

**Sally Salon Services Limited**  
Annual report and financial statements  
Registered number 1060763  
30 September 2017

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## **Strategic report**

The Directors present their Strategic report for the year ended 30 September 2017.

### **Principal activities**

The principal activity of the company is the sale of hair and beauty supplies and equipment to retail and wholesale customers

### **Business review**

The directors are satisfied with the results for the year which are set out on page 7.

During the year to 30 September 2017 the company has experienced a 2.1% increase (2016: 3.6%) in turnover, including like for like growth of 1.2% (2016: 2.9%), representing continued organic growth as the company benefits from growth in demand for hair and beauty products. The overall trading margin has improved to 48.8% (2016: 47.9%).

The growth in revenue has arisen due to a continued demand for hair and beauty supplies. During the course of the year, 9 new stores (2016: 6) have been opened and 3 store relocations (2016: 4), which are expected to add accretive growth in the fiscal year 2018 and 2019. The business model is based around new stores becoming profitable within 3-4 years.

Operating profit shows stable growth in the year despite rising operational costs including the national living wage increase and investments in a new ERP system.

During the year the company reported a profit before tax of £4,790,000 (2016: £5,633,000), details of this are set out in the profit and loss account on page 7.

The directors' remain committed to growing the business and continuing to invest in both people and new products.

Competition remains from other hair and beauty suppliers. A key strength in the business remains the commitment to customer care and value for money.

On 30th September 2017, the company acquired the trading rights, assets and liabilities to the value of £782,583 and £175,232 respectively from a group company, Salon Services Franchising Limited (see note 21). The Franchisee business will continue to trade within this company. As part of this novation, the company received capital investments from a group company, Sally UK Holdings Ltd (£1,518,643) to clear an operating creditor loan.

### **Strategy**

The company aims to continue its success with its strategy for sustainable profitable growth in the future.

The company continues to add new product ranges to its portfolio, while also further expanding its presence in the United Kingdom through a store expansion, relocation and refurbishment program. The company also continues to develop its internet based distribution channel.

### **Customers**

A key strength of the business continues to be its customer focus. Customer retention and development form a cornerstone of the company's ethos, which helps to differentiate the company from some of its competitors.

### **Risk Management**

The directors work closely with management to anticipate risks from economic or global factors, such as the uncertainty of Brexit and plan accordingly. In the normal course of its business activities, the company is exposed to various types of risks.

Risks arising from business interruption are insured up to economically reasonable levels.

Risks that the group is prepared for include; competitors attempting to copy the concept, any shortage of suitable premises to continue the expansion and any slow down in the retail sector.

The company is exposed to foreign exchange risk through the purchases made from overseas suppliers. The company operates a natural hedge approach, whereby unfavourable variances in one currency will be mitigated by favourable variances in another.

**Strategic report (continued)**

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1. The Company has access to considerable financial resources together with strong long-standing relationships with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

**Judgements and key sources of 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 revision and future periods where revision affects both current and future periods.

**Key Performance Indicators**

The directors monitor the following key performance indicators (KPI's) of the company on a regular basis:

	2017	2016
Gross profit percentage	49%	48%
Operating profit percentage	3%	4%
Profit after tax	3%	3%

The KPI's show a positive trend in the year despite significant operating investments in the business. The reduction in operating profit is as explained in the strategic review.

By order of the board



**W Scarr**  
Director

**Registered Office**  
Inspired, Ground Floor  
Easthampstead Road  
Bracknell, Berkshire  
England, RG12 1YQ

Registered number: 1060763

4th May 2018

#### **Directors' report**

The Directors present their Directors report and financial statements for year ended 30 September 2017.

#### **Directors and directors' interests**

The directors who held office during the year were as follows:

O Badezet (appointed 23rd March 2018)  
H Van Ocken (appointed 23rd March 2018)  
J Finch (resigned 30th March 2018)  
W Scarr (appointed 3rd February 2017)  
M Faulkner (Resigned 3rd February 2017)  
M Dewey (Resigned 3rd February 2017)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of any group company incorporated in Great Britain at 30 September 2017.

#### **Proposed dividend**

The directors do not recommend the payment of a dividend (2016: *£nil*).

#### **Financial instruments**

Financial assets and liabilities are initially recognised at transaction cost and at the end of each reporting period, the company measures each instrument at fair value and recognises changes in the fair value in the profit and loss account.

#### **Donations**

The company has made one charitable donation in the year, £500 (2016: *£nil*). No political donations were made in the year (2016: *£nil*).

#### **Employees**

The company recognises the contributions made by all employees to the achievement of good performance and the improvements made in operating efficiencies during the year. The directors believe that continued efforts to improve communication and training within the organisation are vital to the future financial health of the business.

Employees are advised on a regular basis about the company's activities, achievements, challenges and future goals. Employees are encouraged to submit questions and ideas on issues that are likely to affect their personal interests.

The company is an equal opportunities employer, and complies fully with all legislation concerning health and safety. Full consideration is given to all applications of disabled persons and selection is based upon their ability and aptitude. The opportunities for disabled persons are in no way different to those of other employees.

#### **Disclosure of information to auditor**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



W Scarr  
Director

Registered Office  
Inspired, Ground Floor  
Easthampstead Road  
Bracknell, Berkshire  
England, RG12 1YQ  
Registered number: 1060763  
4th May 2018

**Statement of directors' responsibilities in respect of the Strategic report and the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report and the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable to the UK and Republic of Ireland.

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 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;
- \* assess the company's ability to continue as a going concern, disclosing, as applicable, matter relating to going concern; and
- \* use the going concern basis of accounting unless they have either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Sally Salon Services Limited**

### **Opinion on financial statements**

We have audited the financial statements of Sally Salon Services Limited for the year ended 30 September 2017 which comprise the Profit and Loss account, Balance Sheet, Statement of changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going Concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of the approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements;
- and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Independent auditor's report to the members of Sally Salon Services Limited (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out in page 3, the directors are responsible for; the preparation of the financial statements and for being satisfied that they give a true and fair view: such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorresponsibilities](http://www.frc.org.uk/auditorresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**


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.



**William Smith (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom  
 2018



**Profit and loss account  
for the year ended 30 September 2017**

	<i>Note</i>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Turnover</b>	<b>2</b>	<b>151,160</b>	148,064
Cost of sales		<b>(77,458)</b>	(77,096)
<b>Gross profit</b>		<b>73,702</b>	70,968
Distribution costs	<b>3</b>	<b>(47,093)</b>	(41,801)
Administration expenses		<b>(21,814)</b>	(23,547)
<b>Operating profit</b>	<b>3 - 5</b>	<b>4,795</b>	5,620
Interest receivable and similar income	<b>6</b>	<b>35</b>	13
Interest payable and similar charges	<b>7</b>	<b>(40)</b>	-
<b>Profit before taxation</b>		<b>4,790</b>	5,633
Tax on profit	<b>8</b>	<b>(701)</b>	(960)
<b>Profit after taxation</b>	<b>16</b>	<b>4,089</b>	4,673

The company has no recognised gains or losses other than the profit for the year, accordingly no statement of other comprehensive income has been presented.

All turnover and operating profit were derived from continuing operations.

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 4th May 2018 and were signed on its behalf by:



**W Scarr**  
*Director*

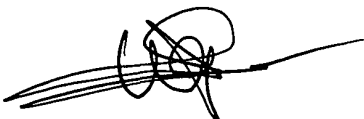
Registered Company Number: 1060763

**Balance sheet**  
**at 30 September 2017**

	Notes	30 September 2017 £'000	30 September 2016 £'000
<b>Fixed assets</b>			
Tangible assets	9	25,154	23,543
Investments	10	1,450	1,450
		<u>26,604</u>	<u>24,993</u>
<b>Current assets</b>			
Stocks	11	38,064	37,343
Debtors	12	21,616	15,370
Cash at bank and in hand		2,494	1,983
		<u>62,174</u>	<u>54,696</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(46,757)</u>	<u>(43,216)</u>
<b>Net current assets</b>		<u>15,417</u>	<u>11,480</u>
<b>Total assets less current liabilities</b>		<u>42,021</u>	<u>36,473</u>
<b>Provisions for liabilities and charges</b>	14	<u>(115)</u>	<u>(215)</u>
<b>Net assets</b>		<u>41,906</u>	<u>36,258</u>
<b>Capital and reserves</b>			
Called up share capital	15	8,326	8,326
Profit and loss account	16	29,411	25,322
Other reserves	16	4,169	2,610
<b>Shareholders' funds</b>		<u>41,906</u>	<u>36,258</u>

The notes on pages 10 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 4th May 2018 and were signed on its behalf by:



**W Scarr**  
Director  
Registered Company Number: 1060763

**Statement of changes in Equity**  
**for the year ended 30 September 2017**

	Share Capital £'000	Retained Earnings £'000	Other reserves £'000	Total Equity £'000
Balance at 1st October 2015	8,326	20,649	2,324	31,299
Credit in relation to share based payments	-	-	286	286
Profit in year	-	4,673	-	4,673
Balance at 30 September 2016	8,326	25,322	2,610	36,258
Balance at 1st October 2016	8,326	25,322	2,610	36,258
Capital Contribution	-	-	1,519	1,519
Credit in relation to share based payments	-	-	40	40
Profit in year	-	4,089	-	4,089
Balance at 30 September 2017	8,326	29,411	4,169	41,906

The notes on pages 10 to 20 form part of these financial statements.

## Notes

### *(forming part of the financial statements)*

#### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards on a going concern basis and under the historical cost accounting rules.

These financial statements were prepared in accordance with Financial Reporting Standard 102, applicable in the UK and Republic of Ireland as issued in 2014. The functional presentation of the financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company is exempt under FRS102 paragraph 33.1a from disclosing related party transactions with any companies wholly owned with the group headed Sally Beauty Holdings, Inc.

The Company's ultimate parent undertaking, Sally Beauty Holdings, Inc, includes the Company in its consolidated financial statements. The consolidated financial statements of Sally Beauty Holdings, Inc are available to the public and may be obtained from the address in note 22. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- \* Cash flow statement and related notes
- \* Key management personnel
- \* Reconciliation of the number of shares outstanding from beginning to end of the period;

As the consolidated financial statements of Sally Beauty Holdings, Inc include the disclosures equivalent to those required by FRS 102, the company has also taken the exemptions available in respect of the following disclosure;

- \* Certain disclosures required by FRS 102.26 *Share Based Payments*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### ***Going concern***

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 1. The Company has access to considerable financial resources together with strong long-standing relationships with a number of customers and suppliers across different geographic areas. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	3 to 5 years
Fixtures and fittings	10 years

Assets acquired from associated companies are depreciated over the lifespan remaining from the initial date of acquisition by the associated company.

#### ***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Goodwill is amortised over its useful economic life of three years.

**Notes (continued)**

**Accounting policies (continued)**

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Leases**

Assets acquired under finance leases are capitalised and the outstanding future lease obligations shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Pension costs**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. Stocks are valued on a 'first in first out' basis.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

**Turnover**

Turnover, which excludes value added tax and trade discounts, represents the net invoiced value of goods and services supplied. All sales are in relation to the sole activity of providing hairdressing supplies, training and equipment and are recognised at the point of supply.

**Fixed asset investments**

The cost of fixed asset investments is their cost of acquisition. Provision is made against fixed asset investments to reflect any permanent diminution in value.

**Share based payments**

The share option programme allows employees to acquire shares of the ultimate parent company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Each option granted has an exercise price which equals 100% of the market price of the ultimate parent company's stock on the date of grant and generally has a maximum term of 10 years. Options vest rateably over a three or four year period and are subject to forfeiture until the three or four year vesting period is complete.

**Financial instruments**

Financial assets and liabilities are initially recognised at transaction cost and at the end of each reporting period, the company measures each instrument at fair value and recognises changes in the fair value in the profit and loss account.

**Notes (continued)**

**2 Analysis of turnover**

	2017	2016
<i>By activity</i>	£'000	£'000
Hairdressing and beauty supplies and equipment	150,881	147,645
Provision of hair salon and other beauty treatment services	279	419
	<u>151,160</u>	<u>148,064</u>

	2017	2016
<i>By geographical market</i>	£'000	£'000
United Kingdom	151,160	148,064
	<u>151,160</u>	<u>148,064</u>

**3 Profit before taxation**

	2017	2016
	£'000	£'000
Profit before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	6,608	5,547
Rentals payable under operating leases:		
Plant & machinery	386	397
Property	7,881	7,117
(Gain)/Loss on foreign exchange	(166)	332
	<u>          </u>	<u>          </u>

**Auditors remuneration**

	2017	2016
	£'000	£'000
<b>Amounts receivable by the auditors and their associates in respect of:</b>		
Audit of these financial statements	117	112
Other services pursuant to legislation	3	-
Other services	-	-
	<u>          </u>	<u>          </u>

**Notes (continued)**

**4 Remuneration of directors**

	2017 £'000	2016 £'000
Directors' emoluments	396	167
Company contributions to money purchase pension schemes	14	10
Social security costs	50	20
	<u>460</u>	<u>197</u>

The total amount payable to the highest paid director in respect of emoluments was £217k (2016: nil) including pension contributions of £3k (2016: £nil).

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under money purchase schemes	0	0

**5 Staff numbers and costs**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Selling and distribution	1,516	1,473
Administration	196	200
	<u>1,712</u>	<u>1,673</u>

	2017 £'000	2016 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	27,855	26,190
Social security costs	2,732	2,208
Share based payment	40	286
Other pension costs (see note 19)	905	844
	<u>31,532</u>	<u>29,528</u>

**Notes (continued)**

**6 Interest receivable and similar income**

	2017 £'000	2016 £'000
Receivable from group undertakings	35	13

**7 Interest payable and similar charges**

	2017 £'000	2016 £'000
On provisions and liabilities	(40)	-

**8 Taxation**

Analysis of charge/(credit) in year

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<i>UK Corporation tax</i>				
Corporation tax payable	1,164		660	
Adjustments in respect of prior years	(156)		-	
Total current tax		1,008		660
<i>Deferred tax (see note 8)</i>				
Origination and reversal of timing differences	(204)		142	
Adjustments in respect of prior periods	(100)		158	
Movement arising from transfer of assets	(3)		-	
Total deferred tax		(307)		300
Tax on profit		701		960



Notes (continued)

8 Taxation (continued)

*Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2016: higher) than the standard rate of corporation tax in the UK 19.5% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
<i>Current tax reconciliation</i>		
Profit before tax	4,790	5,633
Current tax at 19.5% (2016: 20%)	934	1,127
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10	144
Adjustments with respect to prior years	(256)	158
Reduction in DTA in relation to share options	41	-
Impact of share options	(55)	1
Tax rate changes	30	122
Group relief not paid for	-	(592)
Movement arising from transfer of assets	(3)	
Total current tax charge (see above)	701	960

*Factors that may affect future current and total tax charges*

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will affect the company's future tax charge accordingly. The deferred tax asset has been calculated based on these rates.

	Deferred taxation £'000
At beginning of year	691
Charge to profit and loss account	305
Transfer in from Salon Services Franchise Ltd at 30th September 2017	3
<b>Deferred tax asset at end of year</b>	<b>999</b>

The elements of deferred taxation are as follows:

	2017 £'000	2016 £'000
Difference between accumulated depreciation and capital allowances	827	520
Other timing differences	172	171
	999	691

Notes (continued)

**9 Tangible fixed assets**

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
At beginning of year	38,634	8,867	47,501
Additions	4,171	3,989	8,160
Disposals	(391)	(1,132)	(1,523)
At end of year	<u>42,414</u>	<u>11,724</u>	<u>54,138</u>
<b>Depreciation</b>			
At beginning of year	19,467	4,491	23,958
Charged in year	3,980	2,628	6,608
Adjustments	(59)	-	(59)
Disposals	(391)	(1,132)	(1,523)
At end of year	<u>22,997</u>	<u>5,987</u>	<u>28,984</u>
<b>Net book value</b>			
At 30 September 2017	<u>19,417</u>	<u>5,737</u>	<u>25,154</u>
At 30 September 2016	<u>19,167</u>	<u>4,376</u>	<u>23,543</u>

**10 Fixed asset investments**

	Shares in group undertakings £'000
<b>Cost</b>	
At the beginning and end of the year	<u>3,572</u>
<b>Provision</b>	
At the beginning and end of the year	<u>2,122</u>
<b>Net book value</b>	
At 30 September 2017	<u>1,450</u>
At 30 September 2016	<u>1,450</u>

Companies in which the company holds an interest:

	Country of Incorporation	Principal activity	Class and % of share held
<b>Subsidiary undertakings</b>			
Sally Salon Services (Ireland) Ltd Temple Chambers, 3 Burlington Road, Dublin 4, Ireland, DO4 RG68	Ireland	Retail of hairdressing supplies	Ordinary 25%

**Notes (continued)**

**11 Stocks**

	2017 £'000	2016 £'000
Finished goods and goods for resale	<b>38,064</b>	37,343

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £83,696,246 (2016; £82,217,606)

**12 Debtors**

	2017 £'000	2016 £'000
Trade debtors	2,299	1,593
Amounts owed by group undertakings	9,228	6,026
Deferred tax asset	999	691
Other debtors	5,056	3,023
Prepayments and accrued income	4,034	4,037
	<b>21,616</b>	15,370

**13 Creditors: amounts falling due within one year**

	2017 £'000	2016 £'000
Trade creditors	10,618	13,711
Amounts owed to group undertakings	17,442	19,487
Other taxes and social security	4,046	3,299
Corporation tax	440	549
Accruals and deferred income	14,211	6,170
	<b>46,757</b>	43,216

**14 Provisions for liabilities and charges**

	Dilapidation Provision £'000
At beginning of year	215
Dilapidations paid in the year	(20)
Credited to the profit and loss account	(80)
	<b>115</b>

The dilapidations provision is in respect of a number of store sites, the leases for which are soon to expire.

**Notes (continued)**

**15 Called up share capital**

	2017 £'000	2016 £'000
<i>Allotted, called up and fully paid</i>		
8,126,375 Ordinary shares of £1 each	8,126	8,126
200,000 deferred Ordinary shares of £1 each	200	200
	<u>8,326</u>	<u>8,326</u>

The deferred shares have a right to receive a tenth of any dividend paid on the ordinary shares of the company which is in excess of a dividend rate of 25%.

Upon winding up, the deferred shareholders can receive one-tenth of the amount payable to the ordinary shareholders up to an amount of £0.01 per share.

Deferred shareholders have no right to receive notice, attend or vote at general meetings of the company.

**16 Reserves**

	Other reserves £'000	Profit and loss reserves £'000
At beginning of year	2,610	25,322
Profit for the year	-	4,089
Credit in relation to share based payments	40	-
Capital contribution	1,519	-
At end of year	<u>4,169</u>	<u>29,411</u>

On 30 September 2017, the company received all trade, assets and liabilities from Salon Services Franchising Ltd. As mentioned in the Strategic review, the company also received capital investment from Sally UK Holdings Ltd of which this company is a subsidiary (£1,518,643). This capital contribution allowed the company to pay outstanding inter group loan notes to the same value.

**17 Commitments**

Total commitments under non-cancellable operating leases are as follows:

	2017 Land and buildings £'000	2017 Other £'000	2016 Land and Buildings £'000	2016 Other £'000
<i>Non-cancellable operating lease rentals payable:</i>				
Less than one year	7,257	337	6,665	330
Between one and five years	17,619	356	20,308	314
More than five years	24,552	-	18,266	-
	<u>49,428</u>	<u>693</u>	<u>45,239</u>	<u>644</u>

**Notes (continued)**

**18 Employee share schemes**

The Sally Group share option programme allows employees to acquire shares of Sally Beauty Holdings Inc., the ultimate parent company. The company measures the cost of employees services received in exchange for an award of equity instruments based on the grant-date fair value of the award and recognises compensation expense on a straight line basis over the vesting period.

The terms and conditions of the grants are as follows:

Grant Date	Expiry Date	Number of Shares	Option Price	Vesting Conditions
21/10/2009	21/10/2019	800	7.42	4 years
19/10/2010	19/10/2020	1,050	11.39	4 years
26/10/2011	26/10/2021	802	19.21	4 years
29/10/2012	29/10/2022	11,466	23.49	4 years
30/10/2013	30/10/2023	11,220	26.30	4 years
29/10/2014	29/10/2024	7,692	29.20	3 years
28/10/2015	28/10/2025	18,600	23.45	3 years
01/11/2016	01/11/2026	20,548	25.53	3 years
		<u>72,178</u>		

**19 Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £905,000 (2016: £844,000).

At the year end, there were no outstanding or prepaid contributions (2016: £nil).

**20 Accounting estimates and judgements**

The key areas in this respect are the carrying value of fixed asset investments, the assessment of dilapidation provisions and the company's approach to foreign exchange hedging.

The company reviews the carrying value of the investment in each of its subsidiaries on an annual basis. If there are indicators of impairment, an adjustment is made to the carrying value.

The company ensures that as a lease approaches the end of its term, an assessment is undertaken to determine whether the company has a dilapidation liability. A provision is estimated based upon specific premises conditions and the market cost of making good.

The company also assesses the level of foreign exchange risk it faces, and determines whether to hedge against that risk.

**21 Novation of assets and liabilities**

On 30 September 2017, the Company received the trade and assets from a fellow group company Salon Services Franchising Limited. The company also traded in selling hair and beauty products through a number of franchisees.

The assets and liabilities were transferred at Net Book Value.

	£'000
Trade and Other Debtors	561
Cash	221
Deferred tax assets	4
Trade and Other Creditors	(179)
Net identifiable assets and liabilities	<u>607</u>

**Notes (continued)**

**22 Ultimate holding company and parent undertaking of larger group of which the company is a member**

The company is a wholly owned subsidiary of Sally UK Holdings Ltd, Inspired, Easthamstead Road, Bracknell, Berkshire, RG12 1YQ.

The largest group in which the company are consolidated is that headed by Sally Beauty Holdings, Inc, the ultimate parent company, incorporated in the State of Delaware, USA. The consolidated accounts of the group are available to the public and may be obtained from 3001 Colorado Boulevard, Denton, Texas 76210, USA.