

Salon Services (Hair & Beauty Supplies) Limited

Annual report and financial statements

Registered number SC049239

30 September 2017

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Strategic report

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

Principal activity

Following the disposal of the company's trade and assets in 2010 the company has operated as a lease holding company, managing the leases for the stores through which the company traded.

Business review

On 1 May 2010, as part of the on-going reorganisation and consolidation of the UK operations of the wider Sally group, the company transferred its trade and assets to a fellow group subsidiary, Sally Salon Services Limited. Following the transfer of the trade and assets, the company traded as a lease holding company, managing the leases for the stores through which the company traded.

Risks and uncertainties

The group has assessed the potential risks with Brexit, in particular, concerning people, foreign exchange and import implications and will continue to monitor the situation.

Going concern

The directors have a reasonable expectation that the company and the wider group of which it is a member, has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Key Performance Indicators

Given the simplicity of the company's operations there are no performance KPI's.

By order of the board



W Scarr

Director

Registered office
1 Ruland Court
Edinburgh
EH3 8EY

Registered number: SC049239

4th May 2018

Directors' report

The Directors present their Director's report for the year ended 30 September 2017.

Directors and director's interests

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

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

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

Proposed dividend

On 30th September 2017, the Directors took the decision to cease trading through a subsidiary of this company; Sally Salon Services (Franchising) Ltd and as such a dividend in specie was received for the value of £3,030,623.

A dividend was then recommended for the same value £3,030,623 to the company's parent, Sally UK Holdings Ltd and this was satisfied by the assignment of two receivables due from SBH (Finance) B.V (£1,511,980) and Sally Salon Services Ltd (£1,518,643).

Political and charitable contributions

The company made no political or charitable contributions during the year (2016: £nil).

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board



W Scarr
Director

Registered office
1 Ruland Court
Edinburgh
EH3 8EY
Registered number: SC049239
4th May 2018

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

The directors are responsible for preparing the Strategic Report, 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 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 related 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 Salon Services (Hair & Beauty Supplies) Limited

Opinion

We have audited the financial statements of Salon Services (Hair & Beauty Supplies) Limited ("the company") for the year ended 30 September 2017 which comprise the Profit and loss account, Balance sheet, Statement of changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then 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

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

Strategic report and directors' report

The directors are responsible for the strategic report and 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 the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Independent auditor's report to the members of Salon Services (Hair & Beauty Supplies) Limited

(continued)

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine 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.

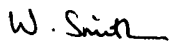
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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



William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

10th May 2018

Profit and Loss Account
for the year ended 30 September 2017

	<i>Note</i>	2017 £000	2016 £000
Profit/(Loss)	2	-	-
Income from shares in group undertakings	7	3,031	-
Profit before taxation		3,031	-
Tax on profit	8	-	-
Profit after taxation		3,031	-

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

The notes on pages 9 to 12 form part of these financial statements.

On behalf of the board



W Scarr

Director

4th May 2018

Balance Sheet
at 30 September 2017

	<i>Note</i>	2017 £000	2016 £000
Current assets			
Debtors	5	6,891	6,891
		<hr/>	<hr/>
Net current assets		6,891	6,891
		<hr/>	<hr/>
Net assets		6,891	6,891
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	6	5	5
Capital contribution	7	2,460	2,460
Profit and loss account	7	4,426	4,426
		<hr/>	<hr/>
Shareholders' funds		6,891	6,891
		<hr/>	<hr/>

The notes on pages 9 to 12 form part of these financial statements

On behalf of the board



W Scarr
Director

4th May 2018

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

	Share Capital £000	Capital Contributions £000	Profit and loss £000	Total Equity £000
Balance as at 30 September 2015	5	2,460	4,426	6,891
Movement in year	-	-	-	-
Balance as at 30 September 2016	5	2,460	4,426	6,891
Profit in year	-	-	3,031	3,031
Dividend distributed	-	-	(3,031)	(3,031)
Balance as at 30 September 2017	5	2,460	4,426	6,891

The notes on pages 9 to 12 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.

The company has not adopted any new accounting standards that have an effect upon the company's profit or net assets.

Basis of preparation

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

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 11. 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; and
- Key Management Personnel compensation; and
- Group Consolidated Accounts.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on page 1. As a consequence of the Company having access to considerable financial resources of the wider Sally Beauty Group, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

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 fair value in the profit and loss account.

Judgements and key sources of uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Operating leases

Leases are held as operating leases and the payments made under them are charged to the Profit and Loss on a straight line basis over the term of the lease.

The lease commitments of the company are settled by Sally Salon Services Ltd pursuant to the agreement by which Sally Salon Services Ltd acquired the trade and assets of the company on 1st May 2010 (note 9).

Notes
(continued)

2 Profit before tax

	2017 £000	2016 £000
Profit before tax	3,031	-

3 Remuneration of directors

None of the directors performed any qualifying services and received no emoluments from the company during the year. All remuneration was paid by associated group companies.

4 Auditors remuneration

Estimated audit expenses for the year amount to £3,075 (2016; £3,015). This is fully expensed in a group company Sally Salon Services Ltd and paid for on behalf of this company.

5 Debtors

	2017 £000	2016 £000
Amounts owed by group undertakings	6,891	6,891

6 Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
5,000 ordinary shares of £1 each	5	5

7 Reserves

	Capital Contribution £000	Profit and loss account £000
At beginning of year	2,460	4,426
Income from group undertakings	-	3,031
Dividend distributed	-	(3,031)
At end of year	2,460	4,426

Notes

(Continued)

8 Taxation

Analysis of Charge in year	2017	2016
	£000	£000
<i>Current year</i>		
Expenses not deductible for tax purposes	-	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Factors affecting the tax charge for the current year;

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

Current tax reconciliation	2017	2016
	£000	£000
<i>Current year</i>		
Profit before tax	3,031	-
	<hr/>	<hr/>
Current tax at 19.5% (2016: 20%)	591	-
<i>Effects of:</i>		
Income not deductible for tax purposes	(591)	-
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Factors that may affect future current and total tax charges:

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

Notes

(Continued)

9 Commitments

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

	2017 Land and Buildings £000	2016 Land and Buildings £000
Non-cancellable operating lease rentals payable:		
Less than one year	491	525
Between one and five years	814	1,181
More than five years	49	49
	<hr/>	<hr/>
	1,354	1,755
	<hr/>	<hr/>

The lease commitments of the company are settled on their behalf by Sally Salon Services Ltd pursuant to the agreement by which Sally Salon Services acquired the trade and assets of the company on 1 May 2010.

As part of this agreement, Sally Salon Services Ltd will fully expense the lease rentals with no expectation of increasing debtors or creditors between the two companies.

All leases that are currently held in the company will transfer to Sally Salon Services Ltd upon expiry.

10 Accounting estimates and judgements

The directors review the performance of the business regularly.

During the course of the year, the directors took the decision to novate the business of a subsidiary company, Sally Salon Services (Franchising) Limited resulting in dividend flows between the group entities.

11 Ultimate parent undertaking

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

The largest group in which the company is consolidated is 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.