

Registered number: 05094961

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

COMPANY INFORMATION

DIRECTORS	J Stammer J Owen
REGISTERED NUMBER	05094961
REGISTERED OFFICE	Ventura House Bullsbrook Road Hayes Middlesex UB4 0UJ
INDEPENDENT AUDITOR	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor 4th Floor Cumberland House 15-17 Cumberland Place Southampton Hampshire SO15 2BG
BANKERS	National Westminster Bank plc 250 Regent Street London W1A 4RY
SOLICITORS	Diserio Martin O'Connor & Castiglioni LLP One Atlantic Street Stamford USA CT 06901

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

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ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present the Strategic Report for Original Additions (Beauty Products) Limited for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company's principal activity during the current period and previous year was that of the design, production and distribution of beauty products. The Company's principal brands are Eylure, Elegant Touch and Salon Systems.

BUSINESS REVIEW

In 2018 sales were £40.6 million, down £2.6 million from 2017, or 6%. Both the consumer and professional divisions saw declines, as did all geographic regions. The competitive landscape increased markedly in 2018, with other participants seeking to acquire market share based on price. In response for 2019 and 2020 we will be innovating new products designed to appeal to consumers, as well as selectively reviewing our wholesale and recommended high street pricing for select product categories.

Gross margin improved significantly from 36% in 2017 to 40% in 2018. This change in gross margin is primarily attributable to foreign currency exchange rate movements, as the majority of our products are procured from vendors that price their goods in US dollars. The GBP was stronger vs the USD in 2018 as compared to 2017, reducing cost of sales and positively impacting gross margin.

In 2018 we began the process of preparing for the departure of the United Kingdom from the European Union. Incremental costs incurred related to such preparation, consisting primarily of product compliance and registration activities, were minimal in 2018, and continue into 2019. As the terms of the UK departure have not yet been established there can be no guarantee that all needed measures have been taken but management and the board believe our readiness preparation activities to be appropriate.

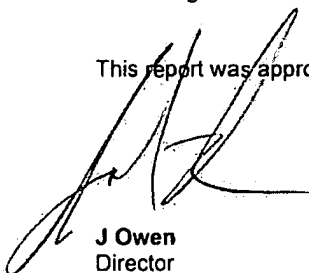
FINANCIAL KEY PERFORMANCE INDICATORS

The Directors monitor the following KPIs:

Gross margin - 40% (2017: 36%)

Percentage of revenue from overseas markets – 18% (2017: 20%)

This report was approved by the board and signed on its behalf.



J Owen
Director

Date:

5th / 1 / 2019

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £3,354,896 (2017 - £317,084).

DIRECTORS

The Directors who served during the year were:

M Wood (resigned 8 April 2019)

J Stammer

J Rogers (resigned 31 December 2018)

J Owen (appointed 31 December 2018)

FINANCIAL RISK MANAGEMENT

Mitigation of foreign currency risk

An appreciable portion of the Company's purchases are made in US dollars and, to protect the value of these purchases against currency fluctuations, dollar purchases are covered by forward foreign exchange contracts. There were forward contracts totalling £Nil in place at 31 December 2018 (2017 - £2 million). In 2017 they had an average cost of £1: \$1.31 compared to the market rate in 2017 of £1: \$1.35.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



J Owen
Director

Date:

Sept 5th, 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Opinion

We have audited the financial statements of Original Additions (Beauty Products) Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 31 December 2018 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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 2, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED (CONTINUED)

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.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.

Nexia Smith & Williamson

Christopher Appleton (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants
Statutory Auditor

4th Floor Cumberland House
15-17 Cumberland Place
Southampton
Hampshire
SO15 2BG

Date: 5.9.19

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	3	40,640,975	43,173,880
Cost of sales		(24,504,773)	(27,737,692)
Gross profit		16,136,202	15,436,188
Administrative expenses		(12,570,129)	(14,776,701)
Fair value movement on foreign exchange forward contracts		51,558	(169,000)
Operating profit	4	3,617,631	490,487
Interest receivable and similar income	7	45	15
Interest payable and expenses	8	-	(113)
Profit before tax		3,617,676	490,389
Tax on profit	9	(262,780)	(173,305)
Profit after tax		3,354,896	317,084
Retained earnings at the beginning of the year		23,254,880	22,937,796
Profit for the year		3,354,896	317,084
Retained earnings at the end of the year		26,609,776	23,254,880

The notes on pages 9 to 24 form part of these financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED
REGISTERED NUMBER:05094961

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	10	2,025,058	2,394,382
Tangible assets	11	260,163	142,820
Investments	12	2,452	2,452
		<u>2,287,673</u>	<u>2,539,654</u>
Current assets			
Stocks	13	8,154,709	7,604,199
Debtors: amounts falling due within one year	14	19,181,430	15,150,849
Cash at bank and in hand		2,762,253	1,835,949
		<u>30,098,392</u>	<u>24,590,997</u>
Creditors: amounts falling due within one year	15	(5,315,689)	(3,415,171)
Net current assets		<u>24,782,703</u>	<u>21,175,826</u>
Total assets less current liabilities		<u>27,070,376</u>	<u>23,715,480</u>
Net assets		<u>27,070,376</u>	<u>23,715,480</u>
Capital and reserves			
Called up share capital	18	821	821
Share premium account	17	100,072	100,072
Capital redemption reserve	17	359,707	359,707
Profit and loss account	17	26,609,776	23,254,880
Shareholders' funds		<u>27,070,376</u>	<u>23,715,480</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


J Owen
Director

Date: Sept 5th, 2019

The notes on pages 9 to 24 form part of these financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Original Additions (Beauty Products) Limited is a private limited company incorporated in England and Wales (registered number: 05094961). The address of the registered office is Ventura House, Bullsbrook Road, Hayes, Middlesex, UB4 0UJ.

The financial statements have been prepared in accordance with FRS 102 "The Reporting Standard applicable in the UK and Republic of Ireland".

The Company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows
- the exemption from disclosing key management personnel
- the exemption from disclosing the financial instrument disclosures required under FRS 102 paragraphs 11.40 to 11.48A as the information is provided with the consolidated financial statements of the Group in which the entity is consolidated and the relevant disclosures are included there in.

The financial statements have been prepared under the historical cost convention, in accordance with the Company's accounting policies. The Company is itself a parent Company but is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.3 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to profit or loss over its useful economic life.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold Improvements	- over the term of the lease
Fixtures, Fittings and Office Equipment	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.6 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value and are shown net of provisions for slow moving and obsolete stocks. Costs include materials, costs of assembly, freight and duty costs. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling prices less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.9 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the period that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.11 Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.12 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at the initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short term bank deposits with original maturity of three months or less and bank overdrafts which are an integral part of the Group's cash management.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. Accounting policies (continued)

1.12 Financial instruments (continued)

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

1.13 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss, as described below.

Non-financial assets

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use. An asset is impaired where the estimated recoverable value of the asset has been reduced.

The recoverable amount of goodwill is derived from measurement of the present value of the future cashflows of the cash-generating units ("CGUs") of which the goodwill is part. Any impairment loss in is allocated first to the goodwill attached to that CGU, and thereafter to other assets within that CGU on a pro-rata basis.

Financial assets

Financial assets that are measured at cost or amortised cost are assessed at the end of each reporting period for objective evidence of impairment. The impairment loss is measured as the difference between a financial asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the related contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the Board's best estimate of its value, with the latter being an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2.

Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the Financial Statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company are outlined below.

Stock provision

At each reporting date, the Company's stock holding (£8,154,709 as at 31 December 2018 (2017: £7,604,199)) is analysed to identify items which may be obsolete and a provision is made against those items.

Debtor provision

At each reporting date, the Company's trade debtor balance (£4,041,782 as at 31 December 2018 (2017: £4,065,050)) is reviewed to identify balances against which specific provisions are required.

Retrospective and Promotional Discounts

Certain promotions are funded retrospectively, the cost of these promotions cannot be confirmed until the promotions are concluded and the customer submits a claim. At each reporting date an estimate of the outstanding and uninvoiced charges is provided for in the Company's accounts.

3. **Turnover**

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	33,341,597	34,385,554
Rest of Europe	3,983,695	4,773,001
Rest of the World	3,315,683	4,015,325
	<u>40,640,975</u>	<u>43,173,880</u>

4. **Operating profit**

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	173,693	74,432
Amortisation of intangibles, including goodwill	369,324	369,321
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	41,905	40,685
Exchange differences	(79,564)	613,249
Other operating lease rentals	611,116	486,402
	<u>611,116</u>	<u>486,402</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Employees

Staff costs, including Directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	3,401,550	5,505,390
Social security costs	328,234	392,723
Cost of defined contribution scheme	119,136	164,479
	<u>3,848,920</u>	<u>6,062,592</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2018 No.	2017 No.
Production and distribution	36	43
Sales and marketing	35	35
Office and administration	15	18
	<u>86</u>	<u>96</u>

6. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	183,587	1,632,968
Directors pension costs	18,346	27,353
	<u>201,933</u>	<u>1,660,321</u>

During the year retirement benefits were accruing to 1 Director (2017 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £183,587 (2017 - £831,858).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £18,346 (2017 - £13,438).

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Interest receivable

	2018	2017
	£	£
Other interest receivable	45	15
	45	15

8. Interest payable and similar expenses

	2018	2017
	£	£
Bank interest payable	-	113
	-	113

9. Taxation

	2018	2017
	£	£
Corporation tax		
Current tax on profits for the period	229,497	191,011
Adjustments in respect of previous periods	5	(2,608)
Total current tax	229,502	188,403
Deferred tax		
Origination and reversal of timing differences	33,278	(17,592)
Adjustments in respect of prior periods	-	2,494
Total deferred tax	33,278	(15,098)
Taxation on profit on ordinary activities	262,780	173,305

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>3,617,676</u>	<u>490,389</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	687,358	94,378
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	72,938	76,717
Adjustments to tax charge in respect of prior periods	5	(114)
Change in deferred tax rate	(3,916)	2,324
Group relief	<u>(493,605)</u>	<u>-</u>
Total tax charge for the year	<u>262,780</u>	<u>173,305</u>

Factors that may affect future tax charges

Further reductions to the UK tax rate have been announced. The changes, which have been enacted, reduce the rate by 1% per annum to 17% from 1 April 2020. The changes had been enacted at the Balance Sheet date and, therefore, are recognised in these financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Intangible assets

	Goodwill £
Cost	
At 1 January 2018	7,386,411
At 31 December 2018	<u>7,386,411</u>
Amortisation	
At 1 January 2018	4,992,029
Charge for the year	369,324
At 31 December 2018	<u>5,361,353</u>
Net book value	
At 31 December 2018	<u>2,025,058</u>
At 31 December 2017	<u>2,394,382</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Tangible fixed assets

	Leasehold Improvements £	Fixtures, Fittings and Office Equipment £	Total £
Cost			
At 1 January 2018	163,905	593,465	757,370
Additions	-	291,036	291,036
At 31 December 2018	<u>163,905</u>	<u>884,501</u>	<u>1,048,406</u>
Depreciation			
At 1 January 2018	82,814	531,736	614,550
Charge for the year	34,971	138,722	173,693
At 31 December 2018	<u>117,785</u>	<u>670,458</u>	<u>788,243</u>
Net book value			
At 31 December 2018	<u>46,120</u>	<u>214,043</u>	<u>260,163</u>
At 31 December 2017	<u>81,091</u>	<u>61,729</u>	<u>142,820</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	<u>2,452</u>
At 31 December 2018	<u>2,452</u>
 Net book value	
At 31 December 2018	<u>2,452</u>
At 31 December 2017	<u>2,452</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Eylure Limited	Ordinary £1	100 %	Dormant
Naturelle Limited	Ordinary £1	100 %	Dormant
City Chick Limited	Ordinary £1	100 %	Dormant
Nail Basics Limited	Ordinary £1	100 %	Dormant
Salon System Limited	Ordinary £1	100 %	Dormant
Original Additions Limited	Ordinary £1	100 %	Dormant
Original Additions LLC	Ordinary £1	100 %	Dormant

The registered office of the UK subsidiaries (Eylure Limited, Naturelle Limited, City Chick Limited, Nail Basics Limited, Salon System Limited and Original Additions Limited) is Ventura House, Bullsbrook Road, Hayes, Middlesex, UB4 0UJ. The registered office of the US subsidiary (Original Additions LLC) is Cogency Global Inc, 850 New Burton Road Suit 201, Dover, Kent, 19904 DE.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Stocks

	2018 £	2017 £
Raw materials and consumables	325,245	594,757
Finished goods and goods for resale	7,829,464	7,009,442
	<u>8,154,709</u>	<u>7,604,199</u>

Stock recognised in cost of sales during the year as an expense was £21,547,198 (2017: £23,591,699).

An impairment credit of £55,000 (2017: impairment credit of £193,850) was recognised in cost of sales in relation to the movement in provision against stock during the year due to slow-moving and obsolete stock.

14. Debtors

	2018 £	2017 £
Trade debtors	4,041,782	4,065,050
Amounts owed by group undertakings	13,541,245	9,716,122
Other debtors	9,954	1,181
Prepayments and accrued income	936,974	941,517
Tax recoverable	627,467	369,693
Deferred taxation (Note 16)	24,008	57,286
	<u>19,181,430</u>	<u>15,150,849</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	-	1,135
Trade creditors	2,264,191	2,218,010
Amounts owed to group undertakings	1,189,848	83,642
Other taxation and social security	154,005	116,329
Other creditors	-	26,910
Accruals and deferred income	1,707,645	917,587
Financial instruments	-	51,558
	<u>5,315,689</u>	<u>3,415,171</u>

Financial instruments represent foreign exchange forward contracts which are included in the Balance Sheet at market value. In 2017 there was a year end liability of £51,558 and £Nil in 2018. The annual movement has been recorded as a credit of £51,558 to profit or loss.

16. Deferred taxation

	2018 £	2017 £
At beginning of year	57,286	42,188
Charged to profit or loss	(33,278)	15,098
At end of year	<u>24,008</u>	<u>57,286</u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	21,782	43,532
Other short term timing differences	2,226	13,754
	<u>24,008</u>	<u>57,286</u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

This reserve relates to the nominal value of shares that the Company has bought back.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
331 (2017 - 331) Ordinary shares class A of £1.00 each	331	331
400 (2017 - 400) Ordinary shares class B of £1.00 each	400	400
90 (2017 - 90) Ordinary shares class C of £1.00 each	90	90
	<u>821</u>	<u>821</u>

Ordinary shareholders of any class are entitled to attend, speak and vote at general meetings. All ordinary shares in issue rank pari passu.

On winding up of the Company, ordinary shares are treated as one class and rank equally in respect of the distribution on wind up of any surplus assets and retained profits.

19. Share based payments

During 2017, certain members of the Company were awarded share appreciation rights in the ultimate parent entity. 2,900 units were granted with a stated value of \$1,000. Of these units, two thirds vest over a 5 year period and one third are performance based subject to an exit event subject to a specific return on capital.

No charge has been recognised in the financial statements due to immateriality.

20. Pension commitments

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 pension cost charge represents contributions payable by the Company to the fund as well as to certain employees personal schemes and amounted to £119,136 (2017: £164,479). Contributions totalling £13,089 (2017: £29,351) were payable to the fund at the balance sheet date.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	549,201	502,923
Later than 1 year and not later than 5 years	941,441	1,352,280
	<u>1,490,642</u>	<u>1,855,203</u>

22. Related party transactions

In line with the requirements of FRS102 the Company is not required to disclose transactions with group companies on the grounds that these companies are wholly owned within the Group.

23. Ultimate parent undertaking and controlling party

The immediate parent company is Original Additions Topco Limited, which is incorporated in England and Wales. The ultimate parent entity and controlling party is Wellness Group Holding LP. This is the largest group preparing consolidated accounts to which the entity is included in. Copies of the accounts can be obtained from Wellness Group Holdings LP, c/o PDC Brands, 750 E Main St, Suite 1000, Stamford, CT 06902, USA.

The Company is consolidated into PDC Brands UK Limited. Financial statements of this group are available from Companies House, Crown Way, Cardiff, CF14 3UZ.