

PROFESSIONAL BEAUTY SYSTEMS LIMITED

COMPANY NUMBER SC080712

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

AUDITORS TENON 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 2005

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PROFESSIONAL BEAUTY SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2005

The directors present their report and the audited financial statements for the year ended 30th September 2005.

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 year covered by these accounts the company maintained the level of its turnover at last year's levels. The directors are investigating a number of new trading opportunities which should improve turnover in the coming year.

RESULTS AND DIVIDENDS

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

The directors do not recommend payment of a dividend.

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 '05	At 1st Oct '04
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 - 50 shares.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the company contributed £1,500 to charities.

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.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2005

AUDITORS

The company has by elective resolution under Section 386(1) of the Companies Act 1985 dispensed with the annual reappointment of the auditors. Tenon 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 10th August 2006 and signed on its behalf by



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 14, together with the financial statements of Professional Beauty Systems Limited for the year ended 30th September 2005 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.

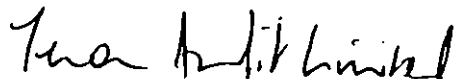
BASIS OF OPINION

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 2005, and the abbreviated accounts on pages 5 to 14 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.



**TENON AUDIT LIMITED
REGISTERED AUDITOR
GRANGEMOUTH**

Dated: 10th August 2006

PROFESSIONAL BEAUTY SYSTEMS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 2005**

	Note	2005 £	2004 £
GROSS PROFIT		2,703,562	2,810,431
Administrative expenses		(2,011,066)	(1,938,323)
OPERATING PROFIT	2	692,496	872,108
Interest payable and similar charges	3	(88,426)	(78,258)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		604,070	793,850
Tax on profit on ordinary activities	5	(176,985)	(252,544)
RETAINED PROFIT FOR THE YEAR		427,085	541,306
Retained profit brought forward		2,285,849	1,744,543
RETAINED PROFIT CARRIED FORWARD		2,712,934	2,285,849

All amounts relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30TH SEPTEMBER 2005**

	2005 £	2004 £
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	427,085	541,306
Unrealised movement on revaluation of property	98,600	-
Total recognised gains relating to the year	525,685	541,306

The notes on pages 7 to 14 form an integral part of these accounts.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

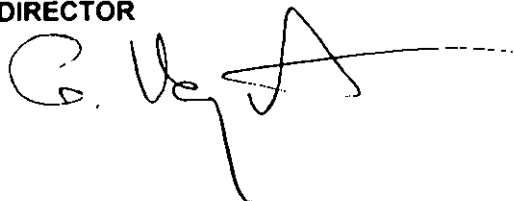
**BALANCE SHEET
AS AT 30TH SEPTEMBER 2005**

	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		2,240,215		2,087,623
CURRENT ASSETS					
Stocks	8	782,083		1,102,672	
Debtors	9	1,663,272		1,498,063	
Cash at bank and in hand		168,414		9,889	
		<u>2,613,769</u>		<u>2,610,624</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(728,731)</u>		<u>(946,968)</u>	
NET CURRENT ASSETS			<u>1,885,038</u>		<u>1,663,656</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,125,253</u>		<u>3,751,279</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11		<u>(1,232,500)</u>		<u>(1,402,500)</u>
PROVISION FOR LIABILITIES AND CHARGES	12		<u>(81,119)</u>		<u>(62,830)</u>
NET ASSETS			<u><u>2,811,634</u></u>		<u><u>2,285,949</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		100		100
Revaluation reserve	14		98,600		-
Profit and loss account	14		<u>2,712,934</u>		<u>2,285,849</u>
EQUITY SHAREHOLDERS' FUNDS	15		<u><u>2,811,634</u></u>		<u><u>2,285,949</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 10th August 2006 and signed on its behalf by

GERARD PATRICK HEGARTY
DIRECTOR



BRIAN AITKEN
DIRECTOR



The notes on pages 7 to 14 form an integral part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

1. ACCOUNTING POLICIES

1.1. Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cashflow statement because group consolidated financial statements are prepared. The company is entitled to the exemption under Section 228 of the Companies Act 1985 from the obligation to prepare group accounts. Group accounts are prepared by the ultimate holding company, Salon Services (Holdings) Ltd.

1.2. Turnover

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

1.3. Tangible fixed assets and depreciation

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

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

On adoption of FRS 15, the group revalued its properties to open market value. This valuation basis will be maintained and no depreciation will be charged. In accordance with FRS 15, an annual impairment review under FRS 11 was carried out at the year end.

1.4. Stock

Raw materials and finished goods

Stocks are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of the materials and an appropriate proportion of production overheads, where applicable.

1.5. 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.

1.6. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. No deferred tax asset is included in these financial statements as its recoverability at this stage is relatively uncertain.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005**

2. OPERATING PROFIT	2005	2004
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	143,911	142,249
Loss/(profit) on disposal of tangible fixed assets	-	9,531
Auditors' remuneration	2,750	2,750
	<u>143,911</u>	<u>151,780</u>
3. INTEREST PAYABLE AND SIMILAR CHARGES	2005	2004
	£	£
On bank loans and overdrafts	86,906	77,594
Hire purchase interest	1,520	664
	<u>88,426</u>	<u>78,258</u>
4. EMPLOYEES		
Number of employees		
The average monthly numbers of employees (including the directors) during the year were:		
	2005	2004
	Number	Number
Administration	4	4
Production	71	75
	<u>75</u>	<u>79</u>
Employment costs	2005	2004
	£	£
Wages and salaries	1,055,123	1,014,239
Social security costs	83,435	76,977
Other pension costs	6,057	4,675
	<u>1,144,615</u>	<u>1,095,891</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005**

4.1. DIRECTORS' EMOLUMENTS

	2005	2004
	£	£
Remuneration and other emoluments	29,584	17,495
	<u> </u>	<u> </u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	1	1
	<u> </u>	<u> </u>

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2005	2004
	£	£
(a) Analysis of charge in the year		
Current tax:		
In respect of the year:		
UK Corporation Tax based on the results for the year 30% (2004 - 30%)	158,696	220,726
Transfer to deferred taxation	18,289	31,818
	<u> </u>	<u> </u>
Tax on Profit on ordinary activities	176,985	252,544
	<u> </u>	<u> </u>

(b) Factors affecting current tax charge

The tax assessed on the Profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (30th September 2004 - 30%).

	2005	2004
	£	£
Profit on ordinary activities before taxation	604,070	793,851
	<u> </u>	<u> </u>
Profit on ordinary activities by rate of tax	181,221	238,155
Expenses not deductible for tax purposes	555	5,884
Capital allowances for the year in excess of depreciation	(23,080)	(23,313)
	<u> </u>	<u> </u>
	158,696	220,726
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

6. TANGIBLE FIXED ASSETS

	Property	Fittings & Equipment	Motor Vehicles	Computer Equipment	Total
	£	£	£	£	£
Cost					
At 1st October 2004	1,266,400	1,106,108	36,068	4,918	2,413,494
Additions	-	172,978	-	24,925	197,903
Revaluation	98,600	-	-	-	98,600
At 30th September 2005	1,365,000	1,279,086	36,068	29,843	2,709,997
Depreciation					
At 1st October 2004	-	298,517	25,070	2,284	325,871
Charge for the period	-	133,516	8,412	1,983	143,911
At 30th September 2005	-	432,033	33,482	4,267	469,782
Net book values					
At 30th September 2005	1,365,000	847,053	2,586	25,576	2,240,215
At 30th September 2004	1,266,400	807,591	10,998	2,634	2,087,623

Property was revalued during the year by Culverwell Property Consultants on the basis of open market value. Deferred tax has not been provided on the revalued property on the basis that there are no plans to sell the property at this time and any subsequent sale would qualify for rollover relief.

The historical cost of the assets revalued is £1,266,400 (2004: - £1,266,400).

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

Asset description	2005		2004	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor Vehicles	-	-	10,362	7,776

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

7. FIXED ASSET INVESTMENTS

	Subsidiary Undertakings Shares	Total
	£	£
Cost		
At 1st October 2004 & At 30th September 2005	100	100
Provisions for diminution in value:		
At 1st October 2004 & At 30th September 2005	100	100

7.1. Holdings of 20% or more

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

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 Class	%	Profit/(Loss) for the year £
Salon Services (Franchising) Limited	417,584	Ordinary	100%	259,074

8. STOCKS

	2005 £	2004 £
Raw materials and consumables	508,226	790,029
Finished goods	273,857	312,643
	782,083	1,102,672

PROFESSIONAL BEAUTY SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005**

9. DEBTORS

	2005 £	2004 £
Trade debtors	483,039	408,372
Amounts owed by group undertakings	1,169,639	1,083,288
Other debtors	9,938	4,788
Prepayments and accrued income	655	1,615
	<u>1,663,271</u>	<u>1,498,063</u>

**10. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR**

	2005 £	2004 £
Bank loan	170,000	170,000
Net obligations under finance leases and hire purchase contracts	-	1,855
Trade creditors	155,523	351,262
Corporation tax	158,697	220,726
Accruals and deferred income	244,511	203,125
	<u>728,731</u>	<u>946,968</u>

The bank loan is secured by a standard security over the property, a bond and floating charge over all the group companies and a standard security over various group properties, and is subject to an interest rate of 1.75% over bank base rate.

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

	2005 £	2004 £
Bank loan	<u>1,232,500</u>	<u>1,402,500</u>
Loans		
Repayable in one year or less, or on demand (Note 10)	170,000	170,000
Repayable between one and two years	170,000	170,000
Repayable between two and five years	510,000	510,000
Repayable in five years or more	552,500	722,500
	<u>1,402,500</u>	<u>1,572,500</u>

For details of the security, refer to note 11.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is analysed over the following timing differences:

	Provided	
	2005	2004
	£	£
Accelerated capital allowances	<u>81,119</u>	<u>62,830</u>
Movements on the provision for deferred taxation are:		
	2005	2004
	£	£
At 1st October 2004	62,830	31,012
Transferred from profit and loss account	<u>18,289</u>	<u>31,818</u>
At 30th September 2005	<u>81,119</u>	<u>62,830</u>

13. SHARE CAPITAL

	2005	2004
	£	£
Authorised equity		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid equity		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. EQUITY RESERVES

	Revaluation reserve	Profit and loss account	Total
	£	£	£
At 1st October 2004	-	2,285,849	2,285,849
Revaluations for the year	98,600	-	98,600
Retained profit for the year	-	427,085	427,085
At 30th September 2005	<u>98,600</u>	<u>2,712,934</u>	<u>2,811,534</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for the year	427,085	541,306
Other recognised gains or losses	98,600	-
Net addition to shareholders' funds	525,685	541,306
Opening shareholders' funds	2,285,949	1,744,643
Closing shareholders' funds	2,811,634	2,285,949
Analysis of shareholders funds:		
Equity	2,811,634	2,285,949

16. CONTINGENT LIABILITIES

There is a contingent liability of £4,161,542 (2004: £2,217,115) in respect of letters of guarantee and letters of offset, given to the bank covering various group members. In addition, the company is included within the security granted to the bank in the form of bond and floating charge over the assets of the group and a standard security over various group properties.

17. ULTIMATE PARENT UNDERTAKING

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