Pulse Home Products (Holdings) Limited

Directors' report and financial statements for the year ended 31 March 2010

Registered Number 6322952

Pulse Home Products (Holdings) Limited

Directors' report and financial statements

for the year ended 31 March 2010

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
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Solicitors
Taylor Wessing LLP
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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 year ended 31 March 2010

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

	2010	2009
	£'000	£'000
Turnover	68,234	74,249
EBITDAE*	5,265	4,222
Net cash inflow from operating activities	6,092	2,751
Gross Margin (%)	37 8	37 4
EBITDAE Margin (%)	7 7	5 7
Average number of employees during the year/period	151	211
Turnover per employee	451	352
EBITDAE per employee	35	20

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

Building on the success of the prior year, the core brand of the Group, Breville, continued to perform well in the UK small domestic appliances marketplace despite the economic slowdown In addition, the Group's floorcare brand, Dirt Devil, has delivered continued growth from 2009 Other brands within the Group have not performed as strongly as they have in previous years but management are confident that their continued investment into new products will mean the Group can continue to grow into the 2010/11 financial year and beyond

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 it is disclosed in note 26

- **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 through continued use of credit reports Details of the Group's trade debtors are shown in note 12

- **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 and also note 26 for details of interest hedges)

Results and dividends

The loss for the period after taxation was £5,751,000 and this amount is to be transferred to reserves The directors recommend that no dividends are paid to the ordinary shareholders of the company

Pulse Home Products (Holdings) Limited

Directors' report (continued)

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 34 (2009 23)

Charitable and political contributions

During the year, the Group made charitable contributions of £1,000 (2009 £3,000) The Group made no political contributions in the year (2009 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

Directors' report (continued)

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 year Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 the 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

Disclosure of Information to auditors
In the case of each director in office at the date the directors' report confirms that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he 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

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

By order of the Board

Mark Weems
Secretary
23 July 2010

Pulse Home Products (Holdings) Limited

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

We have audited the group and parent financial statements of Pulse Home Products (Holdings) Limited for the year ended 31 March 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes 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)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

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 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 March 2010 and of the group's loss and cash flows 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

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, or returns adequate for our audit have not been received from branches not visited by us, or

- the 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

John Cowling (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
23 July 2010

Pulse Home Products (Holdings) Limited

Consolidated Profit and Loss account for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	1	**68,234**	**74,249**
Cost of sales		(42,466)	(46,490)
Gross profit		**25,768**	**27,759**
Net operating expenses	2	(24,312)	(27,172)
Exceptional items	3	(84)	(1,190)
Operating profit/ (loss) before interest and taxation		**1,372**	**(603)**
Interest received	6	4	152
Interest charged	6	(7,262)	(7,416)
Loss on ordinary activities before tax		**(5,886)**	**(7,867)**
Tax credit on profit on ordinary activities	7	135	393
Loss for the year	18	**(5,751)**	**(7,474)**

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

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 2010

	2010 £'000	2009 £'000
Loss for the financial year	(5,751)	(7,474)
Exchange difference on retranslation of net assets of subsidiary undertaking	-	14
Total recognised losses relating to the year	**(5,751)**	**(7,460)**

Pulse Home Products (Holdings) Limited

Balance sheets as at 31 March 2010

	Notes	**Group 2010 £'000**	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Fixed assets:					
Intangible	8	21,933	24,917	-	-
Tangible	9	1,555	1,438	-	-
Investment in subsidiary companies	10	-	-	2,000	2,000
		23,488	**26,355**	**2,000**	**2,000**
Current assets:					
Stocks	11	8,055	9,871	-	-
Debtors	12	12,647	14,164	-	-
Cash at bank and in hand		2,899	4,416	-	-
		23,601	**28,451**	-	-
Creditors: amounts falling due within one year	13	(6,306)	(8,554)	-	-
Provisions for liabilities and charges	15	(719)	(1,078)	-	-
Net current assets		**16,576**	**18,819**	-	-
Total assets less current liabilities		**40,064**	**45,174**	**2,000**	**2,000**
Creditors: amounts falling due after one year					
- Bank & other loans	14	(20,652)	(24,709)	-	-
- Unsecured shareholder loans	14	(33,255)	(28,557)	-	-
		(53,907)	**(53,266)**	-	-
Net (liabilities)/ assets		**(13,843)**	**(8,092)**	**2,000**	**2,000**
Capital and reserves:					
Called up share capital	17	2,000	2,000	2,000	2,000
Profit and loss account	18	(15,843)	(10,092)	-	-
Equity Shareholders' (deficit)/ funds	19	**(13,843)**	**(8,092)**	**2,000**	**2,000**

The financial statements on pages 8 to 25 were approved by the board of directors on 23 July 2010 and were signed on its behalf by

David Allen
Chief Executive

Mark Weems
Financial Director

Pulse Home Products (Holdings) Limited

Registered Number 6322952

Pulse Home Products (Holdings) Limited

Consolidated Cash Flow Statement for the year ended 31 March 2010

	Notes	Group 2010 £'000	Group 2009 £'000
Net cash inflow from operating activities	22	**6,092**	2,751
Return on investment and servicing of finance:			
Interest received	6	4	152
Interest paid		(1,436)	(2,715)
		(1,432)	(2,563)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(942)	(830)
		(942)	(830)
Financing:			
Repayments of amounts borrowed	24	(5,235)	(3,577)
		(5,235)	(3,577)
Net (decrease) in cash for the year	24	**(1,517)**	(4,219)

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 and the Companies Act 2006 The Directors have prepared these financial statements on a going concern basis after assessing the expected consolidated budget performance of the group out to a period of no less than 12 months from the date on which these accounts have been signed

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 2006 and in accordance with applicable Accounting Standards in the United Kingdom

As permitted by section 408 of the Companies Act 2006, the parent company has not presented its own profit and loss account

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

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 As per FRS11, the Directors will perform an impairment review to assess the carrying value of the goodwill at each balance sheet date

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

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

Trade and other receivables
Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business If collection of trade and other receivables is expected in one year or less they are classified as current assets If not, they are presented as non-current assets
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment if the Directors doubt the full recoverability of the debt

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts

Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers Trade and other payables are classified as current liabilities if payment is due within one year or less If not, they are presented as non-current liabilities

Borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the Profit and Loss Account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise

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 15

The effect of the time value of money is not material and therefore no discount has been applied to the provision

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

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

Exceptional Costs
In line with FRS 3, the Directors make an assessment of any costs they deem to be outside of the underlying trading of the Group, including their size and nature, and account for them and make appropriate disclosures accordingly

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

Pensions
The Group operates a defined contribution pension scheme, in both the UK and Hong Kong All contributions made by the Group on behalf of the employees are charged to the Profit and Loss Account in the period in which they are incurred

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

Notes to the financial statements for the year ended 31 March 2010

1 Segmental analysis - Geographical analysis

	2010 £'000	2009 £'000
Turnover by destination can be split as follows		
United Kingdom	67,867	73,311
Rest of the world	367	938
	68,234	**74,249**

The directors consider all trading to be within one business segment - the sale of small domestic appliances
The directors consider that the Group operates in two geographical markets, the UK and Europe

2 Operating profit/ (loss)

	Notes	2010 £'000	2009 £'000
The operating profit/ (loss) of £1,372,000 (2009 loss of £603,000) is stated after charging/ (crediting) the following			
Depreciation of tangible fixed assets	9	825	651
Amortisation of goodwill	8	2,984	2,984
Employee costs	5	4,854	5,190
Exceptional items	3	84	1,190
Operating leases – plant and machinery	20	42	96
Operating leases – land and buildings	20	257	295
Auditors' remuneration for the audit (see next page)		65	70

The Group's EBITDAE as described within the Key Performance Indicators section of the accounts (page 2) of £5,265,000 (2009 £4,222,000) is derived as follows

	Notes	2010 £'000	2009 £'000
Group operating profit/ (loss)		1,372	(603)
Depreciation of tangible fixed assets	9	825	651
Amortisation of goodwill	8	2,984	2,984
Exceptional items	3	84	1,190
Group EBITDAE		**5,265**	4,222

Auditors' remuneration for the audit and other services

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

	2010 £'000	2009 £'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	55	60
Total auditors' remuneration for the audit	**65**	**70**
Other fees payable to the company's auditor		
Taxation compliance	17	20
Other taxation services	12	17
Total remuneration paid to auditors	**94**	**107**

3 Exceptional items

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

	Notes	**2010 £'000**	2009 £'000
Warranty department restructuring costs	(a)	50	-
Professional advice on Thin Capitalisation Agreement	(b)	34	-
Bank costs – reorganisation	(c)	-	643
Operational restructuring costs	(d)	-	324
Further costs incurred in the closure of the Power division	(e)	-	223
Total exceptional costs		**84**	**1,190**

(a) Warranty department restructuring costs
At the start of the year, the returns department of the Group was restructured and exceptional costs of £50,000 were incurred during this process relating to redundancy costs and payment in lieu of notice

(b) Professional advice on Advance Thin Capitalisation Agreement
Towards the end of the year, the Group incurred legal and other advisors' fees totalling £34,000 relating to an Advanced Thin Capitalisation Agreement The Directors do not believe that this advice will reoccur in future years and consequently have treated the cost as exceptional

(c) Bank costs - reorganisation
During the prior year the Group completed a reorganisation of its banking arrangements The total cost to the Group of this process was £643,000 No additional costs were incurred in the current year

(d) Operational restructuring costs
During the prior year, the Group reorganised its sales and marketing department incurring costs of £324,000

(e) Further costs incurred in the closure of the Power division
In 2008 the decision was taken to close the Power division of the Group A provision of £923,000 was made in the 2008 accounts to cover anticipated costs of this closure Further costs of £223,000 were incurred in the prior year No additional costs were incurred in the current year

4 Emoluments of directors

	2010 £'000	2009 £'000
Aggregate emoluments	702	702
Contributions to money purchase schemes	78	78

Aggregate emoluments above does not include £150,000 (2009 £150,000) 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 (2009 £258,000) and a pension contribution of £37,000 (2009 £37,000)

5 Employee costs & staff numbers

Staff costs for the group during the period were as follows

	2010 £'000	2009 £'000
Wages and salaries	4,250	4,544
Pension costs	212	222
Social security costs	392	424
	4,854	**5,190**

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

	2010 Number	2009 Number
Warranty and warehousing	45	62
Selling and distribution	28	38
Administration	41	59
Purchasing and quality control	37	52
	151	**211**

6 Net interest payable and receivable

	Notes	2010 £'000	2009 £'000
Bank loans and overdrafts		2,300	3,183
Shareholder loans	24	4,566	3,952
Cost of interest rate hedge		115	-
Amortisation of loan costs	14	281	281
Total interest payable and similar charges		**7,262**	**7,416**
Interest receivable		(4)	(152)
Net interest payable		**7,258**	**7,264**

7 Tax on profit on ordinary activities

(a) Tax credit on loss on ordinary activities

	Notes	2010 £'000	2009 £'000
The tax (credit)/ charge for the year comprises			
Current tax UK @ 28% (28% 2009)		-	(173)
Current tax Overseas @ 17 5%		10	36
Total current tax (credit)/ charge	**7(b)**	**10**	**(137)**
Deferred tax	16	(145)	(256)
Total tax (credit) as per the profit and loss account		**(135)**	**(393)**

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 28% (2009 28%) as explained below

	Note	2010 £'000	2009 £'000
Loss on ordinary activities before taxation		(5,886)	(7,867)
Expected tax credit on loss at 28% (2009: 28%)		**(1,648)**	**(2,203)**
Interest expense not deductible for taxation purposes		767	664
Amortisation of goodwill		680	680
Business expenses not deductible for taxation purposes		40	117
Accelerated capital allowances		49	140
Short term timing differences		86	369
Removal of deferred tax asset relating to IBAs*		-	82
Deferred tax movement not recognised		26	32
Difference in overseas tax rate		10	(18)
Total current tax (credit)/ charge	**7(a)**	**10**	**(137)**

* Industrial Building Allowances

(b) Factors which may affect future tax charges:

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Due to the existence of deferred losses arising on the shareholder loan notes, there is not expected to be any effect of the changes to be enacted in the Finance (No 2) Act 2010 until 2013 The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax asset by £96,000

8 Intangible assets

Group

	Notes	£'000
Cost at 1 April 2009 & 31 March 2010		**29,835**
Amortisation at 1 April 2009		(4,918)
Amortisation provided in the year	2	(2,984)
Accumulated amortisation at 31 March 2010		**(7,902)**
Net book value at 31 March 2010		**21,933**
Net book value at 31 March 2009		24,917

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

The Company has no intangible fixed assets It does have an investment in a subsidiary undertaking, as disclosed in note 10

9 Tangible assets

Group

	Leasehold improvements £'000	Plant, Machinery and office equipment £'000	**Total £'000**
Cost.			
At 1 April 2009	603	1,729	2,332
Additions	-	942	942
At 31 March 2010	**603**	**2,671**	**3,274**
Accumulated depreciation			
At 1 April 2009	(147)	(747)	(894)
Charge for the period	(100)	(725)	(825)
At 31 March 2010	**(247)**	**(1,472)**	**(1,719)**
Net book value:			
At 31 March 2010	**356**	**1,199**	**1,555**
At 31 March 2009	456	982	1,438

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

10 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 25 The acquisition method of accounting has been adopted in the formation of these group accounts

11 Stock

	Group 2010 £'000	Group 2009 £'000
Finished goods held for resale	7,989	9,822
Raw materials and consumables	66	49
	8,055	**9,871**

The company does not own any stocks

12 Debtors

	Note	**Group 2010 £'000**	Group 2009 £'000
Trade debtors		9,380	10,723
Other debtors		1,103	1,216
Prepayments and accrued income		948	1,146
Corporation tax asset		-	112
Deferred tax asset	16	1,216	967
		12,647	**14,164**

The company does not have debtors

13 Creditors: amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000
Current instalments on bank loans	518	952
Trade creditors	4,024	3,307
Taxation and social security creditors	369	552
Corporation tax	-	-
Accruals and deferred income	1,395	3,743
	6,306	**8,554**

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

14 Creditors: amounts falling due after one year

	Group 2010 £'000	Group 2009 £'000
Future instalments on bank & other loans	21,464	25,670
Brought forward loan issue costs	(961)	(1,110)
Amortisation of issue costs in the year	149	149
Total bank & other loans	**20,652**	**24,709**
Principal and accrued interest on shareholder loan notes	33,967	29,401
Brought forward loan issue costs	(844)	(976)
Amortisation of issue costs in the year	132	132
Total unsecured shareholder loans	**33,255**	**28,557**
	53,907	**53,266**

Borrowings are repayable as follows

Bank and shareholder loans		
- on demand or within one year	518	952
- between two and five years	1,959	3,808
- after five years	53,472	51,263
	55,949	**56,023**

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 4 24% and 9 5% per annum as at 31 March 2010

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

15 Provisions for liabilities and charges

Provision for future returns of product under warranty

	£'000
At 1 April 2009	1,078
Utilised in the period	(6,011)
Additional charges in the period	5,652
At 31 March 2010	**719**

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

16 Deferred taxation

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

	Note	£'000
At 1 April 2009	12	967
Origination and reversal of timing differences		249
At 31 March 2010	**12**	**1,216**

The above deferred tax asset relates to timing differences The Directors expect to be corporation tax paying over the new two years in line with their budgets and consequently have recognised the element of the deferred tax balance that arises on tax deductions relating to interest accrued in prior years In addition to the above, there is also an unrecognised deferred tax asset of £674,000 (2009 £498,000)

The company does not have any deferred tax balances

17 Called up share capital

	2009 & 2010 Number ('000)	2009 & 2010 £'000
Authorised:		
Deferred £1 shares	60	60
'A' ordinary £1 shares	1,600	1,600
'B' ordinary £1 shares	140	140
'C' ordinary £1 shares	260	260
	2,060	**2,060**
Allotted, called up and fully paid:		
Deferred £1 shares	60	60
'A' ordinary £1 shares	1,600	1,600
'B' ordinary £1 shares	140	140
'C' ordinary £1 shares	200	200
	2,000	**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

18 Profit and loss account

	Group £'000	Company £'000
Balance at 1 April 2009	(10,092)	-
Loss for the year	(5,751)	-
Balance at 31 March 2010	**(15,843)**	-

19 Reconciliation of movements in shareholders' deficit

	Group £'000
At 1 April 2009	(8,092)
Loss for the year	(5,751)
Exchange difference on retranslation of net assets of subsidiary undertaking	-
Closing shareholders' deficit	**(13,843)**

Pulse Home Products (Holdings) Limited

20 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	42	132	174
Between 2 and five years	50	318	368
Total	**92**	**450**	**542**

21 Related party transactions

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 (2009 £150,000) The balance outstanding with Rutland Partners at 31 March 2010 was £37,500 on the management fee and £33,967,000 (2009 £29,401,000) on the loan notes The accrued interest charge on the loan notes since the acquisition is £10,667,000 There are no other parties which are considered to be related parties in line with FRS8

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

	Notes	**2010 £'000**	2009 £'000
Operating profit/ (loss)	2	1,372	(603)
Depreciation of tangible fixed assets	9	825	651
Amortisation of goodwill	8	2,984	2,984
Decrease in debtors	12	1,528	3,487
Decrease in stocks	11	1,816	2,428
(Decrease) in other creditors and accruals		(2,433)	(6,196)
Total net cash inflow from operating activities (page 10)		**6,092**	**2,751**

23 Reconciliation of net cash flow to movement in net debt

	Notes	£'000
Net cash flow in the year (page 10)		**(1,517)**
Decrease in debt in period		73
Movement in net debt in the year		**(1,444)**
Opening net debt at 1 April 2009	24	(51,607)
Closing net debt at 31 March 2010	**24**	**(53,051)**

24 Analysis of changes in net debt

	At 1 April 2009	Cash flows (page 10)	Exchange movements	Other non-cash movements	**At 31 March 2010**
	£'000	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	4,416	(1,517)	-	-	2,899
Bank loans	(26,622)	5,235	-	(596)	(21,983)
Shareholder loans	(29,401)	-	-	(4,566)	(33,967)
Total net debt	**(51,607)**	**3,718**	-	**(5,162)**	**(53,051)**

Other non cash movements are the rolled up interest charge on a portion of the bank loans (£596,000) and the rolled up interest charge on the shareholder loan notes (£4,566,000)
Of the cash flows arising from the repayment of bank loans, £4,500,000 has been repaid ahead of schedule

25 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

26 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 2010, the group had forward contracts with a total value of US$39 25m which mature between 1 April 2010 and 31 March 2011

The fair value of these contracts has been externally assessed as being £24 36m which represents a gain of £1 68m when the contracts are marked to market using the spot US Dollar rate at 31 March 2010

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 £115,000

The fair value of this instrument has been calculated as being nil as at 31 March 2010 This is due to LIBOR being below the rate of the collar at the year-end

27 Commitments and contingencies

As at 31 March 2010, 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 which expires on 31 March 2011
- 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 2010