

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**  
**ABBREVIATED ACCOUNTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2007**



**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 2007**

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# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2007

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The directors present their report and the financial statements of the company for the year ended 30 September 2007

### 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 12.8% in terms of turnover and by 4% (excluding the write off of the connected party loan of £1,190,000) in terms of its profit before tax

At the year end the company had shareholders funds of £3,502,032 including distributable profits of £3,501,932. The directors therefore believe the company's position to be satisfactory especially as the company's net current assets exceed its current liabilities by £2,934,720

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 £1,632,801. Particulars of dividends paid are detailed in note 7 to the financial statements

### 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 hire purchase agreements and 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

G P Hegarty  
B Aitken  
S J MacDonough

# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 SEPTEMBER 2007

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### **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 are, individually, aware

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

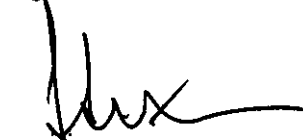
the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 on behalf of the directors



B Aitken  
Company Secretary

Approved by the directors on 8 July 2008

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

**UNDER SECTION 247B OF THE COMPANIES ACT 1985**

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We have examined the abbreviated accounts set out on pages 4 to 17, together with the financial statements of Professional Beauty Systems Limited for the year ended 30 September 2007 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

8 July 2008

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**  
**ABBREVIATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 SEPTEMBER 2007**

|                                                      | Note | 2007<br>£               | 2006<br>£             |
|------------------------------------------------------|------|-------------------------|-----------------------|
| <b>Gross profit</b>                                  |      | 2,944,686               | 2,702,585             |
| Administrative expenses                              |      | (1,116,113)             | (2,001,241)           |
| <b>Operating profit</b>                              | 2    | <u>1,828,573</u>        | <u>701,344</u>        |
| Interest receivable                                  |      | 16,462                  | –                     |
| Interest payable and similar charges                 | 5    | (23,594)                | (94,802)              |
| <b>Profit on ordinary activities before taxation</b> |      | <u>1,821,441</u>        | <u>606,542</u>        |
| Tax on profit on ordinary activities                 | 6    | (188,640)               | (183,945)             |
| <b>Profit for the financial year</b>                 |      | <u><u>1,632,801</u></u> | <u><u>422,597</u></u> |

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 8 to 17 form part of these abbreviated accounts

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

**YEAR ENDED 30 SEPTEMBER 2007**

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|                                                                 | <b>2007</b>      | <b>2006</b>    |
|-----------------------------------------------------------------|------------------|----------------|
|                                                                 | <b>£</b>         | <b>£</b>       |
| Reported profit on ordinary activities before taxation          | 1,821,441        | 606,542        |
| Realisation of revaluation gains recognised in previous periods | 98,600           | -              |
| Historical cost profit on ordinary activities before taxation   | <u>1,920,041</u> | <u>606,542</u> |
| Historical cost profit for the year after taxation              | <u>1,731,401</u> | <u>422,597</u> |

The notes on pages 8 to 17 form part of these abbreviated accounts

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# PROFESSIONAL BEAUTY SYSTEMS LIMITED

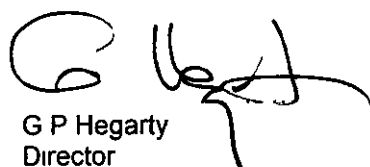
## ABBREVIATED BALANCE SHEET

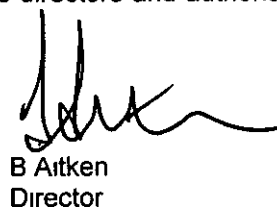
30 SEPTEMBER 2007

|                                                                | Note | 2007<br>£        | £                | 2006<br>£          | £                |
|----------------------------------------------------------------|------|------------------|------------------|--------------------|------------------|
| <b>Fixed assets</b>                                            |      |                  |                  |                    |                  |
| Tangible assets                                                | 8    |                  | 657,209          |                    | 2,142,870        |
| Investments                                                    | 9    |                  |                  |                    |                  |
|                                                                |      |                  | <u>657,209</u>   |                    | <u>2,142,870</u> |
| <b>Current assets</b>                                          |      |                  |                  |                    |                  |
| Stocks                                                         | 10   | 973,856          |                  | 775,553            |                  |
| Debtors                                                        | 11   | 1,807,960        |                  | 2,049,256          |                  |
| Cash at bank and in hand                                       |      | <u>1,081,536</u> |                  | <u>225,079</u>     |                  |
|                                                                |      | 3,863,352        |                  | 3,049,888          |                  |
| <b>Creditors: Amounts falling due within one year</b>          | 12   | <u>(928,632)</u> |                  | <u>(1,851,973)</u> |                  |
| <b>Net current assets</b>                                      |      |                  | 2,934,720        |                    | 1,197,915        |
| <b>Total assets less current liabilities</b>                   |      |                  | 3,591,929        |                    | 3,340,785        |
| <b>Creditors: Amounts falling due after more than one year</b> | 13   |                  | <u>(4,359)</u>   |                    | <u>(17,436)</u>  |
|                                                                |      |                  | 3,587,570        |                    | 3,323,349        |
| <b>Provisions for liabilities</b>                              |      |                  |                  |                    |                  |
| Deferred taxation                                              | 16   |                  | <u>(85,538)</u>  |                    | <u>(89,118)</u>  |
|                                                                |      |                  | <u>3,502,032</u> |                    | <u>3,234,231</u> |
| <b>Capital and reserves</b>                                    |      |                  |                  |                    |                  |
| Called up share capital                                        | 19   |                  | 100              |                    | 100              |
| Revaluation reserve                                            | 20   |                  | —                |                    | 98,600           |
| Profit and loss account                                        | 21   |                  | 3,501,932        |                    | 3,135,531        |
| <b>Shareholders' funds</b>                                     | 22   |                  | <u>3,502,032</u> |                    | <u>3,234,231</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 8 July 2008, and are signed on their behalf by

  
G P Hegarty  
Director

  
B Aitken  
Director

The notes on pages 8 to 17 form part of these abbreviated accounts

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**

**CASH FLOW STATEMENT**

**YEAR ENDED 30 SEPTEMBER 2007**

|                                                                              | Note | 2007     |          | 2006      |           |
|------------------------------------------------------------------------------|------|----------|----------|-----------|-----------|
|                                                                              |      | £        | £        | £         | £         |
| <b>Net cash inflow from operating activities</b>                             | 23   |          | 999,466  |           | 581,310   |
| <b>Returns on investments and servicing of finance</b>                       |      |          |          |           |           |
| Interest received                                                            |      | 16,462   |          | —         |           |
| Interest paid                                                                |      | (22,262) |          | (93,914)  |           |
| Interest element of hire purchase                                            |      | (1,332)  |          | (888)     |           |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |      |          | (7,132)  |           | (94,802)  |
| <b>Taxation</b>                                                              |      |          | (77,709) |           | (252,719) |
| <b>Capital expenditure</b>                                                   |      |          |          |           |           |
| Payments to acquire tangible fixed assets                                    |      | (2,941)  |          | (45,137)  |           |
| Receipts from sale of fixed assets                                           |      | 350      |          | 7,500     |           |
| <b>Net cash outflow from capital expenditure</b>                             |      |          | (2,591)  |           | (37,637)  |
| <b>Cash inflow before financing</b>                                          |      |          | 912,034  |           | 196,152   |
| <b>Financing</b>                                                             |      |          |          |           |           |
| Repayment of bank loans                                                      |      | (42,500) |          | (170,000) |           |
| Capital element of hire purchase                                             |      | (13,077) |          | 30,513    |           |
| <b>Net cash outflow from financing</b>                                       |      |          | (55,577) |           | (139,487) |
| <b>Increase in cash</b>                                                      | 23   |          | 856,457  |           | 56,665    |

The notes on pages 8 to 17 form part of these abbreviated accounts

# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2007

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### 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

#### 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

#### 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

|                        |                      |
|------------------------|----------------------|
| Heritable Property     | Nil                  |
| Fixtures and Equipment | 15% Reducing Balance |
| Motor Vehicles         | 25% Straight Line    |
| Computer Equipment     | 15% Straight Line    |

Depreciation is not provided on heritable property. Although this is a departure from Financial Reporting Standard 15 and the Companies Act 1985 the directors are of the opinion that the treatment reflects a true and fair view. The residual value of the property is sufficiently high to make any depreciation charge immaterial. In accordance with Financial Reporting Standard 15 an annual impairment review under Financial Reporting Standard 11 will be performed

#### Stocks

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

#### 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

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

#### 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

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# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2007

### 1 Accounting policies *(continued)*

#### 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

#### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit

#### 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

#### Investments

Investments are stated at cost less provision for diminution of value if such reduction is deemed to be of a permanent nature

### 2 Operating profit

Operating profit is stated after charging/(crediting)

|                                                            | 2007        | 2006    |
|------------------------------------------------------------|-------------|---------|
|                                                            | £           | £       |
| Depreciation of owned fixed assets                         | 112,706     | 134,310 |
| Depreciation of assets held under hire purchase agreements | 10,896      | 8,172   |
| Profit on disposal of fixed assets                         | (350)       | (7,500) |
| Auditors remuneration                                      | 6,650       | 6,650   |
| Exceptional item                                           | (1,190,000) | —       |

The exceptional item relates to the assumption of the bank loan liability by a fellow group company as part of the group reorganisation of the Salon Services Group in January 2007

### 3. Particulars of employees

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

|                                | 2007      | 2006      |
|--------------------------------|-----------|-----------|
|                                | No        | No        |
| Number of production staff     | 65        | 62        |
| Number of administrative staff | 4         | 4         |
|                                | <u>69</u> | <u>66</u> |

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**  
**NOTES TO THE ABBREVIATED ACCOUNTS**  
**YEAR ENDED 30 SEPTEMBER 2007**

**3. Particulars of employees (continued)**

The aggregate payroll costs of the above were

|                       | <b>2007</b>      | <b>2006</b>      |
|-----------------------|------------------|------------------|
|                       | <b>£</b>         | <b>£</b>         |
| Wages and salaries    | 1,213,070        | 1,062,411        |
| Social security costs | 96,775           | 83,705           |
| Other pension costs   | 18,922           | 6,055            |
|                       | <u>1,328,767</u> | <u>1,152,171</u> |

**4 Directors' emoluments**

The directors' aggregate emoluments in respect of qualifying services were

|                                                                        | <b>2007</b>    | <b>2006</b>   |
|------------------------------------------------------------------------|----------------|---------------|
|                                                                        | <b>£</b>       | <b>£</b>      |
| Aggregate emoluments                                                   | 146,384        | 82,978        |
| Value of company pension contributions to defined contribution schemes | 10,575         | —             |
|                                                                        | <u>156,959</u> | <u>82,978</u> |

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

|                              | <b>2007</b> | <b>2006</b> |
|------------------------------|-------------|-------------|
|                              | <b>No</b>   | <b>No</b>   |
| Defined contribution schemes | <u>2</u>    | <u>1</u>    |

**5. Interest payable and similar charges**

|                                    | <b>2007</b>   | <b>2006</b>   |
|------------------------------------|---------------|---------------|
|                                    | <b>£</b>      | <b>£</b>      |
| Interest payable on bank borrowing | 22,262        | 76,162        |
| Finance charges                    | 1,332         | 888           |
| Other similar charges payable      | —             | 17,752        |
|                                    | <u>23,594</u> | <u>94,802</u> |

**6. Taxation on ordinary activities**

**(a) Analysis of charge in the year**

|                                                | <b>2007</b>    | <b>2006</b>    |
|------------------------------------------------|----------------|----------------|
|                                                | <b>£</b>       | <b>£</b>       |
| In respect of the year                         |                |                |
| UK Corporation tax                             | 191,076        | 175,946        |
| Under provision in prior year                  | 1,144          | —              |
|                                                | <u>192,220</u> | <u>175,946</u> |
| Deferred tax                                   |                |                |
| Origination and reversal of timing differences | (3,580)        | 7,999          |
| Tax on profit on ordinary activities           | <u>188,640</u> | <u>183,945</u> |

# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2007

### 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% (2006 30%)

|                                                             | 2007<br>£ | 2006<br>£ |
|-------------------------------------------------------------|-----------|-----------|
| Profit on ordinary activities before taxation               | 1,821,441 | 606,542   |
| Profit on ordinary activities by rate of tax                | 546,432   | 181,963   |
| Effects of<br>Expenses not deductible for tax purposes      | (358,086) | 6,512     |
| Capital allowances for period in excess of<br>depreciation  | 2,730     | (12,529)  |
| Adjustments to tax charge in respect of previous<br>periods | 1,144     |           |
| Total current tax (note 6(a))                               | 192,220   | 175,946   |

### 7. Dividends

#### Equity dividends

|                                     | 2007<br>£ | 2006<br>£ |
|-------------------------------------|-----------|-----------|
| Paid during the year                |           |           |
| Equity dividends on ordinary shares | 1,365,000 | —         |

The equity dividend relates to the in specie transfer of the company's heritable property

### 8. Tangible fixed assets

|                          | Heritable<br>Property<br>£ | Fixtures and<br>Equipment<br>£ | Motor<br>Vehicles<br>£ | Computer<br>Equipment<br>£ | Total<br>£  |
|--------------------------|----------------------------|--------------------------------|------------------------|----------------------------|-------------|
| <b>Cost or valuation</b> |                            |                                |                        |                            |             |
| At 1 October 2006        | 1,365,000                  | 1,279,086                      | 48,566                 | 31,389                     | 2,724,041   |
| Additions                | —                          | —                              | —                      | 2,941                      | 2,941       |
| Disposals                | (1,365,000)                | —                              | (4,975)                | —                          | (1,369,975) |
| At 30 September 2007     | —                          | 1,279,086                      | 43,591                 | 34,330                     | 1,357,007   |
| <b>Depreciation</b>      |                            |                                |                        |                            |             |
| At 1 October 2006        | —                          | 559,125                        | 13,147                 | 8,899                      | 581,171     |
| Charge for the year      | —                          | 107,988                        | 10,896                 | 4,718                      | 123,602     |
| On disposals             | —                          | —                              | (4,975)                | —                          | (4,975)     |
| At 30 September 2007     | —                          | 667,113                        | 19,068                 | 13,617                     | 699,798     |
| <b>Net book value</b>    |                            |                                |                        |                            |             |
| At 30 September 2007     | —                          | 611,973                        | 24,523                 | 20,713                     | 657,209     |
| At 30 September 2006     | 1,365,000                  | 719,961                        | 35,419                 | 22,490                     | 2,142,870   |

# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2007

### 8. Tangible fixed assets (continued)

In respect of certain fixed assets stated at valuations, the comparable historical cost values are as follows

|                               | 2007<br>£         | 2006<br>£        |
|-------------------------------|-------------------|------------------|
| Net book value at end of year | <u>          </u> | <u>1,365,000</u> |
| Historical cost               | <u>          </u> | <u>1,266,400</u> |

#### Hire purchase agreements

Included within the net book value of £657,209 is £24,523 (2006 £35,419) 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 £10,896 (2006 £8,172)

### 9. Investments

|                            | Goodwill<br>£     |
|----------------------------|-------------------|
| <b>Cost</b>                |                   |
| At 1 October 2006          | 100               |
| Disposals                  | <u>(100)</u>      |
| At 30 September 2007       | <u>          </u> |
| <b>Amounts written off</b> |                   |
| At 1 October 2006          | 100               |
| On disposal                | <u>(100)</u>      |
| At 30 September 2007       | <u>          </u> |
| <b>Net book value</b>      |                   |
| At 30 September 2007       | <u>          </u> |
| At 30 September 2006       | <u>          </u> |

During the year the company disposed of the 100% shareholding in Salon Services (Franchising) Limited as a result of a group reorganisation

### 10. Stocks

|                | 2007<br>£      | 2006<br>£      |
|----------------|----------------|----------------|
| Raw materials  | 587,107        | 518,359        |
| Finished goods | <u>386,749</u> | <u>257,194</u> |
|                | <u>973,856</u> | <u>775,553</u> |

### 11. Debtors

|                                    | 2007<br>£        | 2006<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,693,925        | 390,978          |
| Amounts owed by group undertakings | 650              | 1,652,448        |
| Other debtors                      | 89,242           | 4,926            |
| Prepayments and accrued income     | <u>24,143</u>    | <u>904</u>       |
|                                    | <u>1,807,960</u> | <u>2,049,256</u> |

Included in other debtors is an interest in the ordinary share capital of Vigox BVBA with a cost of £6,370. This investment was sold post year end at a value in excess of its year end book value

# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2007

### 12. Creditors: Amounts falling due within one year

|                              | 2007<br>£      | 2006<br>£        |
|------------------------------|----------------|------------------|
| Bank loans                   | —              | 1,232,500        |
| Trade creditors              | 314,871        | 300,351          |
| Corporation tax              | 196,435        | 81,924           |
| PAYE and social security     | 38,108         | —                |
| VAT                          | 103,794        | —                |
| Hire purchase agreements     | 13,077         | 13,077           |
| Accruals and deferred income | 262,347        | 224,121          |
|                              | <u>928,632</u> | <u>1,851,973</u> |

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

|                          | 2007<br>£     | 2006<br>£        |
|--------------------------|---------------|------------------|
| Bank loans               | —             | 1,232,500        |
| Hire purchase agreements | 13,077        | 13,077           |
|                          | <u>13,077</u> | <u>1,245,577</u> |

### 13. Creditors: Amounts falling due after more than one year

|                          | 2007<br>£    | 2006<br>£     |
|--------------------------|--------------|---------------|
| Hire purchase agreements | <u>4,359</u> | <u>17,436</u> |

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

|                          | 2007<br>£    | 2006<br>£     |
|--------------------------|--------------|---------------|
| Hire purchase agreements | <u>4,359</u> | <u>17,436</u> |

The bank loan was 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 was subject to an interest rate of 1.75% over bank base rate

Hire purchase creditors are secured over the assets concerned

### 14. Creditors: capital instruments

Creditors include finance capital which is due for repayment as follows

|                                                     | 2007<br>£ | 2006<br>£        |
|-----------------------------------------------------|-----------|------------------|
| Amounts repayable                                   |           |                  |
| In one year or less or on demand                    | —         | 170,000          |
| In more than one year but not more than two years   | —         | 170,000          |
| In more than two years but not more than five years | —         | 510,000          |
| In more than five years                             | —         | 382,500          |
|                                                     | <u>—</u>  | <u>1,232,500</u> |

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS**

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**15 Commitments under hire purchase agreements**

Future commitments under hire purchase agreements are as follows

|                                                              | <b>2007</b>   | <b>2006</b>   |
|--------------------------------------------------------------|---------------|---------------|
|                                                              | <b>£</b>      | <b>£</b>      |
| Amounts payable within 1 year                                | 14,409        | 14,409        |
| Amounts payable between 3 and 5 years                        | 4,803         | 19,213        |
|                                                              | <u>19,212</u> | <u>33,622</u> |
| Less interest and finance charges relating to future periods | (1,776)       | (3,109)       |
|                                                              | <u>17,436</u> | <u>30,513</u> |
| Hire purchase agreements are analysed as follows             |               |               |
| Current obligations                                          | 13,077        | 13,077        |
| Non current obligations                                      | 4,359         | 17,436        |
|                                                              | <u>17,436</u> | <u>30,513</u> |

**16 Deferred taxation**

The movement in the deferred taxation provision during the year was

|                                                          | <b>2007</b>   | <b>2006</b>   |
|----------------------------------------------------------|---------------|---------------|
|                                                          | <b>£</b>      | <b>£</b>      |
| At 1 October 2006                                        | 89,118        | 81,119        |
| Profit and loss account movement arising during the year | (3,580)       | 7,999         |
| At 30 September 2007                                     | <u>85,538</u> | <u>89,118</u> |

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

|                                                                 | <b>2007</b>   | <b>2006</b>   |
|-----------------------------------------------------------------|---------------|---------------|
|                                                                 | <b>£</b>      | <b>£</b>      |
| Excess of taxation allowances over depreciation on fixed assets | 85,538        | 89,118        |
|                                                                 | <u>85,538</u> | <u>89,118</u> |

**17 Commitments under operating leases**

At 30 September 2007 the company had annual commitments under non cancellable operating leases as set out below

|                               | <b>2007</b>                 |                    | <b>2006</b>                 |                    |
|-------------------------------|-----------------------------|--------------------|-----------------------------|--------------------|
|                               | <b>Land &amp; buildings</b> | <b>Other items</b> | <b>Land &amp; buildings</b> | <b>Other items</b> |
|                               | <b>£</b>                    | <b>£</b>           | <b>£</b>                    | <b>£</b>           |
| Operating leases which expire |                             |                    |                             |                    |
| Within 1 year                 |                             | 16,633             |                             |                    |
| Within 2 to 5 years           | 150,000                     | 8,881              |                             |                    |
|                               | <u>150,000</u>              | <u>25,514</u>      |                             |                    |

# PROFESSIONAL BEAUTY SYSTEMS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2007

### 18 Related party transactions

From 10 July 2007 the company rents property from Nilsine Property Limited at a rate of £150,000 per annum with £115,367 rent paid during the year. At the year end the amount due to Nilsine Property Limited was £nil. The companies are connected by common directors.

During the year the company paid management charges to Salon Services (Hair and Beauty Supplies) Ltd of £100,015. The companies were part of Salon Services Group until 10 January 2007.

### 19. Share capital

#### Authorised share capital:

|                                | 2007 | 2006 |
|--------------------------------|------|------|
|                                | £    | £    |
| 100 Ordinary shares of £1 each | 100  | 100  |

#### Allotted, called up and fully paid:

|                            | 2007 |     | 2006 |     |
|----------------------------|------|-----|------|-----|
|                            | No   | £   | No   | £   |
| Ordinary shares of £1 each | 100  | 100 | 100  | 100 |

### 20. Revaluation reserve

|                                         | 2007     | 2006   |
|-----------------------------------------|----------|--------|
|                                         | £        | £      |
| Balance brought forward                 | 98,600   | 98,600 |
| Transfer to the profit and loss account | (98,600) | —      |
| Balance carried forward                 | —        | 98,600 |

### 21 Profit and loss account

|                                   | 2007        | 2006      |
|-----------------------------------|-------------|-----------|
|                                   | £           | £         |
| Balance brought forward           | 3,135,531   | 2,712,934 |
| Profit for the financial year     | 1,632,801   | 422,597   |
| Equity dividends                  | (1,365,000) | —         |
| Transfer from revaluation reserve | 98,600      | —         |
| Balance carried forward           | 3,501,932   | 3,135,531 |

### 22. Reconciliation of movements in shareholders' funds

|                                     | 2007        | 2006      |
|-------------------------------------|-------------|-----------|
|                                     | £           | £         |
| Profit for the financial year       | 1,632,801   | 422,597   |
| Equity dividends                    | (1,365,000) | —         |
| Net addition to shareholders' funds | 267,801     | 422,597   |
| Opening shareholders' funds         | 3,234,231   | 2,811,634 |
| Closing shareholders' funds         | 3,502,032   | 3,234,231 |

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2007**

**23. Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash inflow from operating activities**

|                                           | <b>2007</b>    | <b>2006</b>    |
|-------------------------------------------|----------------|----------------|
|                                           | <b>£</b>       | <b>£</b>       |
| Operating profit                          | 1,828,573      | 701,344        |
| Depreciation                              | 123,602        | 142,482        |
| Profit on disposal of fixed assets        | (350)          | (7,500)        |
| (Increase)/decrease in stocks             | (198,303)      | 6,530          |
| Decrease/(increase) in debtors            | 241,296        | (385,984)      |
| Increase in creditors                     | 194,648        | 124,438        |
| Exceptional item (note 4)                 | (1,190,000)    |                |
| Net cash inflow from operating activities | <u>999,466</u> | <u>581,310</u> |

**Reconciliation of net cash flow to movement in net funds**

|                                                     | <b>2007</b>      | <b>2006</b>        |
|-----------------------------------------------------|------------------|--------------------|
|                                                     | <b>£</b>         | <b>£</b>           |
| Increase in cash in the period                      | 856,457          | 56,665             |
| Net cash outflow from bank loans                    | 42,500           | 170,000            |
| Cash outflow in respect of hire purchase agreements | 13,077           |                    |
| Change in net debt resulting from cash flows        | 912,034          | 226,665            |
| New hire purchase agreements                        |                  | (30,513)           |
| Exceptional item (note 4)                           | <u>1,190,000</u> |                    |
| Movement in net debt in year                        | 2,102,034        | 196,152            |
| Net debt at 1 October 2006                          | (1,037,934)      | (1,234,086)        |
| Net funds at 30 September 2007                      | <u>1,064,100</u> | <u>(1,037,934)</u> |

**Analysis of changes in net funds**

|                          | <b>At<br/>1 October<br/>2006<br/>£</b> | <b>Cash flows<br/>£</b> | <b>Forgiveness<br/>of debt<br/>(note 4)<br/>£</b> | <b>At 30<br/>September<br/>2007<br/>£</b> |
|--------------------------|----------------------------------------|-------------------------|---------------------------------------------------|-------------------------------------------|
| Net cash                 |                                        |                         |                                                   |                                           |
| Cash in hand and at bank | <u>225,079</u>                         | <u>856,457</u>          | <u>—</u>                                          | <u>1,081,536</u>                          |
| Debt                     |                                        |                         |                                                   |                                           |
| Debt due within 1 year   | (1,232,500)                            | 42,500                  | 1,190,000                                         | —                                         |
| Hire purchase agreements | (30,513)                               | 13,077                  | —                                                 | (17,436)                                  |
|                          | <u>(1,263,013)</u>                     | <u>55,577</u>           | <u>1,190,000</u>                                  | <u>(17,436)</u>                           |
| Net funds                | <u>(1,037,934)</u>                     | <u>912,034</u>          | <u>1,190,000</u>                                  | <u>1,064,100</u>                          |

**PROFESSIONAL BEAUTY SYSTEMS LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS**

**YEAR ENDED 30 SEPTEMBER 2007**

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**24. Ultimate parent company**

The ultimate parent undertaking is Professional Beauty Systems (Holdings) Limited

**25 Ultimate controlling party**

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