

PROFESSIONAL BEAUTY SYSTEMS LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008



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 2008

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PROFESSIONAL BEAUTY SYSTEMS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 SEPTEMBER 2008

The directors present their report and the financial statements of the company for the year ended 30 September 2008.

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. Turnover decreased by 4.5% on the prior year and profit before tax by 5.4% (excluding the forgiveness of the connected party loan of £1,190,000 in 2007).

At the year end the company had shareholders funds of £3,984,886 including distributable profits of £3,984,786. The directors therefore believe the company's position to be satisfactory especially as the company's net current assets exceed its current liabilities by £3,440,049.

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 future growth and satisfactory trading results in the coming year.

Results and dividends

The profit for the year, after taxation, amounted to £482,854. 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 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 2008

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; and
- 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:

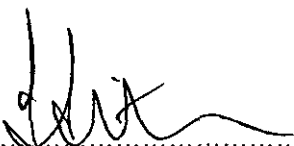
- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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 13.7.09

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 17, together with the financial statements of Professional Beauty Systems Limited for the year ended 30 September 2008 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 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

Date:- 17/7/09

PROFESSIONAL BEAUTY SYSTEMS LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2008

	Note	2008 £	2007 £
Gross profit		2,834,742	2,944,686
Administrative expenses		(2,497,420)	(1,116,113)
Operating profit	2	337,322	1,828,573
Profit on disposal of current assets		191,411	—
		528,733	1,828,573
Interest receivable	5	70,158	16,462
Interest payable and similar charges	6	(1,332)	(23,594)
Profit on ordinary activities before taxation		597,559	1,821,441
Tax on profit on ordinary activities	7	(114,705)	(188,640)
Profit for the financial year		<u>482,854</u>	<u>1,632,801</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 2008

	2008	2007
	£	£
Reported profit on ordinary activities before taxation	597,559	1,821,441
Realisation of revaluation gains recognised in previous periods	—	98,600
Historical cost profit on ordinary activities before taxation	<u>597,559</u>	<u>1,920,041</u>
Historical cost profit for the year after taxation	<u>482,854</u>	<u>1,731,401</u>

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

PROFESSIONAL BEAUTY SYSTEMS LIMITED

ABBREVIATED BALANCE SHEET

30 SEPTEMBER 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	9	621,201	657,209
Current assets			
Stocks	10	1,043,980	973,856
Debtors	11	2,167,320	1,807,960
Cash at bank and in hand		920,271	1,081,536
		<u>4,131,571</u>	<u>3,863,352</u>
Creditors: Amounts falling due within one year	12	<u>(691,522)</u>	<u>(928,632)</u>
Net current assets		3,440,049	2,934,720
Total assets less current liabilities		<u>4,061,250</u>	<u>3,591,929</u>
Creditors: Amounts falling due after more than one year	13	—	(4,359)
Provisions for liabilities			
Deferred taxation	15	(76,364)	(85,538)
		<u>3,984,886</u>	<u>3,502,032</u>
Capital and reserves			
Called-up share capital	18	100	100
Profit and loss account	19	3,984,786	3,501,932
Shareholder's funds	20	<u>3,984,886</u>	<u>3,502,032</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 13th Oct 2009, and are signed on their behalf by:

G 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 2008

		2008		2007	
	Note	£	£	£	£
Net cash (outflow)/inflow from operating activities	21		(119,862)		999,466
Returns on investments and servicing of finance					
Interest received		70,158		16,462	
Interest paid		-		(22,262)	
Interest element of hire purchase		(1,332)		(1,332)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			68,826		(7,132)
Taxation			(211,676)		(77,709)
Capital expenditure					
Payments to acquire tangible fixed assets		(83,257)		(2,941)	
Receipts from sale of fixed assets		-		350	
Net cash outflow from capital expenditure			(83,257)		(2,591)
Management of liquid resources					
Receipts from sale of current asset investments			197,781		-
Cash (outflow)/inflow before financing			(148,188)		2,102,034
Financing					
Repayment of bank loans		-		(42,500)	
Capital element of hire purchase		(13,077)		(13,077)	
Net cash outflow from financing			(13,077)		(55,577)
(Decrease)/increase in cash	21		(161,265)		856,457

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 2008

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product have been transferred to the customer.

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:

Leasehold Improvements	- 15% Reducing Balance
Fixtures and Equipment	- 15% Reducing Balance
Motor Vehicles	- 25% Straight Line
Computer Equipment	- 15% Straight Line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost consists of the purchase price of materials and an appropriate proportion of production overheads, where applicable.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised, disclosed under tangible fixed assets at their fair value and are depreciated in accordance with the above depreciation policies. Future instalments payable under such agreements, net of finance charges, are included within creditors. Rentals payable are apportioned between the capital element, which reduces the outstanding obligation included within creditors, and the finance element, which 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.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

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 have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, or a right to receive repayments of tax.

Deferred tax assets are recognised only to the extent that the directors consider it more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted. 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

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual arrangement.

Financial instruments which are assets are stated at cost less any provision for impairment. Financial liabilities are stated at principal capital amounts outstanding at the period end. Issue costs relating to financial liabilities are deducted from the outstanding balance and are amortised over the period to the due date for repayment of the financial liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. A financial liability is any contractual arrangement for an entity to deliver cash to the holder of the associated financial instrument.

If a financial instrument contains both an equity and a liability element, then the liability element is first established with any residual value being disclosed within equity shareholders' funds. The liability element is the present value of the future payments guaranteed to be made to the holders of the financial instrument.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2008 £	2007 £
Depreciation of owned fixed assets	107,156	112,706
Depreciation of assets held under hire purchase agreements	10,896	10,896
Loss/(profit) on disposal of fixed assets	1,213	(350)
Auditors remuneration	6,650	6,650
Operating lease costs:		
- land and buildings	150,000	115,367
- other	33,926	43,448
Exceptional item	—	(1,190,000)
Net loss on foreign currency translation	51,113	—

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

2. Operating profit (continued)

The exceptional item in the prior year 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:

	2008	2007
	No	No
Number of production staff	72	65
Number of administrative staff	4	4
	<u>76</u>	<u>69</u>

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	1,348,859	1,213,070
Social security costs	121,680	96,775
Other pension costs	88,185	18,922
	<u>1,558,724</u>	<u>1,328,767</u>

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2008	2007
	£	£
Aggregate emoluments	192,672	146,384
Value of company contributions to defined contribution pension schemes	74,905	10,575
	<u>267,577</u>	<u>156,959</u>

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

	2008	2007
	No	No
Defined contribution schemes	<u>2</u>	<u>2</u>

5. Interest receivable

	2008	2007
	£	£
Bank interest	<u>70,158</u>	<u>16,462</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 SEPTEMBER 2008

6. Interest payable and similar charges

	2008 £	2007 £
Interest payable on bank borrowing	—	22,262
Finance charges	1,332	1,332
	<u>1,332</u>	<u>23,594</u>

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £	2007 £
In respect of the year:		
UK Corporation tax	123,879	191,076
Under provision in prior year	—	1,144
	<u>123,879</u>	<u>192,220</u>
Deferred tax:		
Origination and reversal of timing differences	(9,174)	(3,580)
Tax on profit on ordinary activities	<u>114,705</u>	<u>188,640</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% (2007 - 30%).

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>597,559</u>	<u>1,821,441</u>
Profit on ordinary activities by rate of tax	179,268	546,432
Effects of:		
Expenses not deductible for tax purposes	(54,336)	(358,086)
Capital allowances for period in excess of depreciation	3,219	2,730
Tax chargeable at lower rates	(4,272)	—
Adjustments to tax charge in respect of previous periods	—	1,144
Total current tax (note 7(a))	<u>123,879</u>	<u>192,220</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

8. Dividends

Equity dividends

	2008 £	2007 £
Paid during the year		
Equity dividends on ordinary shares	<u>-</u>	<u>1,365,000</u>

The equity dividend in the prior year relates to the in-specie transfer of the company's heritable property.

9. Tangible fixed assets

	Leasehold Improvements £	Fixtures and Equipment £	Motor Vehicles £	Computer Equipment £	Total £
Cost					
At 1 October 2007	-	1,279,086	43,591	34,330	1,357,007
Additions	-	60,321	19,058	3,878	83,257
Disposals	-	(15,189)	-	(2,400)	(17,589)
Transfers	620,145	(620,145)	-	-	-
At 30 September 2008	<u>620,145</u>	<u>704,073</u>	<u>62,649</u>	<u>35,808</u>	<u>1,422,675</u>
Depreciation					
At 1 October 2007	-	667,113	19,068	13,617	699,798
Charge for the year	48,708	49,277	15,263	4,804	118,052
On disposals	-	(13,976)	-	(2,400)	(16,376)
Transfers	295,222	(295,222)	-	-	-
At 30 September 2008	<u>343,930</u>	<u>407,192</u>	<u>34,331</u>	<u>16,021</u>	<u>801,474</u>
Net book value					
At 30 September 2008	<u>276,215</u>	<u>296,881</u>	<u>28,318</u>	<u>19,787</u>	<u>621,201</u>
At 30 September 2007	<u>-</u>	<u>611,973</u>	<u>24,523</u>	<u>20,713</u>	<u>657,209</u>

Hire purchase agreements

Included within the net book value of £621,201 is £13,627 (2007 - £24,523) 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 (2007 - £10,896).

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

10. Stocks

	2008	2007
	£	£
Raw materials	630,074	587,107
Finished goods	413,906	386,749
	<u>1,043,980</u>	<u>973,856</u>

11. Debtors

	2008	2007
	£	£
Trade debtors	1,331,360	1,693,925
Amounts owed by group undertakings	–	650
Other debtors	780,200	89,242
Prepayments and accrued income	55,760	24,143
	<u>2,167,320</u>	<u>1,807,960</u>

The debtors above include the following amounts falling due after more than one year:

	2008	2007
	£	£
Other debtors	<u>672,671</u>	<u>–</u>

Included in other debtors at 30 September 2007 was an interest in the ordinary share capital of Vigox BVBA with a cost of £6,370. This investment was sold during the year at a value in excess of its year end book value.

12. Creditors: Amounts falling due within one year

	2008	2007
	£	£
Trade creditors	290,076	314,871
Corporation tax	108,638	196,435
Other taxation and social security	135,571	141,902
Hire purchase agreements	4,359	13,077
Accruals and deferred income	152,878	262,347
	<u>691,522</u>	<u>928,632</u>

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

	2008	2007
	£	£
Hire purchase agreements	<u>4,359</u>	<u>13,077</u>

Hire purchase creditors are secured over the assets concerned.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

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

	2008	2007
	£	£
Hire purchase agreements	<u>—</u>	<u>4,359</u>

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

	2008	2007
	£	£
Hire purchase agreements	<u>—</u>	<u>4,359</u>

Please refer to note 12 for details of the security.

14. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2008	2007
	£	£
Amounts payable within 1 year	4,803	14,409
Amounts payable between 2 to 5 years	<u>—</u>	<u>4,803</u>
	4,803	19,212
Less interest and finance charges relating to future periods	<u>(444)</u>	<u>(1,776)</u>
	<u>4,359</u>	<u>17,436</u>
Hire purchase agreements are analysed as follows:		
Current obligations	4,359	13,077
Non-current obligations	<u>—</u>	<u>4,359</u>
	<u>4,359</u>	<u>17,436</u>

15. Deferred taxation

The movement in the deferred taxation provision during the year was:

	2008	2007
	£	£
At 1 October 2007	85,538	89,118
Profit and loss account movement arising during the year	<u>(9,174)</u>	<u>(3,580)</u>
At 30 September 2008	<u>76,364</u>	<u>85,538</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

15. Deferred taxation (continued)

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

	2008 £	2007 £
Excess of taxation allowances over depreciation on fixed assets	<u>76,364</u>	<u>85,538</u>

16. Commitments under operating leases

At 30 September 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	430	-	16,633
Within 2 to 5 years	150,000	3,723	150,000	8,881
After more than 5 years	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>260,000</u>	<u>4,153</u>	<u>150,000</u>	<u>25,514</u>

17. Related party transactions

The company rents property from Nilsine Property Limited at £150,000 per annum with £172,603 (2007 - £115,367) rent and other charges paid during the year. At the year end the amount due to Nilsine Property Limited was £Nil (2007 - £Nil).

The company advanced funds of £808,671 (2007 - £Nil) to Robust Property Limited in the year. The balance outstanding at the year end included in other debtors is £658,671 (2007 - £Nil). Interest of £21,700 was charged in the year on the balance.

The company entered into a 10 year lease agreement with Robust Property Limited which is sub-let. The annual charge per the lease agreement is £110,000.

The companies are connected by common directors and shareholders.

18. Share capital

Authorised share capital:

	2008 £	2007 £
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2008		2007	
	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 2008

19. Profit and loss account

	2008	2007
	£	£
Balance brought forward	3,501,932	3,135,531
Profit for the financial year	482,854	1,632,801
Equity dividends	—	(1,365,000)
Transfer from revaluation reserve	—	98,600
Balance carried forward	<u>3,984,786</u>	<u>3,501,932</u>

20. Reconciliation of movements in shareholder's funds

	2008	2007
	£	£
Profit for the financial year	482,854	1,632,801
Equity dividends	—	(1,365,000)
Net addition to shareholder's funds	<u>482,854</u>	<u>267,801</u>
Opening shareholder's funds	3,502,032	3,234,231
Closing shareholder's funds	<u>3,984,886</u>	<u>3,502,032</u>

21. Notes to the statement of cash flows

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2008	2007
	£	£
Operating profit	337,322	1,828,573
Depreciation	118,052	123,602
Loss/(profit) on disposal of fixed assets	1,213	(350)
Increase in stocks	(70,124)	(198,303)
(Increase)/decrease in debtors	(365,730)	241,296
(Decrease)/increase in creditors	(140,595)	194,648
Exceptional item (note 2)	—	(1,190,000)
Net cash (outflow)/inflow from operating activities	<u>(119,862)</u>	<u>999,466</u>

PROFESSIONAL BEAUTY SYSTEMS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2008

21. Notes to the statement of cash flows *(continued)*

Reconciliation of net cash flow to movement in net funds

	2008		2007	
	£	£	£	£
(Decrease)/increase in cash in the period	(161,265)		856,457	
Net cash outflow from bank loans	—		42,500	
Cash outflow in respect of hire purchase	13,077		13,077	
Change in net funds		(148,188)		912,034
Exceptional item (note 2)		-		1,190,000
Movement in net debt in year		(148,188)		2,102,034
Net funds at 1 October 2007		1,064,100		(1,037,934)
Net funds at 30 September 2008		915,912		1,064,100

Analysis of changes in net funds

	At 1 October 2007 £	Cash flows £	At 30 September 2008 £
Net cash:			
Cash in hand and at bank	1,081,536	(161,265)	920,271
Debt:			
Hire purchase agreements	(17,436)	13,077	(4,359)
Net funds	1,064,100	(148,188)	915,912

22. Post balance sheet events

The company entered into an agreement to purchase the trade and certain assets of Renbow Limited on the 30 June 2009. At the date of signing the accounts an estimate of the financial effect of the transaction cannot be made.

23. Ultimate parent company

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

24. Ultimate controlling party

The company was under the control of its shareholders throughout the current and previous years. No individual shareholder has a controlling interest in the company.