

# Hotspring Ventures Limited

Registered Number 06457679

Consolidated Financial Statements

For the year ended 31 December 2016

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COMPANIES HOUSE



## **Directors, officers and advisers**

### **Directors**

Lopo Champalimaud  
Naoki Inoue  
Hidetaka Kawashima (appointed 21 April 2016)  
Benjamin Leaver  
Kazumasa Watanabe

### **Registered Office**

Calder & Co  
16 Charles II Street  
London  
SW1Y 4NW

### **Auditors**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditors  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP



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# Group Strategic Report

For the Year Ended 31 December 2016

## Introduction

The principal activity Hotspring Ventures Limited and its subsidiaries (the "Group") is operating an online marketplace for hair and beauty services by providing a booking platform by which customers can discover, book and pay for appointments at hair and beauty salons and spas in the UK & Europe. In addition, the Group provides software to hair and beauty salons to help them manage their businesses.

## Business Review

After a busy 2015 during which the Group completed a number of significant M&As, 2016 was a year of consolidation, with a focus on aligning all parts of the Group under standardised operating procedures and methodologies.

Revenues for the financial year increased by £4m to £10.9m (2015: £6.9m), driven by growth in all our markets.

The net loss for the financial year was £30.3m (2015 restated: £54.6m), a significant reduction on 2015.

The operating loss excluding exceptional for the year was to £30.3m (2015: 25.4m). Driven by continued investment in all markets and was in-line with the directors' expectations given the stage of development and growth of the Group's business units. The Group's strategy is to be the world's leading online marketplace for hair and beauty services.

The directors are committed to making further investments in the future that will allow the Group to expand into valuable new markets.

## Principal Risks & Uncertainties

With the exception of foreign exchange risk, credit risk and competition risk, the Group is not exposed to any other significant financial risks and has no bank loans outstanding. The Group is reliant on the support of its ultimate parent company, Recruit Holdings Co. Ltd, to provide funding until the Group reaches profitability.

- *Foreign exchange risk*

The Group's activities do expose it to foreign exchange risk as the Company's funding is denominated in Sterling whereas a significant amount of the investment is made in euros.

- *Credit risk*

As the Group continues to grow, its credit risk, primarily attributable to trade receivables due from salon partners, is also expected to grow. However, the Group benefits from a favourable working capital cycle and, for the majority of salon partners, are able to more than offset receivables against payables. A bad debt provision is included on a monthly basis in respect of aged debtors.

- *Competition risk*

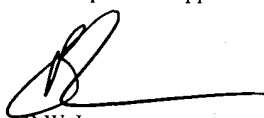
Having consolidated the market by acquiring its main competitors in 2015, the directors believe that the competitive landscape is less crowded than previously. Despite that, the directors continue to be opportunistic about reviewing prospects for both organic and inorganic expansion in Europe and beyond.

## Going concern

The Group made a loss on activities after tax for the year of £30.3m (2015 restated: £54.6m) and has net assets of £12.4m (2015 restated: £37.8m). Despite the sustained level of substantial investment in all of its markets, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future with the ongoing support of Recruit Holdings Co. Ltd, which has been confirmed in writing. The annual financial statements have thus been prepared on a going concern basis.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

This report was approved by the board on 15th June 2017 and signed on its behalf by



B.W. Leaver

Director



## **Directors' Report**

For the Year Ended 31 December 2016

Hotspring Ventures Limited and its subsidiaries (the Group) connects customers looking for hair & beauty appointments with hair & beauty venues through its online marketplace. Its customers can search for available appointments through its website and mobile app, giving them the freedom to book on the move, at any time in locations across the UK, Ireland, Germany, Austria, Switzerland, Netherlands, Belgium, France, Italy, Spain and Lithuania.

The Group also provides spas and salons with its Connect software, allowing these businesses to manage their appointment books online and providing customers with real time availability of each salon's appointments. The Group is revolutionising how customers discover and book hair and beauty services.

### **RESULTS AND DIVIDENDS**

The Group recorded a loss after taxation of £30.3m for the financial year ended 31 December 2016 (2015 restated: £54.6m loss).

Net assets as at 31 December 2016 amounted to £12.4m (2015 restated: £37.8m) with cash reserves held of £7.8m (2015: £31.4m).

The Group continued to benefit from support from investors throughout the period under review. The directors did not recommend the payment of a dividend in 2016 (2015: nil).

### **DEVELOPMENTS**

2016 was a year of operational consolidation for the Group. The directors continue to believe that both B2C and B2B demand for the Group's online marketplace will grow strongly over the coming years in all its markets.

As a result of its growth and continued investment, the Company has raised additional capital from its majority shareholder to support further growth and market development in the future. The directors remain confident that the company is in a secure position to meet the future demands of its business customers and consumers.

### **EMPLOYMENT**

The company has a flat operating structure, enabling employees to be entrepreneurial and empowered to take decisive actions every day. As part of this structure, procedures exist for employee communication, consultation, feedback and development. The company tries to ensure that employees views are taken into account and that company goals are communicated. A monthly company meeting, regular team meetings and email newsletters are used to brief employees on company updates. We send out an employee engagement survey giving all employees the opportunity for anonymous feedback together with an internal email feedback channel and a whistleblower policy.

Hotspring Ventures Limited operates an equal opportunity employment policy and is opposed to all forms of discrimination. Our team operates in 11 countries across Europe made up of more than 30 nationalities; we believe diversity is our strength. Our selection processes are non-discriminatory and accessible. We give fair and full consideration for those applicants with disabilities and make the necessary adjustments in our process to accommodate all applicants. The company is committed to ensuring that training, career development and promotion opportunities are equally accessible to all employees.

The health and safety of all employees is paramount and governed by policies and procedures ensuring a safe and suitable environment for all those attending our premises.



## DIRECTORS' RESPONSIBILITY STATEMENT

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

In preparing the group financial statements, the directors are required to:


- present fairly the financial position, financial performance and cash flows of the group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the board on 15th June 2017 and signed on its behalf by



B.W. Leaver  
Director



# **Independent Auditor's Report to the members of Hotspring Ventures Limited**

We have audited the financial statements of Hotspring Ventures Limited for the year ended 31 December 2016 which comprise the group and parent company balance sheets, the group statement of comprehensive income, the group statement of cash flows, the group and parent company statements of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 4 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](http://www.frc.org.uk/auditscopeukprivate).

## **In our opinion:**

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.



**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

*Grant Thornton UK LLP*

**Steven Leith**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 19/6/2017



## Consolidated income statement

Year ended 31 December 2016

		2016	2015
			Restated
	Notes	£'000	£'000
<b>Revenues</b>	4	10,857	6,868
Cost of sales		(1,418)	(1,306)
<b>Gross profit</b>		9,439	5,562
Other administrative expenses	4	(39,754)	(30,966)
Exceptional items	3 & 5	-	(28,745)
<b>Total operating expenses</b>		(39,754)	(59,711)
Operating (loss)/profit - before exceptional items		(30,315)	(25,404)
Exceptional items - operating expenses	5	-	(28,745)
<b>Operating (loss)/profit</b>		(30,315)	(54,149)
Finance cost	7	(53)	(533)
(Loss)/profit before tax and exceptional items		(30,368)	(25,937)
Exceptional items	5	-	(28,745)
<b>(Loss)/profit on ordinary activities before taxation</b>		(30,368)	(54,682)
Taxation on ordinary activities	8	29	84
<b>Loss for the year</b>		(30,339)	(54,598)

## Consolidated statement of comprehensive income

Year ended 31 December 2016

		2016	2015
			Restated
	Notes	£'000	£'000
Loss for the year	5	(30,339)	(54,598)
Exchange differences on translating foreign operations		(995)	(177)
<b>Total comprehensive loss for the year</b>		(31,334)	(54,775)

The notes on pages 12 to 35 form part of these financial statements.



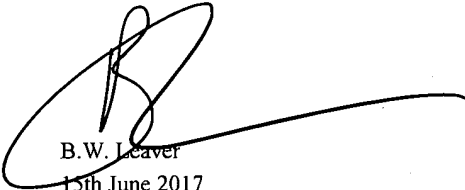
# Consolidated balance sheet

As at 31 December 2016

		2016	2015
			Restated
	Notes	£'000	£'000
<b>Non current assets</b>			
Intangible assets	10	9,336	8,541
Property, plant & equipment	11	885	824
		<u>10,221</u>	<u>9,365</u>
<b>Current assets</b>			
Trade and other receivables	12	2,698	2,965
Cash and cash equivalents	13	7,793	31,448
		<u>10,491</u>	<u>34,413</u>
<b>TOTAL ASSETS</b>		<u>20,712</u>	<u>43,778</u>
<b>EQUITY</b>			
Issued share capital	15	26	25
Share premium		110,901	106,402
Other reserves		(1,167)	(172)
Retained deficit		(97,383)	(68,482)
<b>Equity attributable to equity shareholders of the parent</b>		<u>12,377</u>	<u>37,773</u>
<b>TOTAL EQUITY</b>		<u>12,377</u>	<u>37,773</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	5,005	3,474
Other financial liabilities	14	3,200	2,236
		<u>8,205</u>	<u>5,710</u>
<b>Non current liabilities</b>			
Deferred tax liabilities		-	66
Deferred consideration		130	229
		<u>130</u>	<u>295</u>
<b>TOTAL LIABILITIES</b>		<u>8,335</u>	<u>6,005</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>20,712</u>	<u>43,778</u>

The notes on pages 12 to 35 form part of these financial statements.

These consolidated financial statements have been approved by the Board of Directors and signed on its behalf by:

  
 B.W. Leaver  
 15th June 2017  
 Registered company number: 06457679



## Consolidated statement of changes in equity

For the year ended 31 December 2016

		<i>Issued share capital</i>	<i>Share Premium</i>	<i>Foreign currency translation reserve</i>	<i>Retained earnings/ (deficit)</i>	<i>Total shareholders equity</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>At 31 December 2014</b>		<b>14</b>	<b>25,159</b>	<b>5</b>	<b>(16,845)</b>	<b>8,333</b>
Issue of shares		11	81,243	-	-	81,254
Share based payments charge		-	-	-	2,961	2,961
Comprehensive loss for the year (Restated)		-	-	(177)	(54,598)	(54,775)
<b>At 31 December 2015 (Restated)</b>	<b>3</b>	<b>25</b>	<b>106,402</b>	<b>(172)</b>	<b>(68,482)</b>	<b>37,773</b>
Issue of shares	15	1	4,499	-	-	4,500
Share based payments charge	16	-	-	-	1,438	1,438
Comprehensive loss for the year		-	-	(995)	(30,339)	(31,334)
<b>At 31 December 2016</b>		<b>26</b>	<b>110,901</b>	<b>(1,167)</b>	<b>(97,383)</b>	<b>12,377</b>

The notes on pages 12 to 35 form part of these financial statements.



## Consolidated cash flow statement

For the year ended 31 December 2016

		2016	2015
			Restated
	Notes	£'000	£'000
<b>Operating activities</b>			
Loss before tax		(30,368)	(54,682)
Depreciation of property, plant and equipment	11	420	212
Impairment of intangible assets		-	24,312
Amortisation of intangible assets	10	127	312
Share based payment expense	16	1,438	2,634
Non-cash finance charges	7	53	270
Other adjustments		-	(993)
Decrease/(increase) in trade and other receivables	12	529	2,051
Increase/(decrease) in prepayments	12	(262)	(428)
Increase in trade and other payables	14	1,531	1,090
Increase in other liabilities	14	813	1,508
<b>Cash flows from operating activities</b>		<b>(25,719)</b>	<b>(23,714)</b>
Taxation		(37)	-
<b>Cash flows from operating activities</b>		<b>(25,756)</b>	<b>(23,714)</b>
<b>Investing activities</b>			
Interest received		-	1
Interest paid		-	(244)
Purchase of property, plant & equipment	11	(257)	(442)
Purchase of intangible assets	10	(92)	-
Acquisition of businesses, net of cash		-	(20,195)
Proceeds from disposal of property, plant & equipment		-	-
<b>Net cash flows used in investing activities</b>		<b>(349)</b>	<b>(20,880)</b>
<b>Financing activities</b>			
Proceeds from borrowings		-	998
Repayment of borrowings		-	(1,779)
Proceeds from issue of share capital	15	4,500	73,023
<b>Net cash flows from financing activities</b>		<b>4,500</b>	<b>72,242</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(21,605)</b>	<b>27,648</b>
Effect of changes in foreign exchange rates		(2,050)	177
Cash and cash equivalents at beginning of period	13	31,448	3,623
<b>Cash and cash equivalents at year end date</b>		<b>7,793</b>	<b>31,448</b>

The notes on pages 12 to 35 form part of these financial statements.



## **1. Accounting policies**

Hotspring Ventures Limited is a limited company incorporated and domiciled in England and Wales. Its registered address is 16 Charles II Street, London, W1Y 4NW

### ***Basis of preparation***

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the Group for the year ended 31 December 2016 and applied in accordance with the Companies Act 2006. These accounting policies were consistently applied for all the periods presented.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

These financial statements were approved and authorised for issue by the board on 15th June 2017. Amendments to the financial statements are not permitted after approval.

The Group financial statements have been prepared under the historical cost convention.

### ***Going concern***

Based on current and forecasted performance, the directors fully expect there to continue to be sufficient cash headroom for the foreseeable future. Furthermore, based on current and forecasted performance, the directors consider that the Group will ultimately be profitable and cash generative.

Based on the above and the expected continued financial support of the Company's main shareholders, Recruit Holdings Co. Ltd, the directors have a reasonable expectation that the Group has adequate resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### ***Basis of consolidation***

The consolidated financial statements include the financial statements of Hotspring Ventures Limited and all of its subsidiaries for the periods reported.

For the purposes of preparing these consolidated accounts, subsidiaries are those entities controlled by the Group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full on consolidation.

Subsidiary entity accounts are prepared in accordance with local accounting standards and have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.



### ***Business combinations and goodwill***

Business combinations are accounted for using the acquisition method in accordance with IFRS 3. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

For each business combination, management makes an assessment of whether any intangible assets have been acquired, and how much goodwill arose as a result of the acquisition. Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

### ***Revenue recognition***

Group revenue comprises commissions earned from consumer bookings and vouchers purchased online through the Treatwell platform, income from suppliers for B2B services and licence fees for the provision of salon management software.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Income is recognised in respect of consumer commissions at the time of booking. Subscription income and software licence fee income is recognised over the period to which the subscription relates.

### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements	-	over lease term
Furniture and fittings	-	4 years
IT equipment	-	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.



### ***Intangible assets***

Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overhead and borrowing costs.

All intangible assets with a finite life, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are used:

- software: 3 years
- brand names: 5 years
- customer lists: 3 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

### ***Borrowing costs***

Borrowing costs are recognised as an expense when incurred.

### ***Impairment of non-financial assets***

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see note 2.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement as a highlighted item in the period in which they are incurred. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units, to which goodwill relates.

Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. The Group performs its annual impairment test of goodwill based on the final day of the financial year.



### ***Investments and other financial assets***

Financial assets within the scope of IAS 39 are classified as financial assets held at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The Group currently holds no financial assets held at fair value through profit or loss, held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### ***Assets carried at amortised cost***

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

### ***Cash and cash equivalents***

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### ***Foreign currency translation***

The consolidated financial statements are presented in Sterling, which is also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year end and are measured at historical cost (translated using exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.



### ***Financial liabilities***

#### ***Interest bearing loans and borrowings***

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

#### ***De-recognition of liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

#### ***Fair value measurement***

Fair value disclosures for financial instruments are provided in note 19.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities,
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable,

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### ***Leases***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease rentals, together with lease incentives are charged to the income statement on a straight line basis over the term of the lease.



### ***Provisions***

Provisions are recognised when the Group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Group's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

### ***Exceptional items***

Exceptional items highlighted in the consolidated income statement are treated as such if the matters are non-recurring, material and fall within one of the categories below:

- a) restructuring costs of the Group
- b) acquisition costs
- c) impairments, write downs/losses on disposal site closure costs and onerous leases

Acquisition costs are highlighted because they are one-off costs that are unique to each investment. The Group only complete business acquisitions when appropriate opportunities arise and in line with executive strategy. Therefore, in any given period, acquisition costs can vary significantly and so do not reflect the costs of the day-to-day operations of the business. These are therefore split out in order to aid comparability with prior periods.

Costs relating to impairments, write-downs/losses on disposal are highlighted to the extent that they relate to one-off costs following any of the above activities. Impairments and write downs only occur in exceptional circumstances and are therefore highlighted. Similarly, the decision by management restructure elements of the organisation only occurs in exceptional circumstances; therefore, the costs associated with such an activity have also been highlighted.

### ***Share-based payments***

#### ***Equity-settled transactions***

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Binominal pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.



## ***Taxes***

### ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

### ***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except: where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

### ***New standards and interpretations***

The following standards and interpretations in issue are not yet effective for the Group and have not been adopted by the Group:

#### **Effective dates**

IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments (issued in 2014)	01-Jan-18
IFRS 16 Leases	01-Jan-19

Not all of these standards and amendments impact the Group's consolidated financial statements.

The Directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial adoption with the exception of IFRS 16, the impact of which, the Directors have not yet made an assessment.



## 2. Significant accounting estimates, judgements and assumptions

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

### *Estimates*

#### *Impairment of non-financial assets and goodwill*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to changes in expected future cash flows. The cash flows are derived from the budget and projections for the next five years. These projections are influenced by factors which are inherently uncertain such as website traffic and non-controllable costs such as rent, rates and license costs. They do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is also sensitive to the discount rate used for the discounted cash flow model and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are disclosed further in note 19.

#### *Share based payments*

The grant date fair value of share-based awards is calculated using a binominal option pricing model. In the case of hurdle shares awarded, this value represents the put option payoff. This option value is then discounted to reflect the lack of marketability of the hurdle shares at the time of valuation. Estimation uncertainty exists in respect of the inputs to the valuation including the company share price at the date of grant and the discount applied to the option value.

#### *Impairment of financial assets*

Management assess whether there are indicators of impairment of investment balances on an annual basis. Where there are indicators of impairment of individual assets, management estimate the recoverable amount of each asset based on expected future cash flows and use an appropriate interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Management assess the recoverability of loans, trade debtors and other receivable balances and record a provision to the extent that the balances are not considered recoverable.



## ***Judgements***

### ***Operating lease commitments***

The Group has entered into commercial property leases as a lessee. In doing so, it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

### ***Identification of intangible assets on business acquisitions***

An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. The identification and valuation of intangible assets acquired as part of business combinations requires judgement. Third party valuations were prepared as of the acquisition date and these incorporated assumptions made by management about business forecasts. For each business combination the balance of goodwill to other intangible assets is reviewed for appropriateness.

Acquired intangible assets, comprising brands, salon contracts, and software are amortised through the consolidated income statement on a straight line basis over their estimated economic lives of between three and five years. Significant judgement is required in determining the fair value and economic lives of acquired intangible assets.

## **3. Correction of an error**

In 2015 an entry was posted to correct the amount of share capital issued by the Company as part of the acquisition of the business by Recruit Holdings Co. Ltd. £2,030k related to transaction costs which it was believed that Recruit Holdings Co Ltd. would bear these costs, resulting in a receivable balance being recorded on the Company's balance sheet.

During the current year it was identified that this amount in fact related to company transaction costs which were not to be borne by Recruit Holdings Co. Ltd. but rather should have been recorded as an expense in the books of Hotspring Ventures Limited.

A prior year adjustment has been posted in the financial statements to reverse the intercompany balance receivable from RGF Beauty and RGIP LLC which was recorded in the Company and to recognise the full amount as an expense in 2015, which is included in the income statement within exceptional items.

### ***Impact on statement of profit or loss (increase/(decrease) in profit)***

	2015		2015
	As reported	Adjustment	Restated
Exceptional	(26,715)	(2,030)	(28,745)
Loss for the year	(52,568)	(2,030)	(54,598)

### ***Impact on statement of financial position (increase/(decrease))***

Receivables from related parties	2,030	(2,030)	-
Retained deficit	(66,452)	(2,030)	(68,482)



#### 4. Revenue and operating expenses

##### *Geographical analysis of revenue:*

The Group's revenues from external customers are divided into the following geographical areas:

	<i>Year ended</i>	<i>Year ended</i>
	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
UK & Ireland	7,964	6,013
Rest of Europe	2,893	855
	<u>10,857</u>	<u>6,868</u>

##### *Operating expenses*

	<i>Year ended</i>	<i>Year ended</i>
	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
<b>Included in operating expenses:</b>		
Share based payments	1,438	2,963
Depreciation of owned property, plant & equipment	420	212
Foreign Exchange (gain)/loss	(2,353)	(611)
Amortisation of intangible assets	127	312
Operating lease rentals – land and buildings	892	805
R&D expenditure	578	368
Auditor remuneration:		
Audit	62	68
Tax advisory	52	74

#### 5. Exceptional items

		<i>Year ended</i>	<i>Year ended</i>
		<i>2016</i>	<i>2015</i>
			Restated
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>
Rebranding costs		-	588
Costs relating to acquisitions & change of control (restated)	3	-	3,761
Restructuring		-	82
Impairment of Intangibles		-	1,070
Impairment of Goodwill		-	23,511
Deferred tax liability release		-	(267)
<b>Total</b>		<u>-</u>	<u>28,745</u>

The above items have been highlighted to give a better understanding of non-comparable costs included in the consolidated income statement for this period.



## 6. Employee costs

### *Employee benefits expense*

	<i>Year ended</i>	<i>Year ended</i>
	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
<i>Included in other operating costs</i>		
Wages and salaries	16,154	10,321
Social security costs	2,490	2,478
Pension costs	114	38
	<u>18,758</u>	<u>12,837</u>

### *Average number of people employed*

	<i>2016</i>	<i>2015</i>
	<i>FTE</i>	<i>FTE</i>
Number of full time equivalent (FTE) employees	455	320

### *Average number of people (including executive directors) employed:*

Operational	379	262
Administration	49	58

<b>Total average headcount</b>	<u><b>428</b></u>	<u><b>320</b></u>
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### *Directors remuneration*

	<i>Year ended</i>	<i>Year ended</i>
	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Aggregate remuneration in respect of qualifying services	408	329
Aggregate remuneration in respect of the highest paid director	151	150

In 2016 the highest paid director had 20,322 C shares that vested, but none were exercised and no new C shares were issued. In 2015 the highest paid director exercised all his options to acquire shares in the company as part of the change of control on 1 May 2015. 50% of the shares were rolled over into shares held in RGF UK Beauty Limited, the immediate parent of Hotspring Ventures Limited. The other 50% were sold. Additionally, he was issued 60,970 C shares in RGF Beauty Limited, under the "Hurdle shares" scheme detailed in Note 16.

## 7. Finance costs

### *Finance costs*

	<i>Year ended</i>	<i>Year ended</i>
	<i>2016</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>
Interest on debts, borrowings and finance leases	53	204
Share based payment charge in respect of warrants	-	329
	<u>53</u>	<u>533</u>

Borrowings were repaid in full upon change of control in May 2015. The current year finance charge of £53k relates to the unwinding of discounting on deferred consideration payable.



## 8. Income tax

### *Tax on profit on ordinary activities*

The tax is made up as follows:

	<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
		Restated
	£'000	£'000
<i>Current tax:</i>		
UK Corporation tax (credit)/charge on the (loss)/profit for the period	9	-
Adjustment in respect of prior periods	-	-
Total current	9	-
<i>Deferred tax :</i>		
Origination and reversal of temporary differences	(38)	(84)
Total tax (credit)/charge for the year	(29)	(84)

### *Factors affecting tax charge for the period*

The tax charge / (credit) for the period is different from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
		Restated
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(30,368)	(54,682)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(6,074)	(11,073)
<i>Effects of:</i>		
Difference between capital allowances and depreciation	-	12
Tax losses arising/(utilised) in the year	-	7,134
Expenses not deductible for tax purposes	318	5,462
Research and development tax credit	9	-
Share scheme deduction	-	(1,390)
Impact of tax rate change	(1,795)	(828)
Amounts not recognised in deferred tax	7,513	593
Other timing differences	-	6
Total tax charge for the period	(29)	(84)



### Deferred tax

The deferred taxation provision, using a tax rate of 20% (2015: 18%), comprises the following:

	<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
	<b>Restated</b>	
	<b>£'000</b>	<b>£'000</b>
<b>Other timing differences</b>	<b>(28)</b>	<b>(84)</b>
<b>Deferred tax liability</b>	<b>(28)</b>	<b>(84)</b>
At 1 January	(66)	104
Amounts recognised on acquisitions	-	46
Profit and loss charge/credit	38	(84)
At 31 December	(28)	66
<b>Unprovided deferred tax</b>		
Depreciation in excess of capital allowances	4	34
Other short term timing differences	(14)	(5)
Tax losses c/fwd.	(17,185)	(10,205)
Total (asset)/liability	(17,195)	(10,176)

## 9. Investments

Details of the significant investments in which the company holds, directly or indirectly, 20% or more of the nominal value of any class of share capital can be found below.

During the year a number of companies were renamed.

<b>New company name</b>	<b>Previous company name</b>	<b>Holding</b>	<b>Proportion of voting rights and shares held</b>	<b>Nature of Business</b>
Treatwell US Inc	Hot spring Ventures Inc	Ordinary shares	100%	Dormant
Treatwell Spain s.l.	Wakanda Spain s.l	Ordinary shares	100%	Trading entity
Treatwell IT s.r.l.	Wahanda Italy S.r.l	Ordinary shares	100%	Trading entity
Treatwell DACH GmbH	Salonmeister GmbH	Ordinary shares	100%	Trading entity
Treatwell LT UAB	UAB Lemon Labs	Ordinary shares	100%	Development centre
Treatwell FR	Zensoon SaS	Ordinary shares	100%	Trading entity
Treatwell BNL B.V.	Treatwell Benelux/ Treatwell.com BV	Ordinary shares	100%	Trading entity
n/a	Treatwell.de GmbH	Ordinary shares	100%	Dormant
n/a	Treatwell service GmbH	Ordinary shares	100%	Dormant

During the year Treatwell Benelux and Treatwell.com BV merged into Treatwell BNL B.V (effective 13 April 2016).

During the year the following companies were wound up;

Treatwell France s.a.r.l (effective 2 Feb 2016).

Treatwell.it S.r.l (effective 5 August 2016).



## 10. Intangible assets

	<i>Goodwill</i>	<i>Salon Contracts</i>	<i>Software</i>	<i>Trade name</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost:</b>					
At 31 December 2014	5,541	133	249	-	5,923
Acquisition of subsidiaries	26,289	511	373	370	27,543
<b>At 31 December 2015</b>	<b>31,830</b>	<b>644</b>	<b>622</b>	<b>370</b>	<b>33,466</b>
Additions	-	-	92	-	92
<b>At 31 December 2016</b>	<b>31,830</b>	<b>644</b>	<b>714</b>	<b>370</b>	<b>33,558</b>
<b>Amortisation &amp; FX:</b>					
At 31 December 2014	-	11	21	-	32
Charge for the year	-	130	145	37	312
Impairment for the year	23,511	426	311	333	24,581
<b>At 31 December 2015</b>	<b>23,511</b>	<b>567</b>	<b>477</b>	<b>370</b>	<b>24,925</b>
Charge for the period	-	44	83	-	127
Effect of translation to presentation currency	(830)	-	-	-	(830)
<b>At 31 December 2016</b>	<b>22,681</b>	<b>611</b>	<b>560</b>	<b>370</b>	<b>24,222</b>
<b>Net Book value:</b>					
<b>31 December 2015</b>	<b>8,319</b>	<b>77</b>	<b>145</b>	<b>-</b>	<b>8,541</b>
<b>31 December 2016</b>	<b>9,149</b>	<b>33</b>	<b>154</b>	<b>-</b>	<b>9,336</b>

Goodwill was revalued using the year end rate which resulted in a gain in other comprehensive income of £830k.

The carrying value of the goodwill was tested for impairment during the current financial year by way of comparing the recoverable amount of each CGU with the carrying value of its net assets including goodwill. Based on the operating performance of the CGUs, no impairment of goodwill was necessary (2015: £23.5m).

The remaining valuations indicate sufficient headroom, such that a reasonably possible change to key assumptions would not result in any impairment of goodwill. Refer to note 19 for further information of the impairment review.



## 11. Property, plant and equipment

	<i>Leasehold Improvements</i>	<i>Computer Equipment &amp; Other</i>	<i>Furniture &amp; Office Equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Cost:				
<i>At 31 December 2014</i>	144	182	97	423
Additions	47	364	31	442
Assets acquired	-	200	76	276
<i>At 31 December 2015</i>	<b>191</b>	<b>746</b>	<b>204</b>	<b>1,141</b>
Additions	9	116	132	257
Transfers	(43)	-	43	-
Effect of translation to presentation currency	14	140	92	246
<i>At 31 December 2016</i>	<b>171</b>	<b>1,002</b>	<b>470</b>	<b>1,644</b>
Depreciation:				
At 31 December 2014	11	83	11	105
<b>Charge for the period</b>	<b>38</b>	<b>79</b>	<b>28</b>	<b>145</b>
Assets acquired	-	51	16	67
<i>At 31 December 2015</i>	<b>49</b>	<b>213</b>	<b>55</b>	<b>317</b>
Charge for the period	58	257	104	420
Effect of translation to presentation currency	-	18	5	22
<i>At 31 December 2016</i>	<b>107</b>	<b>488</b>	<b>164</b>	<b>759</b>
<i>Net Book value:</i>				
<i>31 December 2015</i>	<b>142</b>	<b>533</b>	<b>149</b>	<b>824</b>
<i>31 December 2016</i>	<b>64</b>	<b>514</b>	<b>306</b>	<b>885</b>



## 12. Trade and other receivables

		<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
			Restated
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
Trade receivables		633	556
Provision for bad debt		(239)	(165)
Other receivables		1,772	1,862
Amounts owed by related parties	3	84	-
Prepayments and accrued income		448	712
		<b>2,698</b>	<b>2,965</b>

Trade receivables are non-interest bearing and are payable on 30 day terms. All outstanding trade receivables that have not been provided for are considered to be recoverable.

As at 31 December, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2016	118	38	43	42	41	350	633
2015	131	35	38	30	26	296	556

See Note 20 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past, due nor impaired.

Amounts owed by related party are non-interest bearing and repayable on demand.

## 13. Cash and cash equivalents

	<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	7,793	31,448

## 14. Trade and other payables

	<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	5,005	3,474
Other payables	-	14
Accruals and deferred revenue	1,296	832
Corporate tax payables	28	(66)
Other taxes and social security costs	1,876	1,456
	<b>8,205</b>	<b>5,710</b>



## 15. Issued capital

### Ordinary shares called up and fully paid

	As at 31 December 2016		As at 31 December 2015	
Ordinary shares issued and fully paid	£'000		£'000	
Series C2 shares at £0.01 each	2,572,903	26	2,519,491	25
Totals	2,572,903	26	2,519,491	25

In March 2016, the company raised further funds of £4.5m by issuing 53,412 Series C2 shares to RGF Beauty UK Limited and RGIP LLC, the ultimate beneficiary of both is Recruit Holdings Co. Ltd.

## 16. Share based payments

The expense recognised for share based payments during the year is shown in the following table:

	Year ended 2016 £'000	Year ended 2015 £'000
Employee share option plans	-	1,709
Hurdle shares	1,438	925
Warrants issued to Kreos Capital	-	329
	<u>1,438</u>	<u>2,963</u>

### Employee share option plans

The group operates a "Hurdle shares" scheme whereby employees were issued shares in the company's parent company, RGF Beauty UK Ltd. These shares came with put option rights whereby the employees concerned could sell their vested shares within certain pre-agreed liquidity windows to the ultimate parent company Recruit Holding Co. Ltd, as well as a call option in favour of Recruit Holding Co. Ltd that comes into effect at the end of the vesting period. The prices at which the put and call options can be exercised are as determined by an agreed formula as set out in RGF Beauty's Articles of Association subject to the company achieving certain performance criteria. In total in 2016, 51,195 Hurdle shares were issued to with a hurdle value of £86.11. All are outstanding as at 31 December 2016 and none were cash settled during the period.

Management assessed the expected value to employees of the Hurdle shares scheme using reasonable forecasts of future performance of the Group and other reasonable estimates.

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

Fair value is determined using the Binominal pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.



Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

This estimated valuation has been expensed over the vesting period of the Hurdle shares resulting in a charge to the profit and loss account in 2016 of £1.4m (2015: £0.9m). The credit entry corresponding to the Hurdle share expense has been credited directly to retained earnings.

#### **Share Based Payments Assumptions**

The following inputs were applied when using the Binominal option pricing model to determine the fair value of options granted

	<i>Year ended</i> 2016	<i>Year ended</i> 2015
Share price	43	86.11
Exercise price	86.11	86.11
Expected volatility	55%	55%
Expected life (months)	3.33	4.33
Risk free rate	2%	2%
Discount rate applied	40%	40%

The inputs to the binomial model, being the share price of RGF at grant date, the volatility and the risk free rate. The share price used was the price paid by Recruit Holdings Co. Ltd. in 2015; in the 2016 valuation this was discounted by 50% to reflect the impairment of the investment in HVL recorded at 31 December 2015. The volatility was based on historical volatility of comparable listed companies.

During 2016 new C shares were granted to employees of HVL with the same terms and conditions as the awards granted in 2015. Management engaged an independent valuation expert to prepare the valuation of these awards at grant date. A discount rate of 40% (2015: 40%) has been applied to the value of the C shares resulting from the binomial model, to reflect the lack of marketability of the shares in the current market; this fell within the independent valuations expert appropriate range.



## 17. Related party transactions

The parent company and ultimate controlling entity of the Group is Recruit Holdings Co. Ltd. Note 9 provides information about the Group's structure, including details of the subsidiaries and the holding company. Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group considers its key management personnel to be the directors of the parent company and members of the Executive team. Key management personnel remuneration includes the following expenses:

	<i>Year ended</i> <b>2016</b> <i>£'000</i>	<i>Year ended</i> <b>2015</b> <i>£'000</i>
Short term employee benefits:		
Salaries including bonuses	<b>826</b>	822
Social security costs	<b>114</b>	114
Other benefits	<b>2</b>	2
Fees	<b>46</b>	90
	<b>988</b>	1,028
Post employment benefits:		
Defined benefit pension plans	<b>13</b>	12
Defined contribution pension plans	<b>13</b>	12
Termination benefits		
Share based payments	<b>941</b>	2,105
<b>Total remuneration</b>	<b>1,942</b>	3,145

## 18. Commitments

### *Operating lease commitments*

Total minimum lease payments under non-cancellable operating leases are as follows:

	<i>Year ended</i> <b>2016</b> <i>£'000</i>	<i>Year ended</i> <b>2015</b> <i>£'000</i>
Operating leases payment due:		
Within one year	<b>781</b>	562
In two to five years	<b>973</b>	1,347
In over five years	<b>-</b>	-
	<b>1,754</b>	1,909



## 19. Impairment review

The Group performed its annual impairment test in December 2016. The Group considers the relationship between the trading performance of each CGU and their book value when reviewing for indicators of impairment.

Each operating subsidiary represents a cash generating unit (CGU). Goodwill is allocated to the subsidiary on which it arose.

The recoverable amount of each segment was determined as the higher of its value-in-use and its fair value less costs to sell. Value-in-use was calculated using cash flow projections from financial budgets covering a five-year period, and fair value in use less costs to sell is calculated using cash flow projections covering a six-year period. Cash flows beyond this forecast period are extrapolated using a terminal growth rate. A post-tax discount rate has been used that reflects current market assessments of the time value of money and the risks specific to each CGU. The specific assumptions applied to each CGU as set out in the table below.

Cash flows for each CGU beyond the five-year period are extrapolated, assuming a terminal growth of 3% (2015: 2%) that reflects the expected growth based on market research. Management uses post-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the particular CGU. The post-tax discount rate applied to cash flow projections was 13-17% (2015: 15%-26%).

To assess for impairment, the fair value less costs to sell of the CGU is compared to the carrying value of the assets of that CGU including any attributed goodwill. If the resultant net present value of the discounted cash flows is less than the carrying value of the CGU including goodwill, the difference is written off through the income statement.

CGU	Method	Growth rates		Discount rates	
		2016	2015	2016	2015
Salonmeister GmbH	Value in use	3%	2%	17%	26%
UAB Lemon Labs	Value in use	3%	2%	13%	15%
Treatwell Holding BV	Value in use	3%	2%	13%	15%
Zensoon SAS	Value in use	3%	2%	17%	17%

In respect of the impairment review, the resultant net present value of the discounted cash flows of all entities reviewed was more than the carrying value of the CGU including goodwill, impairment was therefore deemed not necessary.

### *Carrying amount of goodwill allocated to each of the CGUs:*

	<i>Year ended</i>	<i>Year ended</i>
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>
Treatwell DACH GmbH	6,047	5,537
Treatwell LT UAB	1,041	949
Treatwell Holding BV	-	-
Treatwell FR	2,062	1,833
	<b>9,150</b>	<b>8,319</b>

As a result of this analysis, management has recognised nil impairment charges in the year.

The move in goodwill in the year relates to the revaluation of the goodwill in European subsidiaries at the year end exchange rate, this resulted in a foreign exchange gain in other comprehensive income of £830k (see note 10).

### *Discount rates*

The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.



### ***Growth rates***

Rates are based on published industry research, market conditions, economic factors, as well as competition faced from other businesses in these areas. Management has also considered general consumer confidence, including factors like job prospects, inflation and household disposable income. When determining the appropriate growth rates, management has also considered the regulatory environment.

### ***Discount rates***

The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

### ***Sensitivity Analysis***

Headroom is dependent upon sensitivities to these and other assumptions.

For Treatwell DACH GmbH a fall in forecast EBITDA of 10% or an increase in the WACC by 1.5% would be required before the carrying value of goodwill exceeded the recoverable amount and required impairment.

For Treatwell FR a fall in forecast EBITDA of 32% or an increase in the WACC by 4% would be required before the carrying value of goodwill exceeded the recoverable amount and required impairment.



## 20. Financial risk management

### *Financial assets*

	<i>Year ended</i>	<i>Year ended</i>
	<b>2016</b>	<b>2015</b>
		<i>Restated</i>
	<b>£'000</b>	<b>£'000</b>
<i>Current assets</i>		
Trade and other receivables	2,698	2,965
Cash and cash equivalents	7,793	31,448
	<b>10,491</b>	<b>34,413</b>

Loans and receivables are non-derivative financial assets. The carrying value may be affected by changes in the credit risk of the counterparties.

Management assessed that the carrying value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

### *Financial liabilities*

#### *Trade and other payables*

		<i>Year ended</i>	<i>Year ended</i>
		<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>
<i>Group</i>	<i>Maturity</i>		
Trade payables	Payable within 1 year	5,005	3,474
Other payables and accruals	Payable within 1 year	3,200	2,236
		<b>8,205</b>	<b>5,710</b>

### *Financial risk management objectives and policies*

The Group's financial instruments comprise cash, loans, borrowings and liquid resources, as well as various items such as trade receivables and trade payables that arise directly from its operations.

The Group does not enter into derivatives or hedging transactions.

The main risks arising from the Group's financial instruments are investment risk and liquidity risk. The Group also has exposure to foreign currency risk. The board reviews policies for managing each of these risks, and they are summarised as follows:



### **Liquidity risk**

The Group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December based on contractual (undiscounted) payments.

#### **As at 31 December 2016**

	<i>Total</i>	<i>On demand</i>	<i>Up to 1</i>	<i>2</i>	<i>3</i>
			<i>year</i>	<i>years</i>	<i>years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	-	-	-	-	-
Trade payables	5,005	-	5,005	-	-
Other financial liabilities	3,200	-	3,200	-	-
Deferred consideration	130	-	-	130	-

#### **As at 31 December 2015**

	<i>Total</i>	<i>On demand</i>	<i>Up to 1</i>	<i>2</i>	<i>3</i>
			<i>year</i>	<i>years</i>	<i>years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest-bearing loans and borrowings	-	-	-	-	-
Trade payables	3,474	-	3,474	-	-
Other financial liabilities	2,236	-	2,236	-	-
Deferred consideration	229	-	-	229	-

The Group aims to mitigate liquidity risk by managing cash generation by its operations. Investment is carefully controlled, with authorisation limits operating up to Board level and cash payback periods applied as part of the investment appraisal process.

### **Credit risk**

Credit risk is a risk that one or more counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is trade receivables, represented by the carrying value as at the balance sheet date.

Customer credit risk is managed by each business unit, subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are approved by management. The Group evaluates the concentration of risk with respect to trade receivables as low, due to the fact that its customers are often also suppliers to the business.

There is no material difference between the fair values and book values of the Group's trade receivables and no concerns relating to credit worthiness.

### **Capital management**

The Group manages its capital to ensure that entities with the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt, cash and equity balances.

The capital structure of the Group consists of cash and equity, comprising issued capital, reserves and retained earnings. Debt balances in existence in 2014, were fully repaid on 1 May 2015 on change of control.

The Group is not subject to any externally imposed capital requirements.



### ***Foreign currency risk***

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group monitors future foreign cash flow requirements and purchases currencies as required.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

	31-Dec-16	31-Dec-16	31-Dec-15	31-Dec-15
	EUR'000	£'000	EUR'000	£'000
Cash and cash equivalents	3,605	3,094	10,116	7,436
Trade and other receivables	1,329	1,140	712	523
Trade payables	696	597	806	592
Other financial liabilities	1,864	1,600	1,307	961
Deferred consideration	151	130	312	229
Interest-bearing loans and borrowings	-	-	-	-

### ***Interest rate risk***

The Group has no borrowings as at the balance sheet date and therefore is not directly exposed to interest rate risk.

## **21. Events after the reporting period**

In early 2017 the company entered into an agreement to obtain bridge loan funding of £4m from Recruit Holdings Co. Limited. The utilised funding was fully repaid against the capital injection that occurred in April.

In April 2017, the company raised further funds of £37.3m by issuing 442,729 Series C2 shares to RGF Beauty UK Limited and RGIP LLC, the ultimate beneficiary of both is Recruit Holdings Co Ltd




# Parent company balance sheet

As at 31 December 2016

		<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
			<i>Restated</i>
	<i>Notes</i>	<b>£'000</b>	<b>£'000</b>
<b>Non current assets</b>			
Investments	4	14,424	9,737
Intangible assets		92	-
Property, plant & equipment	5	335	361
		<b>14,851</b>	<b>10,098</b>
Trade and other receivables	6	26,740	9,133
Cash and cash equivalents		6,508	30,674
		<b>33,248</b>	<b>39,807</b>
<b>TOTAL ASSETS</b>		<b>48,099</b>	<b>49,905</b>
<b>EQUITY</b>			
Issued share capital	8	26	25
Share Premium		110,901	106,402
Retained deficit		(68,840)	(61,519)
<b>Equity attributable to equity shareholders of the parent</b>		<b>42,087</b>	<b>44,908</b>
<b>TOTAL EQUITY</b>		<b>42,087</b>	<b>44,908</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	4,408	3,301
Other financial liabilities	7	1,474	1,467
		<b>5,882</b>	<b>4,768</b>
<b>Non current liabilities</b>			
Deferred consideration		130	229
		<b>130</b>	<b>229</b>
<b>TOTAL LIABILITIES</b>		<b>6,012</b>	<b>4,997</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,099</b>	<b>49,905</b>

The notes on pages 38 to 48 form part of these financial statements.

These financial statements have been approved by the Board of Directors and signed on its behalf by:

  
 B.W. Leaver  
 15th June 2017  
 Registered company number: 06457679



## Parent company statement of changes in equity

For the year ended 31 December 2016

	<i>Notes</i>	<i>Issued share capital</i> £'000	<i>Share Premium</i> £'000	<i>Retained earnings/ (deficit)</i> £'000	<i>Total shareholders equity</i> £'000
<b>At 31 December 2014</b>		14	25,159	(16,291)	8,882
Issue of shares		11	81,243	-	81,254
Share based payments charge		-	-	2,961	2,961
Loss for the period (Restated)		-	-	(48,189)	(48,189)
<b>At 31 December 2015 (Restated)</b>		<b>25</b>	<b>106,402</b>	<b>(61,519)</b>	<b>44,908</b>
Issue of shares	8	1	4,499	-	4,500
Share based payments charge		-	-	1,438	1,438
Loss for the period		-	-	(8,759)	(8,759)
<b>At 31 December 2016</b>		<b>26</b>	<b>110,901</b>	<b>(68,840)</b>	<b>42,087</b>

The notes on pages 38 to 48 form part of these financial statements.



# Notes to the parent company financial statements

For the year ended 31 December 2016

## 1. Accounting policies

### *Basis of preparation*

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's loss for the year was £8.8m (2015 restated: £48.2m loss).

The parent company has taken advantage of the exemption which is conferred by FRS 102 that allows it not to present parent company cash flow statement.

The parent company has taken advantage of the exemption which is conferred by FRS 102 that allows it not disclose transactions with group undertakings that are eliminated on consolidation

### *Going concern*

Based on current and forecasted performance, the directors fully expect there to continue to be sufficient cash headroom for the foreseeable future. Furthermore, based on current and forecasted performance, the directors consider that the company will ultimately be profitable and cash generative.

Based on the above and the expected continued financial support of the Company's main shareholders, Recruit Holdings Co. Ltd, the directors have a reasonable expectation that the Group has adequate resources to continue to be able to pay its liabilities as they fall due for at least the next 12 months. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### *Revenue recognition*

Revenue comprises commissions earned from consumer bookings and vouchers purchased online through the Treatwell platform, income from suppliers for B2B services and licence fees for the provision of salon management software.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Income is recognised in respect of consumer commissions at the time of booking. Subscription income and software licence fee income is recognised over the period to which the subscription relates.



### ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements	-	over lease term
Furniture and fittings	-	4 years
IT equipment	-	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

### ***Intangible assets***

Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the company intends to and has sufficient resources to complete the project
- the company has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overhead and borrowing costs.

All intangible assets with a finite life, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are used:

- software: 3 years
- brand names: 5 years
- customer lists: 3 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets. Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.



### ***Borrowing costs***

Borrowing costs are recognised as an expense when incurred.

### ***Impairment of non-financial assets***

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see note 2.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement as a highlighted item in the period in which they are incurred. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units, to which goodwill relates.

Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. The Group performs its annual impairment test of goodwill based on the final day of the financial year.

### ***Investments and other financial assets***

Financial assets within the scope of IAS 39 are classified as financial assets held at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

The Group currently holds no financial assets held at fair value through profit or loss, held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The Group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial recognition loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### ***Assets carried at amortised cost***

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

### ***Cash and cash equivalents***

Cash and short term deposits in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

### ***Financial liabilities***

#### ***Interest bearing loans and borrowings***

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.



### ***De-recognition of liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### ***Leases***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the company substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease rentals, together with lease incentives are charged to the income statement on a straight line basis over the term of the lease.

### ***Provisions***

Provisions are recognised when the company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the company's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

### ***Exceptional items***

Exceptional items highlighted in the consolidated income statement are treated as such if the matters are non-recurring, material and fall within one of the categories below:

- a) restructuring costs of the company
- b) acquisition costs
- c) impairments, write downs/losses on disposal site closure costs and onerous leases

Acquisition costs are highlighted because they are one-off costs that are unique to each investment. The company only complete business acquisitions when appropriate opportunities arise and in line with executive strategy. Therefore, in any given period, acquisition costs can vary significantly and so do not reflect the costs of the day-to-day operations of the business. These are therefore split out in order to aid comparability with prior periods.

Costs relating to impairments, write-downs/losses on disposal are highlighted to the extent that they relate to one-off costs following any of the above activities. Impairments and write downs only occur in exceptional circumstances and are therefore highlighted. Similarly, the decision by management restructure elements of the organisation only occurs in exceptional circumstances; therefore, the costs associated with such an activity have also been highlighted.



### ***Share-based payments***

#### ***Equity-settled transactions***

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the Binominal pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.



## ***Taxes***

### ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

### ***Deferred income tax***

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except: where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary difference associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

### ***New standards and interpretations***

The following standards and interpretations in issue are not yet effective for the company and have not been adopted by the company:

#### **Effective dates**

IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 9 Financial Instruments (issued in 2014)	01-Jan-18
IFRS 16 Leases	01-Jan-19

Not all of these standards and amendments impact the companies consolidated financial statements.

The Directors do not expect the adoption of these standards and interpretations to have a material impact on the consolidated or company financial statements in the period of initial adoption with the exception of IFRS 16, the impact of which, the Directors have not yet made an assessment.



## 2. Significant accounting estimates, judgements and assumptions

The preparation of the company's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

### *Estimates*

#### *Impairment of non-financial assets and goodwill*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to changes in expected future cash flows. The cash flows are derived from the budget and projections for the next five years. These projections are influenced by factors which are inherently uncertain such as website traffic and non-controllable costs such as rent, rates and license costs. They do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable

#### *Share based payments*

The grant date fair value of share-based awards is calculated using a binominal option pricing model. In the case of hurdle shares awarded, this value represents the put option payoff. This option value is then discounted to reflect the lack of marketability of the hurdle shares at the time of valuation. Estimation uncertainty exists in respect of the inputs to the valuation including the company share price at the date of grant and the discount applied to the option value.

#### *Impairment of financial assets*

Management assess whether there are indicators of impairment of investment balances on an annual basis. Where there are indicators of impairment of individual assets, management estimate the recoverable amount of each asset based on expected future cash flows and use an appropriate interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Management assess the recoverability of loans, trade debtors and other receivable balances and record a provision to the extent that the balances are not considered recoverable.

### *Judgements*

#### *Operating lease commitments*

The company has entered into commercial property leases as a lessee. In doing so, it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

#### *Identification of intangible assets on business acquisitions*

An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. The identification and valuation of intangible assets acquired as part of business combinations requires judgement. Third party valuations were prepared as of the acquisition date and these incorporated assumptions made by management about business forecasts. For each business combination the balance of goodwill to other intangible assets is reviewed for appropriateness.

Acquired intangible assets, comprising brands, salon contracts, and software are amortised through the consolidated income statement on a straight line basis over their estimated economic lives of between three and five years. Significant judgement is required in determining the fair value and economic lives of acquired intangible assets.



### 3. Correction of an error

In 2015 an entry was posted to correct the amount of share capital issued by the Company as part of the acquisition of the business by Recruit Holdings Co Ltd. £2,030k related to transaction costs which it was believed that Recruit Holdings Co Ltd. would bear these costs, resulting in a receivable balance being recorded on the Company's balance sheet.

During the current year it was identified that this amount in fact related to company transaction costs which were not to be borne by Recruit Holdings Co. Ltd. but rather should have been recorded as an expense in the books of Hotspring Ventures Limited.

A prior year adjustment has been posted in the financial statements to reverse the intercompany balance receivable from RGF Beauty and RGIP LLC which was recorded in the Company and to recognise the full amount as an expense in 2015, which is included in the income statement within exceptional items.

***Impact on statement of profit or loss increase/(decrease) in profit***

	2015		2015
	As reported	Adjustment	Restated
Loss for the year	(46,159)	(2,030)	(48,189)

***Impact on statement of financial position increase/(decrease)***

Receivables from related parties	2,030	(2,030)	-
Retained deficit	(59,489)	(2,030)	(61,519)



#### 4. Investments

	<i>Year ended</i> <b>2016</b>	<i>Year ended</i> <b>2015</b>
<i>Investments in subsidiary companies</i>	<i>£'000</i>	<i>£'000</i>
Treatwell DACH GmbH	6,432	5,887
Treatwell LT UAB	1,196	1,090
Treatwell BNL B.V.	972	832
Treatwell FR	2,156	1,919
Treatwell Spain s.l.	3,661	2
Treatwell IT s.r.l.	7	7
	<b>14,424</b>	<b>9,737</b>
	<i>£'000</i>	
Cost at 1 January 2016	33,248	
Additions in year	5,750	
Cost at 31 December 2016	<b>38,998</b>	
Accumulated impairment at 1 January 2016	23,511	
Impairment loss	2,091	
Accumulated impairment at 1 January 2016	<b>25,602</b>	
Fx (Loss)/gain	1,028	
Accumulated FX Loss (gain)	<b>1,028</b>	
<b>Net Book Value 31 December 2015</b>	<b>9,737</b>	
<b>Net Book Value 31 December 2016</b>	<b>14,424</b>	

On 31 December 2016, management conducted an impairment review of the carrying value of its investments. This review considered the recoverable amount of the investments after deducting their liabilities to external suppliers and the liabilities owed to the parent company. In the year £5.7m worth of loans were converted into equity. On reviewing the impairment charge £2.1m worth of impairment was debited to the income statement.

For details of all direct and indirect subsidiaries of the company, refer to the Group accounts note 9.



## 5. Property, plant and equipment

	£'000	£'000	£'000	£'000
	<i>Leasehold Improvements</i>	<i>Computer Equipment &amp; Other</i>	<i>Furniture &amp; Office Equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
<b>At 31 December 2014</b>	141	131	97	369
Additions	47	125	19	191
Disposals	-	-	-	-
<b>At 31 December 2015</b>	<b>188</b>	<b>256</b>	<b>116</b>	<b>560</b>
Additions	56	60	34	151
Transfers	(43)	-	43	-
Disposals	-	-	-	-
<b>At 31 December 2016</b>	<b>202</b>	<b>316</b>	<b>193</b>	<b>711</b>
<b>Depreciation:</b>				
<b>At 31 December 2014</b>	10	53	11	74
Charge for the period	38	59	28	125
<b>At 31 December 2015</b>	<b>48</b>	<b>112</b>	<b>39</b>	<b>199</b>
Charge for the period	56	81	40	177
<b>At 31 December 2016</b>	<b>104</b>	<b>193</b>	<b>79</b>	<b>376</b>
<b>Net Book value:</b>				
<b>At 31 December 2015</b>	<b>140</b>	<b>144</b>	<b>77</b>	<b>361</b>
<b>At 31 December 2016</b>	<b>97</b>	<b>123</b>	<b>114</b>	<b>335</b>

## 6. Trade and other receivables

	<i>Year ended 2016</i>	<i>Year ended 2015</i>
		Restated
	£'000	£'000
Amounts due from Group undertakings	25,252	6,684
Amounts due from Recruit Holdings Co. Ltd (restated)	84	-
Trade and other receivables	1,404	2,449
	<b>26,740</b>	<b>9,133</b>

At year end amounts due from group undertakings were reviewed for impairment. The result of this review created a reversal of a provision and £4.2m was credited back to the income statement.

Amounts due from Group undertakings are interest bearing and repayable on demand. Amounts owed by Recruit Holdings Co. Ltd are non-interest bearing and repayable on demand.



## 7. Trade and other payables

	<i>Year ended</i> <b>2016</b> <i>£'000</i>	<i>Year ended</i> <b>2015</b> <i>£'000</i>
Trade payables	4,408	3,255
Other financial liabilities	1,474	1,467
Amounts due to Group undertakings	-	46
	<u>5,882</u>	<u>4,768</u>

## 8. Share Capital

	<i>As at 31 December 2016</i>		<i>As at 31 December 2015</i>	
<i>Ordinary shares issued and fully paid</i>	<i>£'000</i>		<i>£'000</i>	
Series C2 shares at £0.01 each	2,572,903	26	2,519,491	25
Totals	<u>2,572,903</u>	<u>26</u>	<u>2,519,491</u>	<u>25</u>

In March 2016, the company raised further funds of £4.5m by issuing 53,412 Series C2 shares to RGF Beauty UK Limited and RGIP LLC, the ultimate beneficiary of both is Recruit Holdings Co. Ltd.

## 9. Events after the reporting period

In early 2017 the company entered into an agreement to obtain bridge loan funding of £4m from Recruit Holdings Co. Limited. The utilised funding was fully repaid against the capital injection that occurred in April.

In April 2017, the company raised further funds of £37.3m by issuing 442,729 Series C2 shares to RGF Beauty UK Limited and RGIP LLC, the ultimate beneficiary of both is Recruit Holdings Co Ltd