

GHD GROUP HOLDINGS LIMITED
REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2008

WEDNESDAY



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GHD GROUP HOLDINGS LIMITED

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GHD GROUP HOLDINGS LIMITED**DIRECTORS AND COMPANY INFORMATION**

Directors	J Fox A Greensmith M Hall S Pooler E Watson (appointed 21 May 2008) P Cheung (appointed 8 May 2008) A Meehan (appointed 6 February 2008 & resigned 24 September 2008) M Penny (resigned 23 December 2008)
Secretary	A Pitter
Registered office	c/o Eversheds LLP Eversheds House Great Bridgewater Street Manchester M1 5ES
Bankers	Barclays Bank plc North West Larger Business Team 7 th 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 year ended 31 December 2008

Principal activities

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

The company was incorporated on the 4 July 2007 and 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. Accordingly, the amounts included in the consolidated profit and loss account, consolidated statement of total recognised gains and losses and the cash flow statement are not entirely comparable.

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 year were as follows

	Year ended 31 December 2008	Period ended 31 December 2007
Group turnover	£135,648,000	£71,770,000
Operating profit	£18,276,000	£20,785,000
Net cash from operating activities	£32,968,000	£19,472,000
Average number of employees	555	268
Number of principle territories	9	9

Group turnover showed strong growth in all countries as the group continued to invest in and develop the brand.

Net cash from operating activities benefitted from efficient working capital management and stronger operating profit in 2007.

During the year, Gemella Limited integrated its distributors that it purchased in the last quarter of 2007.

The average number of employees and associated costs increased due to the acquisition of distributors in 2007 together with the underlying growth in the overseas businesses.

Overseas territories have shown significant year-on-year growth in their business and whilst a number of these territories are still in their infancy, future prospects for continued growth in the group remain strong.

Results and dividend

The group profit after taxation for the year attributable to shareholders amounted to £3,152,000 (2007 - £6,537,000).

The directors do not recommend the payment of a dividend (2007 - £nil).

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 hair styling irons in the UK and is 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 brand position whilst constantly improving and developing new products.

Supply risk Starting at the end of 2008, the business began to review its relationship with its principal supplier and the terms of supply, including reliability of delivery. This has led in 2009 to the appointment of a new supplier with its headquarters in Europe and with a global footprint, whose capabilities will allow them to grow as a partner alongside ghd. In addition, all intellectual property relating to our core products is owned by the group.

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 constantly under consideration.

Interest rate risk : The group has in place interest rate derivatives, which help insulate the group against significant movements in interest rates on the Group's banking facility. Details of the instruments used are disclosed in Note 18.

Future developments

The group will continue to take advantage of opportunities to develop the business further in the coming year. This may 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 year the company made charitable donations of £759,000 (2007 £405,000).

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 group 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

The current directors of the company, and the changes in the year, are listed on page 1.

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.

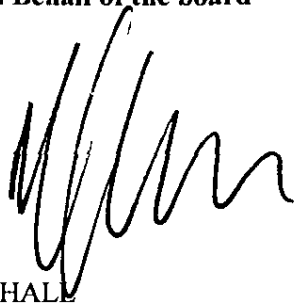
GHD GROUP HOLDINGS LIMITED**DIRECTORS' REPORT****Disclosure of information to the auditors**

So far as 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 23 March 2010

A handwritten signature in black ink, appearing to be 'M. Hall', written over a horizontal line.

M HALL
Director

GHD GROUP HOLDINGS LIMITED

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

We have audited the group and parent company financial statements of GHD Group Holdings Limited for the year ended 31 December 2008 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 20. 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.

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.

GHD GROUP HOLDINGS LIMITED**INDEPENDENT AUDITOR'S REPORT**
to the shareholders of GHD Group Holdings Limited (continued)**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 2008 and of the group's profit for the year 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

23 March, 2010

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 year, 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. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Costs include all costs incurred in bringing each product to its present location and condition including attributable overheads

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

GHD GROUP HOLDINGS LIMITED

ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay or to receive more, tax, with the following exceptions

- provision is made for deferred tax that would arise on remittance of retained earnings of overseas subsidiaries, associated and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers usually on dispatch of the goods

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

Finance income

Revenue is recognised as interest accrues using the Effective interest method

Leases

Rent payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review

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

Contributions to Defined contribution schemes are recognised in the income statement in the period in which they become payable

Interest bearing loans and interest

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts in the period.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

GHD GROUP HOLDINGS LIMITED

Company No. 06302477

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2008

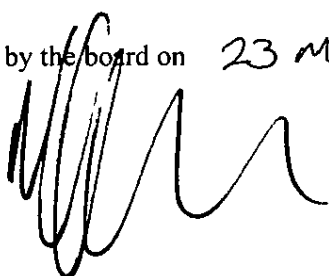
	Notes	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Turnover	1	135,648	71,770
Cost of sales		(52,318)	(30,850)
Gross profit		83,330	40,920
Distribution and selling costs		(23,072)	(13,944)
Administrative expenses		(41,982)	(6,191)
		(65,054)	(20,135)
Group operating profit	2	18,276	20,785
Gain on foreign exchange translation		3,743	-
Exceptional costs	5	(1,412)	(4,648)
Net interest payable	6	(12,898)	(6,321)
Profit on ordinary activities before taxation		7,709	9,816
Taxation	7a	(4,398)	(3,301)
Profit on ordinary activities after taxation		3,311	6,515
Equity minority interests in subsidiaries		(159)	22
Retained profit for the year		3,152	6,537

GHD GROUP HOLDINGS LIMITED**CONSOLIDATED BALANCE SHEET**

At 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Intangible fixed assets	8	115,945	115,081
Tangible fixed assets	9	6,770	3,590
		<hr/>	<hr/>
		122,715	118,671
		<hr/>	<hr/>
Current assets			
Stock	11	14,254	12,669
Debtors	12	32,700	29,209
Cash at bank and in hand		23,818	22,842
		<hr/>	<hr/>
		70,772	64,720
		<hr/>	<hr/>
Current liabilities			
Creditors: falling due within one year	13	(32,737)	(22,337)
		<hr/>	<hr/>
Net current assets		38,035	42,383
		<hr/>	<hr/>
Total assets less current liabilities		160,750	161,054
		<hr/>	<hr/>
Creditors: falling due after more than one year	14	(149,110)	(153,163)
		<hr/>	<hr/>
Minority interests		(135)	25
		<hr/>	<hr/>
Net assets		11,505	7,916
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	15	798	755
Share premium account	16	342	223
Capital redemption reserve	16	10	-
Profit and loss account	16	10,355	6,938
		<hr/>	<hr/>
Equity shareholders' funds		11,505	7,916
		<hr/>	<hr/>

Approved by the board on 23 March 2010

M HALL
Director


GHD GROUP HOLDINGS LIMITED**CONSOLIDATED CASH FLOW STATEMENT****Year ended 31 December 2008**

	Notes	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Net cash inflow from operating activities	17(a)	32,968	19,472
Return on investments and servicing of finance:			
Interest received		840	390
Interest paid		(6,344)	(1,503)
Issue costs on new long-term loans		-	(6,732)
		<u>(5,504)</u>	<u>(7,845)</u>
Taxation			
Corporation tax paid		(5,474)	(2,092)
Overseas tax paid		(1,517)	(545)
		<u>(6,991)</u>	<u>(2,637)</u>
Capital expenditure:			
Payments to acquire tangible fixed assets		(4,591)	(195)
Receipts from sale of tangible fixed assets		68	700
Payments to acquire intangible fixed assets		-	(735)
		<u>(4,523)</u>	<u>(230)</u>
Acquisitions and disposals:			
Cash outflow on acquisitions		(2,897)	(53,294)
Net cash acquired with subsidiary		-	10,782
		<u>(2,897)</u>	<u>(42,512)</u>
Equity dividends paid		<u>-</u>	<u>(6,332)</u>
Financing:			
Issue of share capital		139	377
Redemption of share capital		(66)	-
Issue of loan notes		-	55,415
Increase in bank loans		-	60,000
Repayment of bank loans		(2,250)	(20,873)
Repayment of loan notes		(9,784)	(22,782)
Purchase of loan notes		-	(8,668)
Repayment of preference shares		-	(757)
Minority interest		-	(4)
		<u>(11,961)</u>	<u>62,708</u>
Increase in cash	17(b)	<u>1,092</u>	<u>22,624</u>

GHD GROUP HOLDINGS LIMITED**RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT**
Year ended 31 December 2008

	Notes	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Increase in cash		1,092	22,624
Cash inflow from loan notes repaid / (issued)		1,116	(55,415)
Cash outflow / (inflow) from bank loans		2,250	(60,000)
		<hr/>	<hr/>
Changes in net debt resulting from cash flows		4,458	(92,791)
Loan notes issued on acquisition of subsidiary		-	(43,316)
Other non-cash movements		213	4,169
		<hr/>	<hr/>
Movement in net debt in the year		4,671	(131,938)
Net debt at 1 January 2008		(131,938)	-
		<hr/>	<hr/>
Net debt at 31 December 2008	17(b)	(127,267)	(131,938)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Profit attributable to shareholders	3,152	6,537
Currency translation differences	277	401
		<hr/>
Total gains recognised for the year	3,429	6,938
		<hr/>

GHD GROUP HOLDINGS LIMITED**CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**
Year ended 31 December 2008

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Profit attributable to shareholders	3,152	6,537
Currency translation differences	277	401
	<hr/>	<hr/>
Total recognised net gains for the year	3,429	6,938
Share capital bought back	(12)	-
New share capital subscribed (net of costs)	172	978
	<hr/>	<hr/>
Movement in equity shareholders' funds	3,589	7,916
Opening equity shareholders' funds	7,916	-
	<hr/>	<hr/>
Closing equity shareholders' funds	11,505	7,916
	<hr/>	<hr/>

GHD GROUP HOLDINGS LIMITED**COMPANY BALANCE SHEET**

At 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
Fixed assets			
Investment in subsidiaries	10	965	965
Current assets			
Debtors	12	1,147	13
Cash at bank and hand		8	1,473
		1,155	1,486
Current liabilities			
Creditors falling due within one year	13	-	(1,506)
Net current assets / (liabilities)		1,155	(20)
Total assets less current liabilities		2,120	945
Creditors: falling due after more than one year	14	-	-
Net assets		2,120	945
Capital and reserves			
Called up share capital	15	798	755
Share premium account	16	342	223
Capital redemption reserve	16	10	-
Profit and loss account	16	970	(33)
Equity shareholders' funds		2,120	945

Approved by the board on 23 March 2009


 M HALL
 Director

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****1. Turnover and segmental analysis**

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

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Geographical analysis		
United Kingdom	77,200	49,737
Overseas	58,448	22,033
	<hr/>	<hr/>
	135,648	71,770
	<hr/>	<hr/>

2. Operating profit

This is stated after charging

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Depreciation	1,087	314
Loss on disposal of fixed asset	50	-
Auditors' remuneration		
- Audit services	218	147
- Tax services	93	96
- Other services	167	1,293
	<hr/>	<hr/>

3. Staff costs and employees

Remuneration

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Wages and salaries, including directors' remuneration	19,709	5,039
Social security costs	2,660	720
Other pension costs	459	96
	<hr/>	<hr/>
	22,828	5,855
	<hr/>	<hr/>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
At 31 December 2008**3. Staff costs and employees (continued)**

Average number of employees, including directors

	Year ended 31 December 2008 Number	Period ended 31 December 2007 Number
Selling and distribution	309	112
Marketing and education	81	28
Administration	165	128
	<hr/>	<hr/>
	555	268
	<hr/>	<hr/>

4. Directors' remuneration

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Emoluments for qualifying services	1,112	432
Company pension contributions to money purchase schemes	8	3
	<hr/>	<hr/>
	1,120	435
	<hr/>	<hr/>

Highest paid director

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Emoluments for qualifying services	348	193
Other payments	167	-
	<hr/>	<hr/>
	515	193
	<hr/>	<hr/>

5. Exceptional items

Following the acquisition of the distributor companies in the UK in 2007, £888,000 of integration costs in 2008 were written off. Added to this overseas goodwill from acquisitions of £524,000 was impaired during the year. The tax deduction in relation to the above exceptional items was £249,000.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****6. Interest payable**

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Bank interest receivable	780	216
Interest payable on bank loans and overdrafts	(4,121)	(2,748)
Interest payable on loan notes	(9,557)	(4,019)
Interest receivable on loan notes	-	230
	<hr/>	<hr/>
	(12,898)	(6,321)
	<hr/>	<hr/>

7. Taxation**a) Analysis of charge for the year**

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Current taxation		
UK corporation tax on profits for the year	2,292	2,151
Overseas tax	1,659	1,437
Adjustment in respect of prior periods - UK	(118)	166
- Overseas	(37)	-
	<hr/>	<hr/>
	3,796	3,754
Deferred taxation		
Origination and reversal of timing differences	602	(453)
	<hr/>	<hr/>
Tax on profit on ordinary activities	4,398	3,301
	<hr/>	<hr/>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****7. Taxation (continued)****b) Factors affecting the tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28.5% (2007 - 30%). The differences are explained below

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Profit on ordinary activities before taxation	7,709	9,816
Profit on ordinary activities multiplied by 28.5% (2007-30%)	2,197	2,945
Effects of		
Expenses not deductible for tax purposes	231	78
Capital allowances for the year in excess of depreciation	(23)	(8)
Other timing differences	1,645	1,023
Utilisation of tax losses	(313)	(589)
Tax losses carried forward	-	109
Differences in overseas tax rates	145	27
Adjustment in respect of prior period	(110)	171
Other	24	(2)
Current tax charge for the year	3,796	3,754

c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets of £ 2,570,000 (2007 - £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.

d) Analysis of deferred tax asset

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Balance brought forward	931	-
Acquisition of subsidiary undertakings	-	478
(Charge)/credit to profit and loss account	(602)	453
Charge to reserves	-	(97)
Currency variations	18	97
	347	931

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****8. Intangible fixed assets**

	Goodwill £'000
Cost and net book value	
At 1 January 2008	115,081
Additions	1,388
Amounts impaired	(524)
	<hr/>
At 31 December 2008	115,945
	<hr/>
Net book amounts	
At 31 December 2008	115,945
	<hr/>
At 31 December 2007	115,081
	<hr/>

Goodwill 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.

Additions in the year relate to the purchase of customer lists and termination of the distributor arrangements in South Africa and Scandinavia. Also the Company repurchased part of the minority interest in the Scandinavian subsidiary.

Impairments during the year relate to the Scandinavian acquisition as well as fees on the South African transaction.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****9. Tangible fixed assets**

Group	Freehold property £'000	Leasehold improvements £'000	Motor vehicles £'000	Plant equipment, fixtures & fittings £'000	Total £'000
Cost					
At 1 January 2008	1,741	314	167	2,540	4,762
Additions	-	3,082	130	1,234	4,446
Disposals	-	(8)	(105)	(618)	(731)
Currency translation differences	-	31	33	410	474
At 31 December 2008	1,741	3,419	225	3,566	8,951
Depreciation					
At 1 January 2008	114	77	84	897	1,172
Charge	33	311	35	696	1,076
Disposals	-	(4)	(64)	(166)	(234)
Currency translation differences	-	15	9	144	168
At 31 December 2008	147	399	64	1,571	2,181
Net book amounts					
At 31 December 2008	1,594	3,020	161	1,995	6,770
At 31 December 2007	1,627	237	83	1,643	3,590

There were no commitments to future capital expenditure

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****10. Investment in subsidiaries**

	31 December 2008 £'000	Group 31 December 2007 £'000	31 December 2008 £'000	Company 31 December 2007 £'000
Cost				
At 1 January 2008	-	-	965	-
Investment in subsidiaries	-	-	-	965
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	-	-	965	965
	<hr/>	<hr/>	<hr/>	<hr/>

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 EBT Company 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	93%	USA
GHD Spain SL	100%	Spain
GHD Italia S r l	75%	Italy
GHD Scandinavia ApS	90%	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

	31 December 2008 £'000	Group 31 December 2007 £'000	31 December 2008 £'000	Company 31 December 2007 £'000
Goods purchased for resale	14,254	12,669	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****12. Debtors**

	Group		Company	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade debtors	30,096	17,644	-	-
Deferred taxation	347	931	-	-
Loan notes owned	-	8,668	-	-
Other debtors	901	375	66	13
Corporate taxation (Overseas)	110	-	-	-
Accrued interest receivable on loan notes	-	33	-	-
Prepayments and accrued income	1,246	1,558	-	-
Amount due from subsidiary undertakings	-	-	1,081	-
	<u>32,700</u>	<u>29,209</u>	<u>1,147</u>	<u>13</u>

The deferred taxation balance is made up of £32,000 (2007 £49,000) for decelerated capital allowances and £ 315,000 (2007 £882,000) for short term timing differences

The loan notes were repayable on demand and repaid in 2008

13. Creditors falling due within one year

	Group		Company	
	31 December	31 December	31 December	31 December
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Bank overdrafts	-	116	-	-
Bank loans	2,054	1,634	-	-
Loan notes	-	(103)	-	-
Total borrowings falling due within one year (note 14)	<u>2,054</u>	<u>1,647</u>	<u>-</u>	<u>-</u>
Trade creditors	12,813	3,423	-	-
Amounts due to subsidiaries	-	-	-	1,473
Corporate taxation (UK and overseas)	1,527	4,595	-	-
Other taxation and social security	3,061	2,971	-	-
Other creditors	1,868	2,237	-	33
Accruals	11,414	7,464	-	-
	<u>32,737</u>	<u>22,337</u>	<u>-</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 created a receivable balance in creditors falling due within one year in 2007

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****14. Creditors falling due after more than one year**

	31 December 2008 £'000	Group 31 December 2007 £'000	31 December 2008 £'000	Company 31 December 2007 £'000
Bank loans	50,727	54,300	-	-
Loan notes	98,304	98,833	-	-
Total borrowings falling due after more than one year	149,031	153,133	-	-
Other creditors	79	30	-	-
	149,110	153,163	-	-

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

	31 December 2008 £'000	Group 31 December 2007 £'000	31 December 2008 £'000	Company 31 December 2007 £'000
In one year or less	2,054	1,647	-	-
In more than one year but not more than two years	2,836	2,265	-	-
In more than two years but not more than five years	13,072	20,071	-	-
More than five years	133,123	130,797	-	-
	151,085	154,780	-	-

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. See note 18 for Group hedging policy.

Loan notes consist 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. They are repayable on 30 June 2015.

GHD GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2008

15. Called up share capital

	31 December 2008 £'000	31 December 2007 £'000
Authorised:		
400,000 A ordinary shares of 50p each	200	200
400,000 B ordinary shares of £1 each	400	400
200,000 C ordinary shares of £1 each	200	200
	<hr/>	<hr/>
	800	800
	<hr/>	<hr/>
Allotted, called-up and fully-paid:		
400,000 A ordinary shares of 50p each	200	200
400,000 B ordinary shares of £1 each	400	400
198,000 C ordinary shares of £1 each	198	155
	<hr/>	<hr/>
	798	755
	<hr/>	<hr/>

On 6 February 2008 the company re-purchased 10,000 of its own £1 C ordinary shares for £12,500
On the same date it also allotted 10,000 £1 C ordinary shares for total consideration of £33,000

On 21 May 2008 a further 42,500 £1 C ordinary shares were allotted to management for total consideration of £140,250

16. Reserves

	2008		
	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
£'000			
Group			
At 1 January 2008	-	223	6,938
Profit attributable to shareholders for the year	-	-	3,152
Currency translation differences	-	-	277
Premiums on shares issued net of costs	-	119	-
Shares redeemed in the year	10	-	(12)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	10	342	10,355
	<hr/>	<hr/>	<hr/>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****16 Reserves (continued)**

	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Company			
At 1 January 2008	-	223	(33)
Profit attributable to shareholders for the year	-	-	1,015
Premiums on shares issued net of costs	-	119	-
Shares redeemed in the year	10	-	(12)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	10	342	970
	<hr/>	<hr/>	<hr/>
		2007	
	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
£'000			
Group			
At 1 January 2007	-	-	-
Profit attributable to shareholders for the period	-	-	6,537
Currency translation differences	-	-	401
Premiums on shares issued net of costs	-	223	-
Shares redeemed in the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2007	-	223	6,938
	<hr/>	<hr/>	<hr/>
Company			
At 1 January 2007	-	-	-
Loss attributable to shareholders for the period	-	-	(33)
Premiums on shares issued net of costs	-	223	-
Shares redeemed in the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2007	-	223	(33)
	<hr/>	<hr/>	<hr/>

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

At 31 December 2008

17. Cash flow statement

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

	Year ended 31 December 2008 £'000	Period ended 31 December 2007 £'000
Operating profit per the profit and loss account	18,276	20,785
Depreciation	1,087	314
Loss on sale of fixed assets	50	-
Gain on foreign exchange	4,020	-
(Increase) / decrease in stock	(1,585)	706
(Increase) / decrease in debtors	(3,619)	1,108
Increase / (decrease) in creditors	14,739	(3,441)
	<hr/>	<hr/>
Net cash inflow from operating activities	32,968	19,472
	<hr/>	<hr/>

(b) Analysis of changes in net debt:

	At 1 January 2008 £'000	Cash flows £'000	Other movements £'000	At 31 December 2008 £'000
Cash at bank and in hand	22,842	313	663	23,818
Bank overdraft	(115)	-	115	-
	<hr/>	<hr/>	<hr/>	<hr/>
	22,727	313	778	23,818
Bank loans	(55,934)	2,250	903	(52,781)
Loan notes	(98,731)	1,116	(689)	(98,304)
	<hr/>	<hr/>	<hr/>	<hr/>
	(131,938)	3,679	992	(127,267)
	<hr/>	<hr/>	<hr/>	<hr/>

GHD GROUP (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****18. Group hedging**

Details of the group's instruments used to hedge its floating rate debt are as follows

	Principal £'000	Fair Value £'000	Fair value adjustment £'000
Interest rate cap	23,400	45	(2)
Interest rate structured collar	17,903	(1,920)	(1,624)
At 31 st December 2008	41,303	(1,875)	(1,626)

Interest rate cap

The cap limits interest to 7% on £23.4m of the Group's facility

The fair value represents the net cost of replacement on identical terms at prices prevailing on 31st December 2008

Interest rate structured collar

The structured collar includes a cap rate at 7%, and a Floor rate of 4.55% on a notional amount that is amortised in line with the Bank loan repayment schedule

The fair value represents the net present value of the difference between the contracted fixed rates and fixed rates payable if the swaps were to be replaced on 31st December 2008 for the period to the contracted expiry dates

19. Related parties disclosures

	Year ended 31 December 2008 £'000	Paid or accrued Period ended 31 December 2007 £'000
Interest on loan notes		
Montagu Private Equity LLP	4,989	2,305
Lloyds TSB Development Capital Limited	-	88
M R Penny	2,349	1,025
J Fox	326	178
M Hall	215	118
B Watson	217	119

GHD GROUP (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****19. Related parties disclosures (continued)**

	Year ended 31 December 2008 £'000	Balance Period ended 31 December 2007 £'000
Loan notes		
Montagu Private Equity LLP	62,295	57,720
Lloyds TSB Development Capital Limited	-	3,630
M R Penny	26,173	24,295
J Fox	3,698	4,824
M Hall	2,447	3,198
B Watson	2,461	3,211

Consultancy fees of £70,000 (2008 - £60,000) were charged by Fox Lloyd Jones Limited, of which Mrs J Fox's husband is a director. There was no balance outstanding at the year end. The directors are comfortable that this transaction was entered into at arm's length.

Consultancy fees of £76,000 (2008 - £25,000) were charged during the period by OHS Limited, of which Mr M Penny is a director. There was no balance outstanding at the year end. The directors are comfortable that this transaction was entered into at arm's length.

During the year, the Group made net sales of £45,000 (2007 £nil) to ghd Mauritius, a company that was not part of the Group and of which Martin Penny is a director. The amount remained outstanding at the year-end.

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****20. 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/>
	84,334
	<hr/>
Satisfied by	
Shares issued	601
Loan notes	41,788
Cash	41,945
	<hr/>
	84,334
	<hr/>

GHD GROUP HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****At 31 December 2008****20. 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 2007, 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

In 2008, the group terminated distributor arrangements and acquired customer lists in South Africa and increased its ownership of the Scandinavian business