Pulse Home Products (Holdings) Limited

Directors' report and financial statements for the year ended 31 March 2009

Registered Number 6322952

Pulse Home Products (Holdings) Limited

Directors' report and financial statements

for the year ended 31 March 2009

Contents

Pulse Home Products (Holdings) Limited

Directors and Advisors

Directors
Nigel Freer (Chairman)
Michael Harris
Benjamin Slatter
David Allen
Mark Weems
Deborah Gough

Secretary
Mark Weems

Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors
Taylor Wessing LLP
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Registered Office
Vine Mill
Middleton Road
Royton
Oldham
OL2 5LN

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 year ended 31 March 2009.

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 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 (with comparatives) were as follows:

	2009 **£'000**	2008 (7 months) £'000
Turnover	74,249	63,881
EBITDAE*	4,222	4,356
Net cash inflow from operating activities	2,751	12,292
Gross Margin (%)	37.4	37.1
EBITDAE Margin (%)	5.7	6.8
Average number of employees during the year/period	211	255
Turnover per employee	352	251
EBITDAE per employee	20	17

*: EBITDAE is the Group's Earnings before Interest, Taxation, Depreciation, Amortisation and Exceptional items. See note 2 to the accounts for further details.

Throughout the year, the core brand of the Group, Breville, continued to perform well in the UK small domestic appliances marketplace despite the economic slowdown experienced. Whilst other brands within the Group have not performed as strongly as they have in previous years, management are confident that their continued investment into new products will mean the Group can continue to grow into 2010 and beyond.

Exceptional costs incurred in the year
Post year-end the Group agreed and implemented a reorganisation of its banking arrangements. As part of this process, £4,976,000 of term debt was prepaid in August 2009. Together with the term debt repaid in the year, since the change of ownership in August 2007, the Group has repaid a total of £9,103,000 of term debt financed from internal cash generation. Costs of £643,000 were incurred during this process.

Directors' report (continued)

During the year, a restructuring of the sales and marketing departments of the business as well as the Hong Kong subsidiary resulted in exceptional costs of £324,000 being incurred. Management believe that the overhead base of the Group is now appropriate for the current scale of turnover.
In March 2008 the decision was taken to cease the trade of the Power Products division and a provision of £923,000 was made in the prior year against expected operating losses. The actual losses of the division were slightly higher than the value of provision made. This additional loss of £223,000 is included within the operating expenses of the Group as an exceptional item.
Note 3 to the accounts provides more detail on all exceptional items.

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 as at the year-end is not included within the primary financial statements, although is disclosed in note 28.

- **Credit risk**

Credit risk is the risk that a customer defaults on its payment to the Group. The Group mitigated this risk during the year by using credit insurance where appropriate and through continued use of credit reports. Details of the Group's trade debtors are shown in note 13.

- **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 6 for details of interest costs in the period).

Directors' report (continued)

Results and dividends
The loss for the period after taxation was £7,474,000 and this amount is to be transferred to reserves. The Directors recommend that no dividends are paid to the ordinary shareholders of the company.

Directors and their interests

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

Nigel Freer
Michael Harris
Benjamin Slatter
David Allen
Mark Weems
Deborah Gough
The directors' interests in shares of the company at the end of the year 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 (Chairman)	-	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 23 (2008: 40).

Charitable and political contributions
During the year, the Group made charitable contributions of £3,000 (2008: £3,000). The Group made no political contributions in the year (2008: nil).

Future developments
All divisions of the Group 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
The auditors, PricewaterhouseCoopers LLP, 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, 25 September 2009

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 year ended 31 March 2009 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, Accounting Policies 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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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, and all of the other information listed on the contents page. 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.

Pulse Home Products (Holdings) Limited

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 2009 and of the group's loss and cash flows for the year then ended;

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

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
25 *September 2009*

Pulse Home Products (Holdings) Limited

Consolidated Profit and Loss account for the year ended 31 March 2009

	Notes	2009 £'000	2008 (7 months) £'000
Turnover	1	**74,249**	**63,881**
Cost of sales		(46,490)	(40,162)
Gross profit		**27,759**	**23,719**
Net operating expenses	2	(27,172)	(21,540)
Exceptional items	3	(1,190)	(923)
Operating (loss)/ profit before interest and taxation		**(603)**	**1,256**
Interest received	6	152	91
Interest charged	6	(7,416)	(4,501)
Loss on ordinary activities before tax		**(7,867)**	**(3,154)**
Tax credit on profit on ordinary activities	7	393	522
Loss for the year/ period		**(7,474)**	**(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.

Group statement of Total Recognised Gains and Losses for the year ended 31 March 2009

	2009 £'000	2008 (7 months) £'000
Loss for the financial year/ period	(7,474)	(2,632)
Exchange difference on retranslation of net assets of subsidiary undertaking	14	-
Total recognised losses relating to the year/ period	**(7,460)**	**(2,632)**

Pulse Home Products (Holdings) Limited

Balance sheets as at 31 March 2009

	Notes	**Group 2009 £'000**	Group 2008 £'000	**Company 2009 £'000**	Company 2008 £'000
Fixed assets:					
Intangible	9	24,917	27,640	-	-
Tangible	10	1,438	1,258	-	-
Investment in subsidiary companies	11	-	-	2,000	2,000
		26,355	**28,898**	**2,000**	**2,000**
Current assets:					
Stocks	12	9,871	12,299	-	-
Debtors	13/17	14,164	17,283	-	-
Cash at bank and in hand		4,416	8,621	-	-
		28,451	**38,203**	-	-
Creditors: amounts falling due within one year	14	(8,554)	(14,609)	-	-
Provisions for liabilities and charges	16	(1,078)	(1,411)	-	-
Net current assets		**18,819**	**22,183**	-	-
Total assets less current liabilities		**45,174**	**51,081**	**2,000**	**2,000**
Creditors: amounts falling due after one year	15	(53,266)	(51,713)	-	-
Net (liabilities)/ assets		**(8,092)**	**(632)**	**2,000**	**2,000**
Capital and reserves:					
Called up share capital	18	2,000	2,000	2,000	2,000
Profit and loss account	19	(10,092)	(2,632)	-	-
Equity Shareholders' (deficit)/ funds	20	**(8,092)**	**(632)**	**2,000**	**2,000**

The financial statements on pages 8 to 25 were approved by the board of directors on 25 September 2009 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 year ended 31 March 2009

	Notes	Group 2009 £'000	Group 2008 (7 months) £'000
Net cash inflow from operating activities	24	**2,751**	**12,292**
Return on investment and servicing of finance:			
Interest received	6	152	91
Interest paid		(2,715)	(2,187)
		(2,563)	**(2,096)**
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(830)	(582)
		(830)	**(582)**
Acquisitions:			
Consideration paid for acquisition	23	-	(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	26	(3,577)	(550)
		(3,577)	**52,500**
Net (decrease)/increase in cash for the year/period		**(4,219)**	**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.

Accounting policies (continued)

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 Group's 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 16.

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 year ended 31 March 2009

1 Segmental analysis - Geographical analysis

	2009 £'000	2008 (7 months) £'000
Turnover by destination can be split as follows:		
United Kingdom	73,311	62,900
Rest of the world	938	981
	74,249	**63,881**

The directors consider all trading to be within one business segment - the sale of small domestic appliances.

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.

2 Operating profit

	Notes	2009 £'000	2008 (7 months) £'000
The operating loss of £603,000 (2008: profit of £1,256,000) is stated after charging/(crediting) the following:			
Amortisation of goodwill	9	2,984	1,934
Depreciation of tangible fixed assets	10	651	243
Exceptional items	3	1,190	923
Operating leases – plant and machinery	21	96	81
Operating leases – land and buildings	21	142	96
Auditors' remuneration for the audit (see next page)		70	70
Foreign exchange (gains)		(1,831)	(1,111)

The Group's EBITDAE as described within the Key Performance Indicators section of the accounts (page 2) of £4,222,000 (2008: £4,356,000) is derived as follows:

	Notes	2009 £'000	2008 (7 months) £'000
Group operating (loss)/ profit	2	(603)	1,256
Amortisation of goodwill	9	2,984	1,934
Depreciation of tangible fixed assets	10	651	243
Exceptional items	3	1,190	923
Group EBITDAE		**4,222**	**4,356**

Auditors' remuneration for the audit and other services

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

	2009 £'000	2008 (7 months) £'000
Fees payable to company auditor for the audit of the parent company and audit of the consolidated accounts	10	10
The audit of the company's subsidiaries pursuant to legislation	60	60
Other fees payable to the company's auditor:		
Taxation compliance	20	20
Other taxation services	17	13
The acquisition and raising of finance	-	1,102
Total remuneration paid to auditors	**107**	**1,205**

3 Exceptional items

The breakdown of exceptional costs incurred in the current and prior years is as follows:

	Notes	**2009 £'000**	2008 (7 months) £'000
Provision to cover anticipated costs of the closure of the Power Products division	(a)	-	923
Further costs incurred in the closure of the Power division	(a)	223	-
Bank costs – reorganisation	(b)	643	-
Operational restructuring costs	(c)	324	-
Total exceptional costs		**1,190**	**923**

(a) Further costs incurred in the closure of the Power division

In the prior year the decision was taken to close the Power division of the Group. A provision of £923,000 was made in the prior year accounts to cover anticipated costs of this closure. Further costs of £223,000 were incurred in the current year.

(b) Bank costs - reorganisation

During the year the Group commenced a reorganisation of its banking arrangements as explained in the Directors' report. In line with FRS12 (Provisions, Contingent Liabilities and Contingent Assets) the Directors have accounted for the associated costs (including legal costs) in the year in which the process began. The total cost to the Group of this process was £643,000.

(c) Operational restructuring costs

During the year, the Group reorganised its sales and marketing department incurring costs of £324,000. Management believe that the overhead base of the Group is now appropriate for the current scale of turnover

4 Emoluments of directors

	2009 £'000	2008 (7 months) £'000
Aggregate emoluments	550	316
Contributions to money purchase schemes	75	39

Aggregate emoluments above do not include £150,000 (2008: £116,000) paid to 3rd parties for the services of non executive directors.
No retirement benefits accrue to directors under defined benefit schemes. The highest paid director received emoluments of £258,000 (2008: £148,000) and a pension contribution of £37,000 (2008: £19,000).

5 Employee costs & staff numbers

Staff costs for the group during the period were as follows:

	2009 £'000	2008 (7 months) £'000
Wages and salaries	4,894	2,732
Pension costs	306	121
Social security costs	424	305
	5,624	**3,158**

The average number of staff employed by the group during the period was as follows:

	2009 Number	2008 Number
Warranty and warehousing	66	77
Selling and distribution	41	44
Administration	41	43
Purchasing and quality control	63	91
	211	**255**

6 Net interest payable and receivable

	Note	2009 £'000	2008 (7 months) £'000
Bank loans and overdrafts		3,183	2,062
Shareholder loans	26	3,952	2,149
Cost of interest rate hedge		-	126
Amortisation of loan costs	15	281	164
Total interest payable and similar charges		**7,416**	**4,501**
Interest receivable		(152)	(91)
Net interest payable		**7,264**	**4,410**

7 Tax on profit on ordinary activities

(a) Tax credit on loss on ordinary activities

	Notes	2009 £'000	2008 £'000
The tax (credit)/ charge for the year comprises:			
Current tax: UK @ 28% (30% 2008)		(173)	-
Current tax: Overseas @ 17.5%		36	36
Total current tax (credit)/ charge	7(b)	**(137)**	**36**
Deferred tax	17	(256)	(558)
Total tax (credit) as per the profit and loss account		**(393)**	**(522)**

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

	Note	2009 £'000	2008 £'000
Loss on ordinary activities before taxation		(7,867)	(3,154)
Expected tax credit on loss at 28% (2008: 30%)		**(2,203)**	**(946)**
Expenses not deductible for taxation purposes		1,461	640
Accelerated capital allowances		140	-
Short term timing differences		369	428
Removal of deferred tax asset relating to IBAs*		82	-
Deferred tax movement not recognised		32	302
Prior year losses not recognised		-	(362)
Difference in overseas tax rate		(18)	(26)
Total current tax (credit)/ charge	7(a)	**(137)**	**36**

*: Industrial Building Allowances

(c) Factors which may affect future tax charges:

Based on current capital investment plans, the group expects to be able to claim capital allowances in excess of depreciation in future years. In addition to the deferred tax asset of £967,000 as shown in notes 13 & 17, the group also has unrecognised deferred tax assets of £498,000. These have arisen as a result of the losses arising in both the current and prior year within Vine Mill Limited, a subsidiary of the company. They have not been recognised due the expected future losses of the company.

8 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 as a holding entity and therefore has no profit or loss in the year.

9 Intangible assets

Group

	Notes	£'000
Cost at 1 April 2008		29,574
Additions in the year	23	261
Cost at 31 March 2009		**29,835**
Amortisation at 1 April 2008		(1,934)
Provided in the year	2	(2,984)
Amortisation at 31 March 2009		**(4,918)**
Net book value at 31 March 2009		**24,917**
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.

The Directors have performed a full review of the carrying amount of the goodwill in line with FRS 11 and in light of the current economic conditions. In their opinion the carrying value is not less than the book value of the goodwill.

10 Tangible assets

Group

	Leasehold improvements £'000	Plant, Machinery and office equipment £'000	**Total £'000**
Cost:			
At 1 April 2008	559	942	1,501
Additions	44	787	831
At 31 March 2009	**603**	**1,729**	**2,332**
Accumulated depreciation:			
At 1 April 2008	(50)	(193)	(243)
Charge for the period	(97)	(554)	(651)
At 31 March 2009	**(147)**	**(747)**	**(894)**
Net book value:			
At 31 March 2008	509	749	1,258
At 31 March 2009	**456**	**982**	**1,438**

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

11 Investment 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.

The subsidiaries of Vine Mill Limited are listed in note 27. The acquisition method of accounting has been adopted in the formation of these group accounts.

12 Stocks

	Group 2009 £'000	Group 2008 £'000
Finished goods held for resale	9,822	12,226
Raw materials and consumables	49	73
	9,871	**12,299**

The company does not own any stocks.

13 Debtors

	Note	**Group 2009 £'000**	Group 2008 £'000
Trade debtors		10,723	14,433
Other debtors		1,216	1,103
Prepayments and accrued income		1,146	1,036
Corporation tax asset		112	-
Deferred tax asset	17	967	711
		14,164	**17,283**

The company does not have debtors.

Pulse Home Products (Holdings) Limited

14 Creditors: amounts falling due within one year

	Group 2009 £'000	Group 2008 £'000
Current instalments on bank loans	952	1,100
Trade creditors	3,307	4,178
Taxation and social security creditors	552	698
Corporation tax	-	36
Accruals and deferred income	3,743	8,597
	8,554	**14,609**

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

15 Creditors: amounts falling due after one year

	Group 2009 £'000	Group 2008 £'000
Future instalments on bank loans	25,670	28,350
Shareholder loan notes	29,401	25,449
	55,071	**53,799**
Loan issue costs	(2,086)	(2,250)
Amortisation of issue costs in the period	281	164
	53,266	**51,713**

Borrowings are repayable as follows:

Bank and shareholder loans		
- on demand or within one year	952	1,100
- between two and five years	3,808	4,600
- after five years	51,263	49,199
	56,023	**54,899**

The borrowings with the bank hold a fixed and floating charge over all property and assets, including goodwill, debtors and uncalled capital. They incurred interest at rates between 2.3% and 9.0% per annum as at 31 March 2009.

The shareholder loan notes bear interest at 15.53% and are repayable at the earlier of August 2018 or a change of ownership of the Group.

16 Provisions for liabilities and charges

Provision for future returns of product under warranty

	£'000
At 1 April 2008	1,411
Utilised in the period	(6,912)
Additional charges in the period	6,579
At 31 March 2009	**1,078**

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.

17 Deferred taxation

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

	Note	£'000
At 1 April 2008	13	711
Origination and reversal of timing differences		256
At 31 March 2009	**13**	**967**

The above deferred tax asset relates to timing differences.

The company does not have any deferred tax balances.

18 Called up share capital

	2008 & 2009 Number	2008 & 2009 £'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**

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.

19 Profit and loss account

	Group £'000	Company £'000
Balance at 1 April 2008	(2,632)	-
Loss for the year	(7,474)	-
Exchange difference on retranslation of net assets of subsidiary undertaking	14	
Balance at 31 March 2009	**(10,092)**	**-**

20 Reconciliation of movements in shareholders' deficit

	Group £'000
At 1 April 2008	(632)
Loss for the year	(7,474)
Exchange difference on retranslation of net assets of subsidiary undertaking	14
Closing shareholders' deficit	**(8,092)**

21 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	9	142	151
Between 2 and five years	105	174	279
After five years	-	-	-
Total	**114**	**316**	**430**

22 Related party transactions

The directors consider Alba plc and its subsidiaries, from whom the trade was purchased during the period ended 31 March 2008 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	8	-

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. The balance outstanding with Rutland Partners at 31 March 2009 was £37,500 on the management fee and £29,401,000 on the loan notes. There are no other parties which are considered to be related parties in line with FRS8.

23 Acquisitions

Current Year:
In the year to 31 March 2009, the Group made no acquisitions.

During the year, the Directors have made a further reassessment of the fair values of the assets purchased as permitted by FRS7. As a result of this reassessment, the fair value to the group of trade debtors has been reduced by £158,000 and the fair value of other debtors has been reduced by £103,000. Both adjustments have been made to more accurately reflect the recoverable amount of certain assets.
The impact of these two adjustments is to increase the goodwill arising upon consolidation by £261,000.

Prior Period:
In the prior year, 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 which gave rise to goodwill of £29,574,000 (as shown in note 9). Full details are set out in the prior year accounts.

24 Reconciliation of operating (loss)/ profit to net cash inflow from operating activities

	Notes	**2009 £'000**	2008 £'000
Operating (loss)/ profit	2	(603)	1,256
Depreciation of tangible fixed assets	10	651	243
Amortisation of goodwill	9	2,984	1,934
Decrease in debtors	13	3,487	6,436
Decrease/ (Increase) in stocks	12	2,428	(2,334)
(Decrease)/ Increase in other creditors and accruals		(6,196)	4,757
Total net cash inflow from operating activities (page 10)		**2,751**	**12,292**

25 Reconciliation of net cash flow to movement in net debt

	Notes	£'000
Net cash flow in the year (page 10)		**(4,219)**
Non cash movements affecting cash flows	26	14
(Increase) in debt in period		(1,124)
Movement in net debt in the year		**(5,329)**
Opening net debt at 1 April 2008	26	(46,278)
Closing net debt at 31 March 2009	**26**	**(51,607)**

26 Analysis of changes in net debt

	At 1 April 2008	Cash flows (page 10)	Exchange movements	Other non-cash movements	**At 31 March 2009**
	£'000	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	8,621	(4,219)	14	-	4,416
Bank loans	(29,450)	3,577	-	(749)	(26,622)
Shareholder loans	(25,449)	-	-	(3,952)	(29,401)
Total net debt	**(46,278)**	**(642)**	**14**	**(4,701)**	**(51,607)**

Other non cash movements are the retranslation of the net assets of the group's overseas subsidiary undertaking (£14,000), the rolled up interest charge on a portion of the bank loans (£749,000) and the rolled up interest charge on the shareholder loan notes (£3,952,000).

27 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
Viva (Consumer Products) Limited	Semi-dormant
Hinari Limited	Dormant
Dirt Devil Limited	Dormant

28 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 2009, the group had forward contracts with a total value of US$31,000,000 which mature between 1 April 2008 and 31 March 2009.

The fair value of these contracts has been externally assessed as being £19,658,000 which represents a gain of £2,823,000 when the contracts are marked to market using the spot US Dollar rate at 31 March 2009.

Interest rate exposure

During the prior 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 nil as at 31 March 2009 following the fall in LIBOR during the year.

29 Commitments and contingencies

As at 31 March 2009, 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 2009.