

Registered number: 05396577

TANGLE TEEZER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



TANGLE TEEZER LIMITED

CONTENTS

	Page(s)
Company Information	1
Strategic Report	2 - 3
Directors' Report	4 - 5
Independent Auditors' Report to the Members of Tangle Teezer Limited	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 28

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

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the Strategic Report of Tangle Teezer Limited (the "Company") for the year ended 31 December 2017.

Business review

Tangle Teezer celebrated 10 years since its inception during the year, it has now sold over 40 million hairbrushes in that time. 2017 was a transitional year for the Company, with the addition of two new members of the Management team, introduction of new distribution arrangements in a number of key markets, a re-focus on the core business and substantial investment in new product innovation.

Sales for the year to 31 December 2017 were £21,444,000 (31 December 2016: £20,664,000), 4% higher than in the 9-months to 31 December 2016. Sales were negatively impacted during 2017 by the transitional impact of establishing new distributor relationships, but 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 75% (2016: 80%) of total revenues with UK Sales increasing by 31%; Rest of World sales increased 18% and now represent 38% of the total (2016: 34%) and partially offset a decline in European sales, due to the distributor changes to 37% of total sales (2016: 46%). Established distribution continues in over 75 countries across every continent.

Tangle Teezer products continue to win numerous awards around the world from various influential press publications within the beauty industry, including four awards for four different hairbrushes – The Blow-styling Round Tool (Allure), The Original (Bella), The Ultimate (CEW) and Thick & Curly (Marie Claire).

Gross Profit margins remained largely consistent at 46% (2016: 47%) during the period, with the small 0.6% decline driven by the product mix and increase in licensed product. The Company 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.

During the period there was a significant increase in investment in research and development of 256% to £428,000 in comparison to the period ending 31 December 2016, supporting the innovative product roadmap for 2018 and beyond. Exceptional Items in the period of £462,000 included fees from the aborted investment process and initial fees relating to changes in the Tangle Teezer group structure.

There were a number of key changes in personnel during the period and staff numbers increased by one to 46 (2016: 45). The new staff have added expertise and strength across the whole business.

Profit Before Taxation (PBT) decreased by 93% to £28,000 (2016: £417,000) and PBT margins dropped to 0.13% (2016: 2%). The significant increase in investment in future product innovation and the brand have impacted short term profits, in addition is the 'one off' Exceptional items of £0.5m.

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 Wet Detangler hairbrush, and the first range of products under the Pet Teezer brand during 2018. 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.

TANGLE TEEZER LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Principal risks and uncertainties

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

Credit Risk

Over the recent years the Company's exposure to bad debt has been minimal. The Company 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 Company solely invoicing in GBP. As the Company 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 Company 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 Company 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.

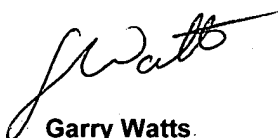
Financial key performance indicators

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 Company 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:



Garry Watts
Director

Date: 17th September 2018

TANGLE TEEZER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and the audited financial statements of Tangle Teezer Limited (the "Company") for the year ended 31 December 2017.

Principal activity

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

Results and dividends

The profit for the financial year amounted to £985,000 (9 months 2016: loss 263,000).

The Company paid an interim dividend of £Nil (2016: £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, unless otherwise stated, were:

M P Lumb (resigned 31 March 2018)
S Pulfrey
G Watts (appointed 21 November 2017)

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 Wet Detangler hairbrush, and the first range of products under the Pet Teezer brand during 2018. 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 Company. Such qualifying indemnity provisions remain in force as at the date of approval of the financial statements.

Post balance sheet events

Tangle Teezer Limited acquired the shares of Tangle Teezer Inc. and Pet Teezer Limited. Refer to note 29 for details of the transactions.

TANGLE TEEZER LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 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 Company and of the profit or loss of the 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company'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:



Garry Watts
Director

Date: 17th September 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANGLE TEEZER LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Tangle Teezer Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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 statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of cash flows, the statement 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 Company 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

We have nothing to report in respect of the following matters in relation to which 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 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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.

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.

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

Reporting on other information (continued)

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 2017 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 Company and its 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 5, 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 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.

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.

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 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: 17 September 2018

TANGLE TEEZER LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

		Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
	Note		
Turnover	4	21,444	20,664
Cost of sales		(11,534)	(10,992)
Gross profit		9,910	9,672
Administrative expenses		(9,357)	(7,168)
Exceptional administrative expenses	5	(462)	(1,979)
Operating profit	6	91	525
Interest receivable and similar income	10	4	5
Interest payable and similar expenses	11	(67)	(113)
Profit before taxation		28	417
Tax credit/(charge) on profit on ordinary activities	12	957	(680)
Profit/(loss) for the financial year/period		985	(263)
Total comprehensive income/(expense) for the financial year/period		985	(263)

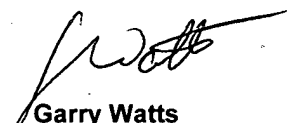
The notes on pages 13 to 28 form part of these financial statements.

TANGLE TEEZER LIMITED
REGISTERED NUMBER: 05396577

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	13	1,016	330
Tangible assets	14	2,303	2,744
		<u>3,319</u>	<u>3,074</u>
Current assets			
Stocks	15	4,284	4,665
Debtors: amounts falling due within one year	16	6,653	7,421
Cash at bank and in hand	17	4,106	6,948
		<u>15,043</u>	<u>19,034</u>
Creditors: amounts falling due within one year	18	(4,271)	(6,320)
Net current assets		<u>10,772</u>	<u>12,714</u>
Total assets less current liabilities		<u>14,091</u>	<u>15,788</u>
Creditors: amounts falling due after more than one year	19	(320)	(2,884)
Provisions for liabilities			
Deferred taxation	22	(9)	(127)
Net assets		<u>13,762</u>	<u>12,777</u>
Capital and reserves			
Called up share capital	23	-	-
Retained earnings	24	13,762	12,777
Total shareholders' funds		<u>13,762</u>	<u>12,777</u>

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


Garry Watts
 Director

Date: 17th September 2018

The notes on pages 13 to 28 form part of these financial statements.

TANGLE TEEZER LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
At 1 April 2016	-	13,040	13,040
Comprehensive expense for the financial period			
Loss for the financial period	-	(263)	(263)
Total comprehensive expense for the financial period	-	(263)	(263)
At 31 December 2016 and 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	-	13,762	13,762

The notes on pages 13 to 28 form part of these financial statements.

TANGLE TEEZER LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £000	2016 £000
Cash flows from operating activities		
Profit/(loss) for the financial year/period	985	(263)
Adjustments for:		
Amortisation of intangible assets	153	39
Depreciation of tangible assets	1,083	543
Interest paid	67	113
Interest received	(4)	(5)
Taxation charge	(957)	680
Decrease/(increase) in stocks	381	(725)
Decrease/(increase) in debtors	2,772	(2,289)
(Increase)/decrease in amounts owed by groups	(598)	283
(Decrease)/increase in creditors	(2,386)	2,910
Corporation tax (paid)/received	(1,269)	328
Net cash (used in)/generated from operating activities	227	1,614
Cash flows from investing activities		
Purchase of intangible assets	(839)	(41)
Purchase of tangible assets	(643)	(913)
Proceeds from disposals of tangible assets	1	-
Interest received	4	5
Net cash used in investing activities	(1,477)	(949)
Cash flows from financing activities		
Repayment of loans	(1,533)	(1,177)
Other new loans	8	26
Interest paid	(67)	(113)
Net cash used in financing activities	(1,592)	(1,264)
Net decrease in cash and cash equivalents	(2,842)	(599)
Cash and cash equivalents at beginning of financial year/period	6,948	7,547
Cash and cash equivalents at the end of financial year/period	4,106	6,948
Cash and cash equivalents at the end of year/period comprise:		
Cash at bank and in hand	4,106	6,948

The notes on pages 13 to 28 form part of these financial statements.

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 205 1st And 2nd Floor, 205 Stockwell Road, London, England.

The principal activity of the Company in the year under review was that of design and distribution of specialist hair brushes and their 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 management to exercise judgement in applying the Company's accounting policies (see note 3).

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.

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 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 turnover 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.

2.4 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.5 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 Company 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 Company. 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.

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 Statement of Comprehensive Income.

2.6 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 Company 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.

2.7 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. Work in progress and finished goods include labour and attributable overheads.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.7 Stocks (continued)

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.

2.8 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.

2.9 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 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 Company's cash management.

2.10 Financial instruments

The Company 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.

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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 Finance costs

Finance costs are charged to the 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.

2.14 Operating leases

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

2.15 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.

2.16 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 the 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 Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.17 Interest income

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

2.18 Borrowing costs

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

2.19 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 the Statement of Comprehensive Income in the year that the Company 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.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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; 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 reporting date.

2.21 Exceptional items

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 Company 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 Company'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 company designs and distributes specialist hair brushes and their associated products is subject to consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. 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 stock is deemed to be impaired, the carrying value is reduced to its selling price less cost to complete and sell. See note 15 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 taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

Analysis of turnover by country of destination:

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
United Kingdom	5,364	4,084
Rest of Europe	7,839	9,602
Rest of the World	8,241	6,978
	21,444	20,664

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. Exceptional administrative expenses

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Cost associated with aborted investment process	462	1,979

6. Operating profit

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

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Research & development charged as an expense	428	167
Depreciation of tangible assets	1,083	543
Amortisation of intangible assets	153	39
Exchange differences	29	(64)
Operating lease rentals	729	569

7. Auditors' remuneration

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	37	32
Fees payable to the Company's auditors in respect of:		
All other services	-	987

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Employees

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

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Wages and salaries	2,874	1,968
Social security costs	352	242
Other pension costs	140	92
	<u>3,366</u>	<u>2,302</u>

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

	Year ended 31 December 2017 Number	9 month period ended 31 December 2016 Number
Employees	<u>46</u>	<u>45</u>

9. Directors' remuneration

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Aggregate directors' remuneration	583	548
Company contributions to defined contribution pension schemes	64	47
	<u>647</u>	<u>595</u>

The highest paid director received remuneration of £341,297 (9 months 2016: £341,391).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £50,000 (2016: £9,602).

1 director (2016: 2) were members of defined contribution schemes.

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest receivable and similar income

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Other interest receivable	4	5

11. Interest payable and similar expenses

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Other loan interest payable	67	113

12. Tax on profit

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Corporation tax		
Current tax on profits for the financial year/period	30	416
Adjustments in respect of prior years	(869)	286
Total current tax	(839)	702
Deferred tax		
Origination and reversal of timing differences	(137)	(7)
Adjustments in respect of prior years	3	(8)
Effect of changes in tax rates	16	(7)
Total deferred tax	(118)	(22)
Total tax	(957)	680

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Tax on profit (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	Year ended 31 December 2017 £000	9 month period ended 31 December 2016 £000
Profit before taxation	28	417
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	5	83
Effects of:		
Expenses not deductible for tax purposes	124	440
Non-taxable income	(236)	(115)
Adjustments in respect of prior years	(866)	279
Tax rate changes	16	(7)
Total tax (credit)/charge for the financial year/period	(957)	680

Factors that may affect future tax charges

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.

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13. Intangible assets

	Patents £000	Development costs £000	Software Development £000	Total £000
Cost				
At 1 January 2017	470	73	-	543
Additions	116	125	598	839
At 31 December 2017	<u>586</u>	<u>198</u>	<u>598</u>	<u>1,382</u>
Accumulated amortisation				
At 1 January 2017	178	35	-	213
Charge for the year	54	12	87	153
At 31 December 2017	<u>232</u>	<u>47</u>	<u>87</u>	<u>366</u>
Net book value				
At 31 December 2017	<u>354</u>	<u>151</u>	<u>511</u>	<u>1,016</u>
At 31 December 2016	<u>292</u>	<u>38</u>	<u>-</u>	<u>330</u>

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Tangible assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2017	4,126	17	4,143
Additions	643	-	643
Disposals	(1)	-	(1)
At 31 December 2017	<u>4,768</u>	<u>17</u>	<u>4,785</u>
Accumulated depreciation			
At 1 January 2017	1,395	4	1,399
Charge for the year	1,081	2	1,083
At 31 December 2017	<u>2,476</u>	<u>6</u>	<u>2,482</u>
Net book value			
At 31 December 2017	<u>2,292</u>	<u>11</u>	<u>2,303</u>
At 31 December 2016	<u>2,731</u>	<u>13</u>	<u>2,744</u>

15. Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,967	2,423
Finished goods and goods for resale	2,317	2,242
	<u>4,284</u>	<u>4,665</u>

Stocks recognised in cost of sales during the year as an expense was £8,238,583 (2016: £7,923,239).
Stock write off £323,178 (2016: £Nil)

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Debtors

	2017 £000	2016 £000
Amounts falling due within one year		
Trade debtors	3,795	4,636
Amounts owed by group undertakings	598	-
Other debtors	632	1,405
Prepayments and accrued income	222	1,380
Tax recoverable	1,406	-
	<u>6,653</u>	<u>7,421</u>

Included within other debtors is a third party loan that attracts interest at 1.5%. This is a commercial loan whereby the company has invested in its supply chain. The balance at the year end was £nil (2016: £161,000). Amounts owed by group undertakings are interest free and repayable on demand.

17. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	<u>4,106</u>	<u>6,948</u>

18. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	1,250	219
Other loans	34	26
Trade creditors	734	2,324
Corporation tax	-	702
Other taxation and social security	395	121
Other creditors	727	134
Accruals and deferred income	1,131	2,794
	<u>4,271</u>	<u>6,320</u>

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

	2017 £000	2016 £000
Bank loans and overdrafts	<u>320</u>	<u>2,884</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

20. Loans

The bank loans are shown net of capitalised finance costs of £50,000 (2016: £56,500). During the year a charge of £8,708 (2016: £11,813) for amortisation of these finance costs was made.

The loans are repayable over 2 years.

Analysis of the maturity of loans is given below:

	2017 £000	2016 £000
Amounts falling due within one year		
Bank loans	1,250	219
Other loans	34	26
	1,284	245
Amounts falling due 1-2 years		
Bank loans	320	2,884

21. Financial instruments

	2017 £000	2016 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	6,295	6,041
Financial liabilities		
Financial liabilities measured at amortised cost	(4,162)	(8,255)

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by related parties.

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

Information regarding the Company'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 2017

22. Deferred taxation

	2017 £000
At beginning of the financial year	127
Credited to profit or loss	(121)
Adjustment in respect of prior years	3
At end of the financial year	9

The provision for deferred taxation is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	(3)	127
Short term timing differences - trading	12	-
	<u>9</u>	<u>127</u>

23. Called up share capital

	2017 £	2016 £
Share classified as equity		
Allotted, called up and fully paid		
180,000 (2016:180,000) Ordinary shares of £0.001 (2016: £0.001) each	<u>180</u>	<u>180</u>

24. Reserves

Profit and loss account

Records retained earnings and accumulated losses.

Called up share capital

Records the nominal value of shares issued.

25. Pension commitments

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension costs charge represents contributions payable by the Company to the fund of £140,000 (2016: £92,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

26. Commitments under operating leases

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

	2017 £000	2016 £000
Not later than 1 year	577	577
Later than 1 year and not later than 5 years	1,999	2,234
Later than 5 years	511	851
	<u>3,087</u>	<u>3,662</u>

27. Related party transactions

No dividends were declared or paid during the year (2016: £Nil)

During the year, royalties of £599,314 (2016: £1,278,486) were paid to Mr S Pulfrey, a Company Director. At 31 December 2017, there was a liability of £717,359 (2016: £125,477) held in one directors current account and an asset of £65,443 (2016: £60,764) in respect of another. No interest is charged on these balances which are due to be repaid within one year.

During the year the Company traded with Tangle Teezer Inc, of which Mr S Pulfrey is a director. The Company sold goods amounting to £135,598 (2016: £732,388). Included in trade debtors is £598,307 (2016: £779,540). Also within debtors is the sum of £543,782 (2016: £331,927) owed to the Company at the balance sheet date. The receivable is unsecured with no terms and conditions and no guarantees have been received.

28. Ultimate parent undertaking and controlling party

The Company is under the control and ultimate control of Mr S Pulfrey:

29. Events after the end of the reporting period

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 shares were acquired from Shaun Pulfrey (the ultimate owner).