

**Group Strategic Report, Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 December 2019**
for
Capital (Hair and Beauty) Limited

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Capital (Hair and Beauty) Limited

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Capital (Hair and Beauty) Limited
Company Information
for the Year Ended 31 December 2019

Directors:	P R Vans Agnew H M Vans Agnew S J Vans Agnew R G Vans Agnew H A Sleet D J Harrison
Secretary:	P R Vans Agnew
Registered office:	Crowhurst Corner Crowhurst Road Brighton East Sussex BN1 8AP
Registered number:	00530201 (England and Wales)
Auditors:	Wilson Sandford Limited Chartered accountant & statutory auditor 85 Church Road Hove East Sussex BN3 2BB

Capital (Hair and Beauty) Limited
Group Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report of the company and the group for the year ended 31 December 2019.

The results reflect another good year for the company, sales growth has continued to remain strong at over 8 % with the gross margin improving by 0.2% compared to the prior year. During the year, the company made one acquisition in the UK, adding to the coverage in England, while this acquisition contributed to the year on year growth the existing UK core business again delivered improvements in both sales and gross profit. Sales in the Irish business continued to grow showing an increase of 48%, this was largely due to the acquisition of two stores based in Cork but again the core existing business also delivered a positive result.

Since the year end the company has not made any further acquisitions.

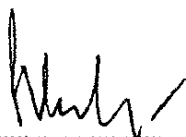
The group seeks to keep employees involved with and informed about the progress of the business. This is achieved through weekly and quarterly communications to all staff along with quarterly meetings for store management. The company continues to link store managers remuneration to profitability generated by the stores they run. The company has policies and procedures in place to ensure staff with disabilities are treated equally, these policies are intrinsic to the recruitment process in addition to ongoing employment.

The company places particular importance in maintaining positive relations with all suppliers, in particular aiming to comply with suppliers credit terms. At 31 December 2019, the trade creditor days outstanding were 24 days.

S172(1) Statement

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so must have regard (amongst other matters) to factors (a) to (f) in s172. The interests of the directors and shareholders are aligned as all shareholders are also executive directors of the business and actively involved in management. With regard to the employees all employees share in the success of the company with a bonus or commission that is linked to sales/profit and a number of operational factors. The company also organises increasing amounts of staff training at various levels. While the company has now grown to a considerable size, the culture is still that of a smaller family company, we have been in operation for over 65 years and, with the absence of external investors or debt providers, the approach to decision making has always been for the long term, evidenced by the significant investments made in recent years in both acquisitions, improvements and relocations in the store base and systems. Again, with regard to the long standing position of the company in the industry, the interests of suppliers and customers have always been critical with the majority of suppliers having a long standing relationship with the company.

On behalf of the board:



.....
P R Vans Agnew - Director

Date: 14.12.20.....

Capital (Hair and Beauty) Limited

Report of the Directors for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

Dividends

The directors recommend that no final dividend be paid.

Future developments

There are no significant future developments.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

P R Vans Agnew
H M Vans Agnew
S J Vans Agnew
R G Vans Agnew
H A Sleet
D J Harrison

Employment of disabled persons

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

Employee involvement is detailed in the Strategic Report.

Overseas branches

The company has four branches in the Republic of Ireland.

Engagement with suppliers, customers and others

The directors have regard of the need to foster the company's business relationships with suppliers, customers and others. These relationships are taken into account during the principal decision-making process of the company. The relationships are further detailed in the Strategic Report.

Capital (Hair and Beauty) Limited

**Report of the Directors
for the Year Ended 31 December 2019**

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

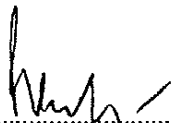
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board:



.....
P R Vans Agnew - Director

Date: 14.12.20.....

Report of the Independent Auditors to the Members of Capital (Hair and Beauty) Limited

Opinion

We have audited the financial statements of Capital (Hair and Beauty) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Financial Statements, including a summary of 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 group's and of the parent company affairs as at 31 December 2019 and of the group's 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report of the Independent Auditors to the Members of Capital (Hair and Beauty) Limited

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' 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 Statement of Directors' Responsibilities set out on page four, 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 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**Report of the Independent Auditors to the Members of
Capital (Hair and Beauty) Limited**

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 a Report of the Auditors 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.



Lorna Overstall FCA (Senior Statutory Auditor)
for and on behalf of Wilson Sandford Limited
Chartered accountant & statutory auditor
85 Church Road
Hove
East Sussex
BN3 2BB

Date: 21/12/20.....

Capital (Hair and Beauty) Limited

**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
Turnover	3	58,571,403	53,914,293
Cost of sales		<u>(34,264,706)</u>	<u>(31,652,911)</u>
Gross profit		24,306,697	22,261,382
Distribution costs		(612,116)	(643,133)
Administrative expenses		<u>(20,794,734)</u>	<u>(17,834,541)</u>
		2,899,847	3,783,708
Other operating income		<u>113,757</u>	<u>84,476</u>
Group operating profit	5	3,013,604	3,868,184
Share of operating profit in Joint ventures		164,772	219,822
Interest receivable and similar income		<u>47,556</u>	<u>48,211</u>
		3,225,932	4,136,217
Interest payable and similar expenses	7	<u>(294)</u>	<u>4,040</u>
Profit before taxation		3,225,638	4,140,257
Tax on profit	8	<u>(1,058,369)</u>	<u>(1,016,459)</u>
Profit for the financial year		2,167,269	3,123,798
Other comprehensive income			
Currency translation differences		(18,991)	-
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax		<u>(18,991)</u>	<u>-</u>
Total comprehensive income for the year		<u>2,148,278</u>	<u>3,123,798</u>

The notes form part of these financial statements

Capital (Hair and Beauty) Limited

**Consolidated Statement of Comprehensive Income
for the Year Ended 31 December 2019**

	2019	2018
	£	£
Profit attributable to: Owners of the parent	<u>2,167,269</u>	<u>3,123,798</u>
 Total comprehensive income attributable to: Owners of the parent	<u>2,148,278</u>	<u>3,123,798</u>

The notes form part of these financial statements

Capital (Hair and Beauty) Limited (Registered number: 00530201)

**Consolidated Balance Sheet
31 December 2019**

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	11		2,638,823		4,134,721
Tangible assets	12		6,501,392		6,594,487
Investments	13				
Interest in joint venture					
Share of gross assets			2,020,518		1,751,128
Share of gross liabilities			<u>(479,368)</u>		<u>(341,186)</u>
			10,681,365		12,139,150
Current assets					
Stocks	14	12,978,893		11,514,593	
Debtors	15	4,444,716		4,802,674	
Cash at bank and in hand		<u>4,855,726</u>		<u>3,433,042</u>	
		22,279,335		19,750,309	
Creditors					
Amounts falling due within one year	16	<u>7,126,183</u>		<u>6,663,965</u>	
Net current assets			<u>15,153,152</u>		<u>13,086,344</u>
Total assets less current liabilities			25,834,517		25,225,494
Creditors					
Amounts falling due after more than one year	17		(360)		-
Provisions for liabilities	21		<u>(57,927)</u>		<u>(27,542)</u>
Net assets			<u>25,776,230</u>		<u>25,197,952</u>

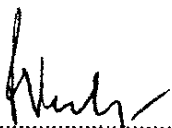
The notes form part of these financial statements

Capital (Hair and Beauty) Limited (Registered number: 00530201)

**Consolidated Balance Sheet - continued
31 December 2019**

	Notes	2019		2018	
		£	£	£	£
Capital and reserves					
Called up share capital	22		8,748		8,748
Share premium			499,126		499,126
Capital redemption reserve			54,888		54,888
Retained earnings			<u>25,213,468</u>		<u>24,635,190</u>
Shareholders' funds			<u>25,776,230</u>		<u>25,197,952</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 26.11.20 and were signed on its behalf by:



.....
P R Vans Agnew - Director

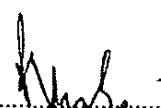
The notes form part of these financial statements

Capital (Hair and Beauty) Limited (Registered number: 00530201)

**Company Balance Sheet
31 December 2019**

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	11		2,625,080		3,902,958
Tangible assets	12		5,948,432		5,996,661
Investments	13		<u>5,305,434</u>		<u>4,385,375</u>
			13,878,946		14,284,994
Current assets					
Stocks	14	12,617,982		11,175,132	
Debtors	15	3,932,195		4,731,728	
Cash at bank and in hand		<u>4,349,672</u>		<u>2,926,220</u>	
		20,899,849		18,833,080	
Creditors					
Amounts falling due within one year	16	<u>10,188,930</u>		<u>8,835,821</u>	
Net current assets			<u>10,710,919</u>		<u>9,997,259</u>
Total assets less current liabilities			24,589,865		24,282,253
Provisions for liabilities	21		<u>57,927</u>		<u>27,542</u>
Net assets			<u>24,531,938</u>		<u>24,254,711</u>
Capital and reserves					
Called up share capital	22		8,748		8,748
Share premium			499,126		499,126
Capital redemption reserve			34,758		34,758
Retained earnings			<u>23,989,306</u>		<u>23,712,079</u>
Shareholders' funds			<u>24,531,938</u>		<u>24,254,711</u>
 Company's profit for the financial year			<u>1,847,227</u>		<u>2,942,974</u>

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 26.11.20 and were signed on its behalf by:


.....
P R Vans Agnew - Director

The notes form part of these financial statements

Capital (Hair and Beauty) Limited

**Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 January 2018	8,748	21,521,392	499,126	54,888	22,084,154
Changes in equity					
Dividends	-	(10,000)	-	-	(10,000)
Total comprehensive income	-	<u>3,123,798</u>	-	-	<u>3,123,798</u>
Balance at 31 December 2018	<u>8,748</u>	<u>24,635,190</u>	<u>499,126</u>	<u>54,888</u>	<u>25,197,952</u>
Changes in equity					
Dividends	-	(1,570,000)	-	-	(1,570,000)
Total comprehensive income	-	<u>2,148,278</u>	-	-	<u>2,148,278</u>
Balance at 31 December 2019	<u>8,748</u>	<u>25,213,468</u>	<u>499,126</u>	<u>54,888</u>	<u>25,776,230</u>

The notes form part of these financial statements

Capital (Hair and Beauty) Limited

**Company Statement of Changes in Equity
for the Year Ended 31 December 2019**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 January 2018	8,748	20,779,105	499,126	34,758	21,321,737
Changes in equity					
Dividends	-	(10,000)	-	-	(10,000)
Total comprehensive income	-	<u>2,942,974</u>	-	-	<u>2,942,974</u>
Balance at 31 December 2018	<u>8,748</u>	<u>23,712,079</u>	<u>499,126</u>	<u>34,758</u>	<u>24,254,711</u>
Changes in equity					
Dividends	-	(1,570,000)	-	-	(1,570,000)
Total comprehensive income	-	<u>1,847,227</u>	-	-	<u>1,847,227</u>
Balance at 31 December 2019	<u>8,748</u>	<u>23,989,306</u>	<u>499,126</u>	<u>34,758</u>	<u>24,531,938</u>

The notes form part of these financial statements

Capital (Hair and Beauty) Limited

**Consolidated Cash Flow Statement
for the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	27	5,402,354	3,220,474
Interest paid		(162)	4,040
Interest element of hire purchase payments paid		(132)	-
Tax paid		<u>(1,092,950)</u>	<u>(1,217,512)</u>
Net cash from operating activities		<u>4,309,110</u>	<u>2,007,002</u>
 Cash flows from investing activities			
Purchase of intangible fixed assets		(785,197)	(1,856,923)
Purchase of tangible fixed assets		(615,318)	(1,203,130)
Sale of tangible fixed assets		58,358	18,911
Cash acquired with subsidiary		-	484,006
Interest received		<u>47,556</u>	<u>48,211</u>
Net cash from investing activities		<u>(1,294,601)</u>	<u>(2,508,925)</u>
 Cash flows from financing activities			
Loan acquired on hive up repayment		-	(600,000)
Capital repayments in year		2,731	-
Amount introduced by directors		21,216	-
Amount withdrawn by directors		(3,278)	(40,489)
Equity dividends paid		<u>(1,570,000)</u>	<u>(10,000)</u>
Net cash from financing activities		<u>(1,549,331)</u>	<u>(650,489)</u>
 Increase/(decrease) in cash and cash equivalents		<u>1,465,178</u>	<u>(1,152,412)</u>
Cash and cash equivalents at beginning of year	28	<u>3,390,548</u>	<u>4,542,960</u>
 Cash and cash equivalents at end of year	28	<u><u>4,855,726</u></u>	<u><u>3,390,548</u></u>

The notes form part of these financial statements

Capital (Hair and Beauty) Limited

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

1. Statutory information

Capital (Hair and Beauty) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The nature of the company's operations and principal activities are the sale of hair and beauty goods to trade.

2. Accounting policies

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The company has chosen to early adopt the Amendments to FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Triennial review 2017. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, however, by their nature, they will rarely equal the related actual outcome.

The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows: The group holds a significant level of goods for resale. Provision is made for slow-moving and potentially obsolete stock, which requires management to make judgements and estimates based on historical experience and on other factors that are believed to be relevant in the circumstances.

Capital (Hair and Beauty) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2019

2. Accounting policies - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - over the useful economic life of 1 to 5 years

Software - 25% straight line

The directors cannot predict the commercial viability of the business, to which the goodwill relates, past five years due to uncertainties over online and other competition. The directors review the amortisation period regularly. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost (land not depreciated)
Improvements to property	- 10% on cost
Fixtures and fittings	- 25% on cost, 25% on reducing balance and 20% on cost
Motor vehicles	- 25% on cost and 20% on cost

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Stocks

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

Stocks are calculated on a first in, first out basis.

Capital (Hair and Beauty) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2019

2. Accounting policies - continued

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

The group does not hold non-basic financial instruments.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Capital (Hair and Beauty) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2019

2. Accounting policies - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

3. Turnover

The turnover and profit before taxation are attributable to the principal activities of the group.

An analysis of turnover by class of business is given below:

	2019 £	2018 £
Sale of goods	57,816,655	53,115,956
Rendering of services	<u>754,748</u>	<u>798,337</u>
	<u>58,571,403</u>	<u>53,914,293</u>

An analysis of turnover by geographical market is given below:

	2019 £	2018 £
United Kingdom	52,835,678	49,943,299
Europe	<u>5,735,725</u>	<u>3,970,994</u>
	<u>58,571,403</u>	<u>53,914,293</u>

4. Employees and directors

	2019 £	2018 £
Wages and salaries	9,708,421	8,338,865
Social security costs	828,606	712,328
Other pension costs	<u>291,187</u>	<u>228,665</u>
	<u>10,828,214</u>	<u>9,279,858</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

4. Employees and directors - continued

The average number of employees during the year was as follows:

	2019	2018
Distribution staff	506	447
Management staff	<u>59</u>	<u>55</u>
	<u>565</u>	<u>502</u>

	2019	2018
	£	£
Directors' remuneration	551,820	591,402
Directors' pension contributions to money purchase schemes	<u>113,341</u>	<u>118,532</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>4</u>	<u>4</u>
------------------------	-----------------	----------

Information regarding the highest paid director is as follows:

	2019	2018
	£	£
Emoluments etc	152,279	194,646
Pension contributions to money purchase schemes	<u>12,152</u>	<u>5,859</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Hire of plant and machinery	7,877	5,578
Other operating leases	1,906,182	1,652,309
Depreciation - owned assets	690,680	573,228
Profit on disposal of fixed assets	(40,625)	(18,911)
Goodwill amortisation	2,204,526	1,818,950
Computer software amortisation	52,134	40,500
Foreign exchange differences	<u>91,933</u>	<u>(61,620)</u>

6. Auditors' remuneration

	2019	2018
	£	£
Fees payable to the company's auditors and their associates for the audit of the company's financial statements	46,255	11,815
Taxation compliance services	430	420
Other non- audit services	<u>5,600</u>	<u>5,490</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

6. Auditors' remuneration - continued

In addition, fees payable to the auditor for the share of the joint venture's audit fee was £3,600 (2018: £3,343).

7. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest	81	(4,865)
Interest payable	81	825
Hire purchase	132	-
	<u>294</u>	<u>(4,040)</u>

8. Taxation

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2019	2018
	£	£
Current tax:		
UK corporation tax	994,779	1,098,767
(Over)/under provision in prior year	2,746	(77,855)
Joint ventures corporation tax	33,564	44,366
Total current tax	1,031,089	1,065,278
Deferred tax	27,280	(48,819)
Tax on profit	<u>1,058,369</u>	<u>1,016,459</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

8. Taxation - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £	2018 £
Profit before tax	<u>3,225,638</u>	<u>4,140,257</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	612,871	786,649
Effects of:		
Expenses not deductible for tax purposes	17,740	9,851
Depreciation in excess of capital allowances	396,091	345,697
Adjustments to tax charge in respect of previous periods	2,746	(76,635)
Difference in tax rates	(1,060)	-
Movement in deferred tax provision	29,979	(49,103)
Rounding on tax charge	<u>2</u>	<u>-</u>
Total tax charge	<u>1,058,369</u>	<u>1,016,459</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2019 Tax £	Net £
Currency translation differences	<u>(18,991)</u>	<u>-</u>	<u>(18,991)</u>

9. Individual statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

10. Dividends

	2019 £	2018 £
Ordinary shares of £1 each		
Interim	1,560,000	-
Ordinary B shares of £1 each		
Interim	<u>10,000</u>	<u>10,000</u>
	<u>1,570,000</u>	<u>10,000</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

11. Intangible fixed assets

Group

	Goodwill £	Computer software £	Totals £
Cost			
At 1 January 2019	8,375,060	197,833	8,572,893
Additions	<u>696,572</u>	<u>64,190</u>	<u>760,762</u>
At 31 December 2019	<u>9,071,632</u>	<u>262,023</u>	<u>9,333,655</u>
Amortisation			
At 1 January 2019	4,366,280	71,892	4,438,172
Amortisation for year	<u>2,204,526</u>	<u>52,134</u>	<u>2,256,660</u>
At 31 December 2019	<u>6,570,806</u>	<u>124,026</u>	<u>6,694,832</u>
Net book value			
At 31 December 2019	<u>2,500,826</u>	<u>137,997</u>	<u>2,638,823</u>
At 31 December 2018	<u>4,008,780</u>	<u>125,941</u>	<u>4,134,721</u>

Company

	Goodwill £	Computer software £	Totals £
Cost			
At 1 January 2019	7,931,241	197,833	8,129,074
Additions	<u>978,076</u>	<u>64,190</u>	<u>1,042,266</u>
At 31 December 2019	<u>8,909,317</u>	<u>262,023</u>	<u>9,171,340</u>
Amortisation			
At 1 January 2019	4,154,224	71,892	4,226,116
Amortisation for year	<u>2,268,010</u>	<u>52,134</u>	<u>2,320,144</u>
At 31 December 2019	<u>6,422,234</u>	<u>124,026</u>	<u>6,546,260</u>
Net book value			
At 31 December 2019	<u>2,487,083</u>	<u>137,997</u>	<u>2,625,080</u>
At 31 December 2018	<u>3,777,017</u>	<u>125,941</u>	<u>3,902,958</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

12. Tangible fixed assets

Group

	Freehold property £	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Totals £
Cost					
At 1 January 2019	4,771,173	1,914,228	1,935,265	1,293,624	9,914,290
Additions	-	204,480	266,605	144,233	615,318
Disposals	(10,288)	-	-	(116,962)	(127,250)
At 31 December 2019	<u>4,760,885</u>	<u>2,118,708</u>	<u>2,201,870</u>	<u>1,320,895</u>	<u>10,402,358</u>
Depreciation					
At 1 January 2019	434,086	899,887	1,385,107	600,723	3,319,803
Charge for year	74,862	152,900	253,761	209,157	690,680
Eliminated on disposal	-	-	-	(109,517)	(109,517)
At 31 December 2019	<u>508,948</u>	<u>1,052,787</u>	<u>1,638,868</u>	<u>700,363</u>	<u>3,900,966</u>
Net book value					
At 31 December 2019	<u>4,251,937</u>	<u>1,065,921</u>	<u>563,002</u>	<u>620,532</u>	<u>6,501,392</u>
At 31 December 2018	<u>4,337,087</u>	<u>1,014,341</u>	<u>550,158</u>	<u>692,901</u>	<u>6,594,487</u>

Company

	Freehold property £	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Totals £
Cost					
At 1 January 2019	4,312,469	1,514,062	1,864,297	1,266,803	8,957,631
Additions	-	204,480	266,604	144,234	615,318
Disposals	(10,288)	-	-	(116,962)	(127,250)
At 31 December 2019	<u>4,302,181</u>	<u>1,718,542</u>	<u>2,130,901</u>	<u>1,294,075</u>	<u>9,445,699</u>
Depreciation					
At 1 January 2019	434,086	638,844	1,314,138	573,902	2,960,970
Charge for year	70,012	112,883	253,761	209,158	645,814
Eliminated on disposal	-	-	-	(109,517)	(109,517)
At 31 December 2019	<u>504,098</u>	<u>751,727</u>	<u>1,567,899</u>	<u>673,543</u>	<u>3,497,267</u>
Net book value					
At 31 December 2019	<u>3,798,083</u>	<u>966,815</u>	<u>563,002</u>	<u>620,532</u>	<u>5,948,432</u>
At 31 December 2018	<u>3,878,383</u>	<u>875,218</u>	<u>550,159</u>	<u>692,901</u>	<u>5,996,661</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

13. Fixed asset investments

Group

	Interest in joint venture £
Cost	
At 1 January 2019	1,409,942
Share of profit/(loss)	<u>131,208</u>
At 31 December 2019	<u>1,541,150</u>
Net book value	
At 31 December 2019	<u>1,541,150</u>
At 31 December 2018	<u>1,409,942</u>

Interest in joint venture

The group's aggregate share of joint ventures at the year end is as follows:

	2019 £	2018 £
Profit before tax	164,772	219,822
Taxation	(33,564)	(44,366)
Profit after tax	<u>131,208</u>	<u>175,456</u>
 Share of assets		
Fixed assets	40,378	37,331
Current assets	1,980,139	1,713,796
 Share of liabilities		
Share of liabilities due within one year	(457,528)	(324,545)
Share of liabilities due after one year or more	(21,841)	(16,641)
 Share of net assets	<u>1,541,148</u>	<u>1,409,941</u>

The Avec Corporation Limited

Registered office: 85 Church Road, Hove, East Sussex BN3 2BB

Nature of business: Hair and beauty suppliers

%

Class of shares: holding

Ordinary 50.00

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

13. Fixed asset investments - continued

Company

	Shares in group undertakings £	Interest in joint venture £	Totals £
Cost			
At 1 January 2019	4,325,110	60,265	4,385,375
Additions	<u>920,059</u>	<u>-</u>	<u>920,059</u>
At 31 December 2019	<u>5,245,169</u>	<u>60,265</u>	<u>5,305,434</u>
Net book value			
At 31 December 2019	<u>5,245,169</u>	<u>60,265</u>	<u>5,305,434</u>
At 31 December 2018	<u>4,325,110</u>	<u>60,265</u>	<u>4,385,375</u>

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

Hair and Beauty Direct Limited

Registered office: Capital (Hair & Beauty) Ltd, Crowhurst Corner, Crowhurst Road, Brighton BN1 8AP

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Pompadour Laboratories Limited

Registered office: Capital Hair & Beauty, Crowhurst Road, Brighton BN1 8AP

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

M. and S. Supplies (Liverpool) Limited

Registered office: Crowhurst Corner, Crowhurst Road, Brighton BN1 8AP

Nature of business: Sublet of property to group

	%
Class of shares:	holding
Ordinary	100.00

College Kits Direct Limited

Registered office: Crowhurst Corner, Crowhurst Road, Brighton BN1 8AP

Nature of business: Wholesale of hair and beauty products

	%
Class of shares:	holding
Ordinary	100.00

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

13. Fixed asset investments - continued

Salon Express (Chelmsford) Limited

Registered office: Crowhurst Corner, Crowhurst Road, Brighton BN1 8AP

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

Salon Connection (Wales) Limited

Registered office: Crowhurst Corner, Crowhurst Road, Brighton BN1 8AP

Nature of business: Sublet of property to group

	%
Class of shares:	holding
Ordinary	100.00

Absolute Beauty Limited

Registered office: Kinsale Road Business Park, Kinsale Road, Cork

Nature of business: Sublet of property to group

	%
Class of shares:	holding
Ordinary	100.00

Analysis of the acquisition of Absolute Beauty Limited:

	Fair value and book value
	£
Cash	66,314
Tangible fixed assets	20,201
Stock	486,720
Debtors	87,486
Creditors	(268,486)
Provision for deferred tax	<u>(2,652)</u>
	<u>389,583</u>
Satisfied by:	
Cash paid	<u>564,918</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

13. Fixed asset investments - continued

Eclipse Professional Hair & Beauty Supplies Limited

Registered office: Capital Hair & Beauty, Crowhurst Road, Brighton BN1 8AP

Nature of business: Sublet of property to group

	%
Class of shares:	holding
Ordinary	100.00

Analysis of the acquisition of Eclipse Professional Hair & Beauty Supplies Limited:

	Fair value and book value £
Cash	509,537
Tangible fixed assets	19,711
Stock	326,203
Debtors	259,628
Creditors	(289,873)
Provision for deferred tax	(3,105)
	<u>822,101</u>
Satisfied by:	
Cash paid	<u>1,277,670</u>

Capital (Hair and Beauty) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2019

13. Fixed asset investments - continued

The consolidated financial statements include all subsidiary undertakings.

M. and S. Supplies (Liverpool) Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

College Kits Direct Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

Salon Express (Chelmsford) Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

Salon Connection (Wales) Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

On 24 January 2019, the group acquired 100% of the share capital of Absolute Beauty Limited for consideration of €650,000 satisfied by cash. The acquisition of the subsidiary has been accounted for under the acquisition method. Goodwill arising on the acquisition of Absolute Beauty Limited has been capitalised and will be amortised over one year. The investment in Absolute Beauty Limited has been included in the company's balance sheet at its fair value at the date of acquisition. On 24 January 2019, the trade and net assets of Absolute Beauty Limited, amounting to £591,741, were hived up to Capital (Hair and Beauty) Limited. At the point of hive up, negative goodwill of £5,833 was created and subsequently written off.

Absolute Beauty Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

On 30 April 2019, the group acquired 100% of the share capital of Eclipse Professional Hair & Beauty Supplies Limited for a consideration of £1,277,670 satisfied by cash. The acquisition of the subsidiary has been accounted for under the acquisition method. Goodwill arising on the acquisition of Eclipse Professional Hair & Beauty Supplies Limited has been capitalised and will be amortised over one year. The investment in Eclipse Professional Hair & Beauty Supplies Limited has been included in the company's balance sheet at its fair value at the date of acquisition. On 30 April 2019, the trade and net assets of Eclipse Professional Hair & Beauty Supplies Limited amounting to £362,877, were hived up to Capital (Hair and Beauty) Limited. At the point of hive up, £949,351 of the investment in Eclipse Professional Hair & Beauty Supplies Limited was transferred to goodwill.

Eclipse Professional Hair & Beauty Supplies Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of its individual accounts by virtue of section 479A.

14. Stocks

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Finished goods	<u>12,978,893</u>	<u>11,514,593</u>	<u>12,617,982</u>	<u>11,175,132</u>

An impairment loss of £165,516 was reversed (2018: £17,364) in cost of sales against stock during the year due to slow-moving and obsolete stock.

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

15. Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	1,233,286	2,052,338	928,046	1,731,033
Amounts owed by group undertakings	-	-	122,374	317,482
Other debtors	1,275,678	1,341,369	1,147,971	1,294,531
Directors' current accounts	322,529	340,467	322,529	340,467
Tax	26,052	-	-	-
Prepayments and accrued income	819,048	701,682	643,152	681,397
	<u>3,676,593</u>	<u>4,435,856</u>	<u>3,164,072</u>	<u>4,364,910</u>
Amounts falling due after more than one year:				
Other debtors	<u>768,123</u>	<u>366,818</u>	<u>768,123</u>	<u>366,818</u>
Aggregate amounts	<u>4,444,716</u>	<u>4,802,674</u>	<u>3,932,195</u>	<u>4,731,728</u>

16. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans and overdrafts (see note 18)	-	42,494	-	42,494
Hire purchase contracts (see note 19)	2,371	-	-	-
Trade creditors	2,271,826	1,539,727	2,209,703	1,472,904
Amounts owed to group undertakings	-	-	3,356,810	2,585,026
Tax	552,407	621,780	499,185	515,297
Social security and other taxes	242,541	142,986	237,235	142,986
VAT	617,057	840,605	454,825	723,407
Other creditors	301,411	448,429	298,509	327,113
Accruals and deferred income	<u>3,138,570</u>	<u>3,027,944</u>	<u>3,132,663</u>	<u>3,026,594</u>
	<u>7,126,183</u>	<u>6,663,965</u>	<u>10,188,930</u>	<u>8,835,821</u>

17. Creditors: amounts falling due after more than one year

	Group	
	2019	2018
	£	£
Hire purchase contracts (see note 19)	<u>360</u>	<u>-</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

18. Loans

The bank overdraft is a book overdraft only and does not represent any borrowing with third parties.

19. Leasing agreements

Minimum lease payments fall due as follows:

Group

	Hire purchase contracts	
	2019	2018
	£	£
Net obligations repayable:		
Within one year	2,371	-
Between one and five years	360	-
	<u>2,731</u>	<u>-</u>

Group

	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	1,311,080	1,373,008
Between one and five years	3,307,657	3,410,317
In more than five years	1,430,300	1,580,845
	<u>6,049,037</u>	<u>6,364,170</u>

Company

	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	1,311,080	1,373,008
Between one and five years	3,307,657	3,410,317
In more than five years	1,430,300	1,580,845
	<u>6,049,037</u>	<u>6,364,170</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

19. Leasing agreements - continued

The operating leases are in respect of property.

As lessor:

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	31,250	31,250
Later than 1 year and not later than 5 years	68,854	88,104
In more than five years	<u>4,000</u>	<u>16,000</u>
	<u>104,104</u>	<u>135,354</u>

The operating leases are in respect of property.

20. Secured debts

The following secured debts are included within creditors:

	Group	
	2019	2018
	£	£
Hire purchase contracts	<u>2,731</u>	<u>-</u>

The hire purchase liability is secured on the asset to which it relates.

21. Provisions for liabilities

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Deferred tax				
Accelerated capital allowances	<u>57,927</u>	<u>27,542</u>	<u>57,927</u>	<u>27,542</u>
Group				
				Deferred tax
				£
Balance at 1 January 2019				27,542
Provided during year				<u>30,385</u>
Balance at 31 December 2019				<u>57,927</u>

Capital (Hair and Beauty) Limited

Notes to the Consolidated Financial Statements - continued for the Year Ended 31 December 2019

21. Provisions for liabilities - continued

Company

	Deferred tax £
Balance at 1 January 2019	27,542
Provided during year	<u>30,385</u>
Balance at 31 December 2019	<u>57,927</u>

22. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019 £	2018 £
7,874	Ordinary	£1	7,874	7,874
874	Ordinary B	£1	<u>874</u>	<u>874</u>
			<u>8,748</u>	<u>8,748</u>

23. Contingent liabilities

The company has given guarantees for six of its subsidiaries under s479C of the Companies Act 2006, as detailed in note 13. The total potential liability amounts to £277,214 (2018: £426,648).

24. Directors' advances, credits and guarantees

During the year, the group advanced £6,556 (2018: £75,489) to the directors and they repaid £24,494 (2018: £35,000). At the year end, the directors owed the group £322,529 (2018: £340,467). Advances to two of the directors attracted interest at the H M Revenue and Customs Average Official Rate. The remaining advances were interest-free. All of the advances were unsecured and repayable on demand.

25. Related party disclosures

Entities over which the entity has control, joint control or significant influence

	2019 £	2018 £
Sales	293,085	273,745
Purchases	2,341,372	1,940,880
Amount due to related party	<u>238,520</u>	<u>133,051</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

25. Related party disclosures - continued

Key management personnel of the entity or its parent (in the aggregate)

	2019	2018
	£	£
Dividends	1,570,000	10,000
Interest receivable	6,556	6,565
Amount due from related party	<u>322,529</u>	<u>340,467</u>

Other related parties

	2019	2018
	£	£
Sales	-	30,467
Purchases	115,000	211,190
Recharges	3,764	822
Amount due from related party	<u>463,691</u>	<u>453,691</u>

During the year, a total of key management personnel compensation of £721,853 (2018 - £772,761) was paid.

26. Post balance sheet events

The business has had a significant impact in 2020 as a result of the impact of the Covid virus. This has been seen both in the enforced closures of stores in all territories and our customers being told to close for extended periods. The impact has been offset to a degree by increased sales on the web and also significant support from the various government schemes. Since re opening we have seen strong performance in the stores.

27. Reconciliation of profit before taxation to cash generated from operations

	2019	2018
	£	£
Profit before taxation	3,225,638	4,140,257
Depreciation charges	2,947,339	2,310,590
Profit on disposal of fixed assets	(51,454)	(18,911)
Share of profit of joint venture	(131,207)	(219,822)
Finance costs	294	(4,040)
Finance income	<u>(47,556)</u>	<u>(48,211)</u>
	5,943,054	6,159,863
Increase in stocks	<u>(1,464,300)</u>	<u>(609,313)</u>
Decrease/(increase) in trade and other debtors	351,886	(1,656,419)
Increase/(decrease) in trade and other creditors	<u>571,714</u>	<u>(673,657)</u>
Cash generated from operations	<u>5,402,354</u>	<u>3,220,474</u>

Capital (Hair and Beauty) Limited

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019**

28. Cash and cash equivalents

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2019

	31/12/19 £	1/1/19 £
Cash and cash equivalents	4,855,726	3,433,042
Bank overdrafts	<u>-</u>	<u>(42,494)</u>
	<u>4,855,726</u>	<u>3,390,548</u>

Year ended 31 December 2018

	31/12/18 £	1/1/18 £
Cash and cash equivalents	3,433,042	4,542,960
Bank overdrafts	<u>(42,494)</u>	<u>-</u>
	<u>3,390,548</u>	<u>4,542,960</u>

29. Analysis of changes in net funds

	At 1/1/19 £	Cash flow £	At 31/12/19 £
Net cash			
Cash at bank and in hand	3,433,042	1,422,684	4,855,726
Bank overdrafts	<u>(42,494)</u>	<u>42,494</u>	<u>-</u>
	<u>3,390,548</u>	<u>1,465,178</u>	<u>4,855,726</u>
Debt			
Finance leases	<u>-</u>	<u>(2,731)</u>	<u>(2,731)</u>
	<u>-</u>	<u>(2,731)</u>	<u>(2,731)</u>
Total	<u>3,390,548</u>	<u>1,462,447</u>	<u>4,852,995</u>