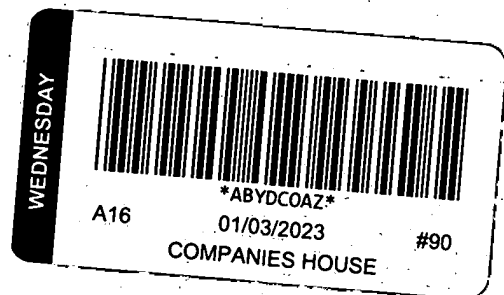


Sally UK Holdings Limited
Annual report and financial statements
Registered number 05836805
30 September 2022



Contents

Strategic report	1
Directors' report	2
Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	3
Independent auditor's report to the members of Sally UK Holdings Limited	4
Profit and loss account	6
Balance sheet	7
Statement of changes in equity	8
Notes	9

Directors' report

Directors and Directors' interests

The Directors who held office during the year and to the date of signing these financial statements were as follows:

W Scarr resigned 18 November 2022

O Badezet

H Van Ocken

The Directors who held office at the end of the financial year had no disclosable interest in the shares of any group company incorporated in the United Kingdom.

Proposed dividend

The Directors do not recommend the payment of a dividend (2021: *Nil*).

Political contributions

The company has made no political donations in the year (2021: *Nil*).

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Sally Beauty Holdings Inc., to meet its liabilities as they fall during the going concern assessment period.

The assessment is dependent on Sally Beauty Holdings Inc., not seeking repayment of the amounts currently due to the group, which at 30 September 2022 amounted to £27,263,375 and providing additional financial support during the going concern assessment period. Sally Beauty Holdings Inc. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Financial Instruments and Financial Risk Management

Use of derivatives

The Company does not use derivatives to manage interest rate or currency exposure.

Exposure to credit and cash flow risk

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

H Van Ocken
Director



Registered Office
Inspired, Ground Floor
Easthampstead Road
Bracknell, Berkshire
England, RG12 1YQ
Registered number: 05836805
23 February 2023

Strategic report

The Directors present their annual report and audited financial statements for the year ended 30 September 2022.

Section 172 Statement

In line with the Companies Act requirement for periods commencing on or after 1 January 2019, the Directors set out below their key consideration and steps taken with regard to the 'enlightened shareholder value' requirement of S172 in performing their duties.

The Board continuously reviews which relationships support the generation and preservation of value in the Company. The Directors have identified the following parties who have an interest in, or are impacted by the decisions taken by its Subsidiaries: customers, suppliers, employees, shareholders, and tax authorities. All strategic decisions take into account these stakeholders, and the Directors consider that they have acted in a way that is most likely to promote the success of the Company for the benefit of its members as a whole. In particular, the Directors have considered the following matters:

- Long term factors affecting the Company - The Company aligns its development strategy with forecast global demand along with factors such as the suppliers ability to ramp up supply, global economic conditions and sustainability targets.
- Business relationships with customers - The Company's main customers are its subsidiaries in Europe and the rest of the World. The performance of the subsidiaries are continually assessed and bench marked against other group companies. Providing additional funding to help develop expanding operations.

Principal activities

The principal activity of the company in the year of review was that of an investment holding company.

The principal activities of the company's subsidiaries in the year were the sale of hair and beauty supplies and the provision of hair salon and other beauty treatment services.

Business review

Three separate transfer Agreements were set up during the year between Sally Beauty Holdings Finance BV and the Company. Under the terms of these agreements, funds were transferred from Sally Beauty Holdings Finance BV to Sally Chile Holdings SPA, but allowed the Company the right to record the acquisition of the shares in Sally Chile Holdings SPA, which amounted to a total of £2.6m in the year. The Forecast trading results of Sally Chile Holdings SPA for the next two years have shown a downturn in the EBITDA measurement requiring an impairment provision on this investment of £5.5m to be recognised.

The Company posted £23m in other income in the year from a dividend received from Beauty Systems Group (Canada) Inc. see note 6, and reported an overall profit before tax of £15.3m for the year ended 30 September 2022 shown on page 6.

Risk Management

The company has established a risk and financial management framework with the aim of protecting itself from events that hinder the achievements of its financial targets, and the consequential impact of impairment on its financial investment in its subsidiaries.

Its main objectives are to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risks at a business management level.

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

We hold regular induction, awareness, and refresher courses for our colleagues for the prevention of the risk from cyber-security incidents.

Risks arising from business interruption in the subsidiaries are insured up to economically reasonable levels.

Risks that the group is prepared to include; competitors attempting to copy the concept, any shortage of suitable premises to continue the expansion and any slow down in the retail sector.

Individual subsidiaries are exposed to foreign exchange transactions risk through the purchases made from overseas suppliers.

The company has investments in subsidiaries in a number of countries which could be impacted by foreign exchange translation affecting both performance and state of affairs at the reporting date. Subsidiaries may also be impacted by changes in interest rates. An annual impairment exercise is done to evaluate the performance of these subsidiaries, from which an impairment provision of £3.9m was recognised in respect of the investment in Sally Chile Holdings SPA.

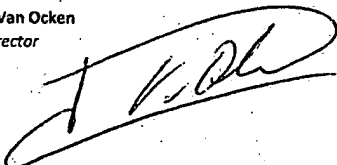
The continuation of the war in Ukraine has not had any direct material impact on the Company's trading activity. However, an indirect economic effect is certainly being felt through the rising cost of living. In particular the cost of energy has been driving up the cost of many consumer goods and services and the recent interest rate rises have also reduced the disposable income of consumers, creating operational challenges for the Company.

Key Performance Indicators

Due to the Company being an investment company, there are no specific KPIs, however, the Company does review its return on investment on a periodic basis.

By order of the board

H Van Ocken
Director



Registered Office
Inspired, Ground Floor
Easthampstead Road
Bracknell, Berkshire
England, RG12 1YQ
Registered number: 05836805
23 February 2023

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable to the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matter relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Sally UK Holdings Limited

Opinion on financial statements

We have audited the financial statements of Sally UK Holdings Limited ("the Company") for the year ended 30 September 2022 which comprise the Profit and Loss account, Balance Sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included enquiring of directors and inspection of policy documentation as to Sally Beauty Holdings Inc. policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Independent auditor's report to the members of Sally UK Holdings Limited

(continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements; even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

The purpose of our audit work and to whom we owe our responsibilities

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



Alexander Chong (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queens Square
Bristol
BS1 4BE
United Kingdom

27 February 2023

**Profit and loss account
for the year ended 30 September 2022**

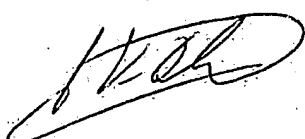
	Note	2022 £	2021 £
Administration expenses		(680,501)	(182,070)
Operating loss	2	(680,501)	(182,070)
(Impairment)/Reversal of impairment on investments	7	(6,995,921)	28,023,901
Interest payable and similar expenses	5	-	(35,358)
Other income	6	22,953,574	12,414,680
Profit before taxation		15,277,152	40,221,153
Tax credit/ (charge) on profit	3	41,312	(5,964)
Profit after taxation	10	15,318,464	40,215,189

The company has not recognised gains or losses other than the profit for the year, accordingly no statement of other comprehensive income has been presented.

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the Board of Directors on 23 February 2023 and were signed on its behalf by:

H Van Ocken
Director
Registered Company Number: 05836805



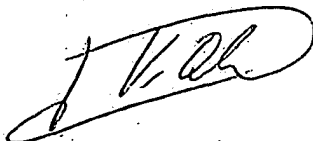
Balance sheet
at 30 September 2022

	Notes	30 September 2022		30 September 2021	
		£	£	£	£
Fixed assets					
Investments	7	235,208,768		239,611,871	
		<u>235,208,768</u>		<u>239,611,871</u>	
Current assets					
Debtors	8	30,573,225	8,229,381		
(includes £74,508 due after 12 months; 2021: £107,305)					
Cash at bank and in hand		38,794	106,823		
		<u>30,612,019</u>	<u>8,336,204</u>		
Creditors: amounts falling due within one year	9	(27,355,239)	(27,391,309)		
Net current assets/(liabilities)		3,256,780		(19,055,105)	
Net assets		238,465,548		220,556,766	
Capital and reserves					
Called up share capital	11	104	104		
Share premium	10	215,985,139	215,985,139		
Capital Contribution	10	80,177,004	77,586,686		
Profit and loss account	10	(57,696,699)	(73,015,163)		
Equity shareholders' funds	10	238,465,548		220,556,766	

The notes on pages 9 to 16 form part of these financial statements.

These financial statements were approved by the Board of Directors on 23 February 2023 and were signed on its behalf by:

H Van Ocken
Director
Registered Company Number: 05836805



23 February 2023

**Statement of changes in Equity
for the year ended 30 September 2022**

	Share Capital	Share premium	Retained Earnings	Other reserves	Total Equity
	£	£	£	£	£
Balance at 1 October 2020	104	215,985,139	(113,230,352)	77,409,582	180,164,473
Capital contributions				177,104	177,104
Profit in year			40,215,189	-	40,215,189
Balance at 30 September 2021	104	215,985,139	(73,015,163)	77,586,686	220,556,766
Balance at 1 October 2021	104	215,985,139	(73,015,163)	77,586,686	220,556,766
Capital contributions				2,590,318	2,590,318
Profit in year			15,318,464		15,318,464
Balance at 30 September 2022	104	215,985,139	(57,696,699)	80,177,004	238,465,548

The notes on pages 9 to 16 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Sally UK Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 05836805 and the registered address is Inspired, Ground Floor, Easthamstead Road, Bracknell, Berkshire RG12 1YQ.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, Sally Beauty Holdings Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Sally Beauty Holdings, Inc. are available to the public and may be obtained from the address in note 13. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes
- Key management personnel compensation

As the consolidated financial statements of Sally Beauty Holdings Inc. include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and;
- FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have performed a going concern assessment which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, Sally Beauty Holdings Inc., to meet its liabilities as they fall during the going concern assessment period.

The assessment is dependent on Sally Beauty Holdings Inc., not seeking repayment of the amounts currently due to the group, which at 30 September 2022 amounted to £27,263,375 and providing additional financial support during the going concern assessment period. Sally Beauty Holdings Inc. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

Investments

Investments in subsidiary undertakings are stated at cost less amounts written off for any permanent diminution in value of the investments. An annual impairment review is performed and the value of investments are adjusted accordingly.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Notes (continued)

Accounting policies (continued)

Taxation (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. [For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property, except when the investment property has a limited useful life and the objective of the Company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used.] Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit.

Related Parties

The company is exempt under FRS102 paragraph 33.1a from disclosing related party transactions with any companies wholly owned within the group headed by Sally Beauty Holdings, Inc.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Unless indicated otherwise and subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Impairment of Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of Non-Financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss recognised for goodwill is not reversed. Impairment losses recognised for other assets is reversed only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Accounting judgements and key sources of uncertainty

Estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates made will, by definition, seldom equal actual results.

Those estimates and assumptions that have a risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are set out below:

Impairment of investments

The estimation of recoverable value requires estimation of future cash flows arising from the relevant investments and also selection of a discount rate to calculate the net present value of those cash flows.

Notes (continued)

Accounting policies (continued)

2 Profit before taxation

	2022	2021
	£	£
Profit before taxation is stated after (charging):		
(Loss)/ profit on foreign exchange	(602,055)	70,805
Audit of these financial statements	(57,960)	(41,900)
(Impairment)/Reversal of impairment of investments (note 7)	(6,995,921)	28,023,901

The foreign exchange loss arose in respect of the declared dividend from Beauty Systems Group (Canada), Inc.

The remuneration of W Scarr was borne by Sally Salon Services Limited, and the other two directors by Pro Duo (another group Company). Consideration of the qualifying work performed by the Directors on behalf of the Company in the context of services performed for the wider group is that services performed for the Company are immaterial and any such allocation to this company would also be immaterial. Therefore no disclosure has been made.

The Company did not employ any staff in either year.

3 Taxation

Analysis of tax (credit)/charge in year

	2022	2021
	£	£
Current year		
Current tax	(69,628)	-
Deferred tax	28,316	5,964
Total tax (credit)/ charge	(41,312)	5,964

The Directors surrendered taxable losses to another group company in the prior year for no consideration. This constitutes a distribution however at the time of the distribution the entity did not have distributable reserves. As a result, the Directors have agreed a payment of £69,628 for these losses with Sally Salon Services Limited which is recognised as an intercompany receivable."

Factors affecting the tax charge for the current year

The tax charge for the year is lower (2021: lower) than the standard rate of corporation tax in the UK 19% (2021: 19%). The differences are explained below:

	2022	2021
	£	£
Tax reconciliation		
Profit before tax	15,277,152	40,221,153
Tax at 19% (2021: 19%)	2,902,659	7,642,019
Effects of:		
Expenses not deductible for tax purposes	1,329,225	-
Non-taxable income	(4,361,179)	(7,683,328)
Tax rate changes	-	(22,356)
Effects of group relief	157,612	69,628
Adjustment from previous period	(69,628)	-
rounding	(1)	1
Total tax charge (see above)	(41,312)	5,964

Factors that may affect future current and total tax charges

An Increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2020: 19%).

Notes (continued)

4 Deferred tax

	Deferred taxation £
At beginning of year	135,624
Charge to profit and loss account	(28,316)
Deferred tax asset at end of year	107,308

The elements of deferred taxation are as follows:

	2022 £	2021 £
Recoverable within 12 months	32,800	28,317
Recoverable after 12 months	74,508	107,307
	107,308	135,624

The company has recognised a deferred tax asset of £107,308 (2021: £135,624) on other timing differences.

A deferred tax asset of £28,317 was recognised in the year on timing differences.

Losses on a loan relationship deficit of £1,302,776 (2021: £1,302,776) was not recognised due to uncertainty over the timing of these tax losses.

5 Interest payable and similar charges

	2022 £	2021 £
Interest payable and similar charges	-	(35,358)

6 Other income

	2022 £	2021 £
Income from shares in group undertakings	22,950,075	6,668,905
Other income	3,499	5,745,775
	22,953,574	12,414,680

A dividend was declared in the year by Beauty Systems Group (Canada), Inc. of CAD 34,000,000 (£22,950,075). The dividend was in the form of a note receivable that moved from BSG Canada, Inc. to BSG Canada Holdings Co. to Sally UK Holdings Limited. Other income arose as a result of the liquidation of Sally Hair and Beauty Supplies Limited.

Notes (continued)

7 Fixed asset Investments

	Loans to group undertakings £	Shares in group undertakings £	Total £
Cost			
At beginning of year	7,256,121	345,041,056	352,297,177
Additions	-	2,592,818	2,592,818
At 30 September 2022	7,256,121	347,633,874	354,889,995
Impairments and provisions			
At beginning of year	7,256,121	105,429,185	112,685,306
Impairment during the year	-	6,995,921	6,995,921
At 30 September 2022	7,256,121	112,425,106	119,681,227
Net book value			
At 30 September 2022	-	235,208,768	235,208,768
At 30 September 2021	-	239,611,871	239,611,871

During the year the investment value of Chile required an impairment provision of £5,480,378, and a further impairment provision of £1,515,543 was recognised against the investment in OGEE limited.

A review for indicators of impairment was performed for all Investments. Following this, full reviews were performed for the UK, Chile and Sintelco CGUs.

The recoverable amount of fixed asset investments has been calculated with reference to its value in use.

	2022 3 years 0 - 3%	2021 3 years 0 - 2%
Period on which management approved forecasts are based		
Growth rate applied beyond approved forecast period	10.75% to 12.75%	9.50% to 11.75%
Discount rate		

The growth rates used in value in use calculation reflect the average growth rate experienced by the Company for the product industry and country.

An increase in the growth rate of 1% increases the investment value headroom by 11.4%; whilst a decrease in growth rate reduces its headroom by 9.0%.

A decrease in the discount rate of 1% increases the investment value headroom by 12.7%; whilst an increase in the discount rate reduces its headroom by 10.0%.

Notes (continued)

7 Fixed asset investments (continued)

As at 30 September 2022 the company holds interest in the issued share capital of the following principal subsidiaries;

	Country of Incorporation	Principal activity	Direct/Indirect	Class and % of share held
Ogee Limited	UK	Dormant	Direct	Ordinary 100%
Sally Salon Services Limited	UK	Sale of hair and beauty products	Direct	Ordinary 100%
MHR Limited	UK	Dormant	Direct	Ordinary 100%
Sally Salon Services Ireland Ltd	Ireland	Sale of hair and beauty products	Indirect	Ordinary 25%
BSG Canada Holdings Company	Canada	Sale of hair and beauty products	Direct	Ordinary 100%
Beauty Systems Group (Canada), Inc.	Canada	Sale of hair and beauty products	Indirect	Ordinary 100%
Sinelco Group BVBA	Belgium	Sale of hair and beauty products	Direct	Ordinary 100%
Sinelco International BVBA	Belgium	Sale of hair and beauty products	Direct	Ordinary 100%
Sinelco Italiana Srl	Belgium	Sale of hair and beauty products	Indirect	Ordinary 100%
Sinelco France SAS	Belgium	Sale of hair and beauty products	Indirect	Ordinary 100%
Sally Chile Holdings SpA	Chile	Sale of hair and beauty products	Direct	Ordinary 100%
Sally Peru Holdings SAC	Peru	Sale of hair and beauty products	Direct	Ordinary 2%
Sally Peru Holdings SAC	Peru	Sale of hair and beauty products	Indirect	Ordinary 98%
Pro-Duo NV	Belgium	Sale of hair and beauty products	Direct	Ordinary 100%
ProDuo France SAS	Belgium	Sale of hair and beauty products	Indirect	Ordinary 100%
VIGOX BVBA	Belgium	Sale of hair and beauty products	Indirect	Ordinary 100%
Kapperscentrale Bauwens NV	Belgium	Sale of hair and beauty products	Indirect	Ordinary 100%

Notes (continued)

7 Fixed asset Investments (continued)

Registered Addresses;

Ogee Limited;	Inspired, Ground Floor, Easthampstead Road, Bracknell, Berkshire, RG12 1YQ
Sally Salon Services Limited;	
MHR Limited;	
Sally Salon Services Ireland Ltd;	Temple Chambers, 3 Burlington Road, Dublin 4, Ireland, D04 RG68
BSG Canada Holdings Company;	395 A Pendant Drive, Mississauga, USA, ON L5T2W9
Beauty Systems Group (Canada), Inc;	
Sinelco Group BVBA;	Klein Frankrijstraat 37, 9600 Ronse, BE
Sinelco International BVBA;	
Sinelco Italiana Srl;	
Sinelco France SAS;	
Sally Chile Holdings SpA;	AVDA Kennedy 7600, Floor 8, Office 803, Vitacura, Las Condes, Santiago, 7591047, Chile
Sally Peru Holdings SAC;	Jaron Monte Rosa, No.33, Oficina 904, Lima, Santiago de Serco, Peru
Pro-Duo NV;	Traktaatweg 1, B-9000 Gent, Belgium
ProDuo France SAS;	
VIGOX BVBA;	
Kapperscentrale Bauwens NV;	

8 Debtors

	2022	2021
	£	£
Amounts owed by group undertakings	30,465,917	8,093,757
Deferred tax asset within 12 months (see note 4)	32,800	28,317
Deferred tax asset more than 12 months (see note 4)	74,508	107,307
	<u>30,573,225</u>	<u>8,229,381</u>

Amounts owned by group undertakings amounted to £30,465,917 (2021: £ 8,093,757) is payable on demand and did not carry any interest.

Notes (continued)

9 Creditors: amounts falling due within one year

	2022	2021
	£	£
Amounts owed to group undertakings	27,263,375	27,299,975
Accruals and deferred income	91,864	91,334
	<u>27,355,239</u>	<u>27,391,309</u>

Amounts owed to group undertakings amounted to £27,263,375 (2021: £27,299,975) payable on demand and did not carry any interest.

10 Reconciliation of movement in shareholders' funds

	2022	2021
	£	£
Profit for the financial period	15,318,464	40,215,189
Capital contribution from a group undertaking	2,590,318	177,104
Net addition to shareholders' funds	17,908,782	40,392,293
Opening shareholders' funds	220,556,766	180,164,473
Closing shareholders' funds	<u>238,465,548</u>	<u>220,556,766</u>

11 Called up share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
102 ordinary shares of £1 each	102	102
2 ordinary share allotted in the year of £1 each and fully paid	2	2
	<u>104</u>	<u>104</u>

12 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company is a wholly owned subsidiary of Sally Beauty Netherlands BV, De Witbogt 9, 5652 AG Eindhoven, Netherlands.

The largest and smallest group in which the company are consolidated is that headed by Sally Beauty Holdings, Inc, the ultimate parent company, incorporated in the State of Delaware, USA. The consolidated accounts of the group are available to the public and may be obtained from 3001 Colorado Boulevard, Denton, Texas 76210, USA.

13 Related Parties

	2022	2021
	£	£
Sally Salon Services Limited	8,117,899	8,093,757
Sally Beauty Holdings Finance BV	22,348,018	-
OGEE Limited	(27,263,375)	(27,263,375)
Sally Hair and Beauty Supplies Limited	-	(999)
	<u>3,202,542</u>	<u>(19,170,617)</u>

The significant balances with the related parties of Sally UK Holdings Limited comprise the following:-

The balance due from Sally Salon Services Limited, which constitutes non-interest bearing loans of £2,893,784 and an intercompany balance of £5,224,115 which is used to recharge expenses.

The balance due from Sally Beauty Holdings Finance BV arose from the dividend paid by Beauty Systems Group (Canada), Inc., of CAD 34,000,000 equivalent to £22,348,018 after exchange costs refer to note 7.

14 Subsequent events

On 26 October 2022, pursuant to section 641(1)(a) of the Companies Act 2006, the amount standing to the credit of the Share premium reserve of the Company which amounted to £215,985,139, was cancelled and extinguished and this amount was credited to the Profit and Loss account. The actual dividend from Beauty Systems Group (Canada), Inc. of CAD 34,000,000 (GBP 22,362,536) which was received in October which incurred a loss on exchange of £79,889. A further dividend was received by Sally UK Holdings Limited amounting to £28,939,767, and a dividend of £50,506,989 was then paid to Sally Beauty Holdings Finance BV.