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

30 September 2023

Contents

Strategic report

The Directors present their Strategic report for the year ended 30 September 2023.

Section 172 Statement

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 2023 the company experienced an 0.82% increase (2022: 18.7% increase) in turnover to £157,192k, Retail sales increased by £1,143k to £13,146k an increase of 9.52% against last year and Professional sales were also up by £2,537k to £105,470k an increase of 2.47% on the year before. However, E-commerce sales decreased due to a shift back to customers buying in stores. E-commerce sales decreased by £1,354k to £22,464k a decrease of 5.69% from the previous year.

The overall gross margin had decreased to 49.9% (2022: 51.3%), in part due to higher mix of promoted sales and a change in vendor terms which is offset by additional allowances in the form of marketing support included in adminstriation expenses.

During the course of the year, 4 stores were closed, and 1 store relocated (2022: 6 closed and 2 relocations).

During the year the company reported an operating profit of £2.2m (2022: £3.5m). Some of the drivers causing the decrease are explained by (1) Increase in management recharges and allocations of £922k, (2) Increase in Staff costs £966k and (3) Increase in Inventory damages costs and provisions of £1.4M. Details are set out in the profit and loss account on page 8.

At year end, stocks had decreased by £2.1M, as purchasing has reduced. The net book value for tangible fixed assets showed a reduction of £829k; the depreciation charge being greater than the net cost of additions for the year.

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.

Strategy

The company aims to achieve sustainable profitable growth in the future.
The company continues to add new product ranges to its portfolio, while carrying out a store relocations and refurbishment program in the United Kingdom. The company also continues to expand and 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.

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 236 stores throughout the UK. Our obligation to landlords requires the stores, at the end of the lease, to be restored to their condition on inception of the lease and accordingly the Company makes adequate provision across the estate for this eventuality.

The Company faces risks from long lead times and supply chain disruption. This is mitigated by increasing the purchase order levels to avoid out of stock situations in the Stores . Then there is the risk that this may lead to over-stocking of product lines and the potetial risk from obsolescence.

Strategic report (continued)

Risks arising from business interruption are insured up to economically reasonable levels. The directors work closely with management to anticipate risks from economic or global factors.

Our product standards, policies and guidance help ensure that products are safe, legal and of the required quality.

We closely monitor any updates to product safety regulations, to ensure our standards and products continue to conform with all relevant regulations.

We recognise the importance of training and communication to help prevent cyber-security incidents. We hold regular induction, awareness, and refresher courses for our colleagues.

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, and a weakening pound will inevitably result in higher cost of sales. The Company does not enter into any forms of financial derivatives to mitigate the foreign exchange risk.

The continued Russian war in Ukraine has not had any direct material impact on the Company's trading activity. However, the rising cost of energy which has driven up the prices generally has caused more pressures on many businesses including Sally Salon Services which has had to manage these challenges.

Financial Instruments

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

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 company meets its day to day working capital requirements from its operational cash flows and intercompany loan with the group headed by Sally Beauty Holdings Inc, the ultimate parent company.

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due during the 12-month period from the date of approval of these financial statements (the going concern assessment period). This assessment is dependent on its ultimate parent company, Sally Beauty Holdings Inc not seeking repayment of the amounts currently due to the group, which at 30 September 2023 amounted to £31,661,214.

Sally Beauty Holdings Inc. has indicated that it does not intend to seek repayment of these amounts currently due to the group during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that 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

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Key Performance Indicators

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

	2023	2022
Gross profit percentage	**50%**	51%
Operating profit percentage	**1.4%**	2.2%
Profit after tax	**0.6%**	7.0%

The KPI's showed a reduction in the gross profit margin as a result of a higher promotional mix and increased cost of products, as well as an increase in operating costs due to an increase in the the transfer pricing, wages costs and damages provisions, explained more fully in the strategic review.

By order of the board

DocuSigned by:
H Van Ocken
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H Van Ocken
Director

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

Registered number: 1060763

15 April 2024

Directors' report

The Directors present their Director's report and financial statements for year ended 30 September 2023.

Directors and directors' interests
The directors who held office during the year and to the date of these financial statements were as follows:
O Badezet
H Van Ocken
W Scarr (resigned 18 November 2022)

Proposed dividend
A dividend of £28,939,767 was paid during the year (2022: £nil).

Donations
The company has made no political donations in the year (2022: £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 13,134.8 MWh (2022: 12,884.7 MWh). The following statement details the energy usage and emissions as required under the SECR framework provisions.

Fuel	Scope	Energy kWh		Emissions CO2e(tonnes)	
		units	% of total	units	% of total
Electricity	2	6,648,894	51%	1,376	53%
Gas	1	5,815,476	44%	1,047	41%
Transport	1	670,402	5%	159	6%
Total	All	13,134,772		2,582	
	Scope 1	6,485,878		1,206	
	Scope 2	6,648,894		1,376	

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.

UK Government GHG Conversion Factors for Company Reporting have been used
During the year, the company undertook a number of energy audits in accordance with Phase 3 of the Energy Savings Opportunities Scheme. Phase 3 has now been successfully concluded.

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 and is widely adopted for new stores, refits and where existing fittings become obsolete. The company has completed the installation of advanced or smart meters across the estate save for a small number of stores where connectivity or store layout prevented this. This will provide more accurate data for future energy and financial management.

The average energy intensity for stores was 177.76 kWh/m2 of gross floor area. The figure for 2022 was 186.81 kWh/m2,

The average energy intensity for vehicles was 0.59 kWh/km. The figure for 2022 was 0.57 kWh/km.

Strategic Report

The company has chosen, in accordance with the Companies Act 2006, S.414c(11) to set out in the company's strategic report certain information required by the Large and Medium - sized Companies and Groups (Accounts and Reports) Regulations 2008. Sch 7 to be contained in the directors' report.

Directors' report (continued)

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 TC Group will therefore continue in office.

By order of the board

DocuSigned by:
H Van Ocken
54DA55A750F9424...

H Van Ocken
Director

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

15 April 2024

Statement of directors responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 in 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, matters relating to going concern; and
- use 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.

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 2023 which comprise the Profit and Loss account, Balance Sheet, Statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

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

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

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

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

Extent to which the audit was capable of detecting irregularities, including fraud
The objectives of our audit, in respect of fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and its management.

Our approach was as follows:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations;
- We considered the legal and regulatory frameworks directly applicable to the financial statements reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the UK;
- We considered the nature of the industry, the control environment and business performance, including key drivers for management's remuneration;
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit;
- We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified risk. These procedures included: testing manual journals; reviewing the financial statement disclosures and testing to supporting documentation; performing analytical procedures; and enquiring of management, and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect all non-compliance with laws and regulations.

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

Our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
TC Group
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Date: 15/4/2024

Neil Potter FCA (Senior Statutory Auditor)
For and on behalf of TC Group
Statutory Auditor

6 Queen Street
Leeds
West Yorkshire
LS1 2TW

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Turnover	2	157,192	155,916
Cost of sales		(78,753)	(76,060)
Gross profit		78,439	79,856
Distribution costs		(54,711)	(52,905)
Administration expenses		(23,403)	(23,499)
Other income government grants	3	1,908	-
Operating profit	3 - 5	2,233	3,452
Exceptional item	6	-	8,307
Interest receivable	7	-	132
Interest payable and similar expense	7	(800)	(106)
Profit before taxation		1,433	11,785
Tax on profit	8	(553)	(859)
Profit after taxation		880	10,926

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 15 April 2024 and were signed on its behalf by:

DocuSigned by:
H Van Ocken
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H Van Ocken
Director
Registered Company Number: 1060763

Balance sheet
at 30 September 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Intangible assets	9		19		128
Tangible assets	10		10,610		11,439
Investments	11		1,450		1,450
			12,079		13,017
Current assets					
Stocks	12	50,340		52,635	
Debtors (includes £1,544k of deferred tax , due after one year)	13	23,733		47,828	
Cash at bank and in hand		1,992		1,618	
		76,065		102,081	
Creditors: amounts falling due within one year	14	(49,962)		(49,119)	
Net current assets			26,103		52,962
Total assets less current liabilities			38,182		65,979
Provisions for liabilities and charges	15		(5,934)		(5,672)
Net assets			32,248		60,307
Capital and reserves					
Called up share capital	16		8,326		8,326
Retained Earnings			12,480		40,539
Other reserves			11,442		11,442
Shareholders' funds			32,248		60,307

The notes on pages 11 to 20 form part of these financial statements.
These financial statements were approved by the board of directors on 15 April 2024 and were signed on its behalf by:

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H Van Ocken
54DA55A750F9424...
H Van Ocken
Director
Registered Company Number: 1060763

Statement of changes in Equity
for the year ended 30 September 2023

	Share Capital	Retained Earnings	Other reserves	**Total Equity**
	£'000	£'000	£'000	**£'000**
Balance at 1 October 2021	8,326	29,613	11,442	49,381
Profit in year	-	10,926	-	10,926
Balance at 30 September 2022	8,326	40,539	11,442	60,307
Balance at 1 October 2022	8,326	40,539	11,442	**60,307**
Dividend Paid to Sally UK Holdings Limited	-	(28,939)	-	**(28,939)**
Profit in year	-	880	-	**880**
Balance at 30 September 2023	**8,326**	**12,480**	**11,442**	**32,248**

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

Retained earnings
Retained earnings represent cumulative profits of the company after deduction of dividends distributed to shareholders.

Other reserves
Other reserves represent capital contributions made by the company's parent undertakings. These amounts are not repayable and represent equity investments in the company.

Notes (forming part of the financial statements)
Notes

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.

Company Information

Sally Salon Services Limited is a private company limited by shares incorporated in England and Wales.

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. The functional and presentational currency 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 within 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 company meets its day to day working capital requirements from its operational cash flows and intercompany loan with the group headed by Sally Beauty Holdings Inc, the ultimate parent company.

The directors have prepared cash flow forecasts and performed a going concern assessment which indicates that, in both the base and reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due during the 12-month period from the date of approval of these financial statements (the going concern assessment period). This assessment is dependent on its ultimate parent company, Sally Beauty Holdings Inc not seeking repayment of the amounts currently due to the group, which at 30 September 2023 amounted to £31,661,214.

Sally Beauty Holdings Inc. has indicated that it does not intend to seek repayment of these amounts currently due to the group during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that 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

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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	3 to 10 years
Leasehold Improvements	Over the life of the Lease

Accounting policies (continued)

Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciablé amount of the assets over their estimated useful lives.

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.

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.
Stock obsolescence reserves are observed for goods that are due to have a low rotation.

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.

Notes (continued)

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.

Government grants

Grants are accounted for under the accruals model as permitted by FRS102. Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

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.

Financial instruments

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash at bank and on hand

Cash at bank and on hand are basic financial assets and include cash in hand, deposits at call with banks, and other short-term liquid investments with original maturities of three months or less.

Equity Instruments

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

Key accounting estimates and Judgements

The key areas relating to accounting estimates and key Judgements are mainly:

(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 calculating the stock obsolecense provision, management considers the nature and condition of the stock, as well as applying the assumptions around the anticipated saleability. The stock figure in Note 12 is shown after a provision for obsolecence has been made.

(ii) Dilapidations provision

The Company makes an estimate for the costs to dismantle and make good changes to lease-hold property. This estimate is discounted and capitalised on lease inception within leasehold improvements. The asset is depreciated across the lease term and the provision is unwound annually using the discount rate adopted.

The directors have based the cost estimates on actual experience across the property portfolio, however they note that the calculation includes significant levels of estimation uncertainty due to the inherent uncertainty in approximating landlord behaviour and condition of the property several years from lease expiry. The Company derives a more specific estimate for properties twelve months away from lease expiry through consultation with surveyors and discussions with landlords as relevant.

2 Analysis of turnover

	2023	2022
By activity	**£'000**	£'000
Hairdressing and beauty supplies and equipment and training	**157,192**	155,916

	2023	2022
	£'000	£'000
By geographical market		
United Kingdom	**152,196**	151,902
Republic of Ireland	**3,947**	3,857
Europe	**1,049**	157
	157,192	155,916

3 Expenses and auditor's remuneration

	2023	2022
	£'000	£'000
Profit before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	**3,908**	5,269
(Profit)/loss on disposal of fixed assets	**33**	197
Reversal of impairment	**(60)**	(331)
Amortisation of intangible assets	**109**	109
Rentals payable under operating leases:		
Plant & machinery	**15**	72
Property	**8,331**	8,744
(Gain) / Loss on foreign exchange	**(26)**	903

Other Operating Income

Other Operating Income relates to government grants receivable in respect of Covid-19 support. The amount was previously recorded as deferred income but has now been recognised in the profit and loss account on the basis that the directors consider the recognition criteria to have been met.

Auditor's remuneration

	2023	2022
	£'000	£'000
Amounts receivable by the auditor and their associates in respect of:		
Audit of these financial statements	**85**	295

4 Remuneration of directors

	2023	2022
	£'000	£'000
Directors' emoluments	**270**	441
Private medical insurance	**-**	-
Social security costs	**34**	42
	304	483

There was one director (2022: none) accruing benefits under defined contribution pension schemes. The total amount payable to the highest paid director in respect of emoluments was £245,012 (2022: £406,502) with £2,075 pension contributions (2022: £Nil). During the year, the highest paid director received shares NIL (23,745 : 2022) under Sally Group share option programme.

The remuneration of two directors was borne by Pro Duo (another group company).

Notes (continued)

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	
	2023	2022
Selling and distribution	**1,355**	1,366
Administration	**185**	236
	1,540	1,602

	2023	2022
The aggregate payroll costs of these persons were as follows:	**£'000**	£'000
Wages and salaries	**30,654**	29,689
Social security costs	**2,577**	2,501
Share based payment	**191**	149
Other pension costs (see note 19)	**827**	813
	34,249	33,152

6 Exceptional Item

The exceptional item in the prior period related to a gain arising following the waiver of a balance owed to a fellow group undertaking on its liquidation.

7 Interest payable and interest receivable and similar income

	2023	2022
	£'000	£'000
Receivable from group undertakings	**-**	132
Interest payable on group undertakings	**(709)**	-
Discount unwinding	**(91)**	(106)

8 Taxation

Analysis of charge/(credit) in year

	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
UK Corporation tax				
Corporation tax payable	**466**		821	
Adjustments in respect of prior years	**(175)**		51	
Total current tax		**291**		872
Deferred tax (see note 8)				
Origination and reversal of timing differences	**61**		20	
Adjustments in respect of prior periods	**193**		(39)	
Effect of changes in tax rates	**8**		6	
Total deferred tax		**262**		(13)
Tax on profit		**553**		859

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2022: lower) than the standard rate of corporation tax in the UK 22.01% (2022: 19%). The differences are explained below:

	2023 £'000	2022 £'000
Current tax reconciliation		
Profit before tax	**1,433**	11,785
Current tax at 22.01% (2022: 19%)	**315**	2,239
Effects of:		
Income not taxable	**(1)**	(1,310)
Expenses not deductible for tax purposes	**177**	78
Adjustments with respect to prior years	**18**	13
Impact of share options	**36**	(10)
Tax rate changes	**8**	6
Effects of group relief	**-**	(157)
Total tax charge (see above)	**553**	859

Factors that may affect future current and total tax charges

The UK Government announced an increase in the corporation tax rate from 19% to 25% which came into effect from 1 April 2023. This will increase the Company's future tax charge accordingly. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

	Deferred taxation £'000
At beginning of year	1,883
Adjustment in respect of prior years	(193)
Credit to profit and loss account	(69)
Deferred tax asset at end of year	**1,621**

The elements of deferred taxation are as follows:

	2023 £'000	2022 £'000
Difference between accumulated depreciation and capital allowances	**1,517**	1,723
Other timing differences- trading	**65**	102
Other timing differences- non-trading	**39**	58
	1,621	1,883
Recoverable within 12 months (October 2023 to September 2024)	**77**	81
Recoverable after 12 months (After September 2024)	**1,544**	1,802
	1,621	1,883

There are no unrecognised Deferred Tax Assets

Notes (continued)

9 Intangible assets

	Customer Database
Cost	**£'000**
At beginning of year	392
Balance at 30 September 2023	392
Amortisation and impairment	
Balance at 1 October 2022	264
Charged in year	109
Balance at 30 September 2023	373
Net book value	
As at 30 September 2023	19
As at 30 September 2022	128

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 2023, the Management has not identified any impairment over this balance.

10 Tangible fixed assets

	Leasehold Improvements Dilapidations	Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At beginning of year	5,017	42,280	18,044	65,341
Additions	16	538	2,498	3,052
Disposals	(44)	(1,695)	(580)	(2,319)
Adjustments to dilapidations	(401)	-	-	(401)
At end of year	4,588	41,123	19,962	65,673
Depreciation				
At beginning of year	3,371	34,845	15,686	53,902
Charged in year	231	2,213	1,464	3,908
Reversal of impairment	-	(60)	-	(60)
Adjustments to dilapidations	(401)	-	-	(401)
Eliminated on disposals	(44)	(1,662)	(580)	(2,286)
At end of year	3,157	35,336	16,570	55,063
Net book value				
At 30 September 2023	1,431	5,787	3,392	10,610
At 30 September 2022	1,646	7,435	2,358	11,439

Note: Leasehold improvement have been included under Fixtures and fittings

The annual impairment review on fixtures and fittings, based on a consideration of the cash flows forecast at individual stores level, resulted in a reduction of £60k to the provision.

Notes (continued)

11 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 2023	1,450
At 30 September 2022	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%

12 Stocks

	2023	2022
	£'000	£'000
Finished goods and goods for resale	54,196	56,339
Provision for obsolescence and shrinkage	(3,856)	(3,704)
	50,340	52,635

The write down of stocks to net realisable value amounted to £3.8M (2022: £3.7 M).
Finished goods recognised as cost of sales in the year amounted to £78,753,000 (2022: £76,060,000)

13 Debtors

	2023	2022
	£'000	£'000
Trade debtors	2,046	5,086
Amounts owed by group undertakings:		
Sally Beauty Holdings Finance BV	-	30,751
Sally UK Holdings Limited	29	-
Ogee Limited	1,482	1,482
Pro Duo Belgium	6,975	-
Sally Salon Services (Ireland) Limited	716	413
Pro Duo France	391	389
Pro Duo Germany	59	-
Pro Duo Netherlands	105	113
Pro Duo Spain	86	81
Bauwens	5	6
Sally US	-	123
Sinelco	77	84
Total amounts owed by group undertakings:	9,925	33,442
Tax Receivable	1,657	1,217
Deferred tax asset	1,621	1,883
Other debtors	6,107	4,051
Prepayments and accrued income	2,377	2,149
	23,733	47,828

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

Notes (continued)

14 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	8,302	16,447
Amounts owed to group undertakings:		
Sally Beauty Holdings Finance BV	12,651	-
Sally UK Holdings Limited	8,827	8,119
Sally Salon Services (Ireland) Limited	6	-
Pro Duo Belgium	9,058	9,211
Pro Duo France	295	-
Pro Duo Germany	49	-
Pro Duo Netherlands	85	-
Pro Duo Spain	79	-
Sinelco	462	821
Sally Beauty International Inc.	-	10
Bauwens	4	-
Sally US	145	-
Total amounts owed to group undertakings:	31,661	18,161
Income Taxes Payable	-	-
Other taxes and social security	2,633	2,333
Accruals and deferred income	7,366	12,178
	49,962	49,119

Amounts owed to group undertakings consist of current accounts on normal purchase transactions £540k (2022: £821k) and current loans from Group Companies. These are repayable on demand and do not accrue interest.

15 Provisions for liabilities and charges

	Onerous Lease	Dilapidation
	£'000	£'000
At beginning of year	221	5,451
Utilised in the year	-	(133)
Discount unwinding	-	85
Released	(52)	(251)
Additions	506	107
	675	5,259

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. Please see note 10 for more details
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.

Key source of estimation uncertainty – dilapidations provisions

The dilapidation provision is calculated using the following key assumptions:
- Discount rate: 2% -4.46% (2022: 2% -3.79%)
- Dilapidations cost per square foot: £5-10 (2022: £5-10)

The directors have based the cost estimates on actual experience across the property portfolio, however they note that the calculation includes significant levels of estimation uncertainty due to the inherent uncertainty in approximating landlord behaviour and condition of the property several years from lease expiry. The Company derives a more specific estimate for properties twelve months away from lease expiry through consultation with surveyors and discussions with landlords as relevant.

16 Called up share capital

	2023	2022
	£'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.

Notes (continued)

17 Commitments

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

	2023 Land and buildings £'000	2023 Other £'000	2022 Land and Buildings £'000	2022 Other £'000
Non-cancellable operating lease rentals payable:				
Less than one year	**7,518**	**144**	7,160	229
Between one and five years	**16,860**	**57**	14,801	170
More than five years	**4,686**	**-**	364	-
	29,064	**201**	22,325	399

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
30/10/2013	30/10/2023	Option	740	$	26.30	4 Years
01/11/2016	01/11/2026	Option	3,161	$	25.53	3 Years
01/11/2017	01/11/2027	Option	4,121	$	17.42	3 Years
01/11/2018	01/11/2028	Option	5,119	$	18.14	3 Years
05/11/2019	05/11/2029	Option	5,296	$	16.65	3 Years
04/11/2020	04/11/2030	Option	7,821	$	9.09	3 Years
03/11/2021	03/11/2031	Option	3,653	$	17.40	3 Years
02/11/2022	02/11/2032	RSU	2,657	$	-	3 Years
02/11/2022	02/11/2032	RSU	2,657	$	-	3 Years
02/11/2022	02/11/2032	RSU	2,657	$	-	3 Years
			37,882			

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 £827,114 (2022: £813,000).

At the year end, there were no outstanding or prepaid contributions (2020: £nil).

20 Events after Balance Sheet Date

There were no subsequent events affecting the outcome of the operations of the Company.

21 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.