

Cutis Developments Limited

Directors' report and financial
statements

Registered number 07297483

For the year ended 31 December 2012



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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2012

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 £568 585 (2011 loss of £415 816) 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 (2011 £Nil)

Directors

The directors who held office during the year were as follows

M Stigzelius
C Kolbek
D Perks

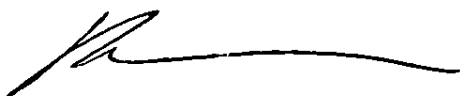
Disclosure of information to auditor

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

Rainmaking Loft
International House
London
EW1 1AY
30 September 2013

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 2012 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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



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

30 September 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Turnover		986,442	566,392
Cost of sales		(204,333)	(156,094)
		<hr/>	<hr/>
Gross profit		782,109	410,298
Administrative expenses		(1,303,923)	(814,115)
		<hr/>	<hr/>
Operating loss		(521,814)	(403,817)
Interest payable and similar charges	4	(46,771)	(11,999)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(568,585)	(415,816)
Tax on loss on ordinary activities	5	-	-
		<hr/>	<hr/>
Loss for the financial period	12	(568,585)	(415,816)
		<hr/>	<hr/>

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

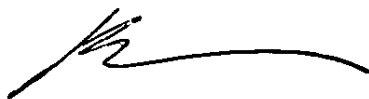
There were no recognised gains or losses in the current financial period other than those disclosed in the profit and loss account

The notes on pages 7 to 14 form part of these financial statements

Balance sheet
at 31 December 2012

	<i>Note</i>	2012		2011	
		£	£	£	£
Fixed assets					
Intangible assets	6	287,026		-	
Tangible assets	7	889,383		404,333	
Investments	8	500		400	
		1,176,909		404,733	
Current assets					
Stock	9	51,220		28,115	
Debtors	10	204,980		57,565	
Cash at bank and in hand		135,100		14,090	
		391,300		99,770	
Creditors: Amounts falling due within one year	11	(440,050)		(268,887)	
Net current liabilities		(48,750)		(169,118)	
Total assets less current liabilities		1,128,159		235,616	
Creditors: Amounts falling due after more than one year	12	(396,637)		(734,285)	
Net assets/(liabilities)		731,522		(498,669)	
Capital and reserves					
Called up share capital	13	2,434		1,290	
Share premium	13	1,797,632		-	
Profit and loss account	14	(1,068,544)		(499,959)	
Shareholders' funds/(deficit)		731,522		(498,669)	

These financial statements were approved by the board of directors on 30 September 2013 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.

The company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with its subsidiary undertakings.

Going concern

Notwithstanding the loss for the financial period, the company has strengthened its net asset position during the year by way of a recapitalisation of its balance sheet. A further fundraising is being undertaken in the current financial year.

On the basis of the actions taken to strengthen the company's balance sheet, the directors do not believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Investments in equity shares of subsidiary undertakings 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 equipment	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 comprising goods for resale 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

	2012 £	2011 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation	160,246	77,261
Amortisation of intangible fixed assets	44,943	-
Operating lease charges – land and buildings	42,416	141,123
<i>Auditors' remuneration</i>		
Audit of these financial statements	6,000	4,000
Audit of the financial statements of subsidiary undertakings	2,000	4,000
Other taxation services pursuant to legislation	-	10,000
	<u>212,605</u>	<u>236,284</u>

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	
	2012	2011
Clinics and administration	30	15
	<u>30</u>	<u>15</u>

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	439,257	270,124
Social security costs	36,135	24,331
	<u>475,392</u>	<u>294,455</u>

The directors do not receive any emoluments for their services to the company

4 Interest payable and similar charges

	2012 £	2011 £
Finance charges payable in respect of finance leases and hire purchase contracts	35,594	5,285
Interest on amounts due to group undertakings	6,251	6,370
Bank interest and similar charges	4,926	344
	<u>46,771</u>	<u>12,000</u>

Notes *(continued)*

5 Taxation

(i) Analysis of charge for the year

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
<i>Deferred tax</i>		
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 (2011: higher) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(568,585)	(415,816)
Current tax at 24.5% (2011: 26.5%)	(139,303)	(110,191)
<i>Effects of</i>		
Losses carried forward	139,303	110,191
Total current tax charge (see above)	-	-

(iii) Factors affecting the tax charge for future periods

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

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

Notes (continued)

6 Intangible fixed assets

	Development costs £
<i>Cost</i>	
At beginning of year	-
Additions	331 969
At end of year	331 969
<i>Depreciation</i>	
At beginning of year	-
Charge for year	44 943
At end of year	44 943
<i>Net book value</i>	
At 31 December 2012	-
At 31 December 2011	-

7 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
<i>Cost</i>			
At beginning of year	122 457	310 150	432 607
Additions	112 021	581 077	693 098
At end of year	234 478	891,227	1 125 705
<i>Depreciation</i>			
At beginning of year	22 548	53 538	76 076
Charge for year	39 451	120 795	160 246
At end of year	61 999	174 323	236 322
<i>Net book value</i>			
At 31 December 2012	172,479	716,904	889,383
At 31 December 2011	99 909	304 424	404 333

Included in the total net book value of fixtures fitting tools and equipment is £514,961 (2011 £114 710) in respect of assets held under finance leases. Depreciation for the year on these assets was £79,404 (2011 £14,210)

Notes (continued)

8 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning of year	400
Additions	100
	<hr/>
At end of year	500
	<hr/>
<i>Net book value</i>	
At 31 December 2012	500
	<hr/>
At 31 December 2011	400
	<hr/>

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 %
<i>Subsidiary undertakings</i>			
Cutis Developments (Kingston) Limited	UK	Skincare treatment	100
Cutis Developments (Bluewater) Limited	UK	Skincare treatment	100
Proskin Clinics Limited	UK	Skincare treatment	100
Cutis Developments (I W) Limited (dissolved on 30 April 2013)	UK	Dormant	100
Cutis Developments (West London) Limited (dissolved on 30 April 2013)	UK	Dormant	100

9 Stocks

	2012 £	2011 £
Goods for resale	51,220	28,115
	<hr/>	<hr/>

10 Debtors

	2012 £	2011 £
Trade debtors	36,630	27,515
Other debtors	143,840	1,000
Prepayments	24,520	29,050
	<hr/>	<hr/>
	204,980	57,565
	<hr/>	<hr/>

Notes (continued)

11 Creditors: Amounts falling due within one year

	2012 £	2011 £
Obligations under finance lease and hire purchase contracts	171,696	33,826
Trade creditors	190,743	109,933
Amounts owed to group undertakings	-	64,999
Other tax and social security	46,321	20,914
Other creditors	21,239	16,192
Accruals and deferred income	32,529	23,023
	<u>440,050</u>	<u>268,887</u>

12 Creditors: Amounts falling due after more than one year

	2012 £	2011 £
Obligations under finance lease and hire purchase contracts	296,712	68,496
Amounts owed to group undertakings	119,925	118,080
Amounts owed to related party	-	547,709
	<u>396,637</u>	<u>734,285</u>

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

Within one year	171,696	33,826
In the second to fifth years	296,712	68,496
	<u>468,408</u>	<u>102,322</u>

13 Called up share capital

Allotted and called up

242,834 ordinary shares of 1p each (2011: 129,034 ordinary shares of 1p each)

595 A Ordinary shares of 1p each

During the period the company issued 595A ordinary shares of 1p each

Notes (continued)

14 Reserves

	Profit and loss account £
At beginning of year	(499,959)
Loss for the year	(568,585)
At end of year	(1,068,544)

15 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
Loss for the financial period	(586,585)	(415,816)
New share capital subscribed	1,144	290
New share premium subscribed	1,797,632	290
Net addition to shareholders' funds	1,212,191	(415,526)
Opening shareholders' deficit	(498,669)	(83,143)
Closing shareholders' deficit	713,522	(498,669)

16 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	
	2012 £	2011 £
Operating leases which expire		
Within one year	-	30,000
	-	30,000

Notes (continued)

17 Related party transactions

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

	2012 £	2011 £
Operating lease rentals and similar expenses (including concession arrangements)	114,775	141,123

The following balances with companies or individuals, who are considered to be related parties, are included within creditors at 31 December 2012

	2012 £	2011 £
Rainmaking ApS	28,342	-
D Perks*	2,166	102,000
Rainmaking Limited*	-	118,080
JBP One ApS*	-	99,935
Nosca A/S*	-	199,871
S Weber*	-	49,968
E Falinki*	69,925	95,935
	<u>100,933</u>	<u>666,189</u>

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

18 Ultimate controlling party

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