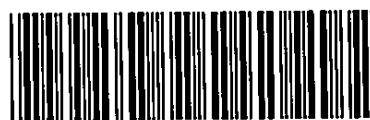


**Company No. 06302477**

**GHD GROUP HOLDINGS LIMITED**  
**REPORTS AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2009**

THURSDAY



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COMPANIES HOUSE

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

**Directors**

P Phillipson (appointed on 27 August 2009)  
P Stoneham (appointed on 27 August 2009)  
S Pooler  
A Greensmith  
M Hall  
P Cheung  
E Watson  
J Fox (resigned 12 February 2010)

**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<sup>th</sup> 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 2009

#### 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

#### Business review

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

|                                    | Year<br>ended<br>31 December<br>2009 | Year<br>ended<br>31 December<br>2008 |
|------------------------------------|--------------------------------------|--------------------------------------|
| Group turnover                     | £139,203,000                         | £135,648,000                         |
| Operating profit                   | £16,100,000                          | £18,276,000                          |
| Net cash from operating activities | £17,569,000                          | £32,968,000                          |
| Average number of employees        | 574                                  | 555                                  |
| Number of principle territories    | 9                                    | 9                                    |

2009 was a year of transition for the group. In the context of a tough domestic market and tightening consumer spending across all markets, the directors are pleased to report that overall, the business delivered revenue growth at a group level and increased gross margins due to a change of supplier in the year. In 2009 we have restructured the weaker, underperforming areas of the business and significantly invested in others which should enable the Group to be in a stronger position going forward to deliver sustainable future growth.

#### Results and dividend

The group loss after taxation for the year attributable to shareholders amounted to £4,179,000 (2008 profit - £3,152,000)

The directors do not recommend the payment of a dividend (2008 - £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 of hair styling irons in the UK and Australia 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 continue to invest in our strong salon relationships, invest in retaining our professional brand position and improving and innovating new products.

**Supply risk** In 2009 the Group appointed a new supplier with its headquarters in Europe with a global manufacturing 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. The Group continues to investigate ways to de-risk this area of the business.

**Exchange risk** The Group currently does not believe that there is significant benefit to enter into derivative contracts to reduce the exposure to the variability of foreign exchange rates. This is constantly being monitored and appraised regularly for material future benefit.

**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 19.

#### **Future developments**

The Group will continue to focus on the professional salon channel as the core market for the business. There will be continued significant Brand Investment, including New Product Development, together with the prioritisation of international investment to drive growth across the Group. The Group believes that, due to its investments and strategies set down in 2009, it has a strong base on which it can deliver growth in Sales and Operating Profits.

#### **Going Concern**

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on page 2 as well as the Group's principal risks and uncertainties as set out on page 3. Based on the Group's forecasts and projections, the Board is satisfied that the Group will be able to operate with its current level of resources for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

#### **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 paid charitable donations of £243,000 (2008 £759,000). The Group expensed further charitable donations in the year, which are recognised in accruals at the year-end and will be paid in 2010.

## **GHD GROUP HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

#### **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.

#### **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 2006. 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.

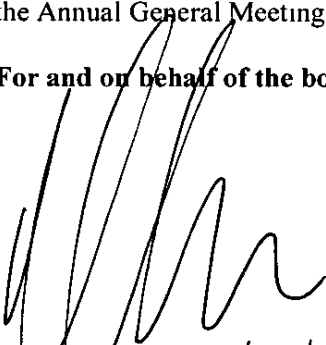
**GHD GROUP HOLDINGS LIMITED****DIRECTORS' REPORT****Disclosure of information to the auditors**

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.

**For and on behalf of the board**



M. HALL  
Director

28/4/2010

## **GHD GROUP HOLDINGS LIMITED**

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

We have audited the financial statements of GHD Group Holdings Limited for the year ended 31 December 2009 which comprises Accounting Policies, a Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

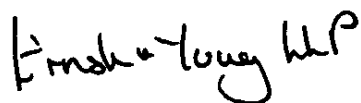
#### **Opinion on other matter prescribed by the Companies Act 2006**

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

**GHD GROUP HOLDINGS LIMITED****INDEPENDENT AUDITOR'S REPORT  
to the members of GHD Group Holdings Limited****Matters on which we are required to report by exception**

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

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



E M Barber (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
Leeds  
28 September 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 2006 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 is 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 2009**

|   | Notes | Year<br>ended<br>31 December<br>2009<br>£'000 | Year<br>ended<br>31 December<br>2008<br>£'000 |
|---|-------|---|---|
| <b>Turnover</b>   | 1     | 139,203                                       | 135,648                                       |
| Cost of sales   |       | (49,690)                                      | (52,318)                                      |
| <b>Gross profit</b>   |       | 89,513  | 83,330  |
| Distribution and selling costs                                |       | (26,223)                                      | (23,072)                                      |
| Administrative expenses                                       |       | (47,190)                                      | (41,982)                                      |
|   |       | (73,413)                                      | (65,054)                                      |
| <b>Group operating profit</b>                                 | 2     | 16,100  | 18,276  |
| (Loss) / Gain on foreign exchange translation                 |       | (681)   | 3,743   |
| Exceptional costs   | 5     | (6,280)                                       | (1,412)                                       |
| Net interest payable  | 6     | (14,071)                                      | (12,898)                                      |
| <b>(Loss) / Profit on ordinary activities before taxation</b> |       | (4,932)                                       | 7,709   |
| Taxation  | 7a    | 707   | (4,398)                                       |
| <b>(Loss) / Profit on ordinary activities after taxation</b>  |       | (4,225)                                       | 3,311   |
| Equity minority interests in subsidiaries                     |       | 46  | (159)   |
| <b>Retained (loss) / profit for the year</b>                  |       | (4,179)                                       | 3,152   |

All turnover and operating profit arises from continuing operations

**GHD GROUP HOLDINGS LIMITED****CONSOLIDATED BALANCE SHEET**  
**At 31 December 2009**

|  | Notes | 31 December<br>2009<br>£'000 | 31 December<br>2008<br>£'000 |
|--|-------|------------------------------|------------------------------|
| <b>Fixed assets</b>                                    |       |                              |                              |
| Intangible fixed assets                                | 8     | 116,428                      | 115,945                      |
| Tangible fixed assets                                  | 9     | 6,414                        | 6,770                        |
|  |       | <hr/>                        | <hr/>                        |
|  |       | 122,842                      | 122,715                      |
|  |       | <hr/>                        | <hr/>                        |
| <b>Current assets</b>                                  |       |                              |                              |
| Stock  | 11    | 13,503                       | 14,254                       |
| Debtors  | 12    | 29,415                       | 32,700                       |
| Cash at bank and in hand                               |       | 27,117                       | 23,818                       |
|  |       | <hr/>                        | <hr/>                        |
|  |       | 70,035                       | 70,772                       |
|  |       | <hr/>                        | <hr/>                        |
| <b>Current liabilities</b>                             |       |                              |                              |
| <b>Creditors: falling due within one year</b>          | 13    | (28,004)                     | (32,737)                     |
|  |       | <hr/>                        | <hr/>                        |
| <b>Net current assets</b>                              |       | 42,031                       | 38,035                       |
|  |       | <hr/>                        | <hr/>                        |
| <b>Total assets less current liabilities</b>           |       | 164,873                      | 160,750                      |
|  |       | <hr/>                        | <hr/>                        |
| <b>Creditors: falling due after more than one year</b> | 14    | (156,002)                    | (149,110)                    |
|  |       | <hr/>                        | <hr/>                        |
| <b>Minority interests</b>                              |       | (89)                         | (135)                        |
|  |       | <hr/>                        | <hr/>                        |
| <b>Net assets</b>                                      |       | 8,782                        | 11,505                       |
|  |       | <hr/>                        | <hr/>                        |
| <b>Capital and reserves</b>                            |       |                              |                              |
| Called up share capital                                | 16    | 800                          | 798                          |
| Share premium account                                  | 17    | 342                          | 342                          |
| Capital redemption reserve                             | 17    | 10                           | 10                           |
| Profit and loss account                                | 17    | 7,630                        | 10,355                       |
|  |       | <hr/>                        | <hr/>                        |
| <b>Equity shareholders' funds</b>                      |       | 8,782                        | 11,505                       |
|  |       | <hr/>                        | <hr/>                        |

Approved by the board on      and signed on its behalf



M HALL  
Director

28/9/2010

**GHD GROUP HOLDINGS LIMITED****CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2009**

|  | Notes | Year ended<br>31 December<br>2009<br>£'000 | Year ended<br>31 December<br>2008<br>£'000 |
|--|-------|--|--|
| <b>Net cash inflow from operating activities</b>       | 18(a) | 17,569                                     | 32,968                                     |
| <b>Return on investments and servicing of finance:</b> |       |  |  |
| Interest received                                      |       | -  | 840  |
| Interest paid  |       | (2,875)                                    | (6,344)                                    |
|  |       | <u>(2,875)</u>                             | <u>(5,504)</u>                             |
| <b>Taxation</b>  |       |  |  |
| Corporation tax paid                                   |       | (11)                                       | (5,474)                                    |
| Overseas tax paid                                      |       | (2,478)                                    | (1,517)                                    |
|  |       | <u>(2,489)</u>                             | <u>(6,991)</u>                             |
| <b>Capital expenditure:</b>                            |       |  |  |
| Payments to acquire tangible fixed assets              |       | (1,726)                                    | (4,591)                                    |
| Receipts from sale of tangible fixed assets            |       | 33   | 68   |
| Payments to acquire intangible fixed assets            |       | (256)                                      | -  |
|  |       | <u>(1,949)</u>                             | <u>(4,523)</u>                             |
| <b>Acquisitions and disposals:</b>                     |       |  |  |
| Cash outflow on acquisitions                           |       | (98)                                       | (2,897)                                    |
| <b>Financing:</b>                                      |       |  |  |
| Issue of share capital                                 |       | -  | 139  |
| Redemption of share capital                            |       | -  | (66)                                       |
| Repayment of bank loans                                |       | (6,750)                                    | (2,250)                                    |
| Repayment of loan notes                                |       | (109)                                      | (9,784)                                    |
|  |       | <u>(6,859)</u>                             | <u>(11,961)</u>                            |
| <b>Increase in cash</b>                                | 18(b) | <u>3,299</u>                               | <u>1,092</u>                               |

**GHD GROUP HOLDINGS LIMITED****RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET DEBT**  
**Year ended 31 December 2009**

|   |              | <b>Year<br/>ended<br/>31 December<br/>2009<br/>£'000</b> | <b>Year<br/>ended<br/>31 December<br/>2008<br/>£'000</b> |
|---|--------------|--|--|
|   | <b>Notes</b> |  |  |
| Increase in cash                              |              | 3,299  | 1,092  |
| Cash outflow from loan notes repaid           |              | 109  | 1,116  |
| Cash outflow from bank loan repayment         |              | 6,750  | 2,250  |
|   |              | <hr/>  | <hr/>  |
| Changes in net debt resulting from cash flows |              | 10,158   | 4,458  |
| Other non-cash movements                      |              | (10,919)   | 213  |
|   |              | <hr/>  | <hr/>  |
| Movement in net debt in the year              |              | (761)  | 4,671  |
| Net debt at 1 January 2009                    |              | (127,267)  | (131,938)  |
|   |              | <hr/>  | <hr/>  |
| Net debt at 31 December 2009                  | 18(b)        | (128,028)  | (127,267)  |
|   |              | <hr/>  | <hr/>  |

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 2009**

|  | <b>Year<br/>ended<br/>31 December<br/>2009<br/>£'000</b> | <b>Year<br/>ended<br/>31 December<br/>2008<br/>£'000</b> |
|--|--|--|
| (Loss) / Profit attributable to shareholders   | (4,179)  | 3,152  |
| Currency translation differences               | 1,454  | 277  |
|  | <hr/>  | <hr/>  |
| Total (losses) / gains recognised for the year | (2,725)  | 3,429  |
|  | <hr/>  | <hr/>  |

**GHD GROUP HOLDINGS LIMITED**

**CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**Year ended 31 December 2009**

|  | Year<br>ended<br>31 December<br>2009<br>£'000 | Year<br>ended<br>31 December<br>2008<br>£'000 |
|--|---|---|
| (Loss) / Profit attributable to shareholders       | (4,179)                                       | 3,152   |
| Currency translation differences                   | 1,454   | 277   |
|  | <hr/>   | <hr/>   |
| Total recognised net (losses) / gains for the year | (2,725)                                       | 3,429   |
| Share capital bought back                          | -   | (12)  |
| New share capital subscribed (net of costs)        | 2   | 172   |
|  | <hr/>   | <hr/>   |
| Movement in equity shareholders' funds             | (2,723)                                       | 3,589   |
| Opening equity shareholders' funds                 | 11,505  | 7,916   |
|  | <hr/>   | <hr/>   |
| Closing equity shareholders' funds                 | 8,782   | 11,505  |
|  | <hr/>   | <hr/>   |

**GHD GROUP HOLDINGS LIMITED****COMPANY BALANCE SHEET****At 31 December 2009**

|  | Notes | 31 December<br>2009<br>£'000 | 31 December<br>2008<br>£'000 |
|--|-------|------------------------------|------------------------------|
| <b>Fixed assets</b>                                    |       |                              |                              |
| Investment in subsidiaries                             | 10    | 965                          | 965                          |
| <b>Current assets</b>                                  |       |                              |                              |
| Debtors  | 12    | 603                          | 1,147                        |
| Cash at bank and hand                                  |       | 8                            | 8                            |
|  |       | 611                          | 1,155                        |
| <b>Current liabilities</b>                             |       |                              |                              |
| Creditors falling due within one year                  | 13    | (604)                        | -                            |
| <b>Net current assets</b>                              |       | 7                            | 1,155                        |
| <b>Total assets less current liabilities</b>           |       | 972                          | 2,120                        |
| <b>Creditors: falling due after more than one year</b> | 14    | -                            | -                            |
| <b>Net assets</b>                                      |       | 972                          | 2,120                        |
| <b>Capital and reserves</b>                            |       |                              |                              |
| Called up share capital                                | 16    | 800                          | 798                          |
| Share premium account                                  | 17    | 342                          | 342                          |
| Capital redemption reserve                             | 17    | 10                           | 10                           |
| Profit and loss account                                | 17    | (180)                        | 970                          |
| <b>Equity shareholders' funds</b>                      |       | 972                          | 2,120                        |

Approved by the board on 28/9/2010 and signed on its behalf



M HALL  
Director

**GHD GROUP HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****1. Turnover and segmental analysis**

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

|                       | <b>Year<br/>ended<br/>31 December<br/>2009<br/>£'000</b> | <b>Year<br/>ended<br/>31 December<br/>2008<br/>£'000</b> |
|-----------------------|--|--|
| Geographical analysis |  |  |
| United Kingdom        | 62,481   | 77,200   |
| Overseas              | 76,722   | 58,448   |
|                       | <u>139,203</u>   | <u>135,648</u>   |

**2. Operating profit**

This is stated after charging

|                                 |              |          |
|---------------------------------|--------------|----------|
| Depreciation                    | 1,733        | 1,087    |
| Loss on disposal of fixed asset | 39           | 50       |
| Auditors' remuneration          |              |          |
| - Audit services                | 219          | 218      |
| - Tax services                  | 119          | 93       |
| - Other services                | 26           | 167      |
| Exceptional items (Note 5)      | 1,783        | -        |
|                                 | <u>1,783</u> | <u>-</u> |

**3. Staff costs and employees**

Remuneration

|   |               |               |
|---|---------------|---------------|
| Wages and salaries, including directors' remuneration | 24,638        | 19,709        |
| Social security costs                                 | 2,650         | 2,660         |
| Other pension costs                                   | 640           | 459           |
|   | <u>27,928</u> | <u>22,828</u> |

**GHD GROUP HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****3. Staff costs and employees (continued)**

Average number of employees, including directors

|                          | <b>Year<br/>ended<br/>31 December<br/>2009</b> | <b>Year<br/>ended<br/>31 December<br/>2008</b> |
|--------------------------|--|--|
| Selling and distribution | 342  | 309  |
| Marketing and education  | 93   | 81   |
| Administration           | 139  | 165  |
|                          | <hr/>  | <hr/>  |
|                          | 574  | 555  |
|                          | <hr/>  | <hr/>  |

**4. Directors' remuneration**

|   | <b>Year<br/>ended<br/>31 December<br/>2009<br/>£'000</b> | <b>Year<br/>ended<br/>31 December<br/>2008<br/>£'000</b> |
|---|--|--|
| Emoluments for qualifying services                      | 1,226  | 1,112  |
| Company pension contributions to money purchase schemes | 18   | 8  |
|   | <hr/>  | <hr/>  |
|   | 1,244  | 1,120  |
|   | <hr/>  | <hr/>  |

Highest paid director

|                                    |       |       |
|------------------------------------|-------|-------|
| Emoluments for qualifying services | 311   | 348   |
| Other payments                     | 9     | 167   |
|                                    | <hr/> | <hr/> |
|                                    | 320   | 515   |
|                                    | <hr/> | <hr/> |

# GHD GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2009

|  | Year ended<br>31 December<br>2009 |              | Year ended<br>31 December<br>2008 |
|--|-----------------------------------|--------------|-----------------------------------|
|  | £'000                             | £'000        | £'000                             |
| <b>5. Exceptional items</b>                |                                   |              |                                   |
| Recognised in arriving at operating profit |                                   |              |                                   |
| Settlement of legal dispute                | 225                               |              | -                                 |
| Charitable donation                        | <u>1,558</u>                      |              | <u>-</u>                          |
|  |                                   | 1,783        | -                                 |
| Recognised below operating profit          |                                   |              |                                   |
| Group restructuring                        | 6,280                             |              | -                                 |
| Integration costs                          | -                                 |              | 888                               |
| Goodwill impairment                        | <u>-</u>                          |              | <u>524</u>                        |
|  |                                   | 6,280        | 1,412                             |
|  |                                   | <u>8,063</u> | <u>1,412</u>                      |

The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is £1,758,400 (2008 £249,000)

## 6. Interest payable

|   |                 |                 |
|---|-----------------|-----------------|
| Bank interest receivable                      | 2               | 780             |
| Interest payable on bank loans and overdrafts | (4,401)         | (4,121)         |
| Interest payable on loan notes                | (9,672)         | (9,557)         |
|   | <u>(14,071)</u> | <u>(12,898)</u> |

## 7. Taxation

### a) Analysis of charge for the year

|  |              |              |
|--|--------------|--------------|
| Current taxation                               |              |              |
| UK corporation tax on profits for the year     | 191          | 2,292        |
| Overseas tax                                   | 743          | 1,659        |
| Adjustment in respect of prior periods - UK    | (1,274)      | (118)        |
| - Overseas                                     | 3            | (37)         |
|  | <u>(337)</u> | <u>3,796</u> |
| Deferred taxation                              |              |              |
| Origination and reversal of timing differences | (370)        | 602          |
|  | <u>(707)</u> | <u>4,398</u> |

**GHD GROUP HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****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% (2008 – 28.5%). The differences are explained below

|  | Year<br>ended<br>31 December<br>2009<br>£'000 | Year<br>ended<br>31 December<br>2008<br>£'000 |
|--|---|---|
| (Loss) / Profit on ordinary activities before taxation                   | (4,932)                                       | 7,709   |
| (Loss) / Profit on ordinary activities multiplied by 28%<br>(2008-28.5%) | (1,381)                                       | 2,197   |
| Effects of   |   |   |
| Expenses not deductible for tax purposes                                 | 873   | 231   |
| Capital allowances for the year in excess of depreciation                | 51  | (23)  |
| Other timing differences   | 271   | 1,645   |
| Utilisation of tax losses  | -   | (313)   |
| Tax losses carried forward   | 19  | -   |
| Differences in overseas tax rates  | 15  | 145   |
| Adjustment in respect of prior period                                    | (1,271)                                       | (110)   |
| Movement in unprovided deferred tax                                      | 1,079   | -   |
| Other  | 7   | 24  |
| Current tax charge for the year  | (337)   | 3,796   |

**c) Factors that may affect future tax charges**

The group has unrecognised deferred tax assets of £1,969,000 (2008 - £2,193,000) in relation to interest charged on loan notes which will only become deductible when it is paid at some point in the future. There is also an unrecognised asset of £551,000 (2008-£377,000) relating to unutilised tax losses in companies where there is no guarantee of future profits. 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.

On 22 June 2010, the UK government announced proposals to reduce the main rate of corporation tax from 28% to 24% over 4 years with effect from 1 April 2011. As of 31 December 2009, the tax rate change was not substantially enacted. In addition, changes to the capital allowances regime were proposed including a reduction in the rate of capital allowances on plant and machinery additions from 20% to 18% with effect from 1 April 2012. As of 31 December 2009, this proposal was not substantially enacted.

If these changes had been substantially enacted, the maximum impact on the stated deferred tax asset would be £20,000.

**GHD GROUP HOLDINGS LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009**
**7. Taxation (continued)**
**d) Analysis of deferred tax asset**

|  |       |       |
|--|-------|-------|
| Balance brought forward                    | 347   | 931   |
| Credit/(charge) to profit and loss account | 370   | (602) |
| Currency variations                        | 83    | 18    |
|  | <hr/> | <hr/> |
|  | 800   | 347   |
|  | <hr/> | <hr/> |
| Decelerated capital allowances             | 63    | 32    |
| Unutilised losses carried forward          | 19    | -     |
| Other timing differences                   | 718   | 315   |
|  | <hr/> | <hr/> |
|  | 800   | 347   |
|  | <hr/> | <hr/> |

**GHD GROUP HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****8. Intangible fixed assets**

|                                  | <b>Goodwill</b> | <b>Intangible<br/>assets</b> | <b>Total</b> |
|----------------------------------|-----------------|------------------------------|--------------|
|                                  | <b>£'000</b>    | <b>£'000</b>                 | <b>£'000</b> |
| <b>Cost</b>                      |                 |                              |              |
| At 1 January 2009                | 115,957         | -                            | 115,957      |
| Additions                        | -               | 256                          | 256          |
| Disposals                        | -               | (6)                          | (6)          |
| Transfers                        | (88)            | 631                          | 543          |
| Currency translation differences | 109             | 35                           | 144          |
|                                  | <hr/>           | <hr/>                        | <hr/>        |
| At 31 December 2009              | 115,978         | 916                          | 116,894      |
|                                  | <hr/>           | <hr/>                        | <hr/>        |
| <b>Amortisation</b>              |                 |                              |              |
| At 1 January 2009                | 12              | -                            | 12           |
| Charge                           | -               | 214                          | 214          |
| Disposals                        | -               | (5)                          | (5)          |
| Transfers                        | (12)            | 223                          | 211          |
| Currency translation differences | -               | 34                           | 34           |
|                                  | <hr/>           | <hr/>                        | <hr/>        |
| At 31 December 2009              | -               | 466                          | 465          |
|                                  | <hr/>           | <hr/>                        | <hr/>        |
| <b>Net book amounts</b>          |                 |                              |              |
| At 31 December 2009              | 115,978         | 450                          | 116,428      |
|                                  | <hr/>           | <hr/>                        | <hr/>        |
| At 31 December 2008              | 115,945         | -                            | 115,945      |
|                                  | <hr/>           | <hr/>                        | <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.

## GHD GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
At 31 December 2009

## 9. Tangible fixed assets

| Group                               | Freehold<br>property<br>£'000 | Leasehold<br>improvements<br>£'000 | Motor<br>vehicles<br>£'000 | Plant<br>equipment,<br>fixtures &<br>fittings<br>£'000 | Total<br>£'000 |
|-------------------------------------|-------------------------------|------------------------------------|----------------------------|--|----------------|
| Cost                                |                               |                                    |                            |  |                |
| At 1 January 2009                   | 1,741                         | 3,419                              | 225                        | 3,566  | 8,951          |
| Additions                           | -                             | 107                                | 67                         | 1,419  | 1,593          |
| Disposals                           | -                             | (42)                               | (21)                       | (138)  | (201)          |
| Transfers                           | -                             | -                                  | (4)                        | (635)  | (639)          |
| Currency translation<br>differences | -                             | 38                                 | (6)                        | (44)   | (12)           |
| At 31 December 2009                 | 1,741                         | 3,522                              | 261                        | 4,168  | 9,692          |
| Depreciation                        |                               |                                    |                            |  |                |
| At 1 January 2009                   | 147                           | 399                                | 64                         | 1,571  | 2,181          |
| Charge                              | 34                            | 715                                | 53                         | 714  | 1,516          |
| Disposals                           | -                             | (35)                               | (14)                       | (80)   | (129)          |
| Transfers                           | -                             | -                                  | (5)                        | (302)  | (307)          |
| Currency translation<br>differences | -                             | 33                                 | (1)                        | (15)   | 17             |
| At 31 December 2009                 | 181                           | 1,112                              | 97                         | 1,888  | 3,278          |
| Net book amounts                    |                               |                                    |                            |  |                |
| At 31 December 2009                 | 1,560                         | 2,410                              | 164                        | 2,280  | 6,414          |
| At 31 December 2008                 | 1,594                         | 3,020                              | 161                        | 1,995  | 6,770          |

There were no commitments to future capital expenditure

# GHD GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS At 31 December 2009

### 10. Investment in subsidiaries

|                                   | Group       | Company     |
|-----------------------------------|-------------|-------------|
|                                   | 31 December | 31 December |
|                                   | 2009        | 2008        |
|                                   | £'000       | £'000       |
| Cost                              |             |             |
| At 1 January and 31 December 2009 | -           | 965         |

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

|  | Percentage held | Country of incorporation |
|--|-----------------|--------------------------|
| <b>Holding Companies</b>                         |                 |                          |
| 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           |
| <b>Hair Care Product Distributors</b>            |                 |                          |
| 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

|                            | Group       | Company     |
|----------------------------|-------------|-------------|
|                            | 31 December | 31 December |
|                            | 2009        | 2008        |
|                            | £'000       | £'000       |
| Goods purchased for resale | 13,503      | 14,254      |

**GHD GROUP HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****12. Debtors**

|   | 31 December<br>2009<br>£'000 | Group<br>31 December<br>2008<br>£'000 | 31 December<br>2009<br>£'000 | Company<br>31 December<br>2008<br>£'000 |
|---|------------------------------|---------------------------------------|------------------------------|---|
| Trade debtors                           | 26,134                       | 30,096                                | -                            | -                                       |
| Deferred taxation                       | 800                          | 347                                   | -                            | -                                       |
| Other debtors                           | 363                          | 901                                   | -                            | 66                                      |
| Corporate taxation                      | 1,437                        | 110                                   | -                            | -                                       |
| Prepayments and accrued income          | 681                          | 1,246                                 | 26                           | -                                       |
| Amount due from subsidiary undertakings | -                            | -                                     | 577                          | 1,081                                   |
|   | <u>29,415</u>                | <u>32,700</u>                         | <u>603</u>                   | <u>1,147</u>                            |

The deferred taxation balance is made up of £86,000 (2008 £32,000) for decelerated capital allowances, £696,000 (2008 £315,000) for short term timing differences and £18,000 (2008 nil) for unutilised losses

**13. Creditors falling due within one year**

|  |               |               |            |          |
|--|---------------|---------------|------------|----------|
| Bank loans   | (857)         | 2,054         | -          | -        |
| Total borrowings falling due within one year (note 14) | <u>(857)</u>  | <u>2,054</u>  | <u>-</u>   | <u>-</u> |
| Trade creditors  | 11,507        | 12,813        | -          | -        |
| Corporate taxation (UK and overseas)                   | -             | 1,527         | -          | -        |
| Other taxation and social security                     | 2,880         | 3,061         | -          | -        |
| Other creditors  | 1,424         | 1,868         | -          | -        |
| Accruals and deferred income                           | 13,050        | 11,414        | 604        | -        |
|  | <u>28,004</u> | <u>32,737</u> | <u>604</u> | <u>-</u> |

During the year, the Group used Letters of Credit to pay its suppliers. Of these £556,000 were outstanding at the year-end (2008 - £nil)

Finance costs associated to each capital instrument are amortised over the life of that instrument. There is no loan principal payable on the bank loans in 2010, because the group repaid both 2009 and 2010 repayment amounts in 2009. This has resulted in the receivable balance in creditors falling due within one year.

**GHD GROUP HOLDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****14. Creditors falling due after more than one year**

|  | <b>Group</b>            | <b>Company</b>          |
|--|-------------------------|-------------------------|
|  | <b>31 December 2009</b> | <b>31 December 2008</b> |
|  | <b>£'000</b>            | <b>£'000</b>            |
| Bank loans   | 48,136                  | 50,727                  |
| Loan notes   | 107,866                 | 98,304                  |
| <b>Total borrowings falling due after more than one year</b> | <b>156,002</b>          | <b>149,031</b>          |
| Other creditors  | -                       | 79                      |
|  | <b>156,002</b>          | <b>149,110</b>          |

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

|   |                |                |          |          |
|---|----------------|----------------|----------|----------|
| In one year or less                                 | (857)          | 2,054          | -        | -        |
| In more than one year but not more than two years   | 3,663          | 2,836          | -        | -        |
| In more than two years but not more than five years | 14,680         | 13,072         | -        | -        |
| More than five years                                | 137,659        | 133,123        | -        | -        |
|   | <b>155,145</b> | <b>151,085</b> | <b>-</b> | <b>-</b> |

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 19 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.

On 4 December 2009 the 49,415,000 £1 loan A notes were listed on the Channel Island Stock Exchange (CISX). In addition to this on 4 December 2009 6,000,000 £1 C loan notes were also listed on the Channel Island Stock Exchange. The notes are listed on CISX under standard terms and conditions.

**15. Contingent liabilities**

During the year, the company issued Letters of Credit for the purchase of goods. At the year-end, £0.7m Letters of Credit, with settlement date in 2010, were outstanding. The related supplier creditor balance remains on the balance sheet at the year-end as part of trade creditors.

# GHD GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS At 31 December 2009

### 16. Called up share capital

|  | 31 December<br>2009<br>£'000 | 31 December<br>2008<br>£'000 |
|--|------------------------------|------------------------------|
| <b>Authorised:</b>                         |                              |                              |
| 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/>                        |
| <b>Allotted, called-up and fully-paid:</b> |                              |                              |
| 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                          | 198                          |
|  | <hr/>                        | <hr/>                        |
|  | 800                          | 798                          |
|  | <hr/>                        | <hr/>                        |

On 27<sup>th</sup> August 2009, the company issued 2,500 shares of its own £1C ordinary shares for £2,500

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

### 17. Reserves

|   | 2009                                   |                                   |                                     |
|---|--|-----------------------------------|-------------------------------------|
|   | Capital redemption<br>reserve<br>£'000 | Share premium<br>account<br>£'000 | Profit and loss<br>account<br>£'000 |
| <b>£'000</b>                                      |  |                                   |                                     |
| <b>Group</b>                                      |  |                                   |                                     |
| At 1 January 2009                                 | 10                                     | 342                               | 10,355                              |
| Loss attributable to shareholders<br>for the year | -                                      | -                                 | (4,179)                             |
| Currency translation differences                  | -                                      | -                                 | 1,454                               |
|   | <hr/>                                  | <hr/>                             | <hr/>                               |
| At 31 December 2009                               | 10                                     | 342                               | 7,630                               |
|   | <hr/>                                  | <hr/>                             | <hr/>                               |

**NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009****17. Reserves (continued)**

|   | Capital redemption reserve<br>£'000 | Share premium account<br>£'000 | Profit and loss account<br>£'000 |
|---|-------------------------------------|--------------------------------|----------------------------------|
| <b>Company</b>                                    |                                     |                                |                                  |
| At 1 January 2009                                 | 10                                  | 342                            | 970                              |
| Loss attributable to shareholders<br>for the year | -                                   | -                              | (1,150)                          |
|   | <hr/>                               | <hr/>                          | <hr/>                            |
| At 31 December 2009                               | 10                                  | 342                            | (180)                            |

## 2008

|  | Capital redemption reserve<br>£'000 | Share premium account<br>£'000 | Profit and loss account<br>£'000 |
|--|-------------------------------------|--------------------------------|----------------------------------|
| <b>Group</b>                                     |                                     |                                |                                  |
| 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                           |

|   |       |       |       |
|---|-------|-------|-------|
| <b>Company</b>                                      |       |       |       |
| At 1 January 2008                                   | -     | 223   | (33)  |
| Profit attributable to shareholders<br>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   |

The profit and loss account of the parent company has not been presented, as permitted by Section 408 of the Companies Act 2006

**GHD GROUP HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**At 31 December 2009**

**18. Cash flow statement**

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

|  | <b>Year<br/>ended<br/>31 December<br/>2009<br/>£'000</b> | <b>Period<br/>ended<br/>31 December<br/>2008<br/>£'000</b> |
|--|--|--|
| Operating profit per the profit and loss account | 16,100   | 18,276   |
| Depreciation and amortisation                    | 1,730  | 1,087  |
| Exceptional items                                | (5,163)  | -  |
| Loss on sale of fixed assets                     | 39   | 50   |
| Gain on foreign exchange                         | 579  | 4,020  |
| Decrease / (increase) in stock                   | 581  | (1,585)  |
| Decrease / (increase) in debtors                 | 4,122  | (3,619)  |
| (Decrease) / increase in creditors               | (419)  | 14,739   |
|  | <hr/>  | <hr/>  |
| Net cash inflow from operating activities        | 17,569   | 32,968   |
|  | <hr/>  | <hr/>  |

**(b) Analysis of changes in net debt:**

|                          | <b>At<br/>1 January<br/>2009<br/>£'000</b> | <b>Cash flows<br/>£'000</b> | <b>Other<br/>movements<br/>£'000</b> | <b>At<br/>31 December<br/>2009<br/>£'000</b> |
|--------------------------|--|-----------------------------|--------------------------------------|--|
| Cash at bank and in hand | 23,818                                     | 3,299                       | -                                    | 27,117                                       |
| Bank loans               | (52,781)                                   | 6,750                       | (1,248)                              | (47,279)                                     |
| Loan notes               | (98,304)                                   | 109                         | (9,671)                              | (107,866)                                    |
|                          | <hr/>                                      | <hr/>                       | <hr/>                                | <hr/>  |
|                          | (127,267)                                  | 10,158                      | (10,919)                             | (128,028)                                    |
|                          | <hr/>                                      | <hr/>                       | <hr/>                                | <hr/>  |

# GHD GROUP HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS At 31 December 2009

### 19. Group hedging

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

|                                   | Principal<br>£'000 | Fair<br>Value<br>£'000 | Fair<br>value<br>adjustment<br>£'000 |
|-----------------------------------|--------------------|------------------------|--------------------------------------|
| Interest rate cap                 | 21,353             | 57                     | 12                                   |
| Interest rate structured collar   | 16,972             | (1,732)                | 188                                  |
| At 31 <sup>st</sup> December 2009 | 38,325             | (1,675)                | 200                                  |
| At 31 <sup>st</sup> December 2008 | 41,303             | (1,875)                | (1,626)                              |

#### Interest rate cap

The cap limits interest to 7% on £21.4m of the Group's facility

The fair value represents the net cost of replacement on identical terms at prices prevailing on 31<sup>st</sup> December 2009

#### 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 31<sup>st</sup> December 2009 for the period to the contracted expiry dates

### 20. Related parties disclosures

|                               | Paid or accrued<br>Year<br>ended<br>31 December<br>2009<br>£'000 | Year<br>ended<br>31 December<br>2008<br>£'000 |
|-------------------------------|--|---|
| <b>Interest on loan notes</b> |  |   |
| Montagu Private Equity LLP    | 6,050  | 4,989   |
| J Fox                         | 360  | 326   |
| M Hall                        | 238  | 215   |
| B Watson                      | 239  | 217   |

# **GHD GROUP HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2009**

### **20. Related parties disclosures (continued)**

|                            | <b>Balance</b>     |                    |
|----------------------------|--------------------|--------------------|
|                            | <b>31 December</b> | <b>31 December</b> |
|                            | <b>2009</b>        | <b>2008</b>        |
|                            | <b>£'000</b>       | <b>£'000</b>       |
| <b>Loan notes</b>          |                    |                    |
| Montagu Private Equity LLP | 69,267             | 62,295             |
| J Fox                      | 4,128              | 3,698              |
| M Hall                     | 2,731              | 2,447              |
| B Watson                   | 2,747              | 2,461              |

Consultancy fees of £Nil (2008 - £70,000) 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.

### **21 Acquisitions and disposals**

#### *Acquisitions*

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