SKN Limited

Directors' report and financial statements

Registered number 5636471

For the year ended 31 August 2013

Directors' report

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

Principal activity and business review

The principal activity of the company is that of providing business consultancy services.

Results and dividends

The results for the period are set out on page 5.

The directors do not recommend the payment of a dividend *(2012: £Nil)*.

Directors

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

Mr N McCausland
Mr A Randall
Mr R Bowser

Charitable and political donations

The company made no political or charitable donations or incurred any political expenditure during the year *(2012: £Nil)*.

Disclosure of information to auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

R Bowser
Director

34 Harborne Road
Edgbaston
Birmingham
West Midlands
B15 3AA

20 December 2013

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of SKN Limited

We have audited the financial statements of SKN Limited for the year ended 31 August 2013 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of SKN Limited *(continued)*

Matters on which we are required to report by exception

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

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

SS Purkess

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

20 December 2013

Profit and loss account
for the year ended 31 August 2013

	Note	2013 £000	2012 £000
Turnover	*1*	**120**	200
Administrative expenses		**(736)**	(1,031)
Operating loss		**(616)**	(831)
Operating loss before exceptional items		**(687)**	(636)
Exceptional items	*3*	**(71)**	(195)
Operating loss		**(616)**	(831)
Interest payable	*5*	**(2,204)**	(2,382)
Loss on ordinary activities before taxation	*2*	**(2,820)**	(3,213)
Tax on loss on ordinary activities	*6*	**-**	-
Loss for the financial year	*14*	**(2,820)**	(3,213)

All amounts above relate to continuing operations.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities and the loss for the financial year and their historical cost equivalents.

The notes on pages 8 to 15 form part of the financial statements.

Movements on reserves are shown in note 14 to the financial statements.

Balance sheet
at 31 August 2013

	Note	2013 £000	£000	2012 £000	£000
Fixed assets					
Tangible assets	*7*		1		3
Investments	*8*		28,214		28,214
			28,215		28,217
Current assets					
Debtors	*9*	57		10	
Creditors: Amounts falling due within one year	*10*	(804)		(2,277)	
Net current liabilities			(747)		(2,267)
Total assets less current liabilities			27,468		25,950
Creditors: Amounts falling due after more than one year	*11*		(53,484)		(49,146)
Net liabilities			(26,016)		(23,196)
Capital and reserves					
Called up share capital	*13*		-		-
Profit and loss account	*14*		(26,016)		(23,196)
Shareholder's deficit			(26,016)		(23,196)

These financial statements were approved by the board of directors on 20 December 2013 and signed on its behalf by:

R Bowser
Director

Company registered number: 5636471

Reconciliation of movements in shareholder's funds
for the year ended 31 August 2013

	2013 £000	2012 £000
Loss for the financial year	**(2,820)**	(3,213)
Net decrease to shareholder's deficit	**(2,820)**	(3,213)
Opening shareholder's deficit	**(23,196)**	(19,983)
Closing shareholder's deficit	**(26,016)**	(23,196)

Notes
(forming part of the financial statements)

1 Principal accounting policies

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

Basis of preparation

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

The company and the group meets its day to day working capital requirements and medium term funding requirements supported by its banking facilities which were successfully refinanced in August 2013. The nature of the group's business is such that there can be variation in the timing and extent of cash inflows. In line with its normal management practices the directors have prepared projected cash flow information for the period ending twelve months from the date of the approval of the financial statements and a business plan forecast for the five financial years to 31 August 2018. These projections and forecasts take into account such variations to an extent which they consider to be reasonable, based on the information that is available to them at the time of approval of the financial statements. On the basis of this cash flow information the directors consider that the company and the group will be able to continue to operate within the facilities currently in place for at least the next twelve months from approval of these financial statements.

The going concern basis assumes that the company will continue to trade since SKN Holdings Limited has indicated that it will provide or procure such funds as are necessary to enable the company to continue its activities for a period of at least twelve months and enable the company to pay its debts on this basis. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Group financial statements

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Related party transactions

As the company is a wholly owned subsidiary of SKN Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Investment

Shares in subsidiary undertakings are stated at cost less amounts written off where, in the opinion of the directors, there has been a diminution in the value of the investments.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful lives. The rates of depreciation are as follows:

Office equipment	-	33% - 20% straight line

Notes *(continued)*

1 Principal accounting policies *(continued)*

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover comprises amounts charged to group companies in respect of management charges.

Debt costs

Debt issue costs in relation to the new banking facilities are offset against debt and amortised over a term of five years. Any remaining debt issue costs in relation to the old banking facilties have been fully amortised during the current year..

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (ie forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

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

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

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

2 Loss on ordinary activities before taxation

	2013	2012
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Depreciation	**2**	31

Auditor's remuneration	**£000**	£000
Audit of these financial statements	**1**	1

Notes *(continued)*

3 Operating exceptional items

	2013 £000	2012 £000
Restructuring costs	50	195
Refinancing	(121)	-
	(71)	195

4 Directors and employees

The average number of employees employed by the company during the year was 3 *(2012: 3)* – all of whom were administrative.

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	418	396
Social security costs	47	57
Pension costs	46	38
	511	491

	£000	£000
Directors' emoluments (including benefits in kind):		
Emoluments	454	360
Pension contributions	50	25
Amounts in respect of highest paid director:		
Emoluments	315	250
Pension contributions	50	21

5 Interest payable

	2013 £000	2012 £000
Bank interest payable	412	719
Loan note interest	1,614	1,495
Amortised debt issue costs	178	168
	2,204	2,382

Notes *(continued)*

6 Taxation

(i) Analysis of charge in year

There is no current or deferred tax arising in either the current or prior year.

(ii) Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2012: lower)* than the standard rate of corporation tax in the UK of 24% *(2012: 25%)*.

	2013	2012
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	(2,820)	(3,213)
Current tax at 24% *(2012: 25%)*	(665)	(809)
Effects of:		
Expenses not deductible	183	104
Group relief surrendered not paid for	410	705
Capital allowances less than depreciation	(11)	-
Movement in timing differences	83	-
Total current tax charge (see above)	-	-

A deferred tax asset has not been recognised in respect of timing differences between depreciation and capital allowances of £49,908 *(2012: £87,000)* as there is insufficient evidence that the asset will be recovered in the foreseeable future.

(iii) Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 August 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

Notes *(continued)*

7 Tangible fixed assets

	Office equipment £000
Cost	
At beginning and end of year	379
Accumulated depreciation	
At beginning of year	376
Charge for year	2
At end of year	378
Net book value	
At 31 August 2013	**1**
At 31 August 2012	3

8 Fixed asset investments

	Shares in group undertakings £000
Cost and net book value	
At beginning and end of year	**28,214**

The principal subsidiary undertakings at the year end are as follows:

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

* Denotes indirect shareholding

Notes *(continued)*

9 Debtors

	2013 £000	2012 £000
Other debtors	57	10

10 Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Bank loans (secured – see note 11)	562	2,076
Other creditors and accruals	242	201
	804	2,277

11 Creditors: Amounts falling due after more than one year

	2013 £000	2012 £000
Bank loans (secured)	5,467	6,267
Amounts owed to group undertakings	28,765	25,277
Institutional loans	2,218	2,122
Management and Institutional loan notes	17,034	15,480
	53,484	49,146

Secured bank loans bear interest at normal variable commercial rates.

Institutional loans constitute a £2,000,000 unsecured revolving credit facility guarantee. Interest is charged at 5% over base per annum.

Management loan notes constitute £58,000 *(2012: £58,000)* unsecured fixed rate £1 "B" loan notes. Interest is charged at 10.7% per annum and is payable upon redemption.

Unless previously redeemed, the "B" loan notes shall be redeemed at par by the company on the earlier of a sale of listing of the company or 1 April 2015.

On 2 August 2013 the Group agreed a new debt facility with Santander tio replace its previous arrangements. The term loan was repaid in full. The new facilities comprise a £6 million term loan and a £500,000 revolving credit facility ("RCF") both expiring in August 2018.

The interest rate incurred by the Group is based on a margin above LIBOR. The new facilities are secured by fixed and floating charges over certain assets. The Group has guarantees and bonds issued by Santander on its behalf to third parties at 31 August 2013 amounting to £6,400,000 at 31 August 2013 *(2012: £8,475,000).*

The company may redeem the "B" loan notes by giving not less than seven, or more than thirty days notice.

Institutional loan notes constitute £11,352,000 *(2012: £11,352,000)* unsecured fixed rate "A" loan notes. Interest is charged at 10.7% per annum and is payable upon redemption.

Unless previously redeemed, the "A" loan notes shall be redeemed at par by the company on the earlier of a sale of listing of the company or 31 August 2018.

Notes *(continued)*

12 Analysis of debt

	2013 £000	2012 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	562	2,076
Between one and two years	876	6,375
Between two and five years	23,843	17,494
Analysed net of debt issue costs	25,281	25,945

13 Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid:		
1 ordinary share of £1	1	1

14 Profit and loss account

	£000
At beginning of year	(23,196)
Loss for the financial year	(2,820)
At end of year	**(26,016)**

15 Contingent liabilities

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

16 Fair value of assets and liabilities

The company has a derivative financial instrument that it has not recognised at fair value.

Bank loans are subject to an interest rate cap with a capped interest rate of 1% to 31 December 2013 and of 3% thereafter until 30 December 2013. The fair value of the interest rate cap at 31 August 2013 was a profit of £Nil *(2012 : £1,300).*

17 Related party disclosures

During the year, fees of £40,000 *(2012: £61,000)* were charged to the company by Graphite Capital Partners VI. As at year end, the company owed Graphite Capital Partners VI £Nil. *(2012: £257,000).*

18 Ultimate parent company

The company's ultimate parent company is SKN Holdings Limited, which is registered in England and is the only group within which the results of this company are consolidated. The consolidated financial statements of SKN Holdings Limited are available from 34 Harborne Road, Edgbaston, Birmingham B15 3AA.

Notes *(continued)*

19 Ultimate controlling party

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