

COMPANIES HOUSE CO.

Pacific Direct Holdings Limited

Report and Financial Statements

Year Ended

31 December 2009

Company Number 6535633

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COMPANIES HOUSE

BDO

Pacific Direct Holdings Limited

Report and financial statements for the year ended 31 December 2009

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Directors

TAB Leach
L Wilding
LJ Dawson
PA Cox
SJ Hicks
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 2009

The directors present their report together with the audited financial statements for the year ended 31 December 2009

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

2009 was a very difficult year for all businesses in the sector. Pacific Direct Limited incurred a substantial amount of exceptional costs relating to organisational change and restructuring. Throughout 2009 Pacific Direct Limited has continued to win new business while reducing its cost base and generating positive cash flows. As a result the group is now well positioned as the market recovers.

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 other than disclosed in note 24 to the financial statements.

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 2009 (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 holding company 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, albeit reduced, level and expectations are that the group will achieve a good overall performance for 2010 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 2010 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 at the end of March 2010.

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 PDH 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 2009 *(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 38.3% (2008: 46.9%)
- Earnings before exceptional items, interest, tax, depreciation and amortisation (EBITDA) £2,020,202 (2008: £1,610,923)
- Working capital of £1,916,774 (2008: £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:

M McKay (Resigned 27 May 2010)
CL Morgan (Resigned 2 November 2009)
TAB Leach
SHH Heldt (Resigned 26 February 2009)
L Wilding
S Vong (Resigned 20 April 2009)
M Samek (Resigned 26 March 2009)
A Rush (Resigned 26 March 2009)
LJ Dawson (Appointed 26 March 2009)
PA Cox (Appointed 26 March 2009)
SJ Hicks (Appointed 26 March 2009)

Pacific Direct Holdings Limited

Report of the directors for the year ended 31 December 2009 (*continued*)

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.

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

27 May 2010

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 2009 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 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

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

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



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

27 May 2010

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 2009

| | | Recurring Year ended 31 December 2009 £ | Exceptional Items (Note 2) Year ended 31 December 2009 £ | Total Year ended 31 December 2009 £ | Total 9 months ended 31 December 2008 £ |
|--|------|--|---|--|--|
| | Note | | | | |
| Turnover | 3 | 19,543,448 | - | 19,543,448 | 15,965,598 |
| Cost of sales | | 12,059,214 | - | 12,059,214 | 8,475,848 |
| Gross profit | | 7,484,234 | - | 7,484,234 | 7,489,750 |
| Administrative expenses | | 6,640,907 | 1,602,000 | 8,242,907 | 9,679,689 |
| Group operating loss | 4 | 843,327 | (1,602,000) | (758,673) | (2,189,939) |
| Other interest receivable and similar income | | | | 1,920 | 98,200 |
| Interest payable and similar charges | 7 | | | (1,807,705) | (1,491,904) |
| Loss on ordinary activities before taxation | | | | (2,564,458) | (3,583,643) |
| Taxation on loss on ordinary activities | 8 | | | 6,748 | (101,541) |
| Loss on ordinary activities after taxation | | | | (2,557,710) | (3,685,184) |

All amounts relate to continuing activities

The notes on pages 13 to 31 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 2009

| | Note | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|--|------|---|---|
| Loss for the financial year/period | | (2,557,710) | (3,685,184) |
| Exchange translation differences on reserves | | (848,645) | 1,084,081 |
| Total recognised losses for the financial year/period | | (3,406,355) | (2,601,103) |

The notes on pages 13 to 31 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated balance sheet at 31 December 2009

| <i>Company number 6535633</i> | Note | 31 December 2009 £ | 31 December 2009 £ | 31 December 2008 £ | 31 December 2008 £ |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fixed assets | | | | | |
| Intangible assets | 10 | | 8,930,141 | | 9,574,087 |
| Tangible assets | 11 | | 3,155,675 | | 3,709,059 |
| | | | <hr/> | | <hr/> |
| | | | 12,085,816 | | 13,283,146 |
| Current assets | | | | | |
| Stocks | 13 | 3,396,202 | | 5,556,735 | |
| Debtors | 14 | 4,486,590 | | 4,722,342 | |
| Cash at bank and in hand | | 701,323 | | 658,597 | |
| | | <hr/> | | <hr/> | |
| | | | 8,584,115 | 10,937,674 | |
| Creditors: amounts falling due within one year | 15 | 6,667,341 | | 7,057,885 | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 1,916,774 | | 3,879,789 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 14,002,590 | | 17,162,935 |
| | | | <hr/> | | <hr/> |

The notes on pages 13 to 31 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated balance sheet at 31 December 2009 *(continued)*

| | Note | 31 December 2009 £ | 31 December 2009 £ | 31 December 2008 £ | 31 December 2008 £ |
|--|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | | 31 December | 31 December |
| Creditors: amounts falling due after more than one year | 16 | 17,991,252 | | 17,803,585 | |
| Provisions for liabilities | 17 | 52,449 | | - | |
| | | | 18,043,701 | | 17,803,585 |
| Capital and reserves | | | | | |
| Called up share capital | 19 | 20,193 | | 19,604 | |
| Share premium account | 20 | 1,946,154 | | 1,940,849 | |
| Other reserves | 20 | 235,436 | | 1,084,081 | |
| Profit and loss account | 20 | (6,242,894) | | (3,685,184) | |
| Shareholders' deficit | 21 | | (4,041,111) | | (640,650) |
| | | | 14,002,590 | | 17,162,935 |

The financial statements were approved by the board of directors and authorised for issue on 27 May 2010

SJ Hicks
Director



The notes on pages 13 to 31 form part of these financial statements

Pacific Direct Holdings Limited

Company balance sheet at 31 December 2009

Company number 6535633

| | Note | 31 December 2009 £ | 31 December 2008 £ |
|-----------------------------|------|--------------------------|--------------------------|
| Fixed assets | | | |
| Fixed asset investments | 12 | 1,751,516 | 1,751,516 |
| Current assets | | | |
| Debtors | 14 | 214,832 | 208,938 |
| Total assets | | <u>1,966,348</u> | <u>1,960,454</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 20,193 | 19,604 |
| Share premium account | 20 | 1,946,155 | 1,940,850 |
| Shareholders' funds | 21 | <u>1,966,348</u> | <u>1,960,454</u> |

The financial statements were approved by the board of directors and authorised for issue on 27 May 2010

SJ Hicks
Director



The notes on pages 13 to 31 form part of these financial statements

Pacific Direct Holdings Limited

Consolidated cashflow statement for the year ended 31 December 2009

| | Note | Year ended 31 December 2009 £ | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ | 9 months ended 31 December 2008 £ |
|--|------|--|--|--|--|
| Net cash inflow from operating activities | 25 | | 1,873,195 | | 1,043,536 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | 1,920 | | 98,200 | |
| Interest paid bank loans | | (344,690) | | (386,632) | |
| Interest paid other loans | | (17,637) | | (49,125) | |
| Debt issue costs | | - | | (786,555) | |
| | | | | | |
| Net cash outflow from returns on investments and servicing of finance | | | (360,407) | | (1,124,112) |
| Taxation | | | | | |
| Corporation tax paid | | | (252,580) | | (774,176) |
| Capital expenditure and financial investment | | | | | |
| Payments to acquire tangible fixed assets | | (269,345) | | (186,837) | |
| Receipts from sale of tangible fixed assets | | 22,861 | | 123,944 | |
| Payments to acquire subsidiary companies | | - | | (14,924,259) | |
| Payments to acquire minority interest | | - | | (2,568,900) | |
| | | | | | |
| Net cash outflow from capital expenditure and financial investment | | | (246,484) | | (17,556,052) |
| | | | | | |
| Cash inflow/(outflow) before use of financing | | | 1,013,724 | | (18,410,804) |
| Financing | | | | | |
| Share capital issued | | 589 | | 19,604 | |
| Share premium thereon | | 5,305 | | 1,940,849 | |
| New loans | | - | | 6,000,000 | |
| Loans repaid | | (1,000,000) | | (250,000) | |
| Capital element of finance leases repaid | | (29,484) | | (5,959) | |
| Loan notes issued | | - | | 10,414,545 | |
| | | | | | |
| Net cash (outflow)/inflow from financing | | | (1,023,590) | | 18,119,039 |
| | | | | | |
| Decrease in cash | 26 | | (9,866) | | (291,765) |

The notes on pages 13 to 31 form part of these financial statements

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2009

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 2009 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 2009 (*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.

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 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 2009 (continued)

2 Exceptional items

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|-----------------------------|---|---|
| Redundancy costs | 450,000 | - |
| Legal and recruitment costs | 422,000 | - |
| One-off trading costs | 730,000 | - |
| Impairment of goodwill | - | 3,000,000 |
| | <u>1,602,000</u> | <u>3,000,000</u> |

3 Turnover

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|---------------------------------|---|---|
| Analysis by geographical market | | |
| United Kingdom | 6,254,009 | 5,297,083 |
| Europe | 3,273,484 | 3,503,421 |
| Rest of the world | 10,015,955 | 7,165,094 |
| | <u>19,543,448</u> | <u>15,965,598</u> |

Turnover is wholly attributable to the principal activity of the group

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

4 Operating loss

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|--|---|---|
| This is arrived at after charging | | |
| Depreciation of tangible fixed assets | 532,929 | 315,145 |
| Amortisation of positive goodwill | 643,946 | 485,717 |
| Hire of plant and machinery - operating leases | 20,941 | 20,864 |
| Hire of other assets - operating leases | 279,560 | 142,646 |
| Auditors' remuneration | | |
| - fees payable to the group's auditor for the audit of the group's annual accounts | 51,000 | 31,875 |
| - other taxation services | 5,000 | 3,000 |
| | <u> </u> | <u> </u> |

5 Employees

Staff costs (including directors) consist of

| | Group Year ended 31 December 2009 £ | Group 9 months ended 31 December 2008 £ |
|-----------------------|--|--|
| Wages and salaries | 3,434,130 | 3,100,427 |
| Social security costs | 746,734 | 591,609 |
| Other pension costs | 55,357 | 54,150 |
| | <u> </u> | <u> </u> |
| | 4,236,221 | 3,746,186 |
| | <u> </u> | <u> </u> |

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

| | Group Year ended 31 December 2009 Number | Group 9 months ended 31 December 2008 Number |
|--------------------------|---|---|
| Production | 248 | 317 |
| Sales and administration | 101 | 131 |
| | <u> </u> | <u> </u> |
| | 349 | 448 |
| | <u> </u> | <u> </u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 *(continued)*

6 Directors' remuneration

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|-----------------------|---|---|
| Directors' emoluments | 393,120 | 151,789 |

The total amount payable to the highest paid director in respect of emoluments was £111,278 (2008 - £98,009)

7 Interest payable and similar charges

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|---------------------------|---|---|
| Bank loans and overdrafts | 383,012 | 386,632 |
| Other interest payable | 17,637 | 49,125 |
| Loan note interest | 1,407,056 | 1,056,147 |
| | 1,807,705 | 1,491,904 |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*continued*)

8 Taxation on loss on ordinary activities

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|---|---|---|
| <i>UK Corporation tax</i> | | |
| Current tax on profits of the year/period | (57,500) | (142,000) |
| Adjustment in respect of previous periods | (4,062) | 2,938 |
| | <u>(61,562)</u> | <u>(139,062)</u> |
| <i>Foreign tax</i> | | |
| Current tax on foreign income for the year | 81,052 | 263,554 |
| Foreign tax adjustment in respect of the prior period | (6,667) | (2,185) |
| | <u>74,385</u> | <u>261,369</u> |
| Total current tax | <u>12,823</u> | <u>122,307</u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | (19,571) | (34,000) |
| Other deferred tax | - | 13,234 |
| | <u>(19,571)</u> | <u>(20,766)</u> |
| Movement in deferred tax provision | <u>(19,571)</u> | <u>(20,766)</u> |
| Taxation on loss on ordinary activities | <u>(6,748)</u> | <u>101,541</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (continued)

8 Taxation on loss on ordinary activities (continued)

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

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|---|---|---|
| Loss on ordinary activities before tax | (2,564,458) | (3,583,643) |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 - 28%) | (718,048) | (1,003,420) |
| Effect of | | |
| Expenses not deductible for tax purposes | 7,922 | 11,658 |
| Capital allowances for period in (excess)/deficit of depreciation | (8,256) | 4,774 |
| Adjustment to tax charge in respect of previous periods | (10,730) | 753 |
| Other short term timing differences | 163,001 | 271,848 |
| Marginal relief | 947 | (3,671) |
| Non taxable income | (133,807) | (49,251) |
| Overprovision of current year tax | - | 42,637 |
| Tax losses carried forward | 712,373 | 75,236 |
| Tax effect of group adjustments | 29,077 | 135,958 |
| Different tax rates on overseas earnings | (29,656) | (94,175) |
| Impairment of goodwill | - | 729,960 |
| Current tax charge for the year/period | 12,823 | 122,307 |

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 (2008 - £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 2009 (*continued*)

10 Intangible fixed assets

Group

| | Goodwill on consolidation £ |
|--|-----------------------------------|
| <i>Cost</i> | |
| At 1 January 2009 and 31 December 2009 | 13,059,804 |
| <i>Amortisation</i> | |
| At 1 January 2009 | 3,485,717 |
| Provided for the year | 643,946 |
| At 31 December 2009 | 4,129,663 |
| <i>Net book value</i> | |
| At 31 December 2009 | 8,930,141 |
| At 31 December 2008 | 9,574,087 |

The directors have reviewed the carrying value of goodwill at the year end and do not believe an impairment writedown is required

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 *(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 2009 | 2,297,339 | 3,162,359 | 175,946 | 164,101 | 5,799,745 |
| Additions | 65,363 | 175,541 | 28,100 | 341 | 269,345 |
| Disposals | (48,325) | (5,036) | (29,220) | - | (82,581) |
| Exchange adjustments | (164,175) | (159,841) | (12,456) | (5,123) | (341,595) |
| | <u>2,150,202</u> | <u>3,173,023</u> | <u>162,370</u> | <u>159,319</u> | <u>5,644,914</u> |
| <i>Depreciation</i> | | | | | |
| At 1 January 2009 | 224,931 | 1,678,005 | 75,954 | 111,796 | 2,090,686 |
| Provided for the year | 91,033 | 399,866 | 27,996 | 14,034 | 532,929 |
| Disposals | (25,464) | (5,036) | (29,220) | - | (59,720) |
| Exchange adjustments | (6,547) | (54,789) | (3,075) | (10,245) | (74,656) |
| | <u>283,953</u> | <u>2,018,046</u> | <u>71,655</u> | <u>115,585</u> | <u>2,489,239</u> |
| <i>Net book value</i> | | | | | |
| 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> |
| At 31 December 2008 | <u>2,072,408</u> | <u>1,484,354</u> | <u>99,992</u> | <u>52,305</u> | <u>3,709,059</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 *(continued)*

12 Fixed asset investments

Company

| | Group undertakings £ |
|--|----------------------------|
| <i>Cost</i> | |
| At 1 January 2009 and 31 December 2009 | 1,751,516 |

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

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

13 Stocks

| | Group 31 December 2009 £ | Group 31 December 2008 £ | Company 31 December 2009 £ | Company 31 December 2008 £ |
|-------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Raw materials and consumables | 626,830 | 1,727,993 | - | - |
| Finished goods and goods for resale | 2,769,372 | 3,828,742 | - | - |
| | <u>3,396,202</u> | <u>5,556,735</u> | <u>-</u> | <u>-</u> |

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

14 Debtors

| | Group 31 December 2009 £ | Group 31 December 2008 £ | Company 31 December 2009 £ | Company 31 December 2008 £ |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Amounts receivable within one year | | | | |
| Trade debtors | 3,797,364 | 3,984,524 | - | - |
| Amounts owed by group undertakings | - | - | 214,832 | 208,938 |
| Corporation tax recoverable | 379,682 | 163,635 | - | - |
| Other debtors | 301,737 | 521,402 | - | - |
| Prepayments and accrued income | 7,807 | 18,781 | - | - |
| | <u>4,486,590</u> | <u>4,688,342</u> | <u>214,832</u> | <u>208,938</u> |
| Amounts receivable after more than one year | | | | |
| Deferred taxation (see note 17) | - | 34,000 | - | - |
| Total debtors | <u>4,486,590</u> | <u>4,722,342</u> | <u>214,832</u> | <u>208,938</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (continued)

15 Creditors: amounts falling due within one year

| | Group 31 December 2009 £ | Group 31 December 2008 £ | Company 31 December 2009 £ | Company 31 December 2008 £ |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Bank loans and overdrafts (secured) | 1,626,238 | 1,537,862 | - | - |
| Trade creditors | 2,163,840 | 2,301,948 | - | - |
| Corporation tax | 51,637 | 43,062 | - | - |
| Other taxation and social security | 310,154 | 382,162 | - | - |
| Obligations under finance lease and hire purchase contracts | 557 | 8,134 | - | - |
| Other creditors | 1,476,593 | 1,702,938 | - | - |
| Accruals and deferred income | 1,038,322 | 1,081,779 | - | - |
| | <u>6,667,341</u> | <u>7,057,885</u> | <u>-</u> | <u>-</u> |

Bank loans and overdrafts are secured as detailed in note 16

16 Creditors: amounts falling due after more than one year

| | Group 31 December 2009 £ | Group 31 December 2008 £ | Company 31 December 2009 £ | Company 31 December 2008 £ |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Bank loans (secured) | 5,763,558 | 6,919,041 | - | - |
| Loan notes | 11,740,653 | 9,924,473 | - | - |
| Obligations under finance lease and hire purchase contracts | - | 21,907 | - | - |
| Accruals and deferred income | 487,041 | 938,164 | - | - |
| | <u>17,991,252</u> | <u>17,803,585</u> | <u>-</u> | <u>-</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 *(continued)*

16 Creditors: amounts falling due after more than one year *(continued)*

Maturity of debt

| | Loans and overdrafts 31 December 2009 £ | Loans and overdrafts 31 December 2008 £ | Finance leases 31 December 2009 £ | Finance leases 31 December 2008 £ |
|---|---|---|---|---|
| In one year or less, or on demand | <u>1,626,238</u> | <u>1,537,862</u> | <u>557</u> | <u>8,134</u> |
| In more than one year but not more than two years | 3,013,558 | 3,169,041 | - | 21,907 |
| In more than two years but not more than five years | <u>14,490,653</u> | <u>13,674,473</u> | <u>-</u> | <u>-</u> |
| | <u>17,504,211</u> | <u>16,843,514</u> | <u>-</u> | <u>21,907</u> |

Bank loans and overdrafts are secured by debentures over the assets of the group

17 Provisions for liabilities

Group

| | Deferred taxation £ |
|--|---------------------------|
| Transferred from debtors | (34,000) |
| Credited to profit and loss account | (19,571) |
| Transfer from prior year other creditors | <u>106,020</u> |
| At 31 December 2009 | <u>52,449</u> |

Deferred taxation

| | Group 31 December 2009 £ | Group 31 December 2008 £ | Company 31 December 2009 £ | Company 31 December 2008 £ |
|--------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Accelerated capital allowances | - | (34,000) | - | - |
| Sundry timing differences | <u>52,449</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (continued)

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 £55,357 (2008 - £54,150). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19 Share capital

| | 31 December 2009 £ | 31 December 2008 £ |
|---|--------------------------|--------------------------|
| <i>Allotted, called up and fully paid</i> | | |
| 1,300,000 'A' ordinary shares of £0.01 each (2008: 1,300,000) | 13,000 | 13,000 |
| 400,000 'B' ordinary shares of £0.01 each (2008: 400,000) | 4,000 | 4,000 |
| 319,339 'C' ordinary shares of £0.01 each (2008: 260,400) | 3,193 | 2,604 |
| | <u>20,193</u> | <u>19,604</u> |

On 30 November 2009, 58,939 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 holder, 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 holder, 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 2009 (continued)

20 Reserves

Group

| | Share premium account £ | Other reserves £ | Profit and loss account £ |
|--|----------------------------------|------------------------|---------------------------------|
| At 1 January 2009 | 1,940,849 | 1,084,081 | (3,685,184) |
| Premium on shares issued during the year | 5,305 | - | - |
| Loss for the year | - | - | (2,557,710) |
| Exchange movements | - | (848,645) | - |
| | <u>1,946,154</u> | <u>235,436</u> | <u>(6,242,894)</u> |

Company

| | Share premium account £ |
|--|----------------------------------|
| At 1 January 2009 | 1,940,850 |
| Premium on shares issued during the year | 5,305 |
| | <u>1,946,155</u> |

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

| | Group 31 December 2009 £ | Group 31 December 2008 £ | Company 31 December 2009 £ | Company 31 December 2008 £ |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Loss for the year/period | (2,557,710) | (3,685,184) | - | - |
| Other net recognised gains and losses relating to the year | (848,645) | 1,084,081 | - | - |
| Issue of shares | 589 | 19,604 | 589 | 19,604 |
| Premium on shares issued during the year | 5,305 | 1,940,849 | 5,305 | 1,940,850 |
| | <u>(3,400,461)</u> | <u>(640,650)</u> | <u>5,894</u> | <u>1,960,454</u> |
| Net (deductions from)/additions to shareholders' (deficit)/funds | (3,400,461) | (640,650) | 5,894 | 1,960,454 |
| Opening shareholders' (deficit)/funds | (640,650) | - | 1,960,454 | - |
| | <u>(4,041,111)</u> | <u>(640,650)</u> | <u>1,966,348</u> | <u>1,960,454</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 *(continued)*

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

22 Commitments under operating leases

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

| | Land and buildings 31 December 2009 £ | Other 31 December 2009 £ | Land and buildings 31 December 2008 £ | Other 31 December 2008 £ |
|-------------------------------|---|-----------------------------------|---|-----------------------------------|
| Operating leases which expire | | | | |
| Within one year | 5,465 | - | 12,969 | 842 |
| In two to five years | 97,680 | - | 148,130 | 3,628 |
| | <u>103,145</u> | <u>-</u> | <u>161,099</u> | <u>4,470</u> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements for the year ended 31 December 2009 (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 | 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 |
| SHH Heldt | 31,818 | 2,866 | (31,818) | (2,866) | - |
| S Vong | 31,818 | 2,866 | (31,818) | (2,866) | - |
| LJ Dawson | - | - | 31,818 | 6,684 | 38,502 |
| PA Cox | - | - | 31,818 | 6,684 | 38,502 |
| 2008 | | | | | |
| Primary Capital III (Nominees) Limited | - | - | 7,700,000 | 693,632 | 8,393,632 |
| CL Morgan | - | - | 2,210,000 | 199,081 | 2,409,081 |
| M Samek | - | - | 390,000 | 35,132 | 425,132 |
| L Wilding | - | - | 31,818 | 2,866 | 34,684 |
| TAB Leach | - | - | 19,091 | 1,720 | 20,811 |
| SHH Heldt | - | - | 31,818 | 2,866 | 34,684 |
| S Vong | - | - | 31,818 | 2,866 | 34,684 |
| LJ Dawson | - | - | - | - | - |
| PA Cox | - | - | - | - | - |

24 Post balance sheet events

Since the balance sheet date settlement of £1.6m has been agreed under warranties relating to the purchase of Pacific Direct Limited £1m of deferred consideration currently held in accruals and deferred income will therefore be released in the statutory accounts for the year ended 31 December 2010

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 *(continued)*

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

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|---|---|---|
| Operating loss | (758,673) | (2,189,939) |
| Amortisation of intangible fixed assets | 643,946 | 485,717 |
| Depreciation of tangible fixed assets | 532,929 | 315,145 |
| Profit on sale of tangible fixed assets | - | (1,400) |
| Provision against investments | - | 3,000,000 |
| Decrease/(increase) in stocks | 1,737,643 | (661,735) |
| Decrease/(increase) in debtors | 210,125 | (827,775) |
| (Decrease)/increase in creditors | (492,775) | 923,523 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 1,873,195 | 1,043,536 |
| | <hr/> | <hr/> |

26 Reconciliation of net cash flow to movement in net debt

| | Year ended 31 December 2009 £ | 9 months ended 31 December 2008 £ |
|--|---|---|
| Decrease in cash | (9,866) | (291,765) |
| Cash inflow/(outflow) from changes in debt | 1,029,484 | (15,372,031) |
| | <hr/> | <hr/> |
| Movement in net debt resulting from cash flows | 1,019,618 | (15,663,796) |
| Exchange translation | 161,699 | (549,041) |
| Amortisation of debt fees | (157,311) | (117,983) |
| On Acquisition | - | (1,422,000) |
| Loan notes issued for interest | (1,700,869) | - |
| | <hr/> | <hr/> |
| Movement in net debt | (676,863) | (17,752,820) |
| Opening net debt | (17,752,820) | - |
| | <hr/> | <hr/> |
| Closing net debt | (18,429,683) | (17,752,820) |
| | <hr/> | <hr/> |

Pacific Direct Holdings Limited

Notes forming part of the financial statements
for the year ended 31 December 2009 (*continued*)

27 Analysis of net debt

| | At 1 January 2009 £ | Cash flow £ | Non-cash items £ | Exchange adjustment £ | At 31 December 2009 £ |
|--------------------------|------------------------------|----------------|------------------------|-----------------------------|--------------------------------|
| Cash at bank and in hand | 658,597 | 87,861 | - | (45,135) | 701,323 |
| Bank overdrafts | (716,362) | (97,727) | - | 51,351 | (762,738) |
| | | (9,866) | | | |
| Debt due within one year | (821,500) | - | (42,000) | - | (863,500) |
| Debt due after one year | (16,843,514) | 1,000,000 | (1,816,180) | 155,483 | (17,504,211) |
| Finance leases | (30,041) | 29,484 | - | - | (557) |
| | | 1,029,484 | | | |
| Total | (17,752,820) | 1,019,618 | (1,858,180) | 161,699 | (18,429,683) |