151
Analysis of shareholders funds:		
Equity	1,744,643	1,471,151

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003

15. CAPITAL COMMITMENTS

	2003 £	2002 £
Details of capital commitments at the accounting date are as follows:		
Contracted for but not provided in the financial statements	188,538	-

At the year end the company had entered into a contract for further improvements to their new premises.

16. CONTINGENT LIABILITIES

There is a contingent liability of £930,428 (2002: £2,678,413) in respect of letters of guarantee and letters of offset, given to the bank covering various group members.

17. GROSS CASH FLOWS

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest paid	(50,397)	(3,327)
Taxation		
Corporation tax paid	(50,143)	(93,596)
Capital expenditure		
Payments to acquire tangible assets	(1,802,054)	(105,624)
Receipts from sales of tangible assets	-	7,501
	(1,802,054)	(98,123)
Financing		
New long term bank loan	1,531,650	-
Repayment of long term bank loan	(127,500)	-
Repayment of hire purchase contracts and finance leases	(8,247)	(5,244)
New hire purchase contracts and finance leases	-	23,594
	1,395,903	18,350

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2003**

18. ANALYSIS OF CHANGES IN NET DEBT

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	57,321	(56,881)	-	440
Overdrafts	-	(149,561)	-	(149,561)
	<u>57,321</u>	<u>(206,442)</u>	<u>-</u>	<u>(149,121)</u>
Debt due within one year	-	(127,500)	-	(127,500)
Debt due after one year	-	127,500	(1,404,150)	(1,276,650)
Finance leases	(18,350)	8,247	-	(10,103)
	<u>(18,350)</u>	<u>8,247</u>	<u>(1,404,150)</u>	<u>(1,414,253)</u>
Net debt	<u>38,971</u>	<u>(198,195)</u>	<u>(1,404,150)</u>	<u>(1,563,374)</u>

19. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Salon Services (Holdings) Limited, a company which is registered in Scotland.

20. POST BALANCE SHEET EVENTS

Subsequent to the year-end the company has established an Employee Benefit Trust to assist in the reward and motivation of the company's employees.