Pulse Home Products (Holdings) Limited

Directors' report and financial statements for the seven months ended 31 March 2008

Registered Number 6322952

Pulse Home Products (Holdings) Limited

Directors' report and financial statements

for the seven months ended 31 March 2008

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Pulse Home Products (Holdings) Limited

Directors and Advisors

Directors

Michael Harris	(appointed 1 August 2007)
Benjamin Slatter	(appointed 1 August 2007)
David Allen	(appointed 1 August 2007)
Mark Weems	(appointed 1 August 2007)
Deborah Gough	(appointed 1 August 2007)
Nigel Freer	(appointed 18 December 2007)
Huntsmoor Limited	(appointed 24 July 2007, resigned 1 August 2007)
Huntsmoor Nominees Limited	(appointed 24 July 2007, resigned 1 August 2007)

Secretary

Mark Weems	(appointed 1 August 2007)

Auditors
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors
Taylor Wessing LLP
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Royton
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Registered Number
6322952

Pulse Home Products (Holdings) Limited

Directors' report

The directors present their report and the audited financial statements of the group and company for the seven months ended 31 March 2008.

Incorporation of the business

The company was incorporated on 24 July 2007 as Pulse Home Products (Holdings) Limited with Huntsmoor Nominees Limited as its sole shareholder. The share capital of the business upon incorporation was £1. On 1 August 2007, the company changed its name to Pulse Home Products (Holdings) Limited.

On 22 August 2007, Huntsmoor Nominees Limited transferred its shareholding to Rutland Fund II LLP, and the authorised share capital of the company was increased from £1,000 to £2,060,000 through the creation of 1,599,000 'A' ordinary shares of £1 each, 140,000 'B' ordinary shares of £1 each, 260,000 'C' ordinary shares of £1 each and 60,000 deferred ordinary shares of £1 each.

On 22 August 2007, the company acquired 100% of the share capital of Vine Mill Limited. On the same day, Vine Mill Limited acquired the entire share capital of Pulse Home Products Limited, a company registered in England and Wales and Pulse Home Products Limited acquired certain trade and assets of Harvard International Limited.

Principal activities of the company

The company is a holding company and did not trade in the period.

Principal activities of the group

The principal activity of the new group is the sale of small domestic appliances to customers both in the UK and also in mainland Europe.

Key performance indicators and review of trading in the period

The group's key financial and other performance indicators during the year were as follows:

	£'000
Group Turnover	63,881
Group earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDAE)*	4,356
Cash flow from operating activities	12,292
	%
Gross Margin	37.1
EBITDAE Margin	6.8
	Number
Average number of employees during the year	255
	£'000
Turnover per employee	251
EBITDAE per employee	17

*: See note 2 to the accounts

Pulse Home Products (Holdings) Limited

Turnover since the formation of the Group has been broadly in line with management's expectations. The core brands of the Group, Breville, Nicky Clarke and Bush, continue to perform well in the UK small domestic appliances marketplace.
As a result of the acquisition of certain trade and assets of Harvard International Limited, the Hinari, Dirt Devil and Power Devil brands are now under the Group's ownership. In addition, the licence to produce JCB-branded power tools is also owned by the Group (please refer to Future Developments below).

Principal risks and uncertainties
The Board of Directors meets on a monthly basis and as part of their role considers the principal risks and uncertainties facing the group. These risks are broadly grouped as competitor risk, price risk, currency risk, credit risk and liquidity risk.

- **Competitor risk**

  The group competes with other well known high street brands and consequently looks to mitigate the risk of losing trade through constant innovation of its existing products, maintaining the high standard of goods sold and by bringing new products into the marketplace.

- **Price risk**

  The group is exposed to pricing volatility due to a mix of economic factors on products purchased from overseas. As a result, the Board maintain a close dialogue with its suppliers and monitors all economic fluctuations to mitigate this risk.

- **Currency risk**

  The majority of the Group's purchases are in US dollars, and therefore there is a risk of currency losses should exchange rates move adversely through the period. The Board seeks to mitigate this through the use of forward contracts such that a high level of future purchases is hedged. Under UK GAAP, the fair value of these forward contracts is not included within the primary financial statements, although is disclosed in note 29.

- **Credit risk**

  Credit risk is the risk that a customer defaults on its payment to the Group. The Group mitigates this risk by using credit insurance where appropriate and through continued use of credit reports. Details of the Group's trade debtors are shown in note 14.

- **Liquidity risk**

  Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations created by its financial liabilities. The Group mitigates this risk through careful monitoring of daily cash balances and detailed cash forecasting processes, as well as by close control over all areas of working capital within the Group. The Group also uses hedges against increases in interest rates to minimise future interest costs (see note 7 for details of interest costs in the period).

Results
The loss for the period was £2,632,000 and this amount is to be transferred to reserves.

Pulse Home Products (Holdings) Limited

Directors and their interests

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

Michael Harris	(appointed 1 August 2007)
Benjamin Slatter	(appointed 1 August 2007)
David Allen	(appointed 1 August 2007)
Mark Weems	(appointed 1 August 2007)
Deborah Gough	(appointed 1 August 2007)
Nigel Freer	(appointed 18 December 2007)
Huntsmoor Limited	(appointed 24 July 2007, resigned 1 August 2007)
Huntsmoor Nominees Limited	(appointed 24 July 2007, resigned 1 August 2007)

The directors' interests in shares of the company at the end of the period were:

	No. of ordinary 'B' shares	No. of ordinary 'C' shares	No. of deferred shares
David Allen	140,000	-	15,162
Mark Weems	-	60,000	17,876
Deborah Gough	-	60,000	17,876
Nigel Freer	-	30,000	-

No other director holds any interest in the shares of the company at the end of the period, and there are no share options held by the directors of the company.

Creditor payment policy
The group's creditor payment policy is to pay suppliers in accordance with agreed terms of business. These terms are agreed with suppliers at the outset of each transaction and the group adhere to these terms provided the supplier meets its obligations. The number of days' worth of purchases outstanding at the period end was 40.

Charitable and political contributions
During the period, the Group made charitable contributions of £3,000. The Group made no political contributions in the period.

Future developments
As a result of the evaluation of the profitability of the Power Products division, the company has taken the decision to cease trading within this market during the financial year to March 2009. In line with FRS 3, the financial statements include a provision for the expected operating loss of this business until cessation within operating expenses.
The other divisions of the company will continue to innovate and promote their products both in the UK and overseas.

Pulse Home Products (Holdings) Limited

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

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group 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.

Auditors
PricewaterhouseCoopers LLP were appointed auditors of the company by the directors. They have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

• So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;
• the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

By order of the Board

Mark Weems

Director, 13 August 2008

Pulse Home Products (Holdings) Limited

Independent Auditors' report to the members of Pulse Home Products (Holdings) Limited

We have audited the group and parent company financial statements (the ''financial statements'') of Pulse Home Products (Holdings) Limited for the period ended 31 March 2008 which comprise the consolidated Profit and Loss Account, the consolidated and Company Balance Sheets, the consolidated Cash Flow Statement, the consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 (United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 other information contained in the Directors report and financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, 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 March 2008 and of the group's loss and cash flows for the period then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
13 August 2008

Pulse Home Products (Holdings) Limited

Consolidated Profit and Loss account for the seven months ended 31 March 2008

	Notes	Group £'000
Turnover	1	**63,881**
Cost of sales		(40,162)
Gross profit		**23,719**
Net operating expenses	2	(21,540)
Exceptional item - provision for future losses of Power Products division	4	(923)
Operating profit	2	**1,256**
Interest received	7	91
Interest charged	7	(4,501)
Loss on ordinary activities before tax		**(3,154)**
Tax credit on profit on ordinary activities	8	522
Loss for the period		**(2,632)**

The historical cost profit is identical to that disclosed above, and therefore no separate note of historical cost profits and losses has been presented.

All operations are classed as continuing.

Statement of total recognised gains and losses for the seven months ended 31 March 2008

	£'000
Loss for the financial period	(2,632)
Total recognised losses relating to the period	**(2,632)**

Pulse Home Products (Holdings) Limited

Balance sheets as at 31 March 2008

	Notes	Consolidated 2008 £'000	Company 2008 £'000
Fixed assets:			
Intangible	10	27,640	-
Tangible	11	1,258	-
Investments in subsidiary companies	12	-	2,000
		28,898	**2,000**
Current assets:			
Stocks	13	12,299	-
Debtors	14/18	17,283	-
Cash at bank and in hand		8,621	-
		38,203	-
Creditors: amounts falling due within one year	15	(14,609)	-
Provisions for liabilities and charges	17	(1,411)	-
Net current assets		**22,183**	-
Total assets less current liabilities		**51,081**	**2,000**
Creditors: amounts falling due after one year	16	(51,713)	-
Net (liabilities)/ assets		**(632)**	**2,000**
Capital and reserves:			
Called up share capital	19	2,000	2,000
Profit and loss account	20	(2,632)	-
Equity Shareholders' (deficit)/ funds	21	**(632)**	**2,000**

The financial statements on pages 8 to 26 were approved by the board of directors on 13 August 2008 and were signed on its behalf by:

David Allen
Chief Executive

Mark Weems
Financial Director

Pulse Home Products (Holdings) Limited

Consolidated Cash Flow Statement for the seven months ended 31 March 2008

	Notes	Group 2008 £'000
Net cash in flow from operating activities	25	**12,292**
Return on investment and servicing of finance:		
Interest received		91
Interest paid		(2,187)
		(2,096)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets		(582)
		(582)
Acquisitions:		
Consideration paid for acquisition	24	(53,734)
Net cash acquired with subsidiary		241
		(53,493)
Financing:		
Issue of share capital		2,000
Issue of loans		53,300
Costs of issuing loans		(2,250)
Repayments of amounts borrowed		(550)
		52,500
Net increase in cash for the period	25/26	**8,621**

Pulse Home Products (Holdings) Limited

Accounting policies

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of consolidation
The group accounts, which comprise a consolidation of the parent company and all its subsidiaries, have been prepared in accordance with the Companies Act 1985 and in accordance with applicable Accounting Standards in the United Kingdom.
As permitted by section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account.

Acquisitions and goodwill
The results of businesses acquired are included in the group profit and loss account and cash flows from the effective date of acquisition. The net assets of the acquired businesses are incorporated in the Group accounts at their fair value to the group, after making adjustments to reflect the alignment of the accounting policies of the acquired businesses with those of the group. Acquisitions are accounted for using the acquisition method of accounting.

Goodwill arising on acquisition is capitalised and classified as an intangible asset on the balance sheet. The intangible asset is then amortised each month on a straight line basis over 10 years. This life is the directors' best estimate of the asset's useful economic life.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost represents all expenditure to bring the stocks into their present location and condition. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Finance and operating leases
Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset has been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Currency of financial statements
The financial statements have been prepared and presented in UK Sterling, as the directors consider this to be the currency in which the performance of the business is best measured. The financial statements of all of the company's subsidiaries are also presented in UK Sterling, with the exception of Pulse Home Products (Hong Kong) Limited whose accounts are produced in HK Dollars and are translated into UK Sterling at the appropriate year-end rate in line with SSAP 20.

Foreign Currency translation
Transactions denominated in foreign currencies are translated at the rate prevailing at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date, or at an appropriate forward rate as permitted by SSAP 20. Exchange differences are included in the profit and loss account for the year.

Turnover
Turnover which excludes value added tax and trade discounts, represents the invoice value of goods and services supplied during the year. Revenue is recognised on transfer of risk to the customer, which is normally the time of despatch.

Deferred taxation
The company provides for corporate taxation on the results for the period at the normal rate applicable to that period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Tangible fixed assets
Tangible fixed assets are stated at their purchase costs, together with any incidental costs of acquisition or at valuation.

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

Computer equipment	4 years
Plant and equipment	4 years
Tooling equipment	2 years
Building improvements to the leasehold	To the end of the lease

Investments
Investments are stated at cost, less any provision for impairment in value.

Loan Issue costs
Issue costs associated with the loans are capitalised and netted off against the loan amounts to which they relate. The costs are then amortised over the period of the loan to which they relate on a straight line basis, with the amortisation being classified as an interest cost.

Provisions for liabilities
A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the costs incurred with goods returned under warranty are charged against profits when products have been invoiced. Goods are sold with a warranty period of one year from the date of sale and therefore the provision for warranty returns has been classified within current liabilities. The methodology used in the calculation of the provision is shown in note 17.
The effect of the time value of money is not material and therefore no discount has been applied to the provision.

Notes to the financial statements for the seven months ended 31 March 2008

1 Segmental analysis

The group operates in one principal area of activity, that of the sale of small domestic appliances. The directors consider that the Group operates in two geographical markets, the UK and Europe, and consequently segmental information is provided below on that split:

	UK £'000	Europe £'000	Total £'000
Turnover	62,900	981	63,881

2 Operating profit

	2008 £'000
The operating profit of £1,256,000 is stated after charging/(crediting) the following:	
Amortisation of goodwill (see note 10)	1,934
Depreciation of tangible fixed assets (see note 11)	243
Exceptional item - provision for future operating losses of the Power Products division* (see note 4)	923
Operating leases – plant and machinery	81
Operating leases – other	96
Auditors' remuneration for the audit (see note 3)	63
Foreign exchange gains	(1,111)

*: The provision meets the requirements of paragraph 18 of FRS 3 to be classified as an exceptional cost. This is shown within operating expenses.

The Group's EBITDAE as described within the Key Performance Indicators section of the accounts (page 2) of £4,356,000 is derived as follows:

	2008 £'000
Group operating profit (as per page 8)	1,256
Add back:	
Amortisation of goodwill	1,934
Depreciation of tangible fixed assets	243
Exceptional item – provision for future operating losses of the Power Products division	923
Group EBITDAE	**4,356**

3 Auditors' remuneration

The remuneration of PricewaterhouseCoopers LLP, the Group's auditors, is analysed further as follows:

	2008 £'000
Audit of the financial statements of the Group	63
Taxation	33
Fees in associated with the acquisition and raising of finance	1,102
Total remuneration paid to auditors	**1,198**

*: Of this amount, £5,000 relates to the audit of the company

4 Exceptional item - provision for future operating losses of the Power Products division

On 28 March 2008, a decision was taken by the Board to cease operations of the Power Products division.

In line with FRS 3 (paragraph 18), a provision of £923,000 has been made in the accounts for the expected operating losses of the business until its cessation.

5 Emoluments of directors

	2008 £'000
Aggregate emoluments	316
Contributions to money purchase schemes	39

Aggregate emoluments above include £116,000 paid to 3rd parties for the services of non executive directors. No retirement benefits accrue to directors under defined contribution schemes.

The aggregate amount of emoluments paid to the highest paid director was £148,000 and a pension contribution of £19,000.

6 Employee costs & staff numbers

Staff costs for the group during the period were as follows:	2008 £'000
Wages and salaries	2,732
Pension costs	121
Social security costs	305
	3,158

The average number of staff employed by the group during the period was as follows:	2008 Number
Warranty and warehousing	77
Selling and distribution	44
Administration	43
Purchasing and quality control	91
	255

7 Net interest payable and receivable

	2008 £'000
Interest payable and similar charges:	
Bank loans, overdrafts and shareholder loans	4,211
Cost of interest rate hedge	126
Amortisation of loan costs	164
Total interest payable and similar charges	**4,501**
Interest receivable	(91)
Net interest payable	**4,410**

8 Tax on profit on ordinary activities

(a) Tax credit on loss on ordinary activities

	2008 £'000
The tax (credit)/ charge for the year comprises:	
Current tax: UK @ 30%	-
Current tax: Overseas @ 17.5%	36
Total current tax charge	**36**
Deferred tax (see note 18)	(558)
Total tax credit as per the accounts	**(522)**

(b) Circumstances that affect the current tax credit for the year are as follows:

Loss on ordinary activities before tax	(3,154)
Expected tax credit on loss at 30%	**(946)**
Effects of:	
Expenses not deductible for taxation purposes	640
Accelerated capital allowances and other timing differences	428
Losses carried forward not recognised for deferred tax	302
Prior year losses not recognised	(362)
Difference in overseas tax rate	(26)
Total current tax charge (note 8(a))	**36**

(c) Factors which may affect future tax charges:

The UK rate of corporation tax is to be reduced from 30% to 28% from 1 April 2008. The Group will look to maximise the use of any available losses in future years.

9 Loss for the financial period

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The company acts only as a holding company and therefore has no profit or loss in the period.

10 Intangible assets

Group

	2008 £'000
Goodwill:	
Additions	29,574
Cost at 31 March 2008	**29,574**
Amortisation charge for the period	(1,934)
Amortisation at 31 March 2008	**(1,934)**
Net book value at 31 March 2008	**27,640**

Goodwill is being written off over 10 years. The directors estimate this to be the period over which benefits may reasonably be expected to accrue.

11 Tangible assets

Group

	Leasehold improvements	Plant, Machinery and office equipment	Total
	£'000	£'000	£'000
Cost			
On acquisition	488	431	919
Additions	71	511	582
At 31 March 2008	**559**	**942**	**1,501**
Accumulated depreciation			
Charge for the period	(50)	(193)	(243)
At 31 March 2008	**(50)**	**(193)**	**(243)**
Net book value			
At 31 March 2008	**509**	**749**	**1,258**

The company is non-trading and therefore has no tangible fixed assets.

12 Investments in subsidiary companies

The company owns the entire share capital of Vine Mill Limited, a company registered in England and Wales. The investment is held at its cost of £2,000,000. Vine Mill Limited was incorporated on 1 August 2007 and commenced trading on 22 August 2007 when it purchases the entire share capital of Pulse Home Products Limited on 22 August 2007.

The subsidiaries of Vine Mill Limited are listed in note 28. The acquisition method of accounting has been adopted in the formation of these group accounts.

13 Stocks

	Group 2008 £'000
Finished goods held for resale	12,226
Raw materials and consumables	73
	12,299

The company does not own any stocks.

14 Debtors

	Group 2008 £'000
Trade debtors	14,433
Other debtors	1,103
Prepayments and accrued income	1,036
Deferred tax asset	711
	17,283

The company does not have debtors.

15 Creditors: amounts falling due within one year

	Group 2008 £'000
Current instalments on bank loans	1,100
Trade creditors	4,178
Taxation and social security creditors	698
Corporation tax	36
Accruals and deferred income	8,597
	14,609

The company does not have creditors, due either within 1 year or due after 1 year.

16 Creditors: amounts falling due after one year

	Group 2008 £'000
Future instalments on bank loans	28,350
Shareholder loan notes	25,449
	53,799
Loan issue costs	(2,250)
Amortisation of issue costs in the period	164
	51,713

Borrowings are repayable as follows:

	2008 £'000
Bank and shareholder loans	
- on demand or within one year	1,100
- between two and five years	4,600
- after five years	49,199
	54,899

The borrowings with the bank hold a fixed and floating charge over all property and assets, including goodwill, debtors and uncalled capital and bear interest at rates between 8.2% and 15.0% pa.

The shareholder loan notes bear interest at 15.5% and are repayable at the earlier of August 2018 or a change of ownership of the Group.

17 Provisions for liabilities and charges

Provision for future returns of product under warranty

	£'000
At acquisition	1,610
Utilised in the period	(5,544)
Additional charges in the period	5,345
At 31 March 2008	**1,411**

The group's products are sold under warranty to its customers with a warranty period of 12 months from the date of sale. The provision is calculated using historical returns rates on a product by product basis.

The company is not trading so does hold any warranty provision.

18 Deferred taxation

The movement on the Group's deferred tax asset in the period is as follows:

	£'000
At acquisition	153
Origination and reversal of timing differences	558
At 31 March 2008 (note 14)	**711**

The above deferred tax asset relates to timing differences.

The company does not have any deferred tax balances.

19 Called up share capital

	Number	2008 £'000
Authorised:		
Deferred £1 shares	60,000	60
'A' ordinary £1 shares	1,600,000	1,600
'B' ordinary £1 shares	140,000	140
'C' ordinary £1 shares	260,000	260
	2,060,000	**2,060**
Allotted, called up and fully paid:		
Deferred £1 shares	60,000	60
'A' ordinary £1 shares	1,600,000	1,600
'B' ordinary £1 shares	140,000	140
'C' ordinary £1 shares	200,000	200
	2,000,000	**2,000**

One £1 ordinary share was issued on incorporation. On 22 August 2007 the authorised share capital was increased to the amounts above and the ordinary shares were converted and designated into 'A', 'B' and 'C' ordinary shares.

All other shares were issued on 22 August 2007 and at par.

The three classes of ordinary shares each carry the same rights to income, capital and rank pari passu in all respects, other than in voting rights, where following a default event 'B' and 'C' ordinary shares cease to hold voting rights.. The deferred shares entitle the holder to a maximum of £1 on a return of capital, carry no voting rights and do not entitle the holder to receive any dividend.

20 Profit and loss account

	Group £'000	Company £'000
Loss for the period	(2,632)	-
Balance at 31 March 2008	**(2,632)**	**-**

21 Reconciliation of movements in shareholders' deficit

	Group £'000
On incorporation	-
Issue of share capital	2,000
Loss for the period	(2,632)
(Closing shareholders' deficit)	**(632)**

22 Operating leases

The minimum annual rentals under non-cancellable operating leases are expiring as follows:

	Plant & equipment £'000	Land and buildings £'000	Total £'000
Within one year	-	-	-
Between 2 and five years	125	78	203
After five years	-	-	-
Total	**125**	**78**	**203**

23 Related party transactions

The directors consider Alba plc and its subsidiaries, from whom the trade was purchased during the period to be a related party. The group had the following balances outstanding and transactions with these related parties:

	Value of Transactions £'000	Period end Balance £'000
Purchases from and services provided by Alba and its subsidiaries	29,082	1,140
Sales to Alba	279	-

Up to 31 March 2008, Alba plc would purchase the company's stocks and then the company would reimburse Alba. Going forwards, the company now acts on a stand alone basis and consequently purchases its own stocks.

Rutland Fund II ("the Fund"), a private equity fund comprising a series of UK limited partnerships, is the majority shareholder of the company. As part of the financing of the acquisition of Pulse Home Products, the Fund provided loan notes of £23,300,000. The annual interest charge on these notes is 15.53%. The Manager of the Fund is Rutland Partners LLP, to whom the group pays an annual management charge of £150,000, and to whom a fee of £498,000 was paid in relation to the acquisition of Pulse Home Products. The balance outstanding with Rutland Partners at 31 March 2008 was £37,500 on the management fee and £25,449,000 on the loan notes. There are no other parties which are considered to be related parties in line with FRS8.

24 Acquisitions

On 22 August 2007, Vine Mill Limited, a wholly owned subsidiary of Pulse Home Products (Holdings) acquired the entire share capital of Pulse Home Products Limited and the trade and certain assets of Harvard International Limited for a consideration of £53,734,000. Details of the assets purchased and the subsequent goodwill arising are set out below:

	Book values £'000	Fair value Adjustments £'000	Fair values to the Group £'000
Tangible fixed assets	919	-	919
Stocks	11,226	(1,261)	9,965
Trade debtors	22,486	(296)	22,190
Other debtors and prepayments	1,209	(238)	971
Cash	241	-	241
Trade creditors	(430)	(17)	(447)
Other creditors	(8,069)	-	(8,069)
Warranty provision	(1,610)	-	(1,610)
Total net assets purchased	**25,972**	**(1,812)**	**24,160**
Total consideration paid for the assets			53,734
Goodwill arising on the acquisition (see note 10)			**29,574**

Total consideration of £53,734,000 above includes costs incurred associated with the transaction of £1,398,000 and was satisfied in full by cash.

Fair value adjustments

- Stock items were written down following a re-assessment of the costs which management believe should be included at arriving at a valuation in line with SSAP 9.
- Trade and other debtors were written down following a re-assessment of their recoverable value.

As required by FRS 6 (Mergers and Acquisitions), the summarised consolidated profit and loss accounts of the businesses acquired on 22 August 2007 between 1 April 2007 and the date of acquisition are as follows:

	£'000
Turnover	42,229
Cost of sales	(27,786)
Gross Profit	**14,443**
Operating expenses	(11,440)
Operating profit	**3,003**

Furthermore, the consolidated businesses made an operating profit (before depreciation and amortisation) of £10,981,000 in the year to 31 March 2007.

25 Reconciliation of operating profit to net cash inflow from operating activities

	£'000
Operating profit (see note 2)	1,256
Depreciation of tangible fixed assets (see note 11)	243
Amortisation of goodwill (see note 10)	1,934
Decrease in debtors	6,436
(Increase) in stock	(2,334)
Increase in other creditors and accruals	4,757
Total net cash inflow from operating activities (see page 10)	**12,292**

26 Reconciliation of net cash flow to movement in net debt

	Notes	£'000
Increase in cash in period		8,621
Increase in net debt in period		(54,899)
Closing net debt at 31 March 2008	**27**	**(46,278)**

27 Analysis of changes in net debt

	At incorporation	Issue of loans	Cash flows	Other non-cash movements	At 31 March 2008
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	-	-	8,621	-	8,621
Bank loans	-	(30,000)	(550)	-	(29,450)
Shareholder loans	-	(23,300)	-	(2,149)	(25,449)
Total net debt	-	**(53,300)**	**8,071**	**(2,149)**	**(46,278)**

28 Subsidiary undertakings

The group has the following 100% owned and controlled subsidiaries (all of which are registered in England and Wales with the exception of Pulse Home Products (Hong Kong) Limited which is registered in Hong Kong):

	Principal activity
Vine Mill Limited	Intermediary holding company
Pulse Home Products Limited	Sale of small domestic appliances
Pulse Home Products (Hong Kong) Limited	Sale of small domestic appliances
Hinari Limited	Dormant
Dirt Devil Limited	Dormant
Viva Consumer Products Limited	Semi-dormant

29 Financial Instruments

Currency exposure

As explained in the Directors' report, the group seeks to mitigate its exposure to fluctuations in exchange rates through the use of forward contracts. As at 31 March 2008, the group had forward contracts with a total value of US$69,000,000 which mature between 1 April 2008 and 31 March 2009.
The fair value of these contracts has been externally assessed as being £34,831,000 which represents a loss of £209,000 when the contracts are marked to market using the spot US Dollar rate at 31 March 2008.

Interest rate exposure
During the year, the company purchased a financial instrument to set a collar on the rate of interest on which the bank loans are based. The cost of this instrument was £128,000. The fair value of this instrument has been calculated as being the same as its book value as at 31 March 2008.

30 Commitments and contingencies

As at 31 March 2008, the group had the following commitments and contingencies:

- A memorandum of understanding with UPS Ltd to provide haulage and warehousing services for a three year period
- The borrowings of a group company, Vine Mill Limited, are secured on the assets of Pulse Home Products Limited, another group company.

The directors have not identified any other commitments or contingencies as at 31 March 2008.