Cutis Developments Limited

Dırectors' report and financial statements
Registered number 07297483
For the year ended 31 December 2011

Contents

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2011

Principal activity

The company owns and operates a highly specialised chain of skincare and laser clinics

Business review

The company has generated an operating loss before tax of £415,816 *(2010 loss of £84,143)* as a result of the early stages of developing the business and brand The result for the year is in line with management expectations

The directors do not recommend a dividend payment for the year *(2010 £nil)*

Directors

The directors who held office during the year were as follows

M Stigzelius	
C Kolbek	
D Perks	
H Anthony	(resigned 7 July 2011)
L Taylor	(resigned 7 July 2011)

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 re-appointed and KPMG LLP will therefore remain in office

By order of the board

M Stigzelius
Director

54 South Molton Street
London
W1K 5SG

September 2012

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments 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, 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 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 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

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Cutis Developments Limited

We have audited the financial statements of Cutis Developments Limited for the period ended 31 December 2011 set out on pages 5 to 14 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Cutis Developments Limited
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

SJ Purkess

SJ Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

28 September 2012

Profit and loss account
for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover		**566,392**	72,315
Cost of sales		**(156,094)**	(30,556)
Gross profit		**410,298**	41,759
Administrative expenses		**(814,115)**	(124,672)
Operating profit		**(403,817)**	(82,913)
Interest payable and similar charges	*4*	**(11,999)**	(1,230)
Loss on ordinary activities before taxation	*2*	**(415,816)**	(84,143)
Tax on loss on ordinary activities	*5*	**-**	-
Loss for the financial period	*11*	**(415,816)**	(84,143)

All operating results relate to activities which are continuing at the year end

There were no recognised gains or losses in the current financial period other than those disclosed in the profit and loss account

Balance sheet
at 31 December 2011

	Note	2011		2010	
		£	£	£	£
Fixed assets					
Investments	6		**400**		200
Tangible assets	7		**404,333**		98,995
			404,733		99,195
Current assets					
Stock	8	**28,115**		4,307	
Debtors	9	**57,565**		30,722	
Cash at bank and in hand		**14,090**		19,698	
		99,770		54,727	
Creditors Amounts falling due within one year	10	**(268,887)**		(56,280)	
Net current (liabilities)/assets			**(169,118)**		1,553
Total assets less current liabilities			**235,616**		97,642
Creditors Amounts falling due after more than one year	11		**(734,285)**		(180,785)
Net liabilities			**(498,669)**		(83,143)
Capital and reserves					
Called up share capital	12		**1,290**		1,000
Profit and loss account	13		**(499,959)**		(84,143)
Shareholders' deficit			**(498,669)**		(83,143)

These financial statements were approved by the board of directors on September 2012 and were signed on its behalf by

M Stigzelius
Director

Company number 07297483

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

The company is subject to the small companies regime and is therefore exempt from the requirement to prepare group financial statements under Section 383 of the Companies Act 2006 These financial statements present information about the company as an individual undertaking and not about its group

Under FRS 1 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £498,669 The directors believe this is appropriate as the company has been provided with an undertaking from certain shareholders that, for at least 12 months from the date of the approval of these financial statements, they will continue to make available such funds as are needed by the company and, in particular, will not seek repayment of the amounts currently made available during this period This should enable the company to continue in operational existence for the foreseeable future and allow liabilities to be met as they fall due for payment

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate

Investments

Investments in equity shares of subsidiaries are held at cost, less amounts written off

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows

Plant and fittings	25% reducing balance
Fixtures and fittings	25% reducing balance

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

2 Loss on ordinary activities before taxation

	2011	2010
	£	£
Loss on ordinary activities before taxation is stated after charging		
Depreciation	**77,261**	6,329
Operating lease charges – land and buildings	**141,123**	19,690
Auditors' remuneration		
Audit of these financial statements	**4,000**	2,500
Audit of the financial statements of subsidiary undertakings	**4,000**	-
Other taxation services pursuant to legislation	**10,000**	3,000

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows

	Number of employees	
	2011	2010
Clinics and administration	**15**	8

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	**270,124**	34,564
Social security costs	**24,331**	3,485
	294,455	38,049

The director does not receive any emoluments for his services to the company

4 Interest payable and similar charges

	2011	2010
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	**5,285**	1,230
Interest on amounts due to group undertakings	**6,370**	-
Bank interest and similar charges	**344**	-
	10,955	1,230

Notes *(continued)*

5 Taxation

(i) Analysis of charge for the year

	2011	2010
	£	£
UK corporation tax		
Current tax on income for the year	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax on loss on ordinary activities	-	-

(ii) Factors affecting the tax charge for the period

The current tax charge for the year is higher/lower *(2010 higher)* than the standard rate of corporation tax in the UK of 26 5% *(2010 28%)* The differences are explained below

	2011	2010
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(415,816)**	(84,143)
Current tax at 26 5% *(2010 28%)*	**(110,191)**	(23,560)
Effects of		
Losses carried forward	**110,191**	23,560
Total current tax charge (see above)	-	-

(iii) Factors affecting the tax charge for future periods

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively

This will reduce the company's future current tax charge accordingly

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's unrecognised deferred tax asset accordingly

The company has unrecognised deferred tax assets in respect of losses carried forward at the year end totalling £124 990 *(2010 £21,877)* calculated at a rate of 25% *(2010 26%)*

Notes *(continued)*

6 Fixed asset investments

	Shares in group undertakings £
Cost	
At beginning of year	200
Additions	200
At end of year	400
Net book value	
At 31 December 2011	**400**
At 31 December 2010	200

The companies in which the company's interest at the period end is more than 20% are as follows

	Country of incorporation	Principal activity	Proportion of issued ordinary share capital held directly %
Subsidiary undertakings			
Cutis Developments (Kingston) Limited	UK	Skincare treatment	100
Cutis Developments (Bluewater) Limited	UK	Skincare treatment	100
Cutis Developments (T W) Limited	UK	Dormant	100
Cutis Developments (West London) Limited	UK	Dormant	100

Notes *(continued)*

7 Tangible fixed assets

	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£	£	£
Cost			
At beginning of year	4,627	100,697	105,324
Additions	117,830	280,071	397,901
Disposals	-	(20,089)	(20,089)
At end of year	122,457	360,679	483,136
Depreciation			
At beginning of year	345	5,984	6,329
Charge for year	22,203	55,058	77,261
Disposals	-	(4,787)	(4,787)
At end of year	22,548	56,255	78,803
Net book value			
At 31 December 2011	**99,909**	**304,424**	**404,333**
At 31 December 2010	4,282	94,723	98,995

Included in the total net book value of fixtures, fittings, tools and equipment is £114,710 *(2010 £39 286)* in respect of assets held under finance leases Depreciation for the year on these assets was £14,210 *(2010 £1,930)*

8 Stocks

	2011	2010
	£	£
Goods for resale	**28,115**	4,307

9 Debtors

	2011	2010
	£	£
Trade debtors	**27,515**	26,913
Other debtors	**1,000**	1,709
Prepayments	**29,050**	2,100
	57,565	30,722

Notes *(continued)*

10 Creditors Amounts falling due within one year

	2011	2010
	£	£
Obligations under finance lease and hire purchase contracts	**33,826**	12,705
Trade creditors	**109,933**	10,489
Amounts owed to group undertakings	**64,999**	5,012
Other tax and social security	**20,914**	5,385
Other creditors	**16,192**	3,218
Accruals and deferred income	**23,023**	19,471
	268,887	56,280

11 Creditors: Amounts falling due after more than one year

	2011	2010
	£	£
Obligations under finance lease and hire purchase contracts	**68,496**	23,850
Amounts owed to group undertakings	**118,080**	93,768
Amounts owed to related party	**547,709**	63,167
	734,285	180,785

The maturity of obligations under finances leases and hire purchase contracts is as follows

	£	£
Within one year	**33,826**	12,705
In the second to fifth years	**68,496**	23,850
	102,322	36,555

12 Called up share capital

	2011	2010
	£	£
Allotted and called up		
129,034 ordinary shares of 1p each *(2010 100,000 ordinary shares of 1p each)*	**1,290**	1,000

On 7 February 2011, the company issued 29,034 ordinary 1p shares at par as part of a capital restructuring allowing additional equity and debt holders to invest in the company Subsequent to the year end and for the same reason, the company issued a further 20,223 ordinary 1p shares at par

Notes *(continued)*

13 Reserves

	Profit and loss account £
At beginning of year	(84,143)
Loss for the year	(415,816)
At end of year	**(499,959)**

14 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the financial period	**(415,816)**	(84,143)
New share capital subscribed	**290**	1,000
Net addition to shareholders' funds	**(415,526)**	(83,143)
Opening shareholders deficit	**(83,143)**	-
Closing shareholders' deficit	**(498,669)**	(83,143)

15 Commitments

Concession arrangements

The company has entered into an agreement with a wholly owned subsidiary that commits it to pay a commission due from the subsidiary to a third party for operating a retail store concession There is no fixed annual commitment

Operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land and Buildings 2011 £	2010 £
Operating leases which expire		
Within one year	**30,000**	70,000
	30,000	70,000

Notes *(continued)*

16 Related party transactions

The company has paid the following amounts to subsidiary companies in the year

	2011	2010
	£	£
Operating lease rentals and similar expenses (including concession arrangements)	**141,123**	19,690

The following balances with companies or individuals, who are considered to be related parties, are included within creditors at 31 December 2011

	2011	2010
	£	£
Cutis Developments (Kingston) Limited	**100**	100
Cutis Developments (Bluewater) Limited	**100**	100
Cutis Developments (T W) Limited	**100**	-
Cutis Developments (West London) Limited	**100**	-
Rainmaking ApS	**-**	93,768
D Perks*	**102,000**	63,167
Rainmaking Limited*	**118,080**	4,812
JBP One ApS*	**99,935**	-
Nosca A/S*	**199,871**	-
S Weber*	**49,968**	-
E Falinki*	**95,935**	-
	666,189	161,947

Parties denoted with a '*' are shareholders in the company

All balances related to funding received during the year to fund the operations of the company

17 Ultimate controlling party

In the opinion of the directors there is no ultimate controlling party