

PROFESSIONAL BEAUTY SYSTEMS LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2006

Company Registration Number SC080712



Tenon Limited
Accountants and Business Advisers
2 Blythswood Square
Glasgow
G2 4AD

PROFESSIONAL BEAUTY SYSTEMS LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2006

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PROFESSIONAL BEAUTY SYSTEMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2006

The directors present their report and the financial statements of the company for the year ended 30 September 2006

Principal activities and business review

The principal activities of the company during the year were the manufacture and sale of professional haircare and beauty products to the trade

During the course of the year the company continued to manufacture and sell professional haircare and beauty products to the trade which grew by 1.3% in terms of turnover and by 0.4% in terms of its profit before tax

At the year end the company had shareholders funds of £3,234,231 including distributable profits of £3,135,531. The directors therefore believe the company's position to be satisfactory especially as the company's net current assets exceed its current liabilities by £1,197,915

The directors have assessed the main risk facing the company as being competition from similar manufacturing companies. Many competing companies are operating in a lower cost based environment and are able to sell similar products to those offered by the company at competitive prices

The directors believe that the quality of our products and customer service will help mitigate this risk and hope to see continued growth and satisfactory trading results in the coming year

Results and dividends

The profit for the year, after taxation, amounted to £422,597. The directors have not recommended a dividend

Financial risk management objectives and policies

The company finances its operations through a mixture of retained profits and operational bank accounts and, where necessary to fund expansion or capital expenditure programmes, through bank borrowings. The management's objectives are to

- retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due whilst maximising returns on surplus funds, and

- minimise the company's exposure to fluctuating interest rates when seeking new borrowings, and

- match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the company's trading activities

Directors

The directors who served the company during the year were as follows

Gerard Patrick Hegarty

Brian Aitken

Stephen James MacDonough

PROFESSIONAL BEAUTY SYSTEMS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2006

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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

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 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.

In so far as the directors, individually, are aware

there is no relevant audit information of which the company's auditor is unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Auditor

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.

Signed by order of the directors



Brian Aitken
Company Secretary

Approved by the directors on 30 October 2007

PROFESSIONAL BEAUTY SYSTEMS LIMITED
INDEPENDENT AUDITOR'S REPORT TO PROFESSIONAL BEAUTY
SYSTEMS LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 4 to 14, together with the financial statements of Professional Beauty Systems Limited for the year ended 30 September 2006 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditor

The directors are responsible for preparing the 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 abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
2 Blythswood Square
Glasgow
G2 4AD

30 October 2007

PROFESSIONAL BEAUTY SYSTEMS LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2006

	Note	2006 £	2005 £
Gross profit		2,702,585	2,703,562
Administrative expenses		(2,001,241)	(2,011,066)
Operating profit	2	701,344	692,496
Interest payable and similar charges	5	(94,802)	(88,426)
Profit on ordinary activities before taxation		606,542	604,070
Tax on profit on ordinary activities	6	(183,945)	(176,985)
Profit for the financial year		<u>422,597</u>	<u>427,085</u>

All of the activities of the company are classed as continuing

The notes on pages 7 to 14 form part of these abbreviated accounts

PROFESSIONAL BEAUTY SYSTEMS LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 SEPTEMBER 2006

	2006 £	2005 £
Profit for the financial year attributable to the shareholders	422,597	427,085
Unrealised profit on revaluation of certain fixed assets	<u>—</u>	<u>98,600</u>
Total gains and losses recognised since the last annual report	<u>422,597</u>	<u>525,685</u>

The notes on pages 7 to 14 form part of these abbreviated accounts

PROFESSIONAL BEAUTY SYSTEMS LIMITED

ABBREVIATED BALANCE SHEET

30 SEPTEMBER 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	7		2,142,870		2,240,215
Investments	8		—		—
			<u>2,142,870</u>		<u>2,240,215</u>
Current assets					
Stocks	9	775,553		782,083	
Debtors	10	2,049,256		1,663,272	
Cash at bank and in hand		225,079		168,414	
		<u>3,049,888</u>		<u>2,613,769</u>	
Creditors: Amounts falling due within one year	11	(1,851,973)		(728,731)	
Net current assets			1,197,915		1,885,038
Total assets less current liabilities			<u>3,340,785</u>		<u>4,125,253</u>
Creditors: Amounts falling due after more than one year	12		(17,436)		(1,232,500)
			<u>3,323,349</u>		<u>2,892,753</u>
Provisions for liabilities					
Deferred taxation	14		(89,118)		(81,119)
			<u>3,234,231</u>		<u>2,811,634</u>
Capital and reserves					
Called up share capital	17		100		100
Revaluation reserve			98,600		98,600
Profit and loss account	18		3,135,531		2,712,934
Shareholders' funds	19		<u>3,234,231</u>		<u>2,811,634</u>

These abbreviated accounts have been prepared in accordance with the special provisions for medium sized companies under Part VII of the Companies Act 1985

These abbreviated accounts were approved by the directors and authorised for issue on 30 October 2007, and are signed on their behalf by



Gerard Patrick Hegarty
Director



Brian Aitken
Director

The notes on pages 7 to 14 form part of these abbreviated accounts

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2006

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards

FRS 21 'Events after the Balance Sheet date'

The adoption of FRS 21 has no material effect on the financial statements of the current or prior year

FRS 25 'Financial Instruments: Disclosure and Presentation'

There has been no impact on the financial statement as a result of adopting FRS 25

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

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

Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows

Hertable Property	Nil
Fixtures and Equipment	15% Reducing Balance
Motor Vehicles	25% Straight Line
Computer Equipment	15% Straight Line

Depreciation is not provided on hertable property as it is the opinion of the directors that the residual value of the property is sufficiently high to make any depreciation charge immaterial. In accordance with FRS 15 an annual impairment review under FRS 11 will be performed

Stocks

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

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2006

1. Accounting policies *(continued)*

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

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.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. Operating profit

Operating profit is stated after charging/(crediting)

	2006	2005
	£	£
Depreciation of owned fixed assets	134,310	143,912
Depreciation of assets held under hire purchase agreements	8,172	-
Profit on disposal of fixed assets	(7,500)	-
Auditors remuneration	6,650	2,750

3. Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	2006	2005
	No	No
Number of production staff	62	71
Number of administrative staff	4	4
	<u>66</u>	<u>75</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2006

3. Particulars of employees (continued)

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	1,062,411	1,033,818
Social security costs	83,705	83,435
Other pension costs	6,055	6,057
	<u>1,152,171</u>	<u>1,123,310</u>

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2006	2005
	£	£
Emoluments receivable	<u>82,978</u>	<u>29,584</u>

The number of directors on whose behalf the company made pension contributions was as follows

	2006	2005
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

5. Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	76,162	86,906
Finance charges	888	1,520
Other similar charges payable	17,752	—
	<u>94,802</u>	<u>88,426</u>

6. Taxation on ordinary activities

(a) Analysis of charge in the year

	2006	2005
	£	£
In respect of the year		
UK Corporation tax	175,946	158,696
Deferred tax		
Origination and reversal of timing differences	<u>7,999</u>	<u>18,289</u>
Tax on profit on ordinary activities	<u>183,945</u>	<u>176,985</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2006

6. Taxation on ordinary activities (continued)

(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% (2005 30%)

	2006 £	2005 £
Profit on ordinary activities before taxation	606,542	604,070
Profit/(loss) on ordinary activities by rate of tax	181,963	181,221
Effects of Expenses not deductible for tax purposes	6,512	555
Capital allowances for period in excess of depreciation	(12,529)	(23,080)
Total current tax (note 6(a))	175,946	158,696

7. Tangible fixed assets

	Heritable Property £	Fixtures & Equipment £	Motor Vehicles £	Computer Equipment £	Total £
Cost or valuation					
At 1 October 2005	1,365,000	1,279,086	36,068	29,843	2,709,997
Additions	—	—	43,591	1,546	45,137
Disposals	—	—	(31,093)	—	(31,093)
At 30 September 2006	1,365,000	1,279,086	48,566	31,389	2,724,041
Depreciation					
At 1 October 2005	—	432,033	33,482	4,267	469,782
Charge for the year	—	127,092	10,758	4,632	142,482
On disposals	—	—	(31,093)	—	(31,093)
At 30 September 2006	—	559,125	13,147	8,899	581,171
Net book value					
At 30 September 2006	1,365,000	719,961	35,419	22,490	2,142,870
At 30 September 2005	1,365,000	847,053	2,586	25,576	2,240,215

The property was revalued during the year ended 30 September 2005 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 (2005 £1,266,400)

If the heritable property was sold at its market value of £1,365,000 without rollover relief there would be no corporation tax would be payable due to indexation allowances.

Hire purchase agreements

Included within the net book value of £2,142,870 is £35,419 (2005 £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the abbreviated accounts in the year in respect of such assets amounted to £8,172 (2005 £Nil).

PROFESSIONAL BEAUTY SYSTEMS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2006

8. Investments

	Unlisted Investments £
Cost	
At 1 October 2005 and 30 September 2006	100
Amounts written off	
At 1 October 2005 and 30 September 2006	100
Net book value	
At 30 September 2006	—

Holdings of 20% or more

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

Subsidiary Undertakings	Country of Registration or Incorporation	Description of Trade
Salon Services (Franchising) Limited	Scotland	Sale of hair and 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

Subsidiary Undertakings	Capital & Reserves	Shares Held Class	%	Profit/(Loss) In Year
Salon Services (Franchising) Limited	£890,454	Ordinary	100%	£472,870

As a result of a group reorganisation post year end, the investment in Salon Services (Franchising) Limited was transferred to another group undertaking

9. Stocks

	2006 £	2005 £
Raw materials	518,359	508,226
Finished goods	257,194	273,857
	<u>775,553</u>	<u>782,083</u>

10. Debtors

	2006 £	2005 £
Trade debtors	390,978	483,039
Amounts owed by group undertakings	1,652,448	1,169,639
Other debtors	4,926	9,939
Prepayments and accrued income	904	655
	<u>2,049,256</u>	<u>1,663,272</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2006

11. Creditors: Amounts falling due within one year

	2006	2005
	£	£
Bank loans	1,232,500	170,000
Trade creditors	300,351	155,523
Corporation tax	81,924	158,697
Hire purchase agreements	13,077	—
Accruals and deferred income	224,121	244,511
	<u>1,851,973</u>	<u>728,731</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2006	2005
	£	£
Bank loans	1,232,500	170,000
Hire purchase agreements	13,077	—
	<u>1,245,577</u>	<u>170,000</u>

12. Creditors: Amounts falling due after more than one year

	2006	2005
	£	£
Bank loans	—	1,232,500
Hire purchase agreements	17,436	—
	<u>17,436</u>	<u>1,232,500</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

Hire purchase creditors are secured over the assets concerned

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2006	2005
	£	£
Bank loans	—	1,232,500
Hire purchase agreements	17,436	—
	<u>17,436</u>	<u>1,232,500</u>

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date

	2006	2005
	£	£
Bank loans	—	552,500

PROFESSIONAL BEAUTY SYSTEMS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2006

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows

	2006	2005
	£	£
Amounts payable within 1 year	13,077	
Amounts payable between 2 to 5 years	17,436	
	<u>30,513</u>	<u>—</u>

14. Deferred taxation

The movement in the deferred taxation provision during the year was

	2006	2005
	£	£
At 1 October 2005	81,119	62,830
Profit and loss account movement arising during the year	7,999	18,289
At 30 September 2006	<u>89,118</u>	<u>81,119</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2006	2005
	£	£
Excess of taxation allowances over depreciation on fixed assets	89,118	81,119
	<u>89,118</u>	<u>81,119</u>

15. Contingencies

There is a contingent liability 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.

16. Related party transactions

The company has taken advantage of the exemption under paragraph 3 of FRS8 "Related Party Disclosures" not to disclose transactions or balances during the year with the other group undertakings.

17. Share capital

Authorised share capital:

	2006	2005
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2006

18. Profit and loss account

	2006 £	2005 £
Balance brought forward	2,712,934	2,285,849
Profit for the financial year	422,597	427,085
Balance carried forward	<u>3,135,531</u>	<u>2,712,934</u>

19. Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	422,597	427,085
Revaluation reserve property revaluation	—	98,600
Net addition to shareholders' funds	<u>422,597</u>	<u>525,685</u>
Opening shareholders' funds	2,811,634	2,285,949
Closing shareholders' funds	<u>3,234,231</u>	<u>2,811,634</u>

20. Ultimate parent company

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

21. Group reorganisation

Post year end, as a result of a group restructuring exercise, the ownership of the company was transferred to Professional Beauty Systems (Holdings) Limited. There was no change in the ultimate controlling party.

22. Ultimate controlling party

The company was under the control of its directors throughout the whole of the current and previous years.