

Registered number: 05396577

TANGLE TEEZER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



TANGLE TEEZER LIMITED

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TANGLE TEEZER LIMITED

COMPANY INFORMATION

Directors	S Pulfrey G Watts
Company secretary	J Leese
Registered number	05396577
Registered office	1st And 2nd Floor 205 Stockwell Road London England SW9 9SL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 10 Bricket Road St Albans Herts AL1 3JX

TANGLE TEEZER LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the Group Strategic Report of Tangle Teezer Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2018.

Business review

On 20th June 2018, the Company acquired the entire share capital of Tangle Teezer Inc at a par value of US\$1.00 each and 70 unpaid ordinary shares of £1.00 each comprising the entire issued share capital of Pet Teezer Limited. These financial statements include the results of these acquired subsidiaries from this date.

2018 was another positive year for Tangle Teezer, with strong growth in sales and operating profit, against a backdrop of significant strategic changes to create a platform for future growth. In addition to a new management structure and the introduction of new distribution arrangements in numerous markets, significant investments were made in new product innovation, the Tangle Teezer brand and infrastructure.

Sales for the year to 31 December 2018 were £22,648,000 (2017: £21,444,000), 6% higher than in the year to 31 December 2017. Sales grew strongly in six of the seven core geographic regions, with new distribution partnerships established in numerous secondary markets, with the long-term benefit of ensuring optimal commercial and strategic partnerships for the growth of the business in the future. Overseas sales made up 76% (2017: 75%) of total revenues and helped to drive much of the growth. Continental European sales increased 12% and now represent 39% of the total (2017: 37%) whilst UK Sales grew steadily by 3% despite uncertain macroeconomic conditions. There was a refocus on core markets, and some key changes in Tangle Teezer's European distribution which is having a positive impact on present results, as well as laying a platform for future growth. Rest of World sales increased by 1% and now represent 37% of total sales (2017: 38%). Established distribution continues in over 75 countries.

There were several key new product launches during 2018, expanding the portfolio to meet evolving customer demands, and to expand into other categories. This included the launch of the hugely successful hairbrush 'The Wet Detangler' which represented 15% of product units sold in 2018, and the first range of products under the Pet Teezer brand.

Tangle Teezer products continue to win numerous awards around the world from various influential press publications within the beauty industry, including recognition for the newly launched The Wet Detangler, which won Best New Beauty Tool at the CEW Beauty Awards 2019. Products from the established core range also received recognition at the Women's Health Healthy Hair Awards, Allure Reader's Choice Awards and Sunday Times Style Awards.

Gross Profit margins prior to exceptional cost of sales were maintained at 46% (2017: 46%) The Group distribution and brand strategy enables Tangle Teezer Limited to sustain premium brand positioning and maintain a well-balanced portfolio of products. This strategy has also ensured quality and consistency of product supply during the period.

There were a number of key changes in personnel during the year, but average staff numbers remained at 46 (2017: 46). The new staff have added expertise and strength across the whole business.

Profit Before Taxation (PBT) prior to exceptional expenses increased by £175,000 to a profit of £665,000 (2017: Profit of £490,000) and PBT margins increased to 2.9% (2017: 2.3%). The increase in sales is the key driver, offset in part by a 3% increase in Administrative expenses.

Exceptional Items in the period of £2,286,000 (2017: £462,000) included a change in accounting policy to provide for slow moving stock, group restructuring costs and writing off legacy balances.

After the inclusion of exceptional expenses Profit Before Taxation (PBT) decreased by £1,649,000 to a loss of £1,621,000 (2017: Profit of £28,000) and PBT margins dropped to -8% (2016: 0.13%).

TANGLE TEEZER LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

The business is a market leader in detangling hairbrushes and has leveraged its strong brand equity to expand into other core haircare categories, such as blow drying and styling, catering for different global hair types and needs. Tangle Teezer has grown to become a truly global brand that enjoys substantial and increasing brand awareness, and strong customer loyalty; it has continual innovation at its heart, producing a range of extremely functional and fashionable products. The goal remains to be the world's most popular hairbrush brand.

Future Developments

Tangle Teezer will continue its innovative approach to product development, and plans are in place for a number of significant product launches during the next 18 months, meeting evolving customer demands. This includes the launch of The Mini Original hairbrush, Fine & Fragile product ranges and the new range of Pet Teezer products in 2019. Tangle Teezer will continue to build on its strong brand position, and seek to grow the market with new products, gain further market share and expand geographically.

Principal risks and uncertainties

It is the responsibility of the Group directors to understand and ensure systems are in place to control risks and uncertainties that the Group faces. The principal risks the business faces are:

Credit Risk

Over the recent years the Group's exposure to bad debt has been minimal. The Group continues to control this through rigorous company credit checks prior to offering credit terms, and with bank guarantees where deemed necessary.

Foreign Exchange Risk

Exposure to foreign exchange risks remain minimal over the years due to the Group solely invoicing in GBP. As the Group has expanded internationally there are now a few customer accounts in foreign currencies. These customer accounts represent a very small proportion of our overall business. Otherwise exposure to foreign exchange risk is limited to costs incurred in US dollar, Euro and Chinese Yuan.

The Group holds bank accounts in all four currencies and future plans are to mitigate any risk through limiting the number of sales being invoiced in these currencies.

Commercial risks and developments

As with any successful brand, imitation and counterfeit products have been launched by competitors in a number of markets. The Group has appointed a full time, in-house, Brand Protection Executive who works closely with customs officials, both home and abroad, and a 'zero tolerance' approach is taken with anyone found manufacturing or distributing non-genuine product.

Additionally, in early 2016 a new system of Track & Trace was introduced to mitigate the risk of products being made available for sale with origins that could not be verified. This system marks every product that we sell with a unique individual identifier, allowing the source of the stock to be traced electronically. The introduction of this system had a temporary impact on our global sales and led to changes in distribution arrangements. Despite the short-term impact on sales the Track & Trace system continues to help strengthen the brand's credibility and is in the best long-term interests of the future development of international and domestic markets.

TANGLE TEEZER LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Brexit Considerations

We maintain a continual review of the potential effects on our business of the UK leaving the European Union, under various scenarios. We consider that a controlled departure under the terms of a withdrawal agreement between the UK and the EU will have no significant direct impact, with supply chains and EU and other overseas labour able to adjust over time as detailed future arrangements become clear. If the UK leaves without a deal, the biggest impact we foresee is the effect on our markets of a potential severe decline in consumer confidence, disruption to inbound and outbound logistics and decline in general economic activity. We believe our business planning is as prepared as possible for this uncertainty. We have also considered the effects on our supply chain, and engaged with our suppliers. We have made specific arrangements where we foresee the potential for disruption to the import of critical materials and products, though noting that it is impractical to try to insulate our business entirely. We are alert to the risk of a significant decline in the value of Sterling, and will continue to use normal hedging arrangements for significant purchases of imported products on specific contracts. We continue to keep this complex matter under review.

Financial key performance indicators

Continuous revenue growth is planned through deeper market penetration and new product innovation and diversification. In line with this, costs such as marketing, research & development and staff costs will increase due to the additional resources required to assist in taking the Group forward to the next level.

Our financial KPI's for the next 12 months will focus on:

- Exports exceeding 80% of total sales;
- a gross profit margin of at least 46%; and
- an underlying PBT margin of at least 10%.

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



G Watts
Director

Date: 26th June 2019

TANGLE TEEZER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements of Tangle Teezer Limited (the "Company") and its subsidiary undertakings (together the "Group") for the year ended 31 December 2018.

Principal activity

The principal activity of the Group in the year under review was that of design and distribution of specialist hair brushes and associated products. All products are manufactured in the UK.

Results and dividends

The loss for the financial year amounted to £1,604,000 (2017: profit 985,000).

The Group paid an interim dividend of £Nil (2017: £Nil).

Business review, future developments and risks

Included in the Strategic Report are business review, future developments and risks.

Directors

The directors who served during the year and up to the date of signing the financial statements, were:

S Pulfrey
G Watts
M P Lumb (resigned 31 March 2018)

Future developments

Tangle Teezer will continue its innovative approach to product development, and plans are in place for a number of significant product launches during the next 18 months, meeting evolving customer demands. This includes the launch of The Mini Original hairbrush, Fine & Fragile product ranges and the new range of Pet Teezer products in 2019. Tangle Teezer will continue to build on its strong brand position, and seek to grow the market with new products, gain further market share and expand geographically.

Qualifying indemnity provision

During the period qualifying third party indemnity provisions for the directors were provided by the Group. Such qualifying indemnity provisions remain in force as at the date of approval of the financial statements.

TANGLE TEEZER LIMITED

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

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 Group and the Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

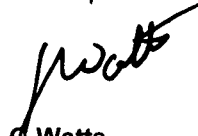
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are 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 and the Group's auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

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



G Watts
Director

Date: 28th June 2019

Report on the audit of the financial statements

Opinion

In our opinion, Tangle Teezer Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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 group's and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

TANGLE TEEZER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANGLE TEEZER LIMITED (CONTINUED)

Reporting on other information (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

TANGLE TEEZER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANGLE TEEZER LIMITED (CONTINUED)


Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
Date: 26 June 2019

TANGLE TEEZER LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	22,648	21,444
Cost of sales		(12,280)	(11,534)
Exceptional cost of sales	5	(1,184)	-
Gross profit		9,184	9,910
Administrative expenses		(9,674)	(9,357)
Exceptional administrative expenses	5	(1,102)	(462)
Operating (loss)/profit	6	(1,592)	91
Interest receivable and similar income	10	3	4
Interest payable and similar expenses	11	(32)	(67)
(Loss)/profit before taxation		(1,621)	28
Tax on (loss)/profit	12	17	957
(Loss)/profit for the financial year		(1,604)	985
Currency translation differences		20	-
Other comprehensive income for the financial year		20	-
Total comprehensive (expense)/income for the financial year		(1,584)	985
(Loss)/profit for the year attributable to:			
Owners of the parent company		(1,604)	985

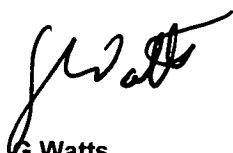
The notes on pages 16 to 40 form part of these financial statements.

TANGLE TEEZER LIMITED
REGISTERED NUMBER: 05396577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	13	1,604	1,016
Tangible assets	14	1,555	2,303
		<u>3,159</u>	<u>3,319</u>
Current assets			
Stocks	16	4,829	4,284
Debtors	17	4,635	6,653
Cash at bank and in hand	18	5,281	4,106
		<u>14,745</u>	<u>15,043</u>
Creditors: amounts falling due within one year	19	(5,726)	(4,271)
Net current assets		<u>9,019</u>	<u>10,772</u>
Total assets less current liabilities		<u>12,178</u>	<u>14,091</u>
Creditors: amounts falling due after more than one year	20	-	(320)
Provisions for liabilities			
Deferred tax	23	-	(9)
Net assets		<u>12,178</u>	<u>13,762</u>
Capital and reserves			
Called up share capital	24	-	-
Profit and loss account	25	12,178	13,762
Total shareholders' funds		<u>12,178</u>	<u>13,762</u>

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



G Watts
Director

Date: 26th June 2019

The notes on pages 16 to 40 form part of these financial statements.

TANGLE TEEZER LIMITED
REGISTERED NUMBER: 05396577

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	13	1,021	1,016
Tangible assets	14	1,531	2,303
Investments	15	1	-
		<u>2,553</u>	<u>3,319</u>
Current assets			
Stocks	16	4,341	4,284
Debtors	17	5,191	6,653
Cash at bank and in hand	18	5,251	4,106
		<u>14,783</u>	<u>15,043</u>
Creditors: amounts falling due within one year	19	(4,968)	(4,271)
Net current assets		<u>9,815</u>	<u>10,772</u>
Total assets less current liabilities		<u>12,368</u>	<u>14,091</u>
Creditors: amounts falling due after more than one year	20	-	(320)
Provisions for liabilities			
Deferred tax	23	-	(9)
Net assets		<u>12,368</u>	<u>13,762</u>
Capital and reserves			
Called up share capital	24	-	-
Profit and loss account brought forward		13,762	12,777
(Loss)/profit for the year		<u>(1,394)</u>	<u>985</u>
Profit and loss account carried forward		<u>12,368</u>	<u>13,762</u>
Total shareholders' funds		<u>12,368</u>	<u>13,762</u>

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


S Watts
 Director

Date: 26th June 2019

The notes on pages 16 to 40 form part of these financial statements.

TANGLE TEEZER LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Profit & loss account £000	Total shareholders' funds £000
At 1 January 2017	-	12,777	12,777
Comprehensive income for the financial year			
Profit for the financial year	-	985	985
Total comprehensive income for the financial year	-	985	985
At 31 December 2017 and 1 January 2018	-	13,762	13,762
Comprehensive expense for the financial year			
Loss for the financial year	-	(1,604)	(1,604)
Currency translation differences	-	20	20
Total comprehensive expense for the financial year	-	(1,584)	(1,584)
At 31 December 2018	-	12,178	12,178

The notes on pages 16 to 40 form part of these financial statements.

TANGLE TEEZER LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
At 1 January 2017	-	12,777	12,777
Comprehensive income for the financial year			
Profit for the financial year	-	985	985
Total comprehensive income for the financial year	-	985	985
At 31 December 2017 and 1 January 2018	-	13,762	13,762
Comprehensive expense for the financial year			
Loss for the financial year	-	(1,394)	(1,394)
Total comprehensive expense for the financial year	-	(1,394)	(1,394)
At 31 December 2018	-	12,368	12,368

The notes on pages 16 to 40 form part of these financial statements.

TANGLE TEEZER LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(1,604)	985
Adjustments for:		
Interest payable and similar expenses	32	67
Interest receivable and similar income	(3)	(4)
Taxation credit	(17)	(957)
Amortisation of intangible assets	275	153
Depreciation of tangible assets	1,103	1,083
Loss on disposal of tangible assets	1	-
Decrease in stocks	136	381
Decrease in debtors	968	2,174
Increase/(decrease) in creditors	854	(2,386)
Corporation tax received/(paid)	1,180	(1,269)
Foreign exchange movement	20	-
Net cash from operating activities	2,945	227
Cash flows used in investing activities		
Purchase of intangible assets	(249)	(839)
Purchase of tangible assets	(328)	(643)
Proceeds from disposals of tangible assets	1	1
Acquisition of subsidiaries (net of cash acquired)	119	-
Interest received	3	4
Net cash used in investing activities	(454)	(1,477)
Cash flows used in financing activities		
Repayment of loans	(1,250)	(1,533)
Other new loans	-	8
Repayment of other loans	(34)	-
Interest paid	(32)	(67)
Net cash used in financing activities	(1,316)	(1,592)
Net increase/(decrease) in cash and cash equivalents	1,175	(2,842)
Cash and cash equivalents at beginning of financial year	4,106	6,948
Cash and cash equivalents at the end of financial year	5,281	4,106
Cash and cash equivalents at the end of financial year comprise:		
Cash at bank and in hand	5,281	4,106

The notes on pages 16 to 40 form part of these financial statements.

TANGLE TEEZER LIMITED

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

1. General information

Tangle Teezer Limited (the "Company") is a private limited company, incorporated and domiciled in the United Kingdom. The address of its registered office is 1st And 2nd Floor, 205 Stockwell Road, London, England.

The principal activity of the Group in the year under review was that of design and distribution of specialist hair brushes and associated products. All products are manufactured in the UK.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied consistently throughout the year:

2.2 Functional and presentation currency

The Company's functional and presentational currency is GBP. The Group's presentational currency is GBP and rounded to thousands.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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

2. Accounting policies (continued)

2.4 Turnover

The Group manufactures and sells specialist hair brushes and their associated products. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group 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.

TANGLE TEEZER LIMITED

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

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Patents	-	10 years
Development costs	-	10 years
Software development	-	4 years

2.6 Tangible assets

Tangible 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

TANGLE TEEZER LIMITED

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

2. Accounting policies (continued)

2.6 Tangible assets (continued)

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.

Depreciation is provided on the following basis:

Plant and machinery	-	20% - 25%
Motor vehicles	-	10%

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 the Consolidated Statement of Comprehensive Income.

2.7 Development costs

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are charged to the Statement of Income and Retained Earnings in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding ten years, commencing in the year the Group starts to benefit from the expenditure.

Patents and licences are stated at cost less amortisation. Amortisation is provided at 10% per annum in order to write off each asset over its estimated useful life.

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis in the parent company and a weighted average basis in the subsidiary. Work in progress and finished goods include labour and attributable overheads.

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

TANGLE TEEZER LIMITED

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

2. Accounting policies (continued)

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.12 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

2. Accounting policies (continued)

2.12 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated 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 contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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

2. Accounting policies (continued)

2.14 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP. The Group's 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.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.15 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Operating leases

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.18 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

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

2. Accounting policies (continued)

2.19 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.20 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group 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 the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2.22 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, 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 reporting 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 Statement of Financial Position 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 reporting date.

TANGLE TEEZER LIMITED

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

2. Accounting policies (continued)

2.23 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

Leases

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Impairment of tangible and intangible assets

- Determine whether there are indicators of impairment of the Group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Stock provision

The Group designs and distributes specialist hair brushes and products are subject to consumer demand. As a result, it is necessary to consider the recoverability of the cost of inventory. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. If inventory is deemed to be impaired and not in saleable condition, or the product is obsolete, the carrying value is reduced to zero. If the product line is deemed categorised as discontinued, a provision is taken for all inventory above 6 months of sales, based on current sell through rates. See note 16 for the net carrying amount of the inventory.

Other key sources of estimation uncertainty:

- Tangible assets (see note 14)

Tangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

TANGLE TEEZER LIMITED

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

4. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	5,550	5,364
Rest of Europe	8,762	7,839
Rest of the World	8,336	8,241
	<u>22,648</u>	<u>21,444</u>

5. Exceptional cost of sales and administrative expenses

	2018 £000	2017 £000
Cost associated with aborted investment process	-	462
Provision for slow moving stock	1,184	-
Write off of VAT relating to Chinese business	217	-
Restructuring costs	885	-
	<u>2,286</u>	<u>462</u>

6. Operating (loss)/profit

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Research & development charged as an expense	374	428
Depreciation of tangible assets	1,103	1,083
Amortisation of intangible assets	275	153
Exchange differences	33	29
Other operating lease rentals	703	729
	<u>703</u>	<u>729</u>

TANGLE TEEZER LIMITED

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

7. Auditors' remuneration

	2018 £000	2017 £000
Fees payable to the Company's auditor and its associates for the audit of the parent Company and the Group's consolidated financial statements	46	37
Fees payable to the Company's auditor and its associates for other services:		
- Tax compliance services	8	12

8. Employees

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

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Wages and salaries	3,617	2,874	3,393	2,874
Social security costs	420	352	401	352
Other pension costs	82	140	82	140
	4,119	3,366	3,876	3,366

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

	2018 Number	2017 Number
Employees	46	46

TANGLE TEEZER LIMITED

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

9. Directors' remuneration

	2018 £000	2017 £000
Aggregate directors' emoluments	513	583
Group contributions to defined contribution pension schemes	11	64
	<u>524</u>	<u>647</u>

The highest paid director received remuneration of £331,199 (2017: £341,297).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2017: £50,000). £7,200 (2017: £Nil) of pension contributions were accrued but not paid during the year.

1 director (2017: 1) was a member of defined contribution schemes.

Key management personnel received total remuneration of £1,003,260 (2017: £1,096,428).

10. Interest receivable and similar income

	2018 £000	2017 £000
Other interest receivable	<u>3</u>	<u>4</u>

11. Interest payable and similar expenses

	2018 £000	2017 £000
Other loan interest payable	<u>32</u>	<u>67</u>

TANGLE TEEZER LIMITED

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

12. Tax on (loss)/profit

	2018 £000	2017 £000
Corporation tax		
Current tax on (loss)/profits for the financial year	-	30
Adjustments in respect of prior years	294	(869)
Total current tax	294	(839)
Deferred tax		
Origination and reversal of timing differences	(348)	(137)
Adjustments in respect of prior years	-	3
Effect of changes in tax rates	37	16
Total deferred tax	(311)	(118)
Total tax	(17)	(957)

Factors affecting tax credit for the year

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

	2018 £000	2017 £000
(Loss)/profit before taxation	(1,621)	28
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(308)	5

Effects of:

Expenses not deductible for tax purposes	120	124
Non-taxable income	(238)	(236)
Adjustments in respect of prior years	294	(866)
Movement in deferred tax not recognised	78	-
Tax rate changes	37	16
Total tax credit for the year	(17)	(957)

Factors that may affect future tax charges

TANGLE TEEZER LIMITED

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

12. Tax on (loss)/profit (continued)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Intangible assets

Group

	Patents £000	Develop- ment costs £000	Software Develop- ment £000	Goodwill £000	Total £000
Cost					
At 1 January 2018	586	198	598	-	1,382
Additions	78	81	90	-	249
On acquisition of subsidiaries	-	-	-	614	614
At 31 December 2018	664	279	688	614	2,245
Accumulated amortisation					
At 1 January 2018	232	47	87	-	366
Charge for the year	62	24	158	31	275
At 31 December 2018	294	71	245	31	641
Net book value					
At 31 December 2018	370	208	443	583	1,604
At 31 December 2017	354	151	511	-	1,016

TANGLE TEEZER LIMITED

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

13. Intangible assets (continued)

Company

	Patents £000	Development expenditure £000	Software Development £000	Total £000
Cost				
At 1 January 2018	586	198	598	1,382
Additions	78	81	90	249
At 31 December 2018	<u>664</u>	<u>279</u>	<u>688</u>	<u>1,631</u>
Accumulated amortisation				
At 1 January 2018	232	47	87	366
Charge for the year	62	24	158	244
At 31 December 2018	<u>294</u>	<u>71</u>	<u>245</u>	<u>610</u>
Net book value				
At 31 December 2018	<u>370</u>	<u>208</u>	<u>443</u>	<u>1,021</u>
At 31 December 2017	<u>354</u>	<u>151</u>	<u>511</u>	<u>1,016</u>

TANGLE TEEZER LIMITED

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

14. Tangible assets

Group

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2018	4,768	17	4,785
Additions	328	-	328
Acquisition of subsidiary	29	-	29
Disposals	(492)	-	(492)
At 31 December 2018	<u>4,633</u>	<u>17</u>	<u>4,650</u>
Accumulated depreciation			
At 1 January 2018	2,476	6	2,482
Charge for the year	1,101	2	1,103
Disposals	(490)	-	(490)
At 31 December 2018	<u>3,087</u>	<u>8</u>	<u>3,095</u>
Net book value			
At 31 December 2018	<u>1,546</u>	<u>9</u>	<u>1,555</u>
At 31 December 2017	<u>2,292</u>	<u>11</u>	<u>2,303</u>

TANGLE TEEZER LIMITED

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

14. Tangible assets (continued)

Company

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2018	4,768	17	4,785
Additions	296	-	296
Disposals	(492)	-	(492)
At 31 December 2018	<u>4,572</u>	<u>17</u>	<u>4,589</u>
Accumulated depreciation			
At 1 January 2018	2,476	6	2,482
Charge for the year	1,064	2	1,066
Disposals	(490)	-	(490)
At 31 December 2018	<u>3,050</u>	<u>8</u>	<u>3,058</u>
Net book value			
At 31 December 2018	<u>1,522</u>	<u>9</u>	<u>1,531</u>
At 31 December 2017	<u>2,292</u>	<u>11</u>	<u>2,303</u>

TANGLE TEEZER LIMITED

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

15. Investments

Company

	Investments in subsidiary companies £000
Cost	
At 1 January 2018	-
Additions	1
At 31 December 2018	<u>1</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Tangle Teezer Inc	Bold 3PL, 1125 E 4th Ave, Hutchinson, KS 67501	Distribution of specialist hair brushes and their associated products	Ordinary	100%
Pet Teezer Limited*	205 Stockwell Road, 1st And 2nd Floor, London, England, SW9 9SL	Dormant Company	Ordinary	100%

* Held indirectly

16. Stocks

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Raw materials and consumables	2,120	1,967	2,108	1,967
Finished goods and goods for resale	2,709	2,317	2,233	2,317
	<u>4,829</u>	<u>4,284</u>	<u>4,341</u>	<u>4,284</u>

Stocks recognised in cost of sales during the year as an expense was £8,868,000 (2017: £8,239,000).
Stock write off £88,000 (2017: £323,000)

TANGLE TEEZER LIMITED

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

17. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	3,713	3,795	3,694	3,795
Amounts owed by group undertakings	-	598	598	598
Other debtors	318	632	318	632
Corporation tax recoverable	-	1,406	-	1,406
Deferred tax	302	-	302	-
Prepayments and accrued income	302	222	279	222
	4,635	6,653	5,191	6,653

Amounts owed by group undertakings are interest free and repayable on demand.

18. Cash at bank and in hand

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash at bank and in hand	5,281	4,106	5,251	4,106

19. Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans	320	1,250	320	1,250
Other loans	-	34	-	34
Trade creditors	1,581	734	936	734
Corporation tax	68	-	80	-
Taxation and social security	87	395	87	395
Other creditors	2,637	727	2,637	727
Accruals and deferred income	1,033	1,131	908	1,131
	5,726	4,271	4,968	4,271

20. Creditors: amounts falling due after more than one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans	-	320	-	320

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

The bank loans are shown net of capitalised finance costs of £50,000 (2017: £50,000). During the year a charge of £12,500 (2017: £8,708) for amortisation of these finance costs was made.

The loans are repayable over 2 years.

Analysis of the maturity of loans is given below:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Amounts falling due within one year				
Bank loans	320	1,250	320	1,250
Other loans	-	34	-	34
	<u>320</u>	<u>1,284</u>	<u>320</u>	<u>1,284</u>
Amounts falling due 1-2 years				
Bank loans	-	320	-	320
	<u>-</u>	<u>320</u>	<u>-</u>	<u>320</u>

22. Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>3,465</u>	<u>6,295</u>	<u>4,775</u>	<u>6,295</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(4,840)</u>	<u>(4,162)</u>	<u>(4,800)</u>	<u>(4,162)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and amount owed by group undertakings.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accruals.

Information regarding the Group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' Report.

TANGLE TEEZER LIMITED

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

23. Deferred tax

Group

	2018 £000
At beginning of the financial year	9
Charged to profit or loss	(311)
At end of the financial year	(302)

Company

	2018 £000
At beginning of year	9
Charged to profit or loss	(311)
At end of year	(302)

The deferred tax balance is made up as follows:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Accelerated capital allowances	(68)	(3)	(68)	(3)
Short term timing differences - trading	(1)	12	(1)	12
Losses	(233)	-	(233)	-
	(302)	9	(302)	9

24. Called up share capital

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
180,002 (2017: 180,000) Ordinary shares of £0.001 (2017: £0.001) each	180	180
100 (2017: Nil) A Ordinary shares of £1 (2017: £Nil) each	100	-
	280	180

TANGLE TEEZER LIMITED

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

24. Called up share capital (continued)

On 20 June 2018, the Company issued 2 Ordinary shares of £0.001 each for consideration that consisted of the entire share capital of Tangle Teezer Inc and Pet Teezer Limited.

On 20 June 2018, the Company issued 100 A Ordinary shares of £1 each for consideration of £100 which was settled in cash.

Share rights

Ordinary shares carry full voting, dividend distribution and capital distribution rights.

A Ordinary shares carry no voting or dividend distribution rights, and carry the right to participate in a capital distribution under certain circumstances which are detailed in the Articles of Association.

25. Reserves

Profit and loss account

Records retained earnings and accumulated losses.

Called up share capital

Records the nominal value of shares issued.

TANGLE TEEZER LIMITED

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

26. Business combinations

On 20th June 2018, the Company acquired the entire share capital of Tangle Teezer Inc with a par value of US\$1.00 each and 70 unpaid ordinary shares of £1.00 each comprising the entire issued share capital of Pet Teezer Limited.

The Company issued 2 Ordinary shares of £0.001 each as consideration.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value 2018 £000	Fair value 2018 £000
Fixed assets		
Tangible	29	29
	<u>29</u>	<u>29</u>
Current assets		
Stocks	681	681
Debtors	55	55
Cash at bank and in hand	119	119
Total assets	<u>884</u>	<u>884</u>
Creditors		
Due within one year	(1,497)	(1,497)
Total identifiable net liabilities	<u>(613)</u>	<u>(613)</u>
Goodwill		614
Total purchase consideration		<u>1</u>
Consideration		
		2018 £000
Issue of share capital		1
Total purchase consideration		<u>1</u>

TANGLE TEEZER LIMITED

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

26. Business combinations (continued)

Cash inflow on acquisition

	2018 £000
Cash and cash equivalents acquired	119
Net cash inflow on acquisition	119

27. Reconciliation of net debt

	£000
Net cash at 1 January 2018	4,106
Cash flows	736
Acquisition of subsidiaries	119
Net cash at 31 December 2018	4,961

28. Pension commitments

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charge represents contributions payable by the Group to the fund of £82,000 (2017: £140,000).

29. Commitments under operating leases

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

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Not later than 1 year	551	577	551	577
Later than 1 year and not later than 5 years	2,166	1,999	2,166	1,999
Later than 5 years	364	511	364	511
	3,081	3,087	3,081	3,087

30. Related party transactions

During the year, royalties of £200,000 (2017: £599,314) were paid to Mr S Pulfrey, a Company Director. At 31 December 2018, there was a liability of £2,093,027 (2017: £717,359) held in one directors current account and an asset of £Nil (2017: £65,443) in respect of another. No interest is charged on these balances which are due to be repaid within one year.

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31. Ultimate parent undertaking and controlling party

The Company is under the control of Mr S Pulfrey.