

Pacific Direct Holdings Limited

Report and Financial Statements

Year Ended

31 December 2010

Company Number 6535633

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Pacific Direct Holdings Limited

Report and financial statements for the year ended 31 December 2010

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Directors

L Wilding
LJ Dawson
PA Cox
SJ Hicks
TAB Leach
GM Allan (appointed 8 March 2010)
N Wallace (appointed 27 May 2010)

Secretary and registered office

SJ Hicks, Princeton Court, Pilgrim Centre, Brickhill Drive, Bedford, MK41 7ZP

Company number

6535633

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Pacific Direct Holdings Limited

Report of the directors for the year ended 31 December 2010

The directors present their report together with the audited financial statements for the year ended 31 December 2010

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year

Principal activities, review of business and future developments

The company's principal activity is to act as a Holding Company for Pacific Direct Finance Limited and its subsidiary companies

The group's principal activities are the supply of licensed, branded toiletries and room operating solutions to luxury hotels, cruise lines and airlines. Room operating solutions include products such as slippers, dressing gowns, coat hangers and stationery

The group enters into licence contracts with well-known luxury toiletries brands to manufacture miniature toiletries in its European and Asian based manufacturing facilities

The group has operations, commercial offices or representation in UK, Czech Republic, Germany, Dubai, US, Hong Kong, China and Singapore

Review of the business and future developments

Business performance in 2010 has been much improved. Pacific Direct Limited has benefitted from the restructuring of the business and supply chain undertaken in 2009. Throughout 2010 the Pacific Direct Holdings Group has continued to win new business while reducing its cost base and generating positive cash flows. As a result the group has been able to accelerate investment that will drive further growth in 2011.

The Pacific Direct Holdings Limited shareholders funds deficit was £4.9m at the end of the year compared to £4.0m at the end of 2009 due to losses incurred in the year after interest and tax.

No dividend was paid in the year and the directors do not recommend the payment of a final dividend.

There have been no events since the balance sheet date which materially affect the position of the group.

Principal risks and uncertainties

Global, political and economic conditions

The group has sales or sourcing arrangements with various countries throughout the world. Whilst the group benefits from the growth opportunities in these countries, it is similarly exposed to the economic, political and business risks associated with such international operations. Throughout its operations the group encounters different legal and regulatory requirements, including those for taxation, exchange control, environmental, operational and competitive matters.

Management monitor such risks and conditions, maintaining insurance cover and amending business procedures as appropriate to attempt to mitigate any exposure whilst remaining in compliance with local and group requirements.

Foreign exchange

The group operates in many countries, with a substantial proportion of the group's operating profit earned outside the UK. Although the group benefits from some natural hedging of currencies it has evaluated its exposures and hedged its currency risk by entering into participating forward contracts. These contracts enable exchange rates to be fixed while allowing some flexibility with the timing and quantity of currency movements. The contracts have been entered into purely to manage risk and uncertainty with no element of speculation.

Pacific Direct Holdings Limited

Report of the directors for the year ended 31 December 2010 (*continued*)

Credit risk

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by undertaking status checks before extending credit to new customers and monitoring payment performance to contract terms. There is no significant exposure to any one prime debtor.

Interest rate risk

The group has exposure to interest rate risk through its overdraft facility and the senior debt funding of the subsidiary Pacific Direct Finance Limited. 70% of the senior debt interest rate is capped and collared around the LIBOR rate reducing interest rate risk.

Environmental liabilities

The group conducts its operations in such a manner as to ensure compliance with environmental laws and regulations. The group is accredited with ISO1400 for its environmental management systems.

Employees

The group recognises the importance of its management and employees and reviews its remuneration policy together with its recruitment policy on a regular basis. Pacific Direct Holdings Limited has set up an HMRC approved Company Share Option Scheme for eligible employees to align individual and company objectives.

Future trading and liquidity risk

Although the group has been impacted by the economic downturn, sales and profits have been maintained at an acceptable level and expectations are that the group will achieve a good overall performance for 2011 with increased market share.

The directors continue to take actions to mitigate the impact of the economic environment in order to safeguard profitability and cash flows. The directors monitor the economic situation and the group's customer base to ensure it matches its activity with forecast demand.

The directors continue to forecast profit and positive cash flow for the year to 31 December 2011 and beyond and believe that the overdraft facilities that are available to the group provide an acceptable level of short term working capital funding based on the forecasts. The overdraft facilities were renewed in January 2011 until July 2011.

The group funding is provided from a mixture of equity investment and long term loan funding from the bank and its equity investors.

Based on our review of the forecast cash flows, our ability to manage and support cash flows if required and consideration of funder covenant requirements the directors believe the Pacific Direct Holdings Limited group will be able to meet its funder covenant obligations through the period of the forecasts.

The directors believe that the group has adequate funding resources to continue in operational existence for the foreseeable future and at least the twelve month period following approval of these accounts. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Pacific Direct Holdings Limited

Report of the directors for the year ended 31 December 2010 (*continued*)

Key performance indicators

Key performance indicators within the group are specific to the nature of the operations of each business. This data is reported to the Board each month.

The financial key performance indicators of the group include:

- Gross profit percentage at 41.0% (2009 38.3%)
- Earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA) £2,640,098 (2009 £2,020,202)
- Working capital of £1,916,744 (2009 £3,879,789)

Proactive working capital management and analysis of historic and anticipated trading patterns assist the Board in its decision making. Financial reviews are undertaken at Board level to analyse and understand current and future results.

Directors

The directors of the company during the year were:

L Wilding
LJ Dawson
PA Cox
SJ Hicks
TAB Leach
GM Allan (appointed 8 March 2010)
N Wallace (appointed 27 May 2010)
M McKay (resigned 27 May 2010)

Directors' responsibilities

The directors are responsible for preparing the directors' 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 elected to prepare the group and 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 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,
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pacific Direct Holdings Limited

Report of the directors for the year ended 31 December 2010 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

SJ Hicks



Director

26 May 2011

Pacific Direct Holdings Limited

Independent auditor's report

TO THE MEMBERS OF PACIFIC DIRECT HOLDINGS LIMITED

We have audited the financial statements of Pacific Direct Holdings Limited for the year ended 31 December 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 and express an opinion on 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Pacific Direct Holdings Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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

BDO LS

Thomas Lawton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

Date

15 July 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Pacific Direct Holdings Limited

Consolidated profit and loss account for the year ended 31 December 2010

	Note	Recurring 2010 £	Exceptional Items (Note 2) 2010 £	Total 2010 £	Total 2009 £
Turnover	3	21,465,174	-	21,465,174	19,543,448
Cost of sales		12,767,381	-	12,767,381	12,059,214
Gross profit		8,697,793	-	8,697,793	7,484,234
Administrative expenses- including exceptional costs of £422,000 (2009 - £1,602,000)	2	7,156,640	422,000	7,578,640	8,242,907
Group operating profit/(loss)	4	1,541,153	(422,000)	1,119,153	(758,673)
Other interest receivable and similar income				80	1,920
Interest payable and similar charges	7			(1,971,329)	(1,807,705)
Loss on ordinary activities before taxation				(852,096)	(2,564,458)
Taxation on loss on ordinary activities	8			(142,642)	6,748
Loss on ordinary activities after taxation				(994,738)	(2,557,710)

All amounts relate to continuing activities

The notes on pages 13 to 30 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 2010

	Note	2010 £	2009 £
Consolidated statement of total recognised gains and losses			
Loss for the financial year		(994,738)	(2,557,710)
Exchange translation differences on reserves		118,989	(848,645)
		<hr/>	<hr/>
Total recognised gains and losses for the financial year		(875,749)	(3,406,355)
		<hr/>	<hr/>

The notes on pages 13 to 30 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated balance sheet at 31 December 2010

<i>Company number 6535633</i>	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Intangible assets	10		6,786,195		8,930,141
Tangible assets	11		2,882,123		3,155,675
			<hr/>		<hr/>
			9,668,318		12,085,816
Current assets					
Stocks	13	3,519,988		3,396,202	
Debtors	14	4,418,196		4,486,590	
Cash at bank and in hand		825,198		701,323	
		<hr/>		<hr/>	
			8,763,382		8,584,115
Creditors: amounts falling due within one year	15	6,720,242		6,667,341	
		<hr/>		<hr/>	
Net current assets			2,043,140		1,916,774
			<hr/>		<hr/>
Total assets less current liabilities			11,711,458		14,002,590
			<hr/>		<hr/>

The notes on pages 13 to 30 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated balance sheet at 31 December 2010 (*continued*)

	Note	2010 £	2010 £	2009 £	2009 £
Creditors amounts falling due after more than one year	16	16,567,085		17,991,252	
Provisions for liabilities	17	51,506		52,449	
			16,618,591		18,043,701
Capital and reserves					
Called up share capital	19	21,121		20,193	
Share premium account	20	1,954,954		1,946,154	
Other reserves	20	354,424		235,436	
Profit and loss account	20	(7,237,632)		(6,242,894)	
Shareholders' deficit	21		(4,907,133)		(4,041,111)
			11,711,458		14,002,590

The financial statements were approved by the board of directors and authorised for issue on 26 May 2011

SJ Hicks
Director



The notes on pages 13 to 30 form part of these financial statements

Pacific Direct Holdings Limited

Company balance sheet at 31 December 2010

<i>Company number 6535633</i>	Note	2010 £	2009 £
Fixed assets			
Fixed asset investments	12	1,751,516	1,751,516
Current assets			
Debtors	14	224,559	214,832
Total assets		<u>1,976,075</u>	<u>1,966,348</u>
Capital and reserves			
Called up share capital	19		
Share premium account	20		
Shareholders' funds	21	<u>1,976,075</u>	<u>1,966,348</u>

The financial statements were approved by the board of directors and authorised for issue on 26 May 2011

SJ Hicks
Director



The notes on pages 13 to 30 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated cashflow statement for the year ended 31 December 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash inflow from operating activities	24		2,387,509		1,873,195
Returns on investments and servicing of finance					
Interest received		80		1,920	
Interest paid bank loans		(351,906)		(344,690)	
Interest paid other loans		(8,262)		(17,637)	
Net cash outflow from returns on investments and servicing of finance			(360,088)		(360,407)
Taxation					
Corporation tax paid			257,801		(252,580)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(215,324)		(269,345)	
Receipts from sale of tangible fixed assets		56,347		22,861	
Receipts from sale of fixed asset investments		615,000		-	
Net cash inflow/(outflow) from capital expenditure and financial investment			456,023		(246,484)
Cash inflow before use of financing			2,741,245		1,013,724
Financing					
Share capital issued		928		589	
Share premium thereon		8,799		5,305	
Loans repaid		(1,874,278)		(1,000,000)	
Capital element of finance leases repaid		(557)		(29,484)	
Net cash outflow from financing			(1,865,108)		(1,023,590)
Increase/(Decrease) in cash	25		876,137		(9,866)

The notes on pages 13 to 30 form part of these financial statements

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2010

1 Accounting policies

The financial statements have been prepared under the historical cost convention and on the going concern basis (as explained in the section "future trading and liquidity risk" as shown in the directors report) and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the results of Pacific Direct Holdings Limited and all of its subsidiary undertakings as at 31 December 2010 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 not to present its unconsolidated profit and loss account.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 20 years. Impairment tests on the carrying value of goodwill are undertaken

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	- 3%
Plant and machinery	- 16-25%
Motor vehicles	- 25%
Fixtures and equipment	- 8-33%

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

1 Accounting policies (continued)

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Share-based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2010 *(continued)*

1 Accounting policies *(continued)*

Leased assets (continued)

leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

2 Exceptional items

	2010 £	2009 £
Redundancy costs	46,000	450,000
Legal and recruitment costs	91,000	422,000
One-off trading costs	-	730,000
Closure of factory	285,000	-
	<u>422,000</u>	<u>1,602,000</u>

3 Turnover

	2010 £	2009 £
Analysis by geographical market		
United Kingdom	5,901,619	6,254,009
Europe	3,732,975	3,273,484
Rest of the world	11,830,580	10,015,955
	<u>21,465,174</u>	<u>19,543,448</u>

Turnover is wholly attributable to the principal activity of the group

4 Operating profit/(loss)

	2010 £	2009 £
This is arrived at after charging		
Depreciation of tangible fixed assets	511,807	532,929
Amortisation of positive goodwill	643,946	643,946
Hire of plant and machinery - operating leases	23,962	20,941
Hire of other assets - operating leases	227,417	279,560
Auditors' remuneration		
- fees payable to the group's auditor for the audit of the group's annual accounts	53,165	51,000
- other taxation services	41,063	5,000
	<u></u>	<u></u>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

5 Employees

Staff costs (including directors) consist of

	Group 2010 £	Group 2009 £
Wages and salaries	4,003,376	3,434,130
Social security costs	718,357	746,734
Other pension costs	128,511	55,357
	<u>4,850,244</u>	<u>4,236,221</u>

The average number of employees (including directors) during the year was as follows

	Group 2010 Number	Group 2009 Number
Production	220	248
Sales and administration	87	101
	<u>307</u>	<u>349</u>

6 Directors' remuneration

	2010 £	2009 £
Directors' emoluments	<u>641,062</u>	<u>393,120</u>

The total amount payable to the highest paid director in respect of emoluments was £159,603 (2009 - £111,278)

7 Interest payable and similar charges

	2010 £	2009 £
Bank loans and overdrafts	327,678	383,012
Other interest payable	393,906	17,637
Loan note interest	1,249,745	1,407,056
	<u>1,971,329</u>	<u>1,807,705</u>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

8 Taxation on loss on ordinary activities

	2010 £	2009 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	143,585	(57,500)
Adjustment in respect of previous periods	-	(4,062)
	<u>143,585</u>	<u>(61,562)</u>
<i>Foreign tax</i>		
Current tax on foreign income for the year	-	81,052
Foreign tax adjustment in respect of the prior year	-	(6,667)
	<u>-</u>	<u>74,385</u>
Total current tax	<u>143,585</u>	<u>12,823</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	11,658	(19,571)
Adjustment in respect of previous periods	(14,000)	-
Other deferred tax	1,399	-
	<u>(943)</u>	<u>(19,571)</u>
Movement in deferred tax provision	<u>(943)</u>	<u>(19,571)</u>
Taxation on loss on ordinary activities	<u>142,642</u>	<u>(6,748)</u>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

8 Taxation on loss on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below.

	2010 £	2009 £
Loss on ordinary activities before tax	(852,096)	(2,564,458)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(238,587)	(718,048)
Effect of		
Expenses not deductible for tax purposes	345,767	7,922
Depreciation for period in excess/(deficit) of capital allowances	9,093	(8,256)
Adjustment to tax charge in respect of previous periods	-	(10,730)
Other short term timing differences	77,545	163,001
Marginal relief	-	947
Non taxable income	(30,456)	(133,807)
Overprovision of prior year tax	(154,102)	-
Tax losses carried forward	78,500	712,373
Tax effect of group adjustments	(113,012)	29,077
Different tax rates on overseas earnings	-	(29,656)
Impairment of goodwill	168,837	-
Current tax charge for the year	143,585	12,823

9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a result after tax of £Nil (2009 - £Nil) which is dealt with in the financial statements of the parent company.

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

10 Intangible fixed assets

Group

	Goodwill on consolidation £
<i>Cost</i>	
At 1 January 2010	13,059,804
Consideration adjustment	(1,500,000)
	<hr/>
At 31 December 2010	11,559,804
	<hr/>
<i>Amortisation</i>	
At 1 January 2010	4,129,663
Provided for the year	643,946
	<hr/>
At 31 December 2010	4,773,609
	<hr/>
<i>Net book value</i>	
At 31 December 2010	6,786,195
	<hr/>
At 31 December 2009	8,930,141
	<hr/>

The directors have reviewed the carrying value of goodwill at the year end and do not believe an impairment writedown is required. During the year a settlement of £1 615m was received under warranties relating to the purchase of Pacific Direct Limited. £115,000 was released into the profit and loss statement and the remaining £1 5m has reduced the carrying value of the investment in the balance sheet.

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

11 Tangible fixed assets

Group

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and equipment £	Total £
<i>Cost</i>					
At 1 January 2010	2,150,202	3,173,023	162,370	159,319	5,644,914
Additions	68,349	118,201	4,432	24,342	215,324
Disposals	-	(100,040)	(16,162)	(139,415)	(255,617)
Exchange adjustments	30,649	18,508	5,421	(846)	53,732
	<u>2,249,200</u>	<u>3,209,692</u>	<u>156,061</u>	<u>43,400</u>	<u>5,658,353</u>
At 31 December 2010					
<i>Depreciation</i>					
At 1 January 2010	283,953	2,018,046	71,655	115,585	2,489,239
Provided for the year	67,335	395,144	29,768	19,560	511,807
Disposals	-	(55,040)	(16,162)	(128,068)	(199,270)
Exchange adjustments	(199)	(35,579)	(1,088)	11,320	(25,546)
	<u>351,089</u>	<u>2,322,571</u>	<u>84,173</u>	<u>18,397</u>	<u>2,776,230</u>
At 31 December 2010					
<i>Net book value</i>					
At 31 December 2010	<u>1,898,111</u>	<u>887,121</u>	<u>71,888</u>	<u>25,003</u>	<u>2,882,123</u>
At 31 December 2009	<u>1,866,249</u>	<u>1,154,977</u>	<u>90,715</u>	<u>43,734</u>	<u>3,155,675</u>

12 Fixed asset investments

Company

	Group undertakings £
<i>Cost</i>	
At 1 January 2010 and 31 December 2010	<u>1,751,516</u>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

12 Fixed asset investments (continued)

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
<i>Subsidiary undertakings</i>				
Pacific Direct Finance Limited	UK	Ordinary	100%	Holding Company
Pacific Direct Limited*	UK	Ordinary	100%	Supply of hotel toiletries, amenities and hospitality products
Pacific Direct Incorporated*	USA	Ordinary	100%	Supply of hotel toiletries, amenities and hospitality products
Pacific Direct S R O *	Czech Republic	Ordinary	100%	Production and supply of hotel toiletries, amenities and hospitality products
Pacific Direct Hong Kong Limited*	Hong Kong	Ordinary	100%	Production and supply of hotel toiletries, amenities and hospitality products

* indirectly owned

13 Stocks

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Raw materials and consumables	770,121	626,830	-	-
Finished goods and goods for resale	2,749,867	2,769,372	-	-
	<u>3,519,988</u>	<u>3,396,202</u>	<u>-</u>	<u>-</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

14 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade debtors	3,953,792	3,797,364	-	-
Amounts owed by group undertakings	-	-	224,559	214,832
Corporation tax recoverable	61,971	379,682	-	-
Other debtors	394,620	301,737	-	-
Prepayments and accrued income	7,813	7,807	-	-
	<u>4,418,196</u>	<u>4,486,590</u>	<u>224,559</u>	<u>214,832</u>

All amounts shown under debtors fall due for payment within one year

15 Creditors: amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank loans and overdrafts (secured)	2,035,026	1,626,238	-	-
Trade creditors	2,419,281	2,163,840	-	-
Corporation tax	135,312	51,637	-	-
Other taxation and social security	451,933	310,154	-	-
Obligations under finance lease and hire purchase contracts	-	557	-	-
Other creditors	1,649,428	1,476,593	-	-
Accruals and deferred income	29,262	1,038,322	-	-
	<u>6,720,242</u>	<u>6,667,341</u>	<u>-</u>	<u>-</u>

Bank loans and overdrafts are secured as detailed in note 16

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

16 Creditors: amounts falling due after more than one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank loans (secured)	2,770,230	5,763,558	-	-
Loan notes	11,855,964	11,740,653	-	-
Accruals and deferred income	1,940,891	487,041	-	-
	<u>16,567,085</u>	<u>17,991,252</u>	<u>-</u>	<u>-</u>
 Maturity of debt				
	Loans and overdrafts 2010 £	Loans and overdrafts 2009 £	Finance leases 2010 £	Finance leases 2009 £
In one year or less, or on demand	2,035,026	1,626,238	-	557
 In more than one year but not more than two years	1,614,730	3,013,558	-	-
In more than two years but not more than five years	13,011,464	14,490,653	-	-
	<u>14,626,194</u>	<u>17,504,211</u>	<u>-</u>	<u>-</u>

Bank loans and overdrafts are secured by debentures over the assets of the group. Subsequent to year-end, a £512,278 loan payment due in March 2011 was rescheduled to be paid in 2012.

17 Provisions for liabilities

Group

	Deferred taxation £
At 1 January 2010	52,449
Credited to profit and loss account	(943)
	<u>51,506</u>
At 31 December 2010	<u>51,506</u>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

17 Provisions for liabilities *(continued)*

Deferred taxation

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Sundry timing differences	51,506	52,449	-	-

18 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £128,511 (2009 - £55,357). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19 Share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid</i>		
1,300,000 'A' ordinary shares of £0.01 each	13,000	13,000
400,000 'B' ordinary shares of £0.01 each	4,000	4,000
412,066 'C' ordinary shares of £0.01 each	4,121	3,193
	<u>21,121</u>	<u>20,193</u>

On 27 May 2010, 92,727 C ordinary shares with a nominal value of 1p were issued for 10p.

Dividends shall be distributed amongst the holders of the A ordinary shares, B ordinary shares and C ordinary shares *pari passu* according to the number of shares held by the relevant shareholders at the relevant time.

On the return of capital on liquidation or otherwise, the surplus assets of the company remaining after the payment of its liabilities shall be applied in the following order of priority:

- first in paying to each holder of A ordinary shares, in respect of each ordinary A share of which it is the holders, equal to the issue price thereof,
- second, in paying to each holder of B ordinary Shares and C ordinary shares, *pari passu* in respect of each ordinary share of which it is the holders, equal to the issue price, and
- the balance of the assets shall be distributed to amongst the holders of A ordinary shares, the B ordinary shares and the C ordinary shares *pari passu* according to the amount paid up or credited to have been paid up on each share.

In terms of voting rights the A ordinary shares, B ordinary shares and C ordinary shares rank *pari passu*.

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

19 Share capital *(continued)*

Share Option Scheme

At 31 December 2010 the following share options were outstanding in respect of the ordinary shares

Date of grant	Number of shares	Price per share
3 August 2009	41,212	5 5p
19 January 2010	48,266	5 5p
8 February 2010	1,846	5 5p

The share option may be exercised on or after the occurrence of a takeover, sale or admission to a recognised stock exchange

There is no charge to the financial statements under FRS 20 in relation to this scheme as it is immaterial

20 Reserves

Group

	Share premium account £	Other reserves £	Profit and loss account £
At 1 January 2010	1,946,155	235,435	(6,242,894)
Premium on shares issued during the year	8,799	-	-
Loss for the year	-	-	(994,738)
Exchange movements	-	118,989	-
At 31 December 2010	<u>1,954,954</u>	<u>354,424</u>	<u>(7,237,632)</u>

Company

	Share premium account £
At 1 January 2010	1,946,155
Premium on shares issued during the year	8,799
At 31 December 2010	<u>1,954,954</u>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

21 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Loss for the year	(994,738)	(2,557,710)	-	-
Other net recognised gains and losses relating to the year	118,989	(848,645)	-	-
Issue of shares	928	589	928	589
Premium on shares issued during the year	8,799	5,305	8,799	5,305
Net (deductions from)/additions to shareholders' (deficit)/funds	(866,022)	(3,400,461)	9,727	5,894
Opening shareholders' (deficit)/funds	(4,041,111)	(640,650)	1,966,348	1,960,454
Closing shareholders' (deficit)/funds	(4,907,133)	(4,041,111)	1,976,075	1,966,348

22 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2010 £	Land and buildings 2009 £
Operating leases which expire		
Within one year	11,644	5,465
In two to five years	191,370	97,680
	203,014	103,145

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (continued)

23 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries

Loans and transactions concerning directors and officers of the company

	Loan notes b/f £	Accrued interest on loan notes b/f £	Loan notes issued/ (redeemed) £	Accrued interest on loan notes £	Total amounts owed at the year end £
Related party					
Primary Capital III (Nominees) Limited	9,400,869	-	(90,727)	1,117,217	10,427,359
CL Morgan	2,210,000	464,281	-	729,481	2,939,481
M Samek	390,000	81,932	-	128,732	518,732
L Wilding	31,818	6,684	-	10,502	42,320
TAB Leach	19,091	4,011	-	6,302	25,393
S Vong	-	-	-	-	-
SHH Heldt	-	-	-	-	-
LJ Dawson	31,818	6,684	-	10,502	42,320
PA Cox	31,818	6,684	-	10,502	42,320
G Allan	-	-	90,727	10,887	101,614
2009					
Primary Capital III (Nominees) Limited	7,700,000	693,632	1,700,869	(693,632)	9,400,869
CL Morgan	2,210,000	199,081	-	265,200	2,674,281
M Samek	390,000	35,132	-	46,800	471,932
L Wilding	31,818	2,866	-	3,818	38,502
TAB Leach	19,091	1,720	-	2,291	23,102
S Vong	31,818	2,866	(31,818)	(2,866)	-
SHH Heldt	31,818	2,866	(31,818)	(2,866)	-
LJ Dawson	-	-	31,818	6,684	38,502
PA Cox	-	-	31,818	6,684	38,502
G Allan	-	-	-	-	-

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 *(continued)*

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

	2010 £	2009 £
Operating profit/(loss)	1,119,153	(758,673)
Exceptional items included in operating profit/(loss)	422,000	1,602,000
	<hr/>	<hr/>
Operating profit/(loss) before exceptional items	1,541,153	843,327
Amortisation of intangible fixed assets	643,946	643,946
Depreciation of tangible fixed assets	511,807	532,929
Release of provision	1,000,000	-
(Increase)/decrease in stocks	(84,075)	1,737,643
(Increase)/decrease in debtors	(249,317)	210,125
Decrease in creditors	(554,005)	(492,775)
	<hr/>	<hr/>
Cash outflow relating to exceptional items	2,809,509 (422,000)	3,475,195 (1,602,000)
	<hr/>	<hr/>
Net cash inflow from operating activities	2,387,509	1,873,195
	<hr/>	<hr/>

25 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Increase in cash	876,137	(9,866)
Cash inflow from changes in debt	1,874,835	1,029,484
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	2,750,972	1,019,618
Exchange translation	-	161,699
Amortisation of debt fees	(157,311)	(157,311)
Loan notes issued for interest	-	(1,700,869)
	<hr/>	<hr/>
Movement in net debt	2,593,661	(676,863)
Opening net debt	(18,429,683)	(17,752,820)
	<hr/>	<hr/>
Closing net debt	(15,836,022)	(18,429,683)
	<hr/>	<hr/>

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2010 (*continued*)

26 Analysis of net debt

	At 1 January 2010 £	Cash flow £	Non-cash items £	Other non- cash items £	At 31 December 2010 £
Cash at bank and in hand	701,323	123,875	-	-	825,198
Bank overdrafts	(762,738)	752,262	-	-	(10,476)
		<u>876,137</u>			
Debt due within one year	(863,500)	1,000,000	-	(2,161,050)	(2,024,550)
Debt due after one year	(17,504,211)	874,278	(157,311)	2,161,050	(14,626,194)
Finance leases	(557)	557	-	-	-
		<u>1,874,835</u>			
Total	<u>(18,429,683)</u>	<u>2,750,972</u>	<u>(157,311)</u>	<u>-</u>	<u>(15,836,022)</u>