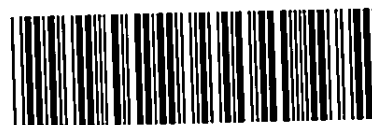


GHD GROUP HOLDINGS LIMITED

REPORTS AND FINANCIAL STATEMENTS

**PERIOD 4 JULY 2007
to 31 DECEMBER 2007**

SATURDAY



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COMPANIES HOUSE

GHD GROUP HOLDINGS LIMITED

CONTENTS	Page
Directors and company information	1
Directors' report	2
Independent auditor's report	6
Accounting policies	8
Consolidated profit and loss account	10
Consolidated balance sheet	11
Consolidated cash flow statement	12
Reconciliation of net cash flow to movements in net debt	13
Consolidated statement of total recognised gains and losses	13
Consolidated reconciliation of movements in shareholders' funds	13
Company balance sheet	14
Notes to the financial statements	15

GHD GROUP HOLDINGS LIMITED

Directors
J Fox (appointed 4 July 2007)
A Greensmith (appointed 14 July 2007)
M Hall (appointed 4 July 2007)
M Penny (appointed 4 July 2007)
S Pooler (appointed 14 July 2007)
A Meehan (appointed 6 February 2008)

Secretary
A Pitter (appointed 4 July 2007)

Registered office
c/o Eversheds LLP
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

Bankers
Barclays Bank plc
North West Larger Business Team
7th Floor
1 Marsden Street
Manchester
M2 1HW

Auditors
Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

GHD GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the period ended 31 December 2007

Principal activities

The principal activity of the company is as an ultimate holding company for the Jemella group of companies, businesses involved in the distribution of hair care products

The company was incorporated on the 4 July 2007

On the 14 July 2007 the company acquired 100% of the issued ordinary share capital of GHD Holdings Limited for a consideration of £965,000 Further details are included in note 19

The company did not trade prior to the acquisition of GHD Holdings Limited

Business review

The group's key financial and non-financial performance indicators during the period were as follows

	Period to 31 Dec 07
Group turnover	£71,770,000
Operating profit	£20,785,000
Net cash from operating activities	£19,928,000
Average number of employees	268
Number of principal countries	9

Group turnover and operating profit showed strong growth post acquisition in all countries as the group continued to invest in and develop the brand

Net cash from operating activities remained strong post acquisition due to good working capital management as well as increased operating profit

During the year, Jemella Limited purchased the salon distributor network in the UK This will provide greater service to our salon customers through more effective distribution

The average number of employees increased post acquisition following the underlying growth in the overseas businesses and the acquired businesses

The continued growth in all overseas territories in the year has increased group turnover and whilst a number of these territories are still in early start up stage, prospects for continued growth remain strong

Results and dividend

The group profit after taxation for the period attributable to shareholders amounted to £6,537,000

The directors do not recommend the payment of a dividend

GHD GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's long term performance and cause actual results to differ materially from expected and historical results. We seek to identify material risks and put into place contingency plans to mitigate the group's potential exposure.

Competitor risk : ghd is the leading brand selling ceramic hair irons in the UK and is rapidly establishing that position overseas. Many companies with which we compete or which may enter into competition with us, have substantial financial, marketing and technical resources. To mitigate this risk, we look to increase the number of markets and channels in which we operate, continue to build strong customer and salon relationships and invest in retaining our dominant brand position whilst constantly improving and developing new products.

Supply risk As a business we benefit from having built strong relationships with key suppliers to ensure continuity of supply. Because the relationships are based on trust and are mutually beneficial to both parties supply issues are kept to a minimum. Since these suppliers are largely exclusive there is a large dependence on ghd meaning that the service and relationship remains secure. In addition, all intellectual property relating to our core products is owned by the business.

Exchange risk The group currently uses no derivatives to reduce the exposure to the variability of foreign exchange rates by fixing the rate of any transactions in a foreign currency. Opportunities to mitigate against foreign exchange movements are currently under consideration.

Future developments

The group will continue to take advantage of opportunities to develop the business further in the coming year. This is to be achieved through purchasing the distributor networks in those territories where sales are currently made indirectly and entering new territories where the best opportunities to grow the brand can be achieved. The business will continue to focus on the salon channel as the primary route to market.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Charitable Donations

During the period the company made charitable donations of £405,000 to Breakthrough Breast Cancer. Other smaller donations have been made during the period.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

GHD GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the group has been continued through group communications which allows a free flow of information and ideas.

Directors and their interests

The current directors of the company are as follows:

J Fox (appointed 4 July 2007)
 A Greensmith (appointed 14 July 2007)
 M Hall (appointed 4 July 2007)
 M Penny (appointed 4 July 2007)
 S Pooler (appointed 14 July 2007)

Subsequent to the year end, A Meehan was appointed on 6 February 2008 as Chairman of the board.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit and loss of the group for that period. In preparing those 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,
- prepare 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and 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.

GHD GROUP HOLDINGS LIMITED**DIRECTORS' REPORT****Disclosure of information to the auditors**

So far each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution proposing the re-appointment of Ernst & Young LLP as auditors of the company will be put to the Annual General Meeting.

On Behalf of the board



M PENNY
Director

GHD GROUP HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT to the shareholders of GHD Group Holdings Limited

We have audited the group and parent company financial statements of GHD Group Holdings Limited for the period ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the reconciliation of net cash flow to movements in net debt, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movements in shareholder funds, the company balance sheet, the accounting policies and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

GHD GROUP HOLDINGS LIMITED**INDEPENDENT AUDITOR'S REPORT
to the shareholders of GHD Group Holdings Limited**

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP
Leeds

30 April, 2008.

GHD GROUP HOLDINGS LIMITED

ACCOUNTING POLICIES

The company and its subsidiaries have adopted the following accounting policies which form an integral part of the financial statements

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards

The true and fair override provisions of the Companies Act 1985 have been invoked (see goodwill section below)

Consolidation

The financial statements combine the financial statements of GHD Group Holdings Limited and its subsidiaries made up to 31 December each year

Turnover

Turnover represents the invoiced value of goods and services supplied for the period, less returns and excluding value added tax and sales between companies in the group

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation

Depreciation is calculated to write off assets over their expected useful lives at the following annual rates

Freehold buildings	-	20 – 50 years
Leasehold improvements	-	20% of cost
Fittings, tooling and equipment	-	20 - 33% of cost
Motor vehicles	-	25% of written down value

Stock

Stock is stated at the lower of cost and net realisable value

Foreign currencies

Assets and liabilities of UK companies denominated in foreign currencies are translated into sterling at year end exchange rates Exchange differences are dealt with in the profit and loss account

The transactions during the year of overseas subsidiaries are translated into sterling at the average exchange rates for the period

At the year end the net assets of subsidiaries are translated into sterling at year end exchange rates Exchange adjustments arising from the retranslation of the opening net investment in subsidiaries and of transactions at average exchange rates are taken to reserves

Deferred taxation

Provision is made at projected rates of corporation tax in respect of all timing differences between the recognition of gains and losses in the financial statements and tax computations Deferred taxation assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future from which the underlying timing differences can be deducted

GHD GROUP HOLDINGS LIMITED**ACCOUNTING POLICIES (continued)****Goodwill**

Purchased goodwill representing the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment

Although the Companies Act would normally require the systematic annual amortisation of goodwill, the directors believe that the policy of not providing amortisation is necessary in order for the financial statements to give a true and fair view as the investments made in the business in the past and going forward are enough to preserve the goodwill in the business

Finance costs

Finance costs are initially recognised as a reduction in the proceeds of the associated capital instrument and are then amortised using the effective interest rate method over the period of the capital instrument

GHD GROUP HOLDINGS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

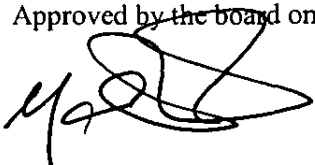
Period ended 31 December 2007

	Notes	£'000	2007 £'000
Turnover			
Continuing operations			
Ongoing			56,538
Acquisitions			15,232
			<hr/>
Group turnover	1		71,770
Cost of sales			(30,850)
			<hr/>
Gross profit			40,920
Distribution and selling costs		(13,944)	
Administrative expenses		(6,191)	
		<hr/>	(20,135)
			<hr/>
Operating profit			
Continuing operations			
Ongoing			19,542
Acquisitions			1,243
			<hr/>
Group operating profit	2		20,785
Deal costs written off	5		(2,653)
Goodwill written off	5		(1,995)
Net interest payable	6		(6,321)
			<hr/>
Profit on ordinary activities before taxation			9,816
Taxation	7a		(3,301)
			<hr/>
Profit on ordinary activities after taxation			6,515
Equity minority interests in subsidiaries			22
			<hr/>
Retained profit for the period			<u>6,537</u>

GHD GROUP HOLDINGS LIMITED**CONSOLIDATED BALANCE SHEET**
31 December 2007

	Notes	2007 £'000	2007 £'000
Fixed assets			
Intangible fixed assets	8	115,081	
Tangible fixed assets	9	3,590	
			118,671
Current assets			
Stock	11	12,669	
Debtors	12	29,209	
Cash at bank and in hand		22,842	
		64,720	
Current liabilities			
Creditors falling due within one year	13	(22,337)	
Net current assets			42,383
Total assets less current liabilities			161,054
Creditors falling due after more than one year	14		(153,163)
Minority interests			25
Net assets			<u>7,916</u>
Capital and reserves			
Called up share capital	15		755
Share premium account	16		223
Profit and loss account	16		6,938
Equity shareholders' funds			<u>7,916</u>

Approved by the board on 30th April 2008



M PENNY
Director

GHD GROUP HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT****Period ended 31 December 2007**

	Notes	2007 £'000	2007 £'000
Net cash inflow from operating activities	17(a)		19,472
Return on investments and servicing of finance:			
Interest received		390	
Interest paid		(1,503)	
Issue costs on new long-term loans		(6,732)	
			(7,845)
Taxation			
Corporation tax paid		(2,092)	
Overseas tax paid		(545)	
			(2,637)
Capital expenditure:			
Payments to acquire tangible fixed assets		(195)	
Receipts from sale of tangible fixed assets		700	
Payments to acquire intangible fixed assets		(735)	
			(230)
Acquisitions and disposals:			
Cash outflow on acquisitions		(53,294)	
Net cash acquired with subsidiary		10,782	
			(42,512)
Equity dividends paid			(6,332)
Financing:			
Issue of share capital		377	
Issue of loan notes		55,415	
Increase in bank loans		60,000	
Repayment of bank loans		(20,873)	
Repayment of loan notes		(22,782)	
Purchase of loan notes		(8,668)	
Repayment of preference shares		(757)	
Minority interest		(4)	
			62,708
Increase in cash	17(b)		<u><u>22,624</u></u>

GHD GROUP HOLDINGS LIMITED**RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT****Period ended 31 December 2007**

	Notes	2007 £'000
Increase in cash		22,624
Cash inflow from loan notes issued		(55,415)
Cash inflow from bank loans		(60,000)
		<hr/>
Changes in net debt resulting from cash flows		(92,791)
Loan notes issued on acquisition of subsidiary		(43,316)
Other non-cash movements		4,066
Exchange adjustments		103
		<hr/>
Movement in net debt in the period		(131,938)
Net funds at start of period		<hr/> -
Net debt at end of period	17(b)	<u><u>(131,938)</u></u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**Period ended 31 December 2007**

	2007 £'000
Profit attributable to shareholders	6,537
Currency translation differences	401
	<hr/>
Total gains recognised for the period	<u><u>6,938</u></u>

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**Period ended 31 December 2007**

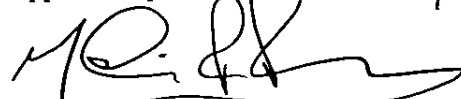
	2007 £'000
Profit attributable to shareholders	6,537
Currency translation differences	401
	<hr/>
Total recognised net gains for the period	6,938
New share capital subscribed (net of costs)	978
	<hr/>
Movement in equity shareholders' funds	7,916
Opening equity shareholders' funds	<hr/> -
Closing equity shareholders' funds	<u><u>7,916</u></u>

GHD GROUP HOLDINGS LIMITED**COMPANY BALANCE SHEET****31 December 2007**

	Notes	2007 £'000	2007 £'000
Fixed assets			
Investment in subsidiaries	10		965
Current assets			
Debtors	12	13	
Cash at bank and hand		1,473	
		<hr/>	
		1,486	
Current liabilities			
Creditors falling due within one year	13	(1,506)	
		<hr/>	
Net current liabilities			(20)
			<hr/>
Total assets less current liabilities			945
Creditors falling due after more than one year	14		-
			<hr/>
Net assets			<u>945</u>
Capital and reserves			
Called up share capital	15		755
Share premium account	16		223
Profit and loss account	16		(33)
			<hr/>
Equity shareholders' funds			<u>945</u>

Approved by the board on

30/4/08


M PENNY
Director

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 December 2007**1. Turnover and segmental analysis**

All turnover has been derived from the group's principal activity and is derived from continuing business activities

	2007 £'000
Geographical analysis	
United Kingdom	49,737
Overseas	22,033
	<hr/>
	<u>71,770</u>

2. Operating profit

This is stated after charging

	2007 £'000
Depreciation	314
Auditors' remuneration - Audit services	147
- Tax services	96
- Other services	<u>1,293</u>

3. Staff costs and employees

Remuneration	2007 £'000
Wages and salaries, including directors' remuneration	5,039
Social security costs	720
Other pension costs	96
	<hr/>
	<u>5,855</u>

Average number of employees, including directors

	2007 Number
Selling and distribution	112
Marketing and education	28
Administration	128
	<hr/>
	<u>268</u>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****4. Directors' remuneration**

	2007 £'000
Emoluments for qualifying services	432
Company pension contributions to money purchase schemes	3
	<hr/>
	<u>435</u>

Highest paid director

	2007 £'000
Emoluments for qualifying services	<u>193</u>

5. Exceptional items

Following the purchase of the business by GHD Group Holdings Limited on 14 July 2007, deal costs amounting to £2,653,000 on previous transactions yet to be amortised have been written off in the period

Goodwill on the purchase of the trade of Salon Concepts Limited, Lacey's Hair and Beauty Supplies Limited and Global Hair Products (SE) Limited of £1,995,000 has been written off in the period (see note 8)

6. Interest payable

	2007 £'000
Bank interest receivable	216
Interest payable on bank loans and overdrafts	(2,748)
Interest payable on loan notes	(4,019)
Interest receivable on loan notes	230
	<hr/>
	<u>(6,321)</u>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
31 December 2007****7. Taxation****a) Analysis of charge for the period**

	2007 £'000
Current taxation	
UK corporation tax on profits for the period	2,151
Overseas tax	1,437
Adjustment in respect of prior periods - UK	166
	<hr/> 3,754
Deferred taxation	
Origination and reversal of timing differences	(453)
	<hr/>
Tax on profit on ordinary activities	<u><u>3,301</u></u>

b) Factors affecting the tax charge for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £'000
Profit on ordinary activities before taxation	<u>9,816</u>
Profit on ordinary activities multiplied by 30%	2,945
Effects of	
Expenses not deductible for tax purposes	78
Capital allowances for the period in excess of depreciation	(8)
Other timing differences	1,023
Utilisation of tax losses	(589)
Tax losses carried forward	109
Differences in overseas tax rates	27
Adjustment in respect of prior period - UK	171
Other local trade taxes	(2)
	<hr/>
Current tax charge for the period	<u><u>3,754</u></u>

c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets of £1,347,000. If the group is able to utilise these unrecognised deferred tax assets against future taxable profits, this will have an impact of reducing the tax rate in the future.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 December 2007**7. Taxation (continued)**

d) Analysis of deferred tax asset

	2007 £'000
Acquisition of subsidiary undertakings	478
Credit to profit and loss account	453
Charge to reserves	(97)
Currency variations	97
	<u>931</u>
Deferred tax asset (note 12)	<u>931</u>

8. Intangible fixed assets

	Goodwill £'000
Cost and net book value	
At start of period	-
Additions	117,076
Amounts written off	(1,995)
	<u>115,081</u>
At end of period	<u>115,081</u>
Net book amounts	
At end of period	<u>115,081</u>
At start of period	<u>-</u>

Goodwill arising on the acquisition of the entire issued ordinary share capital of GHD Holdings Limited, Power Promotions Limited, Wonderful Life UK Limited and Power Wizards Limited, is not amortised but is reviewed annually for impairment. The Board feels that the investments made in the business in the past and going forward are enough to preserve the goodwill in the business and therefore have chosen not to amortise.

Goodwill arising on the acquisition of the trade of Salon Concepts Limited, Lacey's Hair and Beauty Supplies Limited and Global Hair Products (SE) Limited has been written off in the period due to the fact that these businesses have been subsumed within the operations of Wonderful Life Limited and the group is no longer able to separately identify their results.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****9. Tangible fixed assets**

Group	Freehold property £'000	Short leasehold property £'000	Motor vehicles £'000	Plant equipment, fixtures & fittings £'000	Total £'000
Cost					
At start of period	-	-	-	-	-
Additions	-	89	10	96	195
Acquisition of subsidiary undertakings	2,441	218	154	2,408	5,221
Disposals	(700)	-	-	(21)	(721)
Currency translation differences	-	7	3	57	67
At end of period	1,741	314	167	2,540	4,762
Depreciation					
At start of period	-	-	-	-	-
Charge	17	38	12	247	314
Acquisition of subsidiary undertakings	97	37	71	662	867
Disposals	-	-	-	(21)	(21)
Currency translation differences	-	2	1	9	12
At end of period	114	77	84	897	1,172
Net book amounts					
At end of period	<u>1,627</u>	<u>237</u>	<u>83</u>	<u>1,643</u>	<u>3,590</u>
At start of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no commitments to future capital expenditure

10. Investment in subsidiaries

	Group 2007 £'000	Company 2007 £'000
Cost		
At start of period	-	-
Investment in subsidiaries	-	965
At end of period	<u>-</u>	<u>965</u>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****10. Investment in subsidiaries (continued)**

The company owns directly or indirectly the called up equity share capital of the following companies

	Percentage held	Country of incorporation
Holding Companies		
GHD Holdings Limited*	100%	United Kingdom
GHD Group Limited	100%	United Kingdom
Jemella Group (Holdings) Limited	100%	United Kingdom
Jemella Group Limited	100%	United Kingdom
Wonderful Life UK Limited	100%	United Kingdom
Hair Care Product Distributors		
Jemella Limited	100%	United Kingdom
Jemella Australia Pty Limited	100%	Australia
Wonderful Life Limited	100%	United Kingdom
Power Promotions Limited	100%	United Kingdom
Power Wizards Limited	100%	United Kingdom
Good Hair Day South Africa (Proprietary) Limited	100%	South Africa
GHD Professional, North America Inc	74%	USA
GHD Spain SL	100%	Spain
GHD Italia S r l	75%	Italy
GHD Scandinavia ApS	75%	Denmark
Revolver Distribution Pty Limited	100%	Australia
Jemella New Zealand Limited	100%	New Zealand
GHD France SARL	90%	France
GHD Deutschland GmbH	85%	Germany

* Direct holding

11. Stock

	Group 2007 £'000	Company 2007 £'000
Goods purchased for resale	<u>12,669</u>	<u>-</u>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****12. Debtors**

	Group	Company
	2007	2007
	£'000	£'000
Trade debtors	17,644	-
Deferred taxation	931	-
Loan notes owned	8,668	-
Other debtors	375	13
Accrued interest receivable on loan notes	33	-
Prepayments and accrued income	1,558	-
	<u>29,209</u>	<u>13</u>

The deferred taxation balance is made up of £49,000 for decelerated capital allowances and £882,000 for short term timing differences

The loan notes are repayable on demand

13. Creditors falling due within one year

	Group	Company
	2007	2007
	£'000	£'000
Bank overdrafts	116	-
Bank loans	1,634	-
Loan notes	(103)	-
	<u>1,647</u>	<u>-</u>
Total borrowings falling due within one year (note 14)	1,647	-
Trade creditors	3,423	-
Amounts due to subsidiaries	-	1,473
Corporate taxation	4,595	-
Other taxation and social security	2,971	-
Other creditors	2,237	33
Accruals	7,464	-
	<u>22,337</u>	<u>1,506</u>

Finance costs associated to each capital instrument are amortised over the life of that instrument which given the repayment profile of loan notes creates a receivable balance in creditors falling due within one year

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 December 2007**14. Creditors falling due after more than one year**

	Group 2007 £'000	Company 2007 £'000
Bank loans	54,300	-
Loan notes	98,833	-
	<hr/>	<hr/>
Total borrowings falling due after more than one year	153,133	-
Other creditors	30	-
	<hr/>	<hr/>
	<u>153,163</u>	<u>-</u>

The maturity profile of the group's financial liabilities at the year-end was as follows

	Group 2007 £'000	Company 2007 £'000
Total borrowings		
In one year or less	1,647	-
In more than one year but not more than two years	2,265	-
In more than two years but not more than five years	20,071	-
More than five years	130,797	-
	<hr/>	<hr/>
	<u>154,780</u>	<u>-</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the group

The bank loan is split into two sterling loan facilities. The first attracts interest at 2.25% above LIBOR and is repayable in stepped instalments until 30 June 2014. The second loan facility attracts interest at 2.75% above LIBOR and is repayable on 30 June 2015.

Loan notes consists of £49,415,000 £1 unsecured A loan notes, £33,120,000 £1 unsecured B loan notes and £6,000,000 unsecured C loan notes which bear interest at 9.25% which is compounded quarterly and added to the principal value. Also included are £8,668,000 £1 guaranteed unsecured D loan notes which bear interest at 1% below LIBOR payable monthly from March 2007 onwards. The loan notes are repayable on demand after 30 January 2008.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31 December 2007**15. Called up share capital**

	2007 £'000
Authorised:	
400,000 A ordinary shares of 50p each	200
400,000 B ordinary shares of £1 each	400
200,000 C ordinary shares of £1 each	200
	<hr/>
	800
Allotted, called-up and fully-paid:	
400,000 A ordinary shares of 50p each	200
400,000 B ordinary shares of £1 each	400
155,000 C ordinary shares of £1 each	155
	<hr/>
	755

16. Reserves

Group	Share premium account 2007 £'000	Profit and loss account 2007 £'000
At start of period	-	-
Profit attributable to shareholders for the period	-	6,537
Currency translation differences	-	401
Premiums on shares issued net of costs	223	-
	<hr/>	<hr/>
At end of period	223	6,938
	<hr/>	<hr/>
Company	Share premium account 2007 £'000	Profit and loss account 2007 £'000
At start of period	-	-
Loss attributable to shareholders for the period	-	(33)
Premiums on shares issued net of costs	223	-
	<hr/>	<hr/>
At end of period	223	(33)

The profit and loss account of the parent company has not been presented, as permitted by Section 230(3) of the Companies Act 1985

GHD GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

17. Cash flow statement

(a) *Reconciliation of operating profit to net cash inflow from operating activities*

	2007 £'000
Operating profit per the profit and loss account	20,785
Depreciation	314
Decrease in stock	706
Decrease in debtors	1,108
Decrease in creditors	(3,441)
	<hr/>
Net cash inflow from operating activities	<u>19,472</u>

(b) Analysis of changes in net debt

	At start of period £'000	Cash flows £'000	Exchange £'000	Non-cash movements £'000	Total £'000
Cash at bank and in hand	-	22,733	109	-	22,842
Bank overdraft	-	(109)	(6)	-	(115)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	22,624	103	-	22,727
Bank loans	-	(60,000)	-	4,066	(55,934)
Loan notes	-	(55,415)	-	(43,316)	(98,731)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>-</u>	<u>(92,791)</u>	<u>103</u>	<u>(39,250)</u>	<u>(131,938)</u>

GHD GROUP (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****18. Related parties disclosures**

	Paid or accrued during period 2007 £'000
Interest on loan notes	
Montagu Private Equity LLP	2,305
Lloyds TSB Development Capital Limited	88
M R Penny	1,025
J Fox	178
M Hall	118
B Watson	119
	Balance at Year end 2007 £'000
Loan notes	
Montagu Private Equity LLP	57,720
Lloyds TSB Development Capital Limited	3,630
M R Penny	24,295
J Fox	4,824
M Hall	3,198
B Watson	3,211

Consultancy fees of £60,000 were charged by Fox Lloyd Jones Limited, of which Mrs J Fox's husband is a director. This balance was outstanding for payment at the year end. The directors are comfortable that this transaction was entered into at arm's length.

Consultancy fees of £25,000 were charged during the period by OHS Limited, of which Mr M Penny is a director. An amount of £3,000 of this balance was outstanding at the year end. The directors are comfortable that this transaction was entered into at arm's length.

During the period, loans amounting to £105,000 were made to L&D Hair Care, of which Mr M Penny is a director. This company was not part of the group as at the reporting date and these amounts are still outstanding at the year end.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****19. Acquisitions and disposals***Acquisitions*

On the 13 July 2007 as part of a single transaction the following group structure was put in place

The Company set up GHD Holdings Limited as a 100% wholly owned subsidiary for a total investment of £965,000

GHD Holdings Limited set up GHD Group Limited as a 100% wholly owned subsidiary for a total investment of £601,000

GHD Group Limited acquired 100% of the issued ordinary share capital of Jemella Group Holdings Limited for a consideration of £84,334,000. The resulting goodwill of £81,403,000 is capitalised and reviewed annually for impairment.

Details of the net assets acquired in respect of the above acquisition are as follows

	Book value and fair value £'000
Goodwill	27,866
Tangible fixed assets	3,347
Stocks	11,827
Debtors	16,103
Cash	4,434
Creditors (including net cash of £315,000)	(20,330)
Deferred taxation	478
Senior debt	(19,209)
Loan notes	(20,876)
Preference shares	(709)
	<hr/>
Net assets acquired	2,931
Goodwill	81,403
	<hr/>
	<u>84,334</u>
Satisfied by	
Shares issued	601
Loan notes	41,788
Cash	41,945
	<hr/>
	<u>84,334</u>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 2007****19. Acquisitions and disposals (continued)**

The acquired undertaking made a profit of £4,115,000 from the beginning of its financial year to the date of acquisition

During the year Jemella Limited acquired Power Promotions Limited, Wonderful Life UK Limited and Power Wizards Limited creating total goodwill of £5,742,000 which is capitalised and reviewed annually for impairment Details of the acquisition are detailed in the accounts of Jemella Limited

During the year Wonderful Life Limited acquired the trade of Salon Concepts Limited, Lacey's Hair and Beauty Supplies Limited and Global Hair Products (SE) Limited The resulting goodwill asset was written-off during the period