

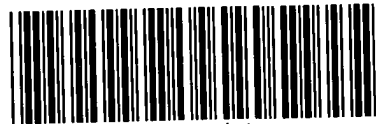
Hebe Bidco Ltd

**Annual report and financial
statements**

Registered number 11771943

**For the period from incorporation on 16 January
2019 to 31 August 2019**

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Officers and professional advisers

Directors

Mr J Dib
Mr D Grassby
Mr S Mensforth
Mr F Abouchalache
Mr R Bowser
Mr P Wilkinson

Registered office

34 Harborne Road
Edgbaston
Birmingham
B15 3AA

Banker

Santander UK PLC
1 Cornwall Street
Birmingham
B3 2DX

Solicitors

Katten Muchin Rosenman UK LLP
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Shoosmiths
2 Colmore Square
38 Colmore Circus Queensway
Birmingham
B4 6BJ

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Strategic report

The directors present their strategic report for the period from incorporation on 16 January 2019 to 31 August 2019.

Background

The Company was incorporated on 16 January 2019. The Company is an intermediate holding company and provides business consultancy services.

Objectives and strategies

On 1 February 2019, the Company entered into a Sale and Purchase Agreement to acquire the majority share of Hebe Opco Ltd (formerly SKN Holdings Limited). As part of the acquisition, the Company acquired accumulated loan note interest payable by Hebe Opco Ltd's subsidiary SKN Limited. These purchases were funded by equity funding from funds associated with Trispan LLP and from the proceeds of a refinancing into the Company's parent entity Hebe Midco Ltd. Immediately after the acquisition, the Company subscribed for additional share capital in Hebe Opco Ltd to enable the repayment of the SKN group's external debt financing and to meet other costs related to the sale and for general working capital needs.

The overall strategy of the Group is to continue to be seen as a leading UK provider of private and NHS non-surgical skin laser, dermatological and rejuvenation treatments and products whilst developing a broadening doctor led range of therapies.

The Company is expected to continue as an intermediate holding company that provides business consultancy services.

Risks and uncertainties

As the Company focusses on trading with related companies, there are limited risks and uncertainties.

Financing risk

The Company, guaranteed by the Group, has bank loans and overdrafts outstanding at the period-end of £10,500,000 repaid periodically and scheduled to be fully repaid by 31 January 2023. The debt provides medium term funding for the wider group and this is serviced through the cash flow generated by Lasercare Clinics (Harrogate) Limited, Destination Skin Group Limited and Cellite Clinic Limited, which are all indirectly wholly owned by the Company. The interest rate incurred by the Company is based on a margin above LIBOR.

In February 2019, the Company completed a refinance of its debt repayable on the earlier of a sale or listing of the Company or 31 January 2023. Further detail is provided in note 11. At that time the directors were satisfied that the Company's new facilities were sufficient to fund the Group's business activities and plans. In discussions with the lenders, the debt facility has proved sufficiently flexible to allow a rebalancing of these loan facilities in response to the Covid-19 crisis.

Brexit

The directors continually monitor the potential impact of the UK's decision to trigger Article 50, the mechanism for leaving the European Union ("Brexit"). As the parent Group operates entirely within the UK, with the majority of revenue arising from services provided, the operational risk is likely to be low. However, the directors continue to monitor issues such as labour mobility, supply chain friction, regulatory and policy, tax and macroeconomics and will assess the impact of each as the Brexit process becomes clearer.

Covid-19 considerations

The World Health Organisation declared the outbreak of Covid-19 as a global pandemic on 11 March 2020. A significant portion of the parent Group's operations are delivered in customer facing, high street clinics. The services, by their nature, are performed in close proximity to the customers. As the UK government plans evolved, the decision was made to close all of the parent Group's clinics on 23 March 2020. The clinics business remained closed until mid-June 2020 and is scheduled to be fully re-opened by the 1 August 2020.

The business impact of Covid-19 on trading has been and continues to be considerable. The directors' response has therefore been to develop "defensive" and "offensive" strategies to contain and mitigate the impact.

Strategic report *(continued)*

Covid-19 considerations *(continued)*

The defensive strategy has included: furloughing of staff members and utilising the Governments Coronavirus Job Retention scheme, establishing deferment and repayment plans with HMRC, securing supplier payment plans, deferment of landlord payments and delivering cost reductions by integrating the recently acquired clinics.

The "offensive" strategy has included the successful delivery of an enhanced B2C web based offering across the parent Group.

To ensure the ongoing resilience of the business, further funding was sought by the Company from current lenders and shareholders. The Company has secured £6.5m of funding which includes £2.5m from the lenders with the balance made available from the existing shareholders. This additional funding enables the Company and parent Group to fully meet its anticipated deferred liabilities and provide further resilience should there be a potential further business interruption due to Covid-19.

Whilst there are still uncertainties in the market, the Company's additional funding leaves it, and the parent Group, better positioned to respond to potential future downturns.

Measurement

The directors principally use variance analysis against budget to measure the performance of the Company, within the context of the wider Group performance.

Performance during the period and future

The profit for the period, after taxation, amounted to £295,000.

Outlook for FY20 and beyond

Under normal trading circumstances the directors would have expected the operating margin of the parent Group to improve in the next financial year due to improvements in the profitability of both established and recently acquired clinics. However, the unfolding and potentially ongoing impact of Covid-19 and the effect on the clinic business' ability to trade will continue to have a significant effect on the FY20 and potentially FY21 results. Any such effects will impact on the performance of the Company.

The recent acquisition by the parent Group of Adonia Skinbrands reduces the business' dependency on the traditional high street. The acquisition of Skinbrands, which has continued to trade successfully throughout the Covid-19 lockdown, and the business capability will be further enhanced by recent developments of a B2C online capability. Equally the acquisition of ABC Lasers provides a further profitable diversification away from the traditional high street services and offers further potential for significant profitable growth.

On order of the Board



D Grassby
Director

31 July 2020

Directors' report

The company was incorporated on 16 January 2019.

The directors present their annual report and the audited financial statements of the company for the period from incorporation on 16 January 2019 to 31 August 2019.

Principal activity and business review

The principal activity of the Company is that of an intermediate holding company and providing business consultancy services.

Results and dividends

The results for the period are set out on page 11.

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the period and since the period end were as follows:

Mr J Dib	(appointed 16 January 2019)
Mr D Grassby	(appointed 1 February 2019)
Mr S Hope	(appointed 1 February 2019, resigned 6 March 2020)
Mr F Abouchalache	(appointed 1 February 2019)
Mr R Bowser	(appointed 1 February 2019)
Mr N Perrin	(appointed 18 November 2019, resigned 1 April 2020)
Mr P Wilkinson	(appointed 4 February 2020)
Mr S Mensforth	(appointed 24 February 2020)

Charitable and political donations

The Company made no charitable donations during the period. The Company did not make any political contributions or incurred any political expenditure during the current period.

Employment of disabled persons

The company is an equal opportunity employer and makes every effort to ensure disabled persons are not discriminated against on the grounds of their disability. In the event of staff becoming disabled every effort is made to ensure their employment continues and appropriate training is arranged.

Environmental policy

Impact on the environment is a major consideration and policies and procedures have been and continue to be drawn up to minimise our impact on the environment.

Covid-19 impact

The pandemic resulted in clinic closures within the parent Group consequent to the government restrictions on 23 March 2020. In the financial year ending 31 August 2020 this has had a significant impact on sales within the clinic business. The clinics business remained closed until mid-June 2020 and is scheduled to be fully re-opened by the 1 August 2020.

In response to the pandemic, management took a number of defensive and offensive actions to mitigate the Covid-19 impact.

Defensive actions were taken on both operational aspects and the Company's funding.

Directors' report *(continued)*

Covid-19 impact *(continued)*

Short term funding actions included: deferral of interest payments from March 2020 until Q1 FY21, deferral of loan repayments from July 2020 (to be repaid over life of loan) and the utilisation of £1m from an existing Revolving Credit Facility (RCF). Longer term funding actions included conversion of the existing Capital Acquisition Facility (CAF) facility into a temporary RCF from the lenders for £2.5m which has now been approved and additional senior loan note investment from shareholders for £4.0m (with a varying interest regime). The waiver of existing banking arrangements have now been superseded by new arrangements signed on 22 July 2020.

Operational actions included securing a variety of Government support initiatives include retailer rates support, furlough grants and delaying HMRC payments and working with landlords and suppliers to ensure agreement was reached on deferment of liabilities where practical.

During lockdown we have aimed to minimise cash outflows and defer payments until the Company had secured the required £5.5m working capital injection. The £5.5m cash injection requirement was to be provided with the utilisation of £2.5m of an existing CAF with the lenders that is to be drawn down as a temporary RCF and a further £4.0m (£3.0m working capital support and £1.0m excess cash balance support funding) from the shareholders. The £4.0m was received on 22 July 2020.

The temporary RCF of £2.5m is to be repaid in two halves; September 2021 and February 2022. Once repaid, this facility will revert back to the undrawn CAF. As part of this funding arrangement a temporary KPI and covenant regime has been agreed with full reporting returning from August 2020 with the first covenant test to be the period ending February 2021 in relation to generating underlying cash flow of c£1.6m in the business. This excludes a number of deferred items that relate to FY20 such as rents and HMRC payments which are specified in the Senior Term and Revolving Facilities Agreement (SFA).

Inevitably there remains uncertainty as to how resilient the UK economy and market segments will be as they emerge from the impact of COVID-19.

During the next 12 months, there are a number of plausible downsides that may impact cash flows and management have developed risk mitigating plans to manage this within the new banking arrangements. Management prepared a 12 month base case cash flow against which downsides and mitigating actions have been evaluated.

The "base case" to August 2021 reflects the following:-

- Clinic re-opening commenced in June 2020 with a full opening on all brands and all services in early August 2020;
- Payments being made to HMRC for deferred liabilities with estimated repayment plans ending Q3 FY21. Now parent Group refinancing is in place, we will work with HMRC to establish and agree formal repayment plans;
- Payment of deferred rent repayments per agreed terms; and
- Continued trading on all businesses from 1 September 2020 through to August 2021,
- Trading on all business from 1 September 2020 to August 2021 is forecast below proforma 2019 levels phased in line with operational ramp up.

The "plausible downside" scenario includes the following:-

- Continued closure of all clinic businesses until the end of August 2020, online product sales continue to trade during this closure period;
- Two further one month full closures of all clinic businesses included September 2020 and December 2020; and
- No clinic based non-medical revenues traded up until end of December 2020.

The "plausible downside" scenario provided a significant stress test on the new banking covenants and the need to develop risk mitigation plans. These mitigation plans include the following:-

- Maximising the opportunity to re-phase HMRC payments (referred to above in the Base case);
- Application and receipt of the recently announced Job Retention Grant;

Directors' report *(continued)*

Covid-19 impact *(continued)*

- Minimising capital expenditure plans; and
- Ongoing improvement in working capital as the business resumes growth phase.

The directors have confidence that the delivery of continued growth in Skinbrands B2C customers through the Skin Experts website, which will be deployed in August 2020, will deliver financial results over and above the assumed FY19 levels.

If these mitigations were fully implemented, the lowest minimum cash generation level for the parent Group in each calendar month would be in January 2021, this is the closest the scenario comes to break even and is driven by lender repayments in this month. However, the mitigating actions are not within the control of the directors. Should the mitigating actions not be fully implemented or the trading declines below the level in the downside scenario, the parent Group and therefore the Company would require additional funding from its shareholders. The directors have no reason to believe that the funding will not be provided. However, there is no certainty that funds will be made available by the shareholders as and when required.

Under the "Base" and "plausible downside" scenarios the Company's operational cash generation covenant is met.

How resilient the parent Group's market segment is against a background of potential ongoing economic uncertainty remains to be seen. The ongoing impact on the UK public and the government's ability to manage/ curtail a possible second wave whilst allowing the economy to get back on track has yet to be established.

So long as the business continues to trade within the new banking arrangements, the Company's funding remains assured. Uncertainty may arise should impacts of Covid-19 be greater than the "plausible downside" scenario noted above.

Events subsequent to balance sheet date

On 29 November 2019 the parent Group acquired the trade and assets of the Harley Medical Group, a provider of surgical and non-surgical aesthetic and cosmetic procedures. Further detail is provided in note 15 to the financial statements.

On 4 February 2020 the Company entered into a new debt facility to replace the existing one, raised additional share capital, acquired a new parent undertaking and issued further loan notes. On the same day, it acquired the shares of Adonia Medical Group Limited. Further detail is provided in note 15 to the financial statements.

On 23 March 2020 the parent Group's clinic network was closed following advice from the UK government due to lockdown required as plans for containment of the Covid-19 virus. Despite the closure of the face to face element of the business, extra focus was placed upon the Group's online offering which has been expanded during the lockdown period. Also the opportunity has been taken within the business to rapidly progress the integration of the businesses across the parent Group with investment in systems ratifications, cleanse of underlying data and process streamlining. The phased re-opening of the business started with the medically led centres re-opening on the 6 July 2020 and a full re-opening by 1 August 2020 is anticipated.

On 22 July 2020, the Company agreed an extension to current agreements, with the Lenders temporarily converting an existing CAF to RCF for £2.5m and a further £4.0m loan from existing shareholders. The £4.0m was received on that day. Further detail is provided in note 15 to the financial statements.

There have been no other material post balance sheet events which would require adjustments to these financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of the 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 steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors report *(continued)*

Auditor

Pursuant to Section 139(6) of the Companies Act 2013, the Directors have appointed KPMG LLP as auditor.

On order of the Board

A handwritten signature in black ink, appearing to be 'D Grassby', with a large loop at the end.

D Grassby
Director

34 Harborne Road
Edgbaston
Birmingham
West Midlands
B15 3AA

31 July 2020

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

The directors are responsible for preparing the Strategic report, 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 period. 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 in 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, matters related 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 Hebe Bidco Ltd

Opinion

We have audited the financial statements of Hebe Bidco Ltd ("the Company") for the period from incorporation on 16 January 2019 to 31 August 2019 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 31 August 2019 and of its profit for the period 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.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements which describes uncertainties regarding the continued availability of group support. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Hebe Bidco Ltd (continued)

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 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 8, 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.

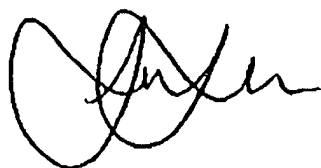
Auditor's responsibilities

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 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.



Julie Searle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31 July 2020

Profit and loss account

for the period from incorporation on 16 January 2019 to 31 August 2019

	<i>Note</i>	Period ended 31 August 2019 £000
Administrative expenses		(62)
Operating loss		(62)
Interest receivable	4	735
Interest payable	5	(381)
Profit before taxation	2	292
Taxation	6	3
Profit for the financial period		295

All results are derived from continuing activities.

There are no items of other comprehensive income in the period, other than those reflected in the profit and loss account. Accordingly, no separate statement of other comprehensive income is presented.

The notes on pages 14 to 24 form part of the financial statements.

Balance sheet
at 31 August 2019

	<i>Note</i>	2019 £000	£000
Fixed assets			
Investments	7		17,850
Current assets			
Debtors	8	14,370	
Creditors: Amounts falling due within one year	9	(1,466)	
Net current assets			12,904
Total assets less current liabilities			30,754
Creditors: Amounts falling due after more than one year	10		(9,459)
Net assets			21,295
Capital and reserves			
Called up share capital	12		210
Share premium	12		20,790
Profit and loss account			295
Shareholder's funds			21,295

The notes on pages 14 to 24 form part of the financial statements.

These financial statements were approved by the board of directors on 31 July 2020 and signed on its behalf by:



D Grassby
 Director

Company registered number: 11771943

Statement of changes in equity

	Called up share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Share issued at 16 January 2019	-	-	-	-
Comprehensive income for the period				
Profit for the period	-	-	295	295
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	295	295
	<hr/>	<hr/>	<hr/>	<hr/>
Investments by and distributions to owners				
Issue of shares	210	20,790	-	21,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments by and distributions to owners	210	20,790	-	21,000
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2019	210	20,790	295	21,295
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The notes on pages 14 to 24 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Principal accounting policies

Hebe Bidco Ltd (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 11771943 and the registered address is 34 Harborne Road, Edgbaston, Birmingham, B15 3AA, UK.

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 amendments to FRS 102 issued in March 2018 have been early adopted by the Company. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking, Hebe Holdings Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Hebe Holdings Ltd are prepared in accordance with FRS 102 and are available to the public and may be obtained from 34 Harborne Road, Edgbaston, Birmingham, B15 3AA, UK. 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:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Hebe Holdings Ltd include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The 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.

The accounting policies set out below have been applied consistently in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

Change in accounting policy/prior period adjustments

There are no accounting policy or prior year adjustments in these financial statements.

1.1 Accounting estimates and judgements

Key sources of estimation uncertainty

Going concern – see note 1.3

Critical accounting judgements in applying the Company's accounting policies

There are no critical accounting judgements (apart from those involving estimations included above) in applying the Company's accounting policies.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern

Going concern assessment for the company

The Company is part of the Hebe Holdings Group (the "Group"). The Company's ability to operate as a going concern is directly linked to the Group's position.

The Company is dependent on ultimate parent company not seeking repayment of the amounts currently due to the group, which at balance sheet date amounted to £0.8m, for a period of at least twelve months from the date of approval of these financial statements. The ultimate parent company 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, for the period covered by the forecasts it has prepared (see below). However, the ability of ultimate parent company to provide this support is uncertain and the latest financial statements of the group authorised for issue on 31 July 2020 included the following:

"The directors have prepared 'base case' projected cash flow information for the period ending 31 August 2021 based on current expectations regarding the impact of Covid-19 which are described below with further operational detail in the Strategic and Director's reports.

Base case scenario

The "base case" to August 2021 reflects the following:-

- Clinic re-opening commenced June 2020 with a full opening on all brands and all services in early August 2020.
- Payments being made to HMRC for deferred liabilities with estimated repayment plans ending Q3 FY21. Now refinancing is in place we will work with HMRC to establish and agree formal repayment plans,
- Payment of deferred rent and bank interest repayments per latest covenant calculation and agreed facility,
- Continued trading on all businesses from 1 September 2020 through to August 2021,
- Trading on all business from 1 Sep to Aug 21 is forecast below proforma 2019 levels phased in line with the operational ramp up.

Based upon a review of the cash flow forecasts for the next twelve months from the date of approval of these financial statements, the Directors believe that the Group has sufficient resources to meet its commitments for the period covered by the forecasts. As at the date of approval of these financial statements, the Directors have secured a Revolving credit facility of £2.5m as well as funding in the form of shareholder loan notes of £4m.

The lenders facilities are subject to continued compliance with both financial and administrative covenants, a breach of which would result in the facilities becoming repayable on demand. The base projections do not forecast a breach in any financial banking covenants following an agreed amendment in July 2020, seeing cumulative cash generation covenants in place for the period September 2020 to February 2021 and measured quarterly on a cumulative financial year basis thereafter. Formal fortnightly cash flow reporting covenants were in place with the lenders prior to the Cashflow generation covenants being implemented.

Severe but plausible downside scenario

The directors acknowledge that it is difficult to predict the overall outcome and impact of Covid-19. The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has been further considered through the preparation of a more severe but plausible cash flow forecast, which reflect a more severe but plausible downside scenario. This downside scenario is described below and in more operational detail in the Strategic and Director's reports.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern (continued)

The "severe but plausible downside" scenario includes the following:-

- continued closure of all clinics businesses and ABC Lasers remain closed until the end of August 2020. Skinbrands and online product sales continue to trade during this closure period,
- two further one month full closures of all clinic businesses and ABC Lasers included September 2020 and December 2020,
- No clinic based non-medical revenues traded up until end of December 2020,
- Restriction of the Skinbrands business to FY 19 performance levels,

The "severe but plausible downside" scenario provided a significant stress test on the new banking covenants and the need to develop risk mitigation plans. These mitigation plans include the following:-

- Maximising the opportunity to re-phase HMRC payments (referred to above in the Base case),
- Application and receipt of the recently announced Job Retention Grant,
- Minimising capital expenditure plans,
- Ongoing improvement in working capital as the business resumes growth phase,

The directors have confidence that the delivery of continued growth in Skinbrands B2C customers through the Skin Experts website which will be deployed in August 2020, will deliver financial results over and above the assumed FY19 levels.

Under the "Base case" and "severe but plausible downside" scenarios the operational cash generation covenant is met. The covenant applies to the underlying cumulative operational cash flow generation measured within the financial year with the first measure being September 2020 to February 2021, being measured on a quarterly basis thereafter.

If these mitigations were fully implemented, the lowest minimum cash generation level in each calendar month would be in January 2021, this is the closest the scenario comes to break even and is driven by lender repayments in this month. However, the mitigating actions are not within the control of the directors. Should the mitigating actions not be fully implemented or the trading declines below the level in the downside scenario, the Group would require additional funding from its shareholders. The directors have no reason to believe that the funding will not be provided. However, there is no certainty that funds will be made available by the shareholders as and when required.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However the uncertainty over the achievement of forecasts and the availability of such additional funding as is needed, represents a material uncertainty that may cast a significant doubt upon the Group's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate."

Basis of preparation conclusion

The directors of the Company have considered the forecasts they have prepared together with the disclosure in the financial statements of the group as mentioned above and they believe that it remains appropriate to prepare the financial statements on a going concern basis based on the intention of the group to provide support. However, the continued availability of group support, together with the other matters described above, represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Notes (continued)

1 Accounting policies (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

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

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Derivative instruments

The Company uses interest rate swaps to adjust interest rate exposures. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cash flows based on observable yield curves.

Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes (continued)

1 Accounting policies (continued)

1.5 Basic financial instruments (continued)

Derivative instruments

The Company uses interest rate swaps to adjust interest rate exposures. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit and loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts is determined by calculating the present value of the estimated future cash flows based on observable yield curves.

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- where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.6 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in the profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in the profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.7 Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes (continued)

1 Accounting policies (continued)

1.7 Taxation (continued)

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, 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 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.

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 profits.

1.8 Related party transactions

The Company has taken advantage of the exemption available in FRS 102 not to disclose transactions between the Company and its parent and 100% owned subsidiaries within the Hebe Topco Group.

2 Operating loss

Operating loss is stated after charging:

The audit fees were borne by another group company in the period.

3 Directors and employees

The company has no employees and no related salary and wage costs as it relies on another Group company to provide operational, administrative and management costs.

The remuneration of the directors is borne by SKN Limited, another Group company apart from Mr R Bowser who is remunerated through the fellow Group company Hebe Opco Ltd (formerly SKN Holdings Limited).

4 Interest receivable

	Period ended 31 August 2019 £000
Inter-company interest	735

Notes (continued)

5 Interest payable

	Period ended 31 August 2019 £000
Bank interest payable	272
Loan note interest	17
Debt fee amortisation	44
Mark to market revaluation of interest rate hedge instrument	48
	<hr/> 381 <hr/>

6 Taxation

(i) Total tax recognised in the profit and loss account

	Period ended 31 August 2019 £000	£000
<i>Deferred tax (see note 8)</i>		
Origination and reversal of timing differences	(3)	
	<hr/>	
Total deferred tax		(3)
		<hr/>
Total tax		(3) <hr/>

All tax credit is recognised in the profit and loss account.

(ii) Reconciliation of effective tax rate

	Period ended 31 August 2019 £000
Profit for the period	295
Total tax	(3)
	<hr/>
Profit before tax	292
Tax using the UK corporation tax rate of 19%	56
Expenses not deductible for tax purposes	29
Group relief received not paid for	(88)
	<hr/>
Total tax	(3) <hr/>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The reversal of this reduction which was substantively enacted on 17 March 2020, has not been reflected in these financial statements. The deferred tax asset at 31 August 2019 has been calculated based on these rates

Notes (continued)

7 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At incorporation on 16 January 2019	-
Acquisitions	17,850
	<hr/>
At end of period	17,850
	<hr/>

The related undertakings at the period end are as follows:

Name	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Hebe Opco Ltd (formerly SKN Holdings Limited)	England	Intermediate holding company	100% ordinary
*SKN Limited	England	Intermediate holding company	100% ordinary
*Lasercare Holdings (IOM) Limited	Isle of Man	Intermediate holding company	100% ordinary
*Lasercare Clinics (Harrogate) Limited	England	Provider of medical skin treatments	100% ordinary
*Advanced Laser Dermatology and Cosmetic Surgery Centres Limited	England	Intermediate holding company	100% ordinary
*Lasertronics Limited	England	Laser rental	100% ordinary
*Laser Xpress Limited	England	Dormant	100% ordinary
*Lasercare Skin & Body Limited	England	Dormant	100% ordinary
*Skincare Express Limited	England	Dormant	100% ordinary
*Skin Laser Express Limited	England	Dormant	100% ordinary
*Lasercare Express Limited	England	Dormant	100% ordinary
*Laser Express Limited	England	Dormant	100% ordinary
*Advanced Cosmetics Limited	England	Dormant	100% ordinary
*Advanced Aesthetics Limited	England	Dormant	100% ordinary
*Advanced Skin Care Limited	England	Dormant	100% ordinary
*Advanced Cosmetic Surgery Limited	England	Dormant	100% ordinary
*Advanced Medical Beauty Limited	England	Dormant	100% ordinary
*Medical Beauty Limited	England	Dormant	100% ordinary
*Skin and Beauty Limited	England	Dormant	100% ordinary
*Cellite Clinic Limited	England	Provider of medical skin treatments	100% ordinary
*Destination Skin Group Limited	England	Provider of medical skin treatments	100% ordinary

* Denotes indirect shareholding

8 Debtors

	At 31 August 2019 £000
Amounts owed by group undertakings	1,335
Deferred tax asset	3
Other debtors	13,032
	<hr/>
	14,370
	<hr/>

Notes (continued)

8 Debtors (continued)

The deferred tax asset relates to the following:	At start of period	Credit to the profit and loss account	At end of period
	£000	£000	£000
Short term timing differences	-	3	3
	<u> </u>	<u> </u>	<u> </u>

9 Creditors: Amounts falling due within one year

	At 31 August 2019 £000
Amounts owed to group undertakings	831
Bank loans	425
Accruals and deferred income	162
Derivative financial instrument	48
	<u> </u>
	<u>1,466</u>

10 Creditors: Amounts falling due after more than one year

	At 31 August 2019 £000
Bank loans (secured)	9,169
Institutional loans	290
	<u> </u>
	<u>9,459</u>

The debt facility with Santander comprises a £10 million term loan, £4.5 million Capex/Acquisition facility and a £0.5 million credit facility ("RCF") as at 31 August 2019.

The term loan facility is fully drawn at balance date and comprises: a £3.5million term loan (Facility A) amortised over the period from January 2020 to January 2024 and a further £6.5million term loan (Facility B) repayable in full on 31 January 2025. The Capex/Acquisition facility was undrawn at balance date leaving £4,500,000 available, subject to the conditions imposed upon it through the Senior Facilities Agreement (SFA). The revolving credit facility was fully drawn at balance date, leaving £nil available. The interest rate incurred by the Group is based on a margin above LIBOR. The facilities are secured by fixed and floating charges over certain assets.

The interest rate incurred by the Group is based on a margin above LIBOR. The facilities are secured by fixed and floating charges over certain assets. The Group had guarantees and bonds issued by Santander on its behalf to third parties at 31 August 2019 amounting to £10,500,000.

Bank loans and overdrafts are secured by cross guarantees between the Company, its parent company and its fellow subsidiary undertakings.

Notes (continued)

11 Analysis of debt

	At 31 August 2019 £000
Debt can be analysed as falling due:	
In one year or less, or on demand	425
Between one and two years	525
Between two and five years	2,465
After more than five years	6,469
	<hr/>
Analysed net of debt issue costs	9,884
	<hr/> <hr/>

12 Called up share capital

	At 31 August 2019 £000
<i>Allotted, called up and fully paid:</i>	
21,000,000 ordinary shares of £0.01	210
	<hr/> <hr/>

The company was incorporated on 16 January 2019 with an allotted, fully paid capital of 1 ordinary share with a nominal value of 1p.

On 1 February 2019, the company issued a further 20,999,999 ordinary share with a nominal value of 1p. The reason for the share issue was to provide the company with the level of working capital that the directors consider necessary to trade following its incorporation.

On 16 February 2019, the entire share capital was acquired by Hebe Holdings Ltd. The amount paid for each ordinary share was £1.

13 Contingent liabilities

The Company has guaranteed the bank loans and overdrafts of fellow Group undertakings. The amount outstanding at the period end was £Nil.

14 Related party disclosures

During the period, there were no related party transactions to disclose.

Notes (continued)

15 Events subsequent to balance sheet date

On 29 November 2019 the parent group acquired the trade and assets of the Harley Medical Group, a provider of surgical and non-surgical aesthetic and cosmetic procedures, trading from 17 clinic locations from the Administrator of THMG Limited. Fellow group undertaking Hebe Midco Ltd secured funding of £3,500,000 from funds affiliated with TriSpan LLP in the form of a short term 364 day loan to settle the initial cash paid on acquisition of £2,410,000 plus acquisition expenses and additional working capital requirements. The acquisition was made by LCHMG Limited, a new subsidiary of group undertaking Lasercare IoM Limited, incorporated on 20 November 2019.

On 4 February 2020 (further amendment on 22 July 2020) the parent group entered into a new debt facility to replace the existing one. The facility comprises £30.0 million loan, a £2.5 million Capex/Acquisition facility and a £1.0 million revolving credit facility. The term comprises £10.0 million term loan (Facility A) amortised over the period from February 2020 to January 2025 and a further £20.0 million term loan (Facility B) repayable in full on 4 February 2026. The new £30.0 million loan was drawn down on 4 February and all borrowings outstanding under the existing facility were repaid.

On 4 February 2020, the entire share capital of the company was acquired by Hebe Topco Ltd, which is registered in England.

On 4 February 2020 the parent company raised additional share capital of £6.4 million and raised a further £6.2 million of cash by the issue of loan notes.

On 4 February 2020 the parent group acquired the shares of Adonia Medical Group Limited (the 'Adonia Group') for a total consideration of approximately £43.5 million (including payment for cash in the group at acquisition). Consideration comprised £34.5 million of cash plus the issue of £9.0 million of loan notes. Various additional payments of up to £6.2 million are payable over future years depending on a number of performance criteria. The Adonia Group comprises of ten skin treatment clinics, a skin products business, selling to both customers and other businesses, and a business selling laser products. In the year to 31 March 2019, the last year for which published accounts are available, the Adonia Group reported turnover of £23.2 million and EBITDA of £6.2 million.

On 23 March 2020 the clinic network was closed following advice from the UK government due to lockdown required as plans for containment of the Covid-19 virus. Despite the closure of the face to face element of the business, extra focus was placed upon the Group's online offering which has been expanded during the lockdown period. Also the opportunity has been taken within the business to rapidly progress the integration of the businesses across the Group with investment in systems ratifications, cleanse of underlying data and process streamlining. The phased re-opening of the business started with the medically led centres re-opening on the 6 July 2020 and an anticipated full re-opening by 1 August 2020.

On 22 July 2020, the Group agreed an extension to current agreements with the Lenders temporarily converting an existing CAF to RCF for £2.5m and a further £4.0m Loan from existing shareholders. The £4.0m was received on that day.

16 Ultimate parent company

The Company's immediate parent company is Hebe Midco Ltd, which is registered in England.

At the year end, the Company's ultimate parent company was Hebe Holdings Ltd, which is registered in England and is the only Group within which the results of this Company are consolidated. The consolidated financial statements of Hebe Holdings Ltd are available from 34 Harborne Road, Edgbaston, Birmingham B15 3AA.

Subsequent to balance sheet date, Hebe Holdings Ltd was acquired by Hebe Topco Ltd, which is registered in England and became the Company's ultimate parent company.

17 Ultimate controlling party

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





Hebe Bidco Limited (002)

Final Audit Report

2020-07-31

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