Company Registration No. SC080712 (Scotland)

PROFESSIONAL BEAUTY SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

PROFESSIONAL BEAUTY SYSTEMS LIMITED

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PROFESSIONAL BEAUTY SYSTEMS LIMITED

COMPANY INFORMATION

Directors	Mr G P Hegarty Mr S McLaughlin Mr S J MacDonough Mr S McPartland Mrs C F MacDonough Mrs S J Cunniffe
Secretary	Mr B Aitken
Company number	SC080712
Registered office	Unit 3 Newmains Avenue Inchinnan Business Park Renfrew Scotland PA4 9RR
Auditor	Consilium Audit Limited 169 West George Street Glasgow Scotland G2 2LB

PROFESSIONAL BEAUTY SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present the strategic report for the year ended 30 September 2022.

Fair review of the business
During the course of the year the company continued to manufacture and sell professional haircare and beauty products to the trade. The turnover of the Company decreased by 4.58% and profit before tax decreased by 33.68%.

At the year end the company had shareholders funds of £34,294,488 (2021: £31,952,463) including distributable profits of £34,200,618 (2021: £31,869,341). The directors therefore believe the company's position to be satisfactory especially as the Company's current assets exceed its current liabilities by £22,935,487 (2021: £22,526,134).

Principal risks and uncertainties
The directors have assessed the main risk facing the Company as being from the increased costs of raw materials, energy costs and competition from other manufacturers in similar operations.

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.

Financial risk management
The company finances its day-to-day operations through cash reserves and surplus cash generated through the company's operations. Overall the company's exposure to price risk, credit risk, liquidity risk and cash flow risk is minimal and therefore not material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Promoting the success of the company
We report here on how our directors have addressed the matters set out under Section 172 (1) (a) to (f) of the Companies Act 2006.

The directors have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to:

(a) The likely consequences of any decision in the long term

The board meets weekly, and regularly reviews our principal stakeholders and how we engage with them. The stakeholder feedback is brought into the boardroom throughout the year, through information provided by management and by direct engagement with stakeholders where appropriate. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision-making. The board considers all stakeholder feedback and considers any future consequences of its decision.

Key Decisions
(b) The interests of the company's employees

Our colleagues are crucial to delivering our strategy and achieving our goals. The success of the business is reliant on attracting, retaining, and motivating employees. The board continues to enhance its methods of engagement with its workforce. With regular detailed briefings, a quarterly staff newsletter, direct communications through e-mail, letters, and regular meetings with departmental leadership. The business has also embarked on the journey to achieve investors in people accreditation. The company has a target-based bonus system which ensures our colleagues participate in the ongoing success of the business.
(c) The need to foster the company's business relationships with suppliers, customers, and others
Suppliers

We aim to work responsibly with our suppliers. We monitor our suppliers' performance including their environmental management, health and safety, quality standards, including adherence to our code of conduct, which in turn abides by the principals stipulated in the Conventions of the International Labour Organisation, the Universal Declaration on Human Rights, the guiding principles of the OECD and the principals of the Global Compact.

We ensure all suppliers are treated fairly when negotiating trading terms, including prompt payment for goods and services

Customers

We are in regular communication with our customers, presenting new products and providing technical education sessions, and being a key participant at industry events.

(d) The impact of the company's operations on the community and the environment

Professional Beauty Systems Limited is ISO 22716 / ISO 14001 and ISO 45001 certified, and we have a Sustainability committee and a management team working on continual improvement initiatives.

(e) The desirability of the company to maintain a reputation for high standards of business conduct

The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the Company to ensure that our obligations to our shareholders and our stakeholders are met. In 2021 we appointed two external consultants to assist us in enhancing and improving our culture, employee engagement, communication and improving our working practices.

The board continues to plan for future growth with a focus on building a strong leadership team. There is a renewed drive across all areas of the business to ensure mission vision and values are instilled throughout. The Investors in People process is regarded as vital and the project for this is well underway. There has also been management training and personal development programmes launched across the business. Having a skilled and loyal workforce is vital to the growth of the business and at this stage in the company's growth this is regarded as vital in facing the future. A clear strategy and set of objectives have been adopted to ensure the business is able to adapt to the changing environment that it operates in, whether this is due to customer trends, technology trends or geographical opportunities and to ensure that the business has a sustainable first approach

(f) The need to act between members of the company.

Professional Beauty Systems Limited is a wholly owned subsidiary of Professional Beauty Systems (Holdings) Limited. There is ongoing communication and engagement since four of the Board are members are directors of both companies

The company is funded fully by cash flows generated from its trading activities. The company has no third-party borrowings and is not subject to any cross-guarantee arrangements in respect of any third-party borrowings of other group undertakings.

The directors consider that the group, and consequently the company, has considerable financial resources available to it and that its business activities are diversified over several customers and geographic locations.

On behalf of the board

Mr S McLaughlin
Director

15 June 2023

PROFESSIONAL BEAUTY SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

The directors present their annual report and financial statements for the year ended 30 September 2022.

Principal activities
The principal activity of the company during the year was the manufacture and sale of professional haircare and beauty products to the trade.

Results and dividends
The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr G P Hegarty
Mr S McLaughlin
Mr S J MacDonough
Mr S McPartland
Mrs C F MacDonough
Mrs S J Cunniffe

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Auditor
The auditor, Consilium Audit Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

	2022	2021
Energy consumption	kWh	kWh
Aggregate of energy consumption in the year		
- Gas combustion	1,763,567	1,519,980
- Electricity purchased	1,068,854	1,101,184
	2,832,421	2,621,164

Emissions of CO2 equivalent	2022 metric tonnes	2021 metric tonnes
Scope 1 - direct emissions		
- Gas combustion	323.02	277.09
- Fuel consumed for owned transport	47.93	19.93
	370.95	297.02
Scope 2 - indirect emissions		
- Electricity purchased	226.95	278.40
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company	-	-
Total gross emissions	597.90	575.42
Intensity ratio		
Tonne per £m sales	16.997	15.142

Quantification and reporting methodology
We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e £m of sales, the recommended ratio for the sector.

Measures taken to improve energy efficiency
Throughout the course of the year we have implemented energy saving techniques such as: replacing all of our light bulbs with Energy saving LED lights, ensuring all electrical equipment is shut off when not in use. For our new site we have installed Solar panels, and an Air Source Heat Pump. These should significantly offset our carbon usage.

Statement of 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Charitable donations and expenditure

During the year the Company made donations of £23,980 (2021: £16,659) to local charities.

On behalf of the board

Mr S McLaughlin
Director

15 June 2023

PROFESSIONAL BEAUTY SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PROFESSIONAL BEAUTY SYSTEMS LIMITED

Opinion

We have audited the financial statements of Professional Beauty Systems Limited (the 'company') for the year ended 30 September 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- We identified the laws and regulations applicable to the company through discussions with directors and management and from our knowledge of the regulatory environment relevant to the company.
- We assessed the extent of compliance with laws and regulations through making enquiries of management and inspecting legal correspondence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud and their knowledge of actual, suspected and alleged fraud.
- To address the risk of fraud through management bias and override of controls, we tested journal entries to identify unusual transactions, we assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias and we investigated the rationale behind significant or unusual transactions.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Holt (Senior Statutory Auditor)
For and on behalf of Consilium Audit Limited

Statutory Auditor

169 West George Street
Glasgow
Scotland
G2 2LB
15 June 2023

PROFESSIONAL BEAUTY SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Turnover	**3**	36,954,616	38,728,449
Cost of sales		(23,860,525)	(22,980,649)
Gross profit		13,094,091	15,747,800
Administrative expenses		(10,126,303)	(11,186,642)
Other operating income		468,359	608,082
Operating profit	**4**	3,436,147	5,169,240
Interest receivable and similar income	**8**	26,936	35,632
Fair value gains and losses on investments	**9**	10,749	62,188
Profit before taxation		3,473,832	5,267,060
Tax on profit	**10**	(1,131,807)	(1,029,380)
Profit for the financial year		2,342,025	4,237,680

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	**11**		12,193,187		9,732,324
Investments	**12**		101,209		-
			12,294,396		9,732,324
Current assets					
Stocks	**13**	8,549,888		7,688,089	
Debtors	**14**	12,735,421		14,542,295	
Investments	**15**	200,637		189,888	
Cash at bank and in hand		9,051,951		9,412,551	
		30,537,897		31,832,823	
Creditors: amounts falling due within one year	**16**	(7,602,410)		(9,306,689)	
Net current assets			22,935,487		22,526,134
Total assets less current liabilities			35,229,883		32,258,458
Provisions for liabilities					
Deferred tax liability	**17**	935,395		305,995	
			(935,395)		(305,995)
Net assets			34,294,488		31,952,463
Capital and reserves					
Called up share capital	**19**		100		100
Other reserves			93,770		83,022
Profit and loss reserves			34,200,618		31,869,341
Total equity			34,294,488		31,952,463

The financial statements were approved by the board of directors and authorised for issue on 15 June 2023 and are signed on its behalf by:

Mr S McLaughlin
Director

Company Registration No. SC080712

PROFESSIONAL BEAUTY SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 October 2020	100	20,834	27,693,849	27,714,783
Year ended 30 September 2021:				
Profit and total comprehensive income for the year	-	-	4,237,680	4,237,680
Transfers	-	62,188	(62,188)	-
Balance at 30 September 2021	100	83,022	31,869,341	31,952,463
Year ended 30 September 2022:				
Profit and total comprehensive income for the year	-	-	2,342,025	2,342,025
Transfers	-	10,748	(10,748)	-
Balance at 30 September 2022	100	93,770	34,200,618	34,294,488

1 Accounting policies

Company information

Professional Beauty Systems Limited is a private company limited by shares incorporated in Scotland. The registered office is Unit 3 Newmains Avenue, Inchinnan Business Park, Renfrew, Scotland, PA4 9RR. The company's registration number is SC080712.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Professional Beauty Systems (Holdings) Limited. These consolidated financial statements are available from its registered office, 3 Newmains Avenue, Inchinnan, Renfrew, PA4 9RR.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

The turnover shown in the Statement of Comprehensive Income represents the value of all goods sold during the year, less returns received and services delivered at a 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, such as obsolescence, have been transferred to the customer.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1 Accounting policies **(Continued)**

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings	not provided
Fixtures, fittings & equipment	15% on cost and 15% reducing balance
Improvements to property	15% reducing balance
Motor vehicles	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Depreciation is not charged on buildings included within land and buildings as it is the opinion of the directors that the residual value of the property is higher than the cost value. An impairment review is carried out on that property.

Depreciation is not charged on assets under construction as these assets are still in the development phase. Once complete, these assets will be transferred and depreciated accordingly.

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 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.

1 Accounting policies **(Continued)**

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.14 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 Statement of Comprehensive Income in the year in which they relate.

1.15 Operating lease costs

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.

1.16 Current asset investments

Current asset investments are held at their market value.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In preparing the financial statements the directors have made the following judgements:

- Determine whether leases entered into by the Company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determine whether any bad debt provision is required via review of trade debtors, with debts provided for on a specific basis. Factors considered include customer payment history and agreed credit terms.
- Determine whether any stock provision is required via comparison of cost and net realisable value of stock on an item by item basis.

3 Turnover and other revenue

The turnover and profit before taxation are attributable to the one principal activity of the Company.

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	28,588,463	32,361,185
Europe	5,330,600	4,218,273
Rest of World	3,035,553	2,148,991
	36,954,616	38,728,449

	2022	2021
	£	£
Other significant revenue		
Interest income	26,936	35,632
Grants received	-	256,235

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2022 £	2021 £
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(59,631)	36,189
Research and development costs	28,000	14,830
Government grants	-	(256,235)
Depreciation of owned tangible fixed assets	502,224	441,864
Loss on disposal of tangible fixed assets	1,746	-
Operating lease charges	53,542	59,410

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2022 £	2021 £
For audit services		
Audit of the financial statements of the company	35,790	26,861

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Production staff	187	137
Administrative staff	97	86
Total	284	223

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	11,599,235	12,627,205
Social security costs	1,011,212	1,033,741
Pension costs	323,106	423,503
	12,933,553	14,084,449

7 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	1,896,277	3,663,603
Company pension contributions to defined contribution schemes	76,359	122,569
	1,972,636	3,786,172

The number of directors to whom retirement benefits were accruing under money purchase schemes amounted to 5 (2020 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£	£
Remuneration for qualifying services	594,936	867,100

The Company considers key management to be the directors of the Company. The key management remuneration for the year is as disclosed above.

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	26,936	13,451
Interest receivable from group companies	-	22,181
Total income	26,936	35,632

9 Fair value gains/(losses)

	2022	2021
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	10,749	62,188

10 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	502,407	1,008,248

10 Taxation **(Continued)**

	2022	2021
	£	£
Deferred tax		
Origination and reversal of timing differences	629,400	21,132
Total tax charge	1,131,807	1,029,380

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	3,473,832	5,267,060
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	660,028	1,000,741
Tax effect of expenses that are not deductible in determining taxable profit	15,531	24,727
Group relief	(376)	(21)
Permanent capital allowances in excess of depreciation	(166,710)	-
Depreciation on assets not qualifying for tax allowances	-	3,933
Deferred tax at different rate	629,400	-
Remuneration unpaid	(6,066)	-
Taxation charge for the year	1,131,807	1,029,380

11 Tangible fixed assets

	Land and buildings	Fixtures, fittings & equipment	Assets under construction	Improvements to property	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 October 2021	6,005,008	4,439,984	1,561,503	629,145	432,680	13,068,320
Additions	-	980,663	2,028,520	-	45,651	3,054,834
Disposals	-	(48,308)	(90,000)	-	(5,000)	(143,308)
Transfers	-	3,500,023	(3,500,023)	-	-	-
At 30 September 2022	6,005,008	8,872,362	-	629,145	473,331	15,979,846
Depreciation and impairment						
At 1 October 2021	-	2,625,462	-	501,338	209,196	3,335,996
Depreciation charged in the year	-	410,364	-	-	91,860	502,224
Eliminated in respect of disposals	-	(46,561)	-	-	(5,000)	(51,561)
At 30 September 2022	-	2,989,265	-	501,338	296,056	3,786,659
Carrying amount						
At 30 September 2022	6,005,008	5,883,097	-	127,807	177,275	12,193,187
At 30 September 2021	6,005,008	1,814,522	1,561,503	127,807	223,484	9,732,324

Included in cost of land and buildings is freehold land of £186,668 (2021: £186,668).

12 Fixed asset investments

	Notes	2022 £	2021 £
Investments in associates		101,209	-

Movements in fixed asset investments

	Shares in associates £
Cost or valuation	
At 1 October 2021	-
Valuation changes	101,209
At 30 September 2022	101,209
Carrying amount	
At 30 September 2022	101,209
At 30 September 2021	-

13 Stocks

	2022	2021
	£	£
Raw materials and consumables	6,434,160	5,785,653
Finished goods and goods for resale	2,115,728	1,902,436
	8,549,888	7,688,089

14 Debtors

	2022	2021
Amounts falling due within one year:	£	£
Trade debtors	7,963,214	10,369,024
Corporation tax recoverable	357,850	-
Amounts owed by group undertakings	1,693,591	1,374,759
Other debtors	2,110,663	2,100,112
Prepayments and accrued income	610,103	698,400
	12,735,421	14,542,295

15 Current asset investments

	2022	2021
	£	£
Investments	200,637	189,888

16 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	2,595,756	3,863,977
Amounts owed to group undertakings	2,084,449	1,405,464
Corporation tax	-	98,969
Other taxation and social security	464,033	378,684
Other creditors	1,740,771	2,777,281
Accruals and deferred income	717,401	782,314
	7,602,410	9,306,689

Included within other creditors above are outstanding pension contributions of £63,646 (2021: £51,273).

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2022 £	Liabilities 2021 £
Accelerated capital allowances	904,252	288,399
Investments	45,627	13,404
Other timing differences	(14,484)	4,192
	935,395	305,995

Movements in the year:	2022 £
Liability at 1 October 2021	305,995
Charge to profit or loss	629,400
Liability at 30 September 2022	935,395

18 Retirement benefit schemes

Defined contribution schemes	2022 £	2021 £
Charge to profit or loss in respect of defined contribution schemes	323,106	423,503

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

Ordinary share capital	2022 Number	2021 Number	2022 £	2021 £
Issued and fully paid				
Ordinary of £1 each	100	100	100	100

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	58,257	64,079
Between two and five years	38,128	80,223
	96,385	144,302

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022	2021
	£	£
Acquisition of tangible fixed assets	1,026,000	3,146,542

The capital commitments at the year end relate to two new vacuum mixers at one of the properties. The capital commitments in the prior year relate to contract work agreed for the refurbishment of the property extension.

22 Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

The company made sales to companies connected by common directors amounting to £nil (2021: £463). At the balance sheet date the total amount due from companies connected by common directors was £1,918,228 (2021: £ 1,918,228).

At 30 September 2022 the amounts due to Directors' totalled £1,575,162 (2021: £2,588,244).

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

23 Ultimate controlling party

The company was under the control of the holders of the ordinary share capital in the ultimate parent company, Professional Beauty Systems (Holdings) Limited, throughout the current and prior period. No individual shareholder has a controlling interest.

The company is included by full consolidation in the consolidated financial statements of its ultimate parent, Professional Beauty Systems (Holdings) Limited, registered in Scotland, at the same address as the company.

Copies of the consolidated financial statements are available from the Registrar of Companies, Companies House, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.