Company registration number SC080712 (Scotland)

PROFESSIONAL BEAUTY SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

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

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

The directors present the strategic report for the year ended 30 September 2023.

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 0.02% and profit before tax increased by 14.88%.

At the year end the company had shareholders funds of £37,470,136 (2022: £34,294,488) including distributable profits of £37,369,731 (2022: £34,200,618). The directors therefore believe the company's position to be satisfactory especially as the Company's current assets exceed its current liabilities by £24,743,765 (2022: £22,935,487).

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 group 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

Global supply chain and increased costs

To identify the risks and opportunities associated with the global supply chain and inflationary cost increases.
1. Manage the risks working closely with our suppliers to ensure continuity of supply at the best price
2. Maximise the opportunities to secure sales of our products, secure employment, and shareholder value, meet customer demand and provide business for our suppliers.

(b) The interests of the group's employees

Our colleagues are crucial to delivering our strategy and achieving our goals. The success of the group 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. We are in the process of implementing an end-to-end HR Management software to help further engage with our employees.

The group achieved our first goal in attaining the Standard investors in people accreditation and are now embarking on the next stage.

The group has a target-based bonus system which ensures our colleagues participate in the ongoing success of the business.

(c) The need to foster the group'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 group'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 group 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 group to ensure that our obligations to our shareholders and our stakeholders are met. The board continues to plan for future growth with a focus on building a strong leadership team. There is a strong understanding across all areas of the business of our mission, vision and values.

The Investors in People journey has continued in 2023, ensuring PBS is a great place to work where everyone is valued for their contribution to he business and its future. . The drive to raise the profile of the business as an industry leader in our sector has begun. The adoption of clear strategy and set of objectives is entrenched across the business. Improved communication from senior management to management meetings and corporate communications has all led to significant improvements in process and results. Staff engagement has improved, and this has had a positive effect on retention and recruitment.

Sustainability is a key driver for the business whether this is in the products themselves, the processes we adopt and securing a solid business for all.

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

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

On behalf of the board

Mr S McLaughlin
Director

26 June 2024

PROFESSIONAL BEAUTY SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2023

The directors present their annual report and financial statements for the year ended 30 September 2023.

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

	2023	2022
Energy consumption	**kWh**	**kWh**
Aggregate of energy consumption in the year		
- Gas combustion	1,493,595	1,763,567
- Electricity purchased	988,471	1,068,854
	2,482,066	2,832,421

Emissions of CO2 equivalent	2023 metric tonnes	2022 metric tonnes
Scope 1 - direct emissions		
- Gas combustion	273.57	323.02
- Fuel consumed for owned transport	57.50	47.93
	331.07	370.95
Scope 2 - indirect emissions		
- Electricity purchased	209.88	226.95
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company	-	-
Total gross emissions	540.95	597.90
Intensity ratio		
Tonne per £m sales	14.946	16.997

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

Over the past year, we have invested heavily in new, energy-saving manufacturing and production equipment. Our senior management team at the Manufacturing and Technical Centre is actively evaluating all our tools and methods. Their goal is to find ways to save time and reduce energy use.

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 £21,529 (2022: £23,980) to local charities.

On behalf of the board

Mr S McLaughlin
Director

26 June 2024

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 2023 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 Financial Reporting Standard 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 2023 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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Brian Thomson BA(Hons) CA
Senior Statutory Auditor
For and on behalf of Consilium Audit Limited
Statutory Auditor

169 West George Street
Glasgow
Scotland
G2 2LB

27 June 2024

PROFESSIONAL BEAUTY SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Notes	2023 £	2022 £
Turnover	**3**	36,946,788	36,954,616
Cost of sales		(23,882,350)	(23,860,525)
Gross profit		13,064,438	13,094,091
Administrative expenses		(9,711,467)	(10,126,303)
Other operating income		498,665	468,359
Operating profit	**4**	3,851,636	3,436,147
Interest receivable and similar income	**8**	131,706	26,936
Fair value gains and losses on investments	**9**	7,235	10,749
Profit before taxation		3,990,577	3,473,832
Tax on profit	**10**	(814,229)	(1,131,807)
Profit for the financial year		3,176,348	2,342,025

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

The notes on pages 14 to 25 form part of these financial statements.

PROFESSIONAL BEAUTY SYSTEMS LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Tangible assets	**11**		14,014,070		12,193,187
Investments	**12**		101,209		101,209
			14,115,279		12,294,396
Current assets					
Stocks	**13**	9,197,550		8,549,888	
Debtors	**14**	14,303,739		12,735,421	
Investments	**15**	207,871		200,637	
Cash at bank and in hand		9,212,976		9,051,951	
		32,922,136		30,537,897	
Creditors: amounts falling due within one year	**16**	(8,178,371)		(7,602,410)	
Net current assets			24,743,765		22,935,487
Total assets less current liabilities			38,859,044		35,229,883
Provisions for liabilities					
Deferred tax liability	**17**	1,388,208		935,395	
			(1,388,208)		(935,395)
Net assets			37,470,836		34,294,488
Capital and reserves					
Called up share capital	**19**		100		100
Other reserves			101,005		93,770
Profit and loss reserves			37,369,731		34,200,618
Total equity			37,470,836		34,294,488

The notes on pages 14 to 25 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 26 June 2024 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 2023

	Share capital	Other reserves	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 October 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
Year ended 30 September 2023:				
Profit and total comprehensive income for the year	-	-	3,176,348	3,176,348
Transfers	-	7,235	(7,235)	-
Balance at 30 September 2023	100	101,005	37,369,731	37,470,836

The notes on pages 14 to 25 form part of these financial statements.

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 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 the profit and loss account.

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 the profit and loss account.

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the profit and loss account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through the profit and loss account are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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.

1 Accounting policies **(Continued)**

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit and loss account in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit and loss account. Debt instruments may be designated as being measured at fair value through the profit and loss account to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

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.

1 Accounting policies **(Continued)**

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 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 the profit and loss account.

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.

2 Judgements and key sources of estimation uncertainty **(Continued)**

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.

	2023	2022
	£	£
Turnover analysed by geographical market		
United Kingdom	29,721,223	28,588,463
Europe	5,291,130	5,330,600
Rest of World	1,934,435	3,035,553
	36,946,788	36,954,616

	2023	2022
	£	£
Other revenue		
Interest income	131,706	26,936
Management charges	498,665	468,359

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2023 £	2022 £
Exchange losses/(gains)	18,589	(59,631)
Research and development costs	15,267	28,000
Depreciation of owned tangible fixed assets	633,423	502,224
(Profit)/loss on disposal of tangible fixed assets	(40,000)	1,746
Operating lease charges	45,294	53,542

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2023 £	2022 £
For audit services		
Audit of the financial statements of the company	45,975	35,790

6 Employees

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

	2023	2022
Production staff	168	187
Administrative staff	104	97
Total	272	284

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	10,416,559	11,599,235
Social security costs	1,304,643	1,011,212
Pension costs	524,004	323,106
	12,245,206	12,933,553

7 Directors' remuneration

	2023	2022
	£	£
Remuneration for qualifying services	1,904,463	1,896,277
Company pension contributions to defined contribution schemes	255,297	76,359
	2,159,760	1,972,636

The number of directors to whom retirement benefits were accruing under money purchase schemes amounted to 4 (2022 - 4).

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

	2023	2022
	£	£
Remuneration for qualifying services	620,255	594,936

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

	2023	2022
	£	£
Interest income		
Interest on bank deposits	131,706	26,936

9 Fair value gains/(losses)

	2023	2022
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	7,235	10,749

10 Taxation

	2023	2022
	£	£
Current tax		
UK corporation tax on profits for the current period	361,416	502,407
Deferred tax		
Origination and reversal of timing differences	452,813	629,400
Total tax charge	814,229	1,131,807

From April 2023 onwards, the main rate of corporation tax will rise from 19% to 25%. As this change has been substantively enacted, deferred tax has been calculated at a rate of 25%.

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:

	2023	2022
	£	£
Profit before taxation	3,990,577	3,473,832
Expected tax charge based on the standard rate of corporation tax in the UK of 22.01% (2022: 19.00%)	878,254	660,028
Tax effect of expenses that are not deductible in determining taxable profit	(8,213)	15,531
Group relief	(164,914)	(376)
Permanent capital allowances in excess of depreciation	(343,711)	(166,710)
Deferred tax at different rate	452,813	629,400
Remuneration unpaid	-	(6,066)
Taxation charge for the year	814,229	1,131,807

10 Taxation **(Continued)**

From 1 April 2023 the Corporation Tax rate increased the main rate to 25%. In addition, the standard small profits rate is reintroduced to ensure that companies with small profits pay corporation tax at a lower rate. During the period to 30 September 2023 a hybrid rate of 22.01% has been used to calculate the tax charge.

11 Tangible fixed assets

	Land and buildings	Fixtures, fittings & equipment	Improvements to property	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 October 2022	6,005,008	8,872,362	629,145	473,331	15,979,846
Additions	-	2,266,004	-	188,302	2,454,306
Disposals	-	-	-	(99,913)	(99,913)
At 30 September 2023	6,005,008	11,138,366	629,145	561,720	18,334,239
Depreciation and impairment					
At 1 October 2022	-	2,989,265	501,338	296,056	3,786,659
Depreciation charged in the year	-	513,082	-	120,341	633,423
Eliminated in respect of disposals	-	-	-	(99,913)	(99,913)
At 30 September 2023	-	3,502,347	501,338	316,484	4,320,169
Carrying amount					
At 30 September 2023	6,005,008	7,636,019	127,807	245,236	14,014,070
At 30 September 2022	6,005,008	5,883,097	127,807	177,275	12,193,187

Included in cost of land and buildings is freehold land of £186,668 (2022: £186,668).

12 Fixed asset investments

	2023	2022
	£	£
Investments in associates	101,209	101,209

13 Stocks

	2023	2022
	£	£
Raw materials and consumables	6,962,587	6,434,160
Finished goods and goods for resale	2,234,963	2,115,728
	9,197,550	8,549,888

14 Debtors

Amounts falling due within one year:	2023 £	2022 £
Trade debtors	8,481,055	7,963,214
Corporation tax recoverable	108,790	357,850
Amounts owed by group undertakings	2,433,371	1,693,591
Other debtors	2,808,576	2,110,663
Prepayments and accrued income	471,947	610,103
	14,303,739	12,735,421

15 Current asset investments

	2023 £	2022 £
Investments	207,871	200,637

16 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	2,734,049	2,595,756
Amounts owed to group undertakings	2,074,802	2,084,449
Taxation and social security	689,451	464,033
Other creditors	1,786,037	1,740,771
Accruals and deferred income	894,032	717,401
	8,178,371	7,602,410

Included within other creditors above are outstanding pension contributions of £53,856 (2022: £63,646).

17 Deferred taxation

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

Balances:	2023 £	2022 £
Accelerated capital allowances	1,380,746	904,252
Investments	21,946	45,627
Other timing differences	(14,484)	(14,484)
	1,388,208	935,395

17 Deferred taxation **(Continued)**

Movements in the year:	**2023** **£**
Liability at 1 October 2022	935,395
Charge to profit or loss	452,813
Liability at 30 September 2023	1,388,208

18 Retirement benefit schemes

Defined contribution schemes	**2023** **£**	**2022** **£**
Charge to profit or loss in respect of defined contribution schemes	524,004	323,106

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

	2023 **£**	**2022** **£**
Ordinary share capital		
Issued and fully paid		
100 Ordinary of £1	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:

	2023 **£**	**2022** **£**
Within one year	47,916	58,257
Between two and five years	38,265	38,128
	86,181	96,385

21 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2023	2022
	£	£
Acquisition of tangible fixed assets	255,556	1,026,000

The capital commitments at the year end relate to filtration and labelling manufacturing equipment. The capital commitments in the prior year relate to two new vacuum mixers at one of the properties.

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 (2022: £463). At the balance sheet date the total amount due from companies connected by common directors was £1,818,228 (2022: £ 1,918,228).

At 30 September 2023 the amounts due to Directors' totalled £1,630,009 (2022: £1,575,162).

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 parent undertaking

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 Companies House.

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.