

Pulse Home Products Limited
Annual report
for the year ended 31 December 2000

Registered Number 713656



Pulse Home Products Limited
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for the year ended 31 December 2000

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Pulse Home Products Limited

Directors and Advisors for the year ended 31 December 2000

Directors

D W Allen
D S Gough
M Jones
M T Davies
M J Edwards
D P Goddard

Secretary

M W Perkins

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Pinsent Curtis
3 Colmore Circus
Birmingham
B4 6BH

Edwards Geldard
Dumfries House
Dumfries Place
Cardiff
CF1 4YF

Bankers

National Westminster Bank
Birmingham City Office
PO Box 87
Colmore Row
Birmingham
B3 3NS

Registered Office

Baxi Group
Sceptre Way
Bamber Bridge
Preston
Lancs
PR5 6AW

Registered Number

713656

Pulse Home Products Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

Principal activities

The principal activities of the company are the sale of small domestic appliances and the manufacture and sale of electric blankets.

Review of business and future developments

Both the level of business and the year end financial position were considered to be satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future. Volumes of product sold in the year increased significantly over the prior year, although the overall profitability of the company was affected by a fall in margin in a competitive market, combined with significant charges in respect of warranty costs.

Under an agreement dated 17 April 2000 but with an effective date of 1 January 2000 the company acquired certain assets and liabilities of its subsidiary company VTVA (Consumer Products) Limited. Further details can be found in note 21.

Results and dividends

The company's retained loss for the year was £1,936,000. No dividends have been paid or are declared.

Directors and their interests

The directors who held office during the year are given below:

D W Allen
D S Gough
P A Sykes (resigned 21 March 2001)
M Jones
M T Davies
M J Edwards
D P Goddard

None of the directors had any interest in the share capital of the company or any subsidiary of Baxi Group Limited at the balance sheet date.

Following the merger of Newmond PLC with Baxi Holdings plc in November 2000, the directors' interests in the issued ordinary share capital of Newmond PLC were repaid in full.

As permitted by statutory instrument the interests of M T Davies and M J Edwards in the share capital of Baxi Group Limited are disclosed in the financial statements of that company. D P Goddard is also a director of Newmond Limited (formerly Newmond PLC) and his interests in the share capital of Baxi Group Limited are disclosed in its financial statements.

Introduction of the euro

The company continued to undertake a high-level analysis of the impact of the introduction of the euro, although the introduction of the euro is not expected to have a significant impact on the company's operations.

Charitable and political donations

The company has not made any political donations during the year. Charitable donations were nominal in amount.

Pulse Home Products Limited

Employees

Regular meetings are held with the employee's representatives, at which the position of the company is fully discussed.

The company's policy is to ensure that as far as is reasonably practicable, there is a working environment that will minimise the risk to the health and safety of its employees or persons on its premises.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person.

Policy and practice on payment of creditors

The company's current policy concerning the payment of the majority of its trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU). For other suppliers, the company's policy is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

At the balance sheet date, the amount due to trade creditors represented 64 (1998: 58) days of purchases during the year.

Pulse Home Products Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

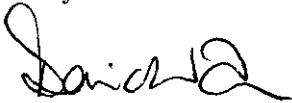
The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



D W Allen
Director

21 May 2001

Pulse Home Products Limited

Auditors' report to the members of Pulse Home Products Limited

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

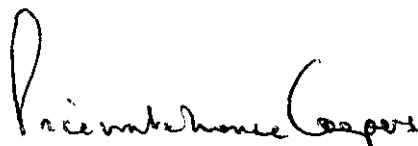
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Manchester

21 May 2001

Pulse Home Products Limited

Profit and loss account for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Turnover	1	43,623	34,422
Cost of sales		(34,653)	(26,731)
Gross profit		8,970	7,691
Distribution costs		(1,701)	(1,049)
Administrative expenses		(8,872)	(4,665)
Operating (loss)/profit		(1,603)	1,977
Amounts written off investments	8	(797)	-
Interest payable and similar charges	4	(47)	(13)
(Loss)/profit on ordinary activities before taxation	5	(2,447)	1,964
Tax on (loss)/profit on ordinary activities	6	511	(674)
Retained (loss)/profit for the financial year	17	(1,936)	1,290

All items dealt with in arriving at operating profit and loss for both periods relate to continuing operations.

The notes on pages 11 to 19 form part of these financial statements.

Pulse Home Products Limited

Statement of total recognised gains and losses for the year ended 31 December 2000

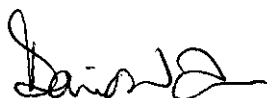
	2000 £'000	1999 £'000
(Loss)/profit for the financial year	(1,936)	1,290
Total recognised gains and losses relating to the year	(1,936)	1,290
Prior year adjustment (as explained in note 14)	243	
Total gains and losses recognised since the last annual report	(1,693)	

Pulse Home Products Limited

Balance sheet as at 31 December 2000

	Notes	2000 £'000	1999 (restated) £'000
Fixed assets			
Tangible assets	7	846	1,025
Investments	8	363	1,198
		1,209	2,223
Current assets			
Stocks	9	7,189	5,256
Debtors	10	11,785	9,109
Cash at bank and in hand		7,252	9,429
		26,226	23,794
Creditors: amounts falling due within one year	11	(15,818)	(13,828)
Net current assets		10,408	9,966
Total assets less current liabilities		11,617	12,189
Creditors: amounts falling due after more than one year	12	(10)	-
Provisions for liabilities and charges	13	(2,304)	(950)
Net assets		9,303	11,239
Capital and reserves			
Called up share capital	16	10,722	10,722
Profit and loss account	17	(1,419)	517
Equity shareholders' funds	18	9,303	11,239

The financial statements on pages 6 to 19 were approved by the board of directors on 21 May 2001 and signed on its behalf by:



D W Allen
Director

Pulse Home Products Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Prior year adjustment

The company has adopted the recent accounting standard on deferred taxation, FRS 19. These financial statements have been restated to reflect this change on the 1999 comparative numbers. The impact on the reported results for 1999 and 2000 as a result of this change are not material.

Consolidation

The company is itself a subsidiary company. Consolidated financial statements have not been prepared as the company is itself a wholly owned subsidiary of the Baxi Group Limited, a company registered in England and Wales. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Tangible fixed assets

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Short leasehold	Period of lease
Plant and equipment	10 - 33.3

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Investments

Fixed asset investments are held at cost less any provision for permanent diminution in value.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes attributable overheads where appropriate. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Warranty provision

A provision is made in the year of sale to cover the estimated future liability for warranty returns and the associated costs. Credit notes issued in respect of warranty claims by customers are charged against this provision.

Foreign currencies

Assets and liabilities denominated in overseas currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Amounts covered by currency hedges are translated at contracted rates. Individual transactions are translated at the rate of exchange ruling on the date of the transaction. All exchange differences are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Pulse Home Products Limited

Deferred taxation

Full provision is made for the tax liability on all timing differences in accordance with FRS 19. Deferred tax balances have not been subject to discounting.

Pension costs

The majority of the company's employees are members of the Newmond Pension Plan, a group pension scheme which is funded by contributions partly from the employees and partly from the company at rates determined by an independent actuary. Details of the plan are disclosed in the financial statements of Baxi Group Limited. The pension costs comprise regular cost less variations calculated in accordance with Statement of Standard Accounting Practice No 24.

Cash flow statement and related party disclosures

The company's ultimate parent undertaking is the Baxi Group Limited and the company is included in the consolidated financial statements of the Baxi Group Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt, under the terms of Financial Reporting Standard 8, from disclosing related party transactions with entities that are part of the Baxi group of companies.

Pulse Home Products Limited

Notes to the financial statements for the year ended 31 December 2000

1 Turnover

The analysis by geographical area of destination of the company's turnover is set out below:

	2000 £000	1999 £'000
United Kingdom	40,726	31,794
European Union	2,897	2,521
Other	-	107
	43,623	34,422

All turnover relates to the company's principal activity.

2 Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments	298	409

Retirement benefits are accruing to four of the directors (1999: 4) under the company's defined benefit scheme.

	2000 £'000	1999 £'000
Highest paid director		
Aggregate emoluments	104	167
Accrued pension at the end of the year	10	8

The emoluments of Messrs Davies and Edwards are paid by the ultimate parent company which was Newmond Limited (formerly Newmond PLC) until 22 November 2000 and subsequently has been Baxi Group Limited. Their services to the company are of a non-executive nature.

The emoluments of D P Goddard are paid by Newmond Limited and his emoluments are shown in the financial statements of that company.

Pulse Home Products Limited

3 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2000 Number	1999 Number
By activity		
Production	169	147
Selling and distribution	22	15
Administration	18	15
	209	177

	2000 £'000	1999 £'000
Staff costs (for the above persons)		
Wages and salaries	2,819	2,437
Social security costs	251	218
Pension costs	130	77
	3,200	2,732

4 Interest payable and similar charges

	2000 £'000	1999 £'000
Interest payable on overdrafts and bank loans	46	13
Finance lease charges	1	-
	47	13

5 (Loss)/ profit on ordinary activities before taxation

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	399	315
Leased assets	1	-
Research and development expenditure	236	256
Auditors' remuneration for:		
Audit	21	16
Non-audit services	-	-
Hire of plant and machinery - operating leases	109	42
Hire of other assets - operating leases	88	91

Pulse Home Products Limited

6 Tax on (loss)/profit on ordinary activities

(a) Analysis of (credit)/charge in year:

	2000 £'000	1999 £'000
Current tax:		
United Kingdom corporation tax at 30% (1999: 30.25%):	(421)	689
Adjustments in respect of prior periods	(329)	(15)
Total current tax (note 6b)	(750)	674
Deferred tax:		
United Kingdom corporation tax at 30% (1999: 30.25%):	(38)	-
Adjustments in respect of prior periods	277	-
Total deferred tax (note 14)	239	-
	(511)	674

(b) Factors affecting tax credit for the period

The tax credit for the year is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2000 £'000	1999 £'000
(Loss)/profit on ordinary activities before tax	(2,447)	1,965
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (1999: 30.25%):	(734)	594
Effects of:		
Expenses not deductible for tax purposes	281	38
Adjustments to tax charge in respect of previous periods	(329)	(15)
Difference between capital allowances and depreciation	35	-
Short term timing differences	(3)	57
Current tax charge for year (note 6 a)	(750)	674

(c) Factors that may affect future tax charges

The future effective rate of tax is expected to be in line with the effective rate of tax for the current period.

Pulse Home Products Limited

7 Tangible fixed assets

	Short Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2000	180	1,622	1,802
Transfer from subsidiary	-	46	46
Additions	71	141	212
Disposals	-	(45)	(45)
At 31 December 2000	251	1,764	2,015
Depreciation			
At 1 January 2000	77	700	777
Charge for year	100	300	400
Disposals	-	(8)	(8)
At 31 December 2000	177	992	1,169
Net book value			
At 31 December 2000	74	772	846
Net book value			
At 31 December 1999	103	922	1,025

8 Fixed asset investments

	Shares in subsidiary £'000
Cost	
At 31 December 1999	1,198
Amounts written off	(797)
Adjustment to deferred consideration	(38)
At 31 December 2000	363

The investment represents a 100% interest in the share capital of Viva (Consumer Products) Limited, a company incorporated in the United Kingdom. During the year, the business, assets and liabilities of Viva (Consumer Products) Limited were transferred to the company at net book value by way of intercompany account. Following this transaction, Viva (Consumer Products) Limited ceased to trade and is now dormant, and the company's investment has been written down to net asset value.

Pulse Home Products Limited

9 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	1,063	597
Work in progress	224	212
Finished goods	5,902	4,447
	7,189	5,256

10 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year		
Trade debtors	9,680	5,890
Amounts owed by group undertakings	332	2,307
Prepayments and accrued income	588	212
Deferred tax	4	243
Corporation tax recoverable	798	-
Other debtors	383	457
	11,785	9,109

11 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	6,953	6,951
Amounts owed to group undertakings	3,739	3,094
Finance leases	6	-
Corporation tax	-	385
Other taxation and social security	1,226	1,243
Other creditors	1,011	1,067
Accruals and deferred income	2,883	1,088
	15,818	13,828

12 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Finance leases	10	-

Pulse Home Products Limited

13 Provisions for liabilities and charges

Warranty provision	£'000
At 1 January 2000	950
Transfer from subsidiary	319
Charged to profit and loss account	5,171
Utilised in the year	(4,136)
At 31 December 2000	2,304

The provision relates to the estimated future liability for warranty returns and the associated costs on products sold in the financial year. The amount utilised in the year of £4,136,000 (1999: £2,574,000) represents the value of credit notes issued in respect of warranty claims by customers.

14 Deferred taxation

	Amount provided		Amount unprovided	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	1	44	-	-
Other short term timing differences	(5)	(287)	-	-
	(4)	(243)	-	-
				£'000

At 1 January 2000	
As previously reported	-
Prior year adjustment on adoption of FRS 19	(243)
As restated	(243)
Deferred tax charge to profit and loss account	239
At 31 December 2000	(4)

The company has adopted the recent accounting standard on deferred taxation, FRS 19. These financial statements have been restated to reflect this change on the 1999 comparative numbers. The impact on the reported results for 1999 and 2000 as a result of this change are not material.

15 Pension and similar obligations

During the year, the majority of the company's employees were members of the Newmond Pension Plan, a group pension scheme. The Newmond Pension Plan is of the defined benefit type, and costs are assessed with the advice of a qualified actuary using the projected unit method.

The cost of contributions to the group scheme amounted to £130,000 (1999: £77,000) and are based on pension costs across the group as a whole. The actuarial method used, the description of the main actuarial assumptions, and the results of the most recent formal valuation including the level of funding are included in the financial statements of Baxi Group Limited for the year ended 31 December 2000.

Pulse Home Products Limited

16 Called up share capital

	2000 £'000	1999 £'000
Authorised		
11,500,000 ordinary shares of £1 each	11,500	11,500
Allotted, called up and fully paid		
10,722,000 ordinary shares of £1 each	10,722	10,722

17 Profit and loss account

	2000 £'000	1999 £'000
Opening balance as previously reported	274	(1,016)
Prior year adjustment – adoption of FRS 19	243	243
At start of year as restated	517	(773)
Retained loss for the year	(1,936)	1,290
At 31 December 2000	(1,419)	517

18 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 (restated) £'000
(Loss)/profit for the financial year	(1,936)	1,290
Opening shareholders' funds (originally £10,996,000 before adding prior year adjustment of £243,000)	11,239	9,949
Closing shareholders' funds	9,303	11,239

19 Contingent liabilities

The company is a guarantor, with other group companies, of loans totalling £405.7 million made by Baxi group bankers to New Baxi Holdings Limited, Baxi Finance Limited, and Financiere Celsius SA, which are all fellow subsidiary companies. The guaranteed amount in 1999 in respect of loans by Newmond group bankers was £111.5 million.

The company has also guaranteed the bank borrowings of its fellow subsidiaries. At 31 December 2000, the borrowings from banks under such guarantees were £33.8 million.

Pulse Home Products Limited

20 Financial commitments

At 31 December 2000 the company had annual commitments under operating leases as follows:

	2000	Other	1999	Other
	Land and buildings £'000	£'000	Land and buildings £'000	£'000
Expiring within one year	90	10	-	11
Expiring between two and five years inclusive	-	61	90	17
Expiring after five years	-	2	-	-
	90	73	90	28

Finance leases

Future minimum payments under finance leases are as follows:

	2000	1999
	£'000	£'000
Within one year	6	-
In more than one year, but not more than five years	10	-
After five years	-	-
	16	-

Pulse Home Products Limited

21 Acquisitions

On 17 April 2000 but with effect from 1 January 2000 the company acquired the trade and certain assets and liabilities of its subsidiary company VIVA (Consumer Products) Limited. The consideration was settled by way of intercompany account.

The assets and liabilities of VIVA (Consumer Products) Limited that were acquired can be summarised as follows:

	Book and fair value £'000
Tangible fixed assets	46
Stock	149
Debtors	1,707
Cash	186
Creditors	(1,406)
Provisions	(319)
Net assets acquired	363
Consideration satisfied by intercompany account	363

22 Ultimate parent undertaking and control

The company's ultimate holding company and controlling party became Baxi Group Limited, a company incorporated in Great Britain, with effect from 22 November 2000. The ultimate holding company was previously Newmond PLC who merged with Baxi Holdings plc on 22 November 2000 to form Baxi Group Limited. Copies of the Baxi Group Limited consolidated accounts are available from: The Secretary, Baxi Group Limited, Pentagon House, Sir Frank Whittle Road, Derby DE21 4XA.