Sally Salon Services Limited
Annual report and financial statements
Registered number 1060763
30 September 2020

Contents

Strategic report

The Directors present their Strategic report for the year ended 30 September 2020.

Section 172 Statement

In line with the Companies Act requirement for periods commencing on or after 1 January 2019, the Directors' set out below their key consideration and steps taken with regard to the 'enlightened shareholder value' requirement of S172 in performing their duties.

The Board continuously reviews which relationships support the generation and preservation of value in the Company. The Directors' have identified the following parties who have an interest in , or are impacted by the decisions taken by the Company: customers, suppliers, employees, shareholders , and tax authorities. All strategic decisions take into account these stakeholders', and the Directors' consider that they have acted in a way that is most likely to promote the success of the Company for the benefit of its members as a whole.

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 8.

During the year to 30 September 2020 the company has experienced a 9.8% decrease (2019: 1.3% increase) in turnover to 136,959k, due largely to the impact of Covid-19 pandemic, which required the stores thoughout the UK to close temporarily to limit the spread of the disease. The UK stores were closed in the year for a total of 18,794 days , which averaged 74 days per store. Like for like reports a decrease of 14% (2019: 5%) which represents reduced sales in the known stores.

The overall gross margin has decreased to 45.2% (2019: 47.5%). This is primarily due to competition and a reduction of Vendor Rebates.

During the course of the year, 4 new stores (2019: 2) have been opened and 4 stores closed (2019:7 closed and 3 rellocated), which are expected to add accretive growth in the fiscal year 2021 and 2022. The business model is based around new stores becoming profitable within 3-4 years.

During the year the company reported an operating loss of £6,367k (2019: operating profit £4,289k). Details of this are set out in the profit and loss account on page 8. Cost of sales in the year included an exceptional write off of slow moving inventory amounting to £1,586k and there was a substantial reduction in vendor rebates as a result of lower sales due to the lock downs experienced through the Covid -19 pandemic. The company posted an impairment charge of £1,451k following the annual assessment of its carrying value of stores assets due to the impact of the ecomonic effect from the Covid -19 pandemic refer to Note 3.

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.

The company has Non UK branches trading in the Repulic of Ireland.

Strategy

The company aims to achieve 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.

On April 30th 2020 and In the frame of a Group Restructuring, the directors had taken the decision to accept the transfer from the business of Salon Success Ltd, a group company, to the Company. The amount of the purchase consideration which the Company paid for the business of Salon Success was £4,736,553.

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.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are those that affect the carrying value of its assets. These would principally include, the carrying value of the assets of the 262 stores throughout the UK.

The directors work closely with management to anticipate risks from economic or global factors. This year the global pandemic from Covid-19, required managing the continuity of the business during the times when the stores were locked down, by operating more on-line sales and a 'click and collect' service to customers .

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.

Strategic report (continued)

Please see section below on Going Concern for more information.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The business has seen an impact on revenues and profits due to COVID19 but has remained cash generative. However, due to the way the entity is financed, there is a £22.5 million (2019: 24.0 million) intercompany payable on demand to various Sally Beauty Holdings Inc. group affiliates.

COVID19 has significantly affected the underlying trade of Sally Salon Services Limited and has a financial impact on the Group's results in that period. The directors have prepared cashflow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and excluding the demand intercompany payables referred to above, the company will have sufficient funds, through its operations and in downside cases funding from its ultimate company, Sally Beauty Holdings Inc., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Sally Beauty Holdings Inc. not calling in the amounts due. The Company has received a letter of support from Sally Beauty Holdings Inc. which has indicated its intention to continue to make available such funds as are needed by the company, including if Sally UK Holdings were to call in its loan, for the period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on another group entity for financial support, the directors acknowledge there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Key Performance Indicators

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

	2020	2019
Gross profit percentage	**45%**	47%
Operating (loss)/profit percentage	**(4.6)%**	3%
(Loss)/ Profit after tax	**(1.8)%**	2%

The KPI's show a declining 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
H Van Ocken
Director

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

Registered number: 1060763

29 September 2021

Directors' report

The Directors present their Directors report and financial statements for year ended 30 September 2020.

Directors and directors' interests
The directors who held office during the year were as follows:.
O Badezet
H Van Ocken
W Scarr

Proposed dividend
A dividend of £ 3,547,697 was paid during the year (2019: £nil).

Donations
The company has made no political donations in the year (2019: £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.

Streamline Energy and Carbon Reporting (SECR)
The total UK energy for the year was 15,370.9 MWh (2019: 18,212.3 MWh). The following statement details the energy useage and emissions as required under the SECR framework provisions.

Fuel	Scope	Energy		Emissions	
		kWh		CO2e(tonnes)	
		units	% of total	units	% of total
Electricity	2	8,467,561	55%	1,974	60%
Gas	1	6,154,905	40%	1,132	34%
Transport	1	748,407	5%	182	6%
Total	All	15,370,873		3,288	
	Scope 1	6,903,312		1,314	
	Scope 2	8,467,561		1,974	

Scope 1 Gas comprises fuel used for space and water heating derived from supplier invoices. Transport comprises fuel used in the company's van fleet, company cars and grey fleet derived from litres drawn at pump and business mileage records.

Scope 2 Electricity comprises power used for heating and lighting derived from supplier invoices.

Directors' report (continued)

During the year, the company undertook a number of energy audits and completed Phase 2 of the Energy Savings Opportunities Scheme. We are now working towards Phase 3 compliance.

Energy audits have highlighted that a switch to LED lighting within stores can reduce energy use and this is considered on a case by case basis.

The average energy intensity for stores was 183.7 kWh/m2 of gross floor area. The figure for 2019 was 213 kWh/m2.

The changes compared to 2019 is mainly due to temporary closure of stores as a result of Sars /COVID-19.

Financial Instruments
The Company uses financial instruments comprising borrowings, cash and liquid resources, and various items such as trade receivables and trade payables that arise directly from its operations. The main risks arising from the company's financial instruments are the foreign currency risks.

Risk Management

The principal risks which our business model faces include the following;-

Liquidity

Liquidity levels and sources of cash are regularly reviewed and the Group maintains access to committed credit facilities and debt capital markets

Competition and markets

The Board develops a strategy to challenge the strategic direction of our business to ensure our ability to remain competitive on price , range of products and service.

Brand reputation

We continue to maximise the value and input of the brands we sell, with the advice of specialist external agencies and in house marketing expertise.

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

H Van Ocken
Director

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

29 September 2021

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 ("the company") for the year ended 30 September 2020 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 2020 and of its loss 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 the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an 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 Act2006.

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

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 of the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

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.

Alexander Chong

Alexander Chong (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

66 Queens Square
Bristol
BS1 4BE
United Kingdom

30 September 2021

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Turnover	2	136,959	151,891
Cost of sales		(75,059)	(79,818)
Gross profit		61,900	72,073
Distribution costs		(50,597)	(52,966)
Administration expenses		(17,670)	(14,817)
Operating (loss)/profit	3 - 5	(6,367)	4,289
Other Income	5	3,905	-
Interest receivable and similar income	6	-	3
Interest payable and similar charges	6	(86)	-
(Loss)/profit before taxation		(2,548)	4,293
Tax on (loss)/ profit	7	147	(583)
(Loss)/profit after taxation		(2,401)	3,710

All turnover and operating profit were derived from continuing operations.

The notes on pages 11 to 20 form part of these financial statements.

These financial statements were approved by the board of directors on 29 September 2021 and were signed on its behalf by:

H Van Ocken
Director
Registered Company Number: 1060763

Balance sheet
at 30 September 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Intangible assets	8		346		-
Tangible assets	9		14,987		20,489
Investments	10		1,450		1,450
			16,783		21,939
Current assets					
Stocks	11	37,165		44,363	
Debtors	12	37,252		20,629	
Cash at bank and in hand		2,432		3,337	
		76,849		68,329	
Creditors: amounts falling due within one year	13	(51,719)		(42,091)	
Net current assets			25,130		26,237
Total assets less current liabilities			41,913		48,176
Provisions for liabilities and charges	14		(1,068)		(1,381)
Net assets			40,845		46,794
Capital and reserves					
Called up share capital	15		8,326		8,326
Retained Earnings			30,282		36,231
Other reserves			2,237		2,237
Shareholders' funds			40,845		46,794

The notes on pages 11 to 20 form part of these financial statements.
These financial statements were approved by the board of directors on 29 September 2021 and were signed on its behalf by:

H Van Ocken
Director
Registered Company Number: 1060763

Statement of changes in Equity
for the year ended 30 September 2020

	Share Capital	Retained Earnings	Other reserves	**Total Equity**
	£'000	£'000	£'000	**£'000**
Balance at 1st October 2018	8,326	32,522	2,237	**43,085**
Profit in year	-	3,710	-	**3,710**
Balance at 30 September 2019	8,326	36,231	2,237	**46,794**
Balance at 1st October 2019	8,326	36,231	2,237	**46,794**
Loss in year	-	(2,401)	-	**(2,401)**
Dividend paid		(3,548)		**(3,548)**
Balance at 30 September 2020	8,326	30,282	2,237	**40,845**

The notes on pages 11 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 convention.

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 21. 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* ; FRS 102.11 *Basic Financial instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The business has seen an impact on revenues and profits due to COVID19 but has remained cash generative. However, due to the way the entity is financed, there is a £22.3 million (2019: 24.0 million) intercompany payable on demand to various Sally Beauty Holdiongs Inc. group affiliates.

COVID19 has significantly affected the underlying trade of Sally Salon Services Limited and has a financial impact on the Group's results in that period. The directors have prepared cashflow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, and excluding the on demand intercompany payables referred to above, the company will have sufficient funds, through its operations and in downside cases funding from its ultimate company, Sally Beauty Holdings Inc., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Sally Beauty Holdings Inc. not calling in the amounts due. The Company has received a letter of support from Sally Beauty Holdings Inc. which has indicated its intention to continue to make available such funds as are needed by the company, including if Sally UK Holdings were to call in its loan, for the period of at least 12 months from the date of approval of these financial statements. As with any company placing reliance on another group entity for financial support, the directors acknowledge there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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	5 years
Leasehold improvements	10 years

Accounting policies (continued)

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.

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. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease. During the year the Company received rent relief from landlords of certain stores which had to be closed during the Covid-19 pandemic. The amount of the rent relief during the year was £362,659 which had been credited to the profit and loss account.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that the outflow of economic benefits will be required to settle the obligation. The amount of the provisions recognised is the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

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. The Company values its goods on a "weighted average" basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity , in which case it is recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

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 receipt by the customer.

Fixed asset investments

Investments in associated undertakings are stated at cost less amounts written off for any permanent diminution in value of the investments. An annual impairment review is performed. The value of investments are adjusted accordingly.

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 liabilities. 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.

Notes (continued)

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.

Key accounting estimates and Judgements

The key areas relating to accounting estimates and key Judgements are as follows:

(i) Stock provisioning

The Company sells hair and beauty products and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of stock and the associated provisioning required.When calculationg the stock obsolecense provision, management considers the nature and condition of the stock, as well as applying the assumptions arround the anticipated saleability. The stock figure in Note 11 is shown after a provision for obsolecence has been made.

(ii) Impairment of fixed assets provision

The Company makes an estimate of the recoverable value of its fixed assets at individual stores level. The estimate is made by forecasting the net present value of future cash flows for each store, and comparing this with the carrying amout of their assets. If there are indicators of impairment, an adjustment is made to the carrying value. The company has made an adjustment of £1,451,396 (2019; £86,520) based on a store impairment review (see note 9 tangible fixed assets).

(iii) Onerous leases provision

The Company makes provision for onerous contracts pertaining to leasehold property. In this case an estimate is made of the excess of the unaviodable costs of meeting the obligation under the lease and the economic benefits expected to be received under it.

2 Analysis of turnover

	2020 £'000	2019 £'000
By activity		
Hairdressing and beauty supplies and equipment	136,959	151,891

	2020 £'000	2019 £'000
By geographical market		
United Kingdom	133,047	149,563
Republic of Ireland	3,458	2,315
Europe	453	13
	136,959	151,891

3 Profit before taxation

	2020 £'000	2019 £'000
Profit before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	5,256	6,074
Impairment of tangible fixed assets	1,451	
Amortisation of intangible assets	46	
Rentals payable under operating leases:		
Plant & machinery	35	248
Property	8,595	9,785
Loss on foreign exchange	267	80

Auditors remuneration

	2020 £'000	2019 £'000
Amounts receivable by the auditors and their associates in respect of:		
Audit of these financial statements	285	95

Notes (continued)

4 Remuneration of directors

	2020	2019
	£'000	£'000
Directors' emoluments	**273**	333
Private medical insurance	**2**	2
Social security costs	**34**	43
	309	378

The total amount payable to the highest paid director in respect of emoluments was £ 255,000 (2019: £314,000) with £ Nil pension contributions (2019: £NIL).
Two directors were paid by an intra group company : Pro Duo.
The directors received no benefits with regard to money purchase schemes.

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	
	2020	2019
Selling and distribution	**1,518**	1,453
Administration	**190**	153
	1,708	1,606

	2020	2019
The aggregate payroll costs of these persons were as follows:	**£'000**	£'000
Wages and salaries	**28,800**	27,684
Social security costs	**2,295**	2,169
Share based payment	**28**	26
Other pension costs (see note 18)	**1,454**	1,387
	32,577	31,266

During the year the Company received Government support for the payroll cost amounting to £3,905,000 , included in the profit and loss account as other income .

Notes (continued)

6 Interest payable and interest receivable and similar income

	2020 £'000	2019 £'000
Interest payable on group undertakings	(86)	-
Receivable from group undertakings	-	3

7 Taxation

Analysis of charge/(credit) in year

	2020 £'000	2020 £'000	2019 £'000	2019 £'000
UK Corporation tax				
Corporation tax payable	41		543	
Adjustments in respect of prior years	(7)		(10)	
Total current tax		34		533
Deferred tax (see note 7)				
Origination and reversal of timing differences	(70)		28	
Adjustments in respect of prior periods	21		25	
Effect of changes in tax rates	(132)		(3)	
Total deferred tax		(181)		50
Tax on profit		(147)		583

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2019: lower) than the standard rate of corporation tax in the UK 19% (2019: 19%). The differences are explained below:

	2020	2019
	£'000	£'000
Current tax reconciliation		
Profit before tax	**(2,548)**	4,293
Current tax at 19% (2019: 19%)	**(484)**	816
Effects of:		
Expenses not deductible for tax purposes	**548**	108
Adjustments with respect to prior years	**15**	15
Impact of share options	**20**	9
Tax rate changes	**(132)**	(3)
Effects of group relief	**(114)**	(362)
Total tax charge (see above)	**(147)**	583

Factors that may affect future current and total tax charges

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date, relating to UK corporation tax, have been measured using these enacted tax rates and reflected in these financial statements.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023 on profits over £250,000. This change was not substantively enacted at the balance sheet date and hence has not been reflected in the measurement of deferred tax balances at the period end.

	Deferred taxation
	£'000
At beginning of year	1,143
Credit to profit and loss account	140
Deferred tax asset at end of year	**1,283**

The elements of deferred taxation are as follows:

	2020	2019
	£'000	£'000
Difference between accumulated depreciation and capital allowances	**1,048**	1,061
Other timing differences- trading	**161**	82
Other timing differences- non-trading	**74**	-
	1,283	1,143
Recoverable within 12 months (October 2020 to September 2021)	**176**	82
Recoverable after 12 months (After September 2021)	**1,107**	1,061
	1,283	1,143

There exist no unrecognised Deferred Tax Assets

Notes (continued)

8 Intangible assets

	Customer Database £'000
Cost	
On acquisition	392
Balance at 30 September 2020	392
Amortisation and impairment	
Charged in year	46
Balance at 30 September 2020	46
Net book value	
As at 30 September 2020	346

On 1 May 2020 the Company acquired the customer base from Salon Success.

The Management is amortising this over a useful life of 5 years. As of 30 September 2020, the Management has not identified any impairment indicated over this balance.

9 Tangible fixed assets

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At beginning of year	42,239	16,227	**58,466**
On acquisition	452	136	**588**
Additions	754	392	**1,146**
Reclass	110	-	**110**
Disposals	(2,090)	(693)	**(2,783)**
At end of year	41,465	16,062	**57,527**
Depreciation			
At beginning of year	28,361	9,617	**37,978**
Charged in year	2,797	2,459	**5,256**
Impairment	1,451	-	**1,451**
Disposals	(1,452)	(693)	**(2,145)**
At end of year	31,157	11,383	**42,540**
Net book value			
At 30 September 2020	**10,308**	**4,679**	**14,987**
At 30 September 2019	13,878	6,610	20,489

Note: Leasehold improvement have been included under Fixtures and fittings

Impairment assumptions

Key source of estimation uncertainty

The key assumptions on which cash flow projections are made are as follows (including our assessment of the estimation uncertainty arising):

- Forecast cash-flows: Approved budgets and forecasts for up to two years, based on management's best estimate of cash flows by individual CGU (store level). These forecasts are then uplifted for a further eight years using a growth rate of nil (2019: nil) based on the company's prudent long-term projections.

The growth rates included in the business plans vary significantly by store – depending on specific circumstances;

- Estimation uncertainty: The Company excludes any recently opened stores from this assessment on the basis that history has shown that it can take several years for stores to achieve profitability.

Key assumption	**2020**	**2019**
Discount rate	7%	7%
Long-term growth rate	-	-

Notes (continued)

9 Tangible fixed assets (continued)

Key source of estimation uncertainty

The Company has conducted sensitivity analysis on the impairment tests. The valuations indicate sufficient headroom such that a reasonably possible change in a key assumption is unlikely to result in a material impairment.

In particular, neither a 2% increase in discount rate, nor a 2% declining long-term growth rate would materially impact the impairment.

10 Fixed asset investments

	Shares in group undertakings £'000
Cost	
At the beginning and end of the year	3,572
Provision	
At the beginning and end of the year	2,122
Net book value	
At 30 September 2020	1,450
At 30 September 2019	1,450

Companies in which the company holds an interest:

	Country of Incorporation	Principal activity	Class and % of share held
Subsidiary undertakings			
Sally Salon Services (Ireland) Ltd	Ireland	Retail of hairdressing supplies	Ordinary 25%

11 Stocks

	2020 £'000	2019 £'000
Finished goods and goods for resale	37,165	44,363

Finished goods recognised as cost of sales in the year amounted to £75,794,000 (2019: £79,818,000)

12 Debtors

	2020 £'000	2019 £'000
Trade debtors	5,148	1,198
Amounts owed by group undertakings;		
Sally Beauty Holdings Finance BV	21,970	-
Ogee Limited	1,641	1,641
Pro Duo Belgium	1,981	856
Sally Salon Services (Ireland) Limited	1,099	1,217
Salon Services (Hair and Beauty Supplies) Limited	10	10
Pro Duo France	4	37
Pro Duo Spain	-	11
Pro Duo Netherlands	1	4
Pro Duo Germany	-	3
Sally UK Holdings Limited	-	6
Sinelco	5	-
	26,711	3,785
Tax Receivable	1,095	59
Deferred tax asset	1,283	1,143
Other debtors	1,583	10,431
Prepayments and accrued income	1,432	4,013
	37,252	20,629

Amounts owed by group undertakings are repayable on demand and do not accrue interest

Notes (continued)

13 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	**9,753**	7,756
Amounts owed to group undertakings:		
Sally Beauty Holdings Finance BV	-	5,676
Sally UK Holdings Limited	**8,614**	8,634
Salon Services (Hair and Beauty Supplies) Limited	**8,307**	8,307
Salon Success Limited	**4,622**	184
Sally Salon Services (Ireland) Limited	**234**	-
Pro Duo Belgium	**450**	-
Pro Duo Spain	**5**	-
Sinelco	**199**	1,182
Ogee Limited	**10**	10
Sally Beauty International Inc.	**9**	11
Sally US	**30**	19
	22,480	24,023
Other taxes and social security	**8,584**	2,966
Accruals and deferred income	**10,902**	7,346
	51,719	42,091

Amounts owed to group undertakings consist of current accounts on normal purchase transactions £5,550k (2019: £1,396 k) and current loans from Group Companies. These are repayable on demand and do not accrue interest

14 Provisions for liabilities and charges

	Onerous Lease	Dilapidation
	£'000	£'000
At beginning of year	1,285	96
Utilised in the year	(513)	-
Additions	-	200
	772	296

A dilapidation provision is made for estimated building restoration on inception of the lease once the dilapidation exists. The company provides in full the estimated amount.

The onerous lease provision pertains to leasehold property. In this case an estimate is made of the excess of the unavoidable costs of meeting the obligation under the lease and the economic benefits expected to be received under it.

15 Called up share capital

	2020	2019
	£'000	£'000
8,126,375 Ordinary shares of £1 each	**8,126**	8,126
200,000 deferred Ordinary shares of £1 each	**200**	200
	8,326	8,326

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 Commitments

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

	2020 Land and buildings	2020 Other	2019 Land and Buildings	2019 Other
	£'000	£'000	£'000	£'000
Non-cancellable operating lease rentals payable:				
Less than one year	**7,542**	**319**	7,051	321
Between one and five years	**16,472**	**477**	16,903	331
More than five years	**3,430**	-	2,276	4
	27,444	**796**	26,231	656

Notes (continued)

17 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
19/10/2010	19/10/2020	26,500	$11.39	4 Years
26/10/2011	26/10/2021	17,140	$19.21	4 Years
29/10/2012	29/10/2022	15,733	$23.49	4 Years
30/10/2013	30/10/2023	14,100	$26.30	4 Years
29/10/2014	29/10/2024	13,680	$29.20	4 Years
28/10/2015	28/10/2025	22,323	$23.45	3 Years
01/11/2016	01/11/2026	26,871	$25.53	3 Years
01/11/2017	01/11/2027	83,459	$17.42	3 Years
01/11/2018	01/11/2028	62,284	$18.14	3 Years
05/11/2019	05/11/2029	64,435	$16.65	3 Years
		346,525		

18 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 £1,454,000 (2019: £1,387,000).

At the year end, there were no outstanding or prepaid contributions (2019: £nil).

19 Events after Balance Sheet Date

On April 30th 2020 and in the frame of a Group Restructuring, the directors have taken the decision to accept the transfer from the business of SALON SUCCESS Ltd, a group company, to the Company.

Based on this, certain assets and liabilities have been transferred at a Net Book Value of £4.6 million GBP. The transfer is a part of a restructuring Plan of the SALLY companies in UK.

On the 23 June 2021, SALON SUCCESS Ltd was liquidated, and the intercompany balance of £4.6 million payable by the Company to SALON SUCCESS Ltd was waived under a Deed of Release and credited in equity in 2021.

The COVID-lockdown has significantly affected the expectations towards FY20 and has a financial impact on the Company's results in that period. However, necessary measures have been taken to cope with the effects of the lockdown and to warrant the survival of the company. The impact of COVID on the going concerns has been disclosed on page 2.

20 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, Easthampstead Road, Bracknell, Berkshire, RG12 1YQ. The parent company is a wholly owned subsidiary of Sally Beauty Netherlands BV.

The largest and smallest 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.