Cutis Developments Limited

Directors' report and financial statements

Registered number 07297483

For the year ended 31 December 2013

Contents

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2013.

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 £1,161,615 *(2012: loss of £568,585)* 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 *(2012: £Nil)*.

Directors

The directors who held office during the year were as follows:

M Stigzelius
C Kølbek
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
E1W 1TW
10 June 2014

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 2013 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 2013 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

10 June 2014

Profit and loss account
for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover		**2,353,857**	986,442
Cost of sales		**(1,521,263)**	(204,333)
Gross profit		**832,594**	782,109
Administrative expenses		**(1,855,827)**	(1,303,923)
Operating loss		**(1,023,233)**	(521,814)
Interest payable and similar charges	4	**(138,382)**	(46,771)
Loss on ordinary activities before taxation	2	**(1,161,615)**	(568,585)
Tax on loss on ordinary activities	5	-	-
Loss for the financial period	14	**(1,161,615)**	(568,585)

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 2013

	Note	2013 £	£	2012 £	£
Fixed assets					
Intangible assets	6		463,400		287,026
Tangible assets	7		1,191,904		889,383
Investments	8		300		500
			1,655,604		1,176,909
Current assets					
Stock	9	57,186		51,220	
Debtors	10	105,354		204,980	
Cash at bank and in hand		233,948		135,100	
		396,488		391,300	
Creditors: Amounts falling due within one year	11	(825,865)		(440,050)	
Net current liabilities			(429,377)		(48,750)
Total assets less current liabilities			1,226,227		1,128,159
Creditors: Amounts falling due after more than one year	12		(600,311)		(396,637)
Net assets			625,916		731,522
Capital and reserves					
Called up share capital	13		2,592		2,434
Share premium			2,853,483		1,797,632
Profit and loss account	14		(2,230,159)		(1,068,544)
Shareholders' funds			625,916		731,522

These financial statements were approved by the board of directors on 10 June 2014 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, a further fundraising has being undertaking in the current financial year, and post year end.

On the basis of the actions taken to undergo further fundraising, 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.

Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of Value Added Tax.

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.

Notes *(continued)*

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.

Development expenditure

Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed.

2 Loss on ordinary activities before taxation

	2013	2012
	£	£
Loss on ordinary activities before taxation is stated after charging		
Depreciation	**286,669**	160,246
Amortisation of intangible fixed assets	**114,042**	44,943
Operating lease charges – land and buildings	**117,577**	42,416
(Loss) on disposal of tangible fixed assets	**(49,870)**	-
Auditors' remuneration:		
Audit of these financial statements	**5,000**	6,000
Audit of the financial statements of subsidiary undertakings	**600**	2,000
Other taxation services pursuant to legislation	**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	
	2013	2012
Clinics and administration	**55**	30

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	**1,041,402**	439,257
Social security costs	**88,052**	36,135
	1,129,454	475,392

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

Notes *(continued)*

4 Interest payable and similar charges

	2013	2012
	£	£
Finance charges payable in respect of finance leases	**108,958**	35,594
Interest on amounts due to group undertakings	**18,519**	6,251
Bank interest and similar charges	**10,905**	4,926
	138,382	46,771

5 Taxation

(i) Analysis of charge for the year

	2013	2012
	£	£
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 *(2012: higher)* than the standard rate of corporation tax in the UK of 23.25% *(2012: 24.5%)*. The differences are explained below:

	2013	2012
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(1,161,615)**	(568,585)
Current tax at 23.25% *(2012: 24.5%)*	**(270,075)**	(139,303)
Effects of:		
Losses carried forward	**270,075**	139,303
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 £
Cost	
At beginning of year	331,969
Additions	327,895
Disposals	(57,746)
At end of year	602,118
Depreciation	
At beginning of year	44,943
Charge for year	114,042
Disposals	(20,267)
At end of year	138,718
Net book value	
At 31 December 2013	**463,400**
At 31 December 2012	287,026

7 Tangible fixed assets

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At beginning of year	234,478	891,227	1,125,705
Additions	56,825	582,235	639,060
Disposals	(8,485)	(73,616)	(82,101)
At end of year	282,818	1,399,846	1,682,664
Depreciation			
At beginning of year	61,999	174,323	236,322
Charge for year	48,356	238,313	286,669
Disposals	(3,475)	(28,756)	(32,231)
At end of year	106,880	383,880	490,760
Net book value			
At 31 December 2013	**175,938**	**1,015,966**	**1,191,904**
At 31 December 2012	172,479	716,904	889,383

Included in the total net book value of fixtures, fitting tools and equipment is £802,621 *(2012: £514,961)* in respect of assets held under finance leases. Depreciation for the year on these assets was £269,074 *(2012: £89,404)*.

Notes *(continued)*

8 Fixed asset investments

	Shares in group undertakings £
Cost	
At beginning of year	500
Disposals	(200)
At end of year	300
Net book value	
At 31 December 2013	**300**
At 31 December 2012	500

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
Proskin Clinics Limited	UK	Skincare treatment	100
Cutis Developments (T.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

	2013 £	2012 £
Goods for resale	**57,186**	51,220

10 Debtors

	2013 £	2012 £
Trade debtors	-	36,630
Other debtors	**71,443**	143,840
Prepayments	**33,911**	24,520
	105,354	204,980

Notes *(continued)*

11 Creditors: Amounts falling due within one year

	2013 £	2012 £
Obligations under finance lease and hire purchase contracts	**300,218**	171,696
Trade creditors	**375,125**	190,743
Other tax and social security	**121,135**	46,321
Other creditors	**300**	21,239
Accruals and deferred income	**29,087**	32,529
	825,865	440,050

12 Creditors: Amounts falling due after more than one year

	2013 £	2012 £
Obligations under finance lease and hire purchase contracts	**366,132**	296,712
Amounts owed to group undertakings	**234,179**	119,925
	600,311	396,637

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

	2013 £	2012 £
Within one year	**300,218**	171,696
In the second to fifth years	**366,132**	296,712
	666,350	468,408

13 Called up share capital

	2013 £	2012 £
Allotted and called up		
258,643 ordinary shares of 1p each *(2012: 242,834 ordinary shares of 1p each)*	**2,586**	2,428
595 "A" Ordinary shares of 1p each *(2012: 595)*	**6**	6
	2,592	2,434

During the year, the company issued 15,809 ordinary shares of 1p each, at a premium of £1,055,851, to help fund expansion of the business.

Notes *(continued)*

14 Reserves

	Profit and loss account £
At beginning of year	(1,068,544)
Loss for the year	(1,161,615)
At end of year	**(2,230,159)**

15 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Loss for the financial period	**(1,161,615)**	(568,585)
New share capital subscribed	**158**	1,144
New share premium subscribed	**1,055,851**	1,797,632
Net (deduction)/addition to shareholders' funds	**(105,606)**	1,230,191
Opening shareholders' funds/(deficit)	**731,522**	(498,669)
Closing shareholders' funds	**625,916**	731,522

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.

Notes *(continued)*

17 Related party transactions

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

	2013	2012
	£	£
Operating lease rentals and similar expenses (including concession arrangements)	**107,868**	114,775

The following balances with companies or individuals, who are considered to be related parties, are included within creditors at 31 December 2013:

	2013	2012
	£	£
Rainmaking ApS	-	28,342
D Perks*	**1,949**	2,166
Rainmaking Limited*	**16,201**	-
E Falinki*	**69,925**	69,925
Lexham Ventures Limited	**150,000**	-
	238,075	100,933

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 Post balance sheet events

Subsequent to the year end, the company secured further equity funding of £2.5 million to support the future growth of the company.

19 Ultimate controlling party

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