Pulse Home Products (Holdings) Limited

Directors' report and financial statements
for the year ended 31 March 2012

Registered Number 06322952

Pulse Home Products (Holdings) Limited

Directors' report and financial statements

for the year ended 31 March 2012

Contents

Pulse Home Products (Holdings) Limited

Directors and Advisors

Directors
Robert Leechman (Appointed 17/02/2012)
Michael Harris
David Allen
Mark Weems
Deborah Gough
David Wardrop

Secretary
Mark Weems

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

Solicitors
Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

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Vine Mill
Middleton Road
Royton
Oldham
OL2 5LN

Registered Number
06322952

Pulse Home Products (Holdings) Limited

Directors' report

The Directors present their report and the audited consolidated financial statements of the Group and company for the year ended 31 March 2012

Principal activities of the company
The company is a holding company and did not trade in the year

Principal activities of the Group
The principal activity of the Group is the sale of small domestic appliances to customers both in the UK and also in mainland Europe

Key performance indicators and review of trading in the year
The Group's key financial and other performance indicators during the year (with comparatives) were as follows

	2012	2011
	£'000	£'000
Turnover	65,265	66,275
EBITDAE*	5,186	5,203
Net cash inflow from operating activities	4,764	4,423
Gross Margin (%)	36 7	37 2
EBITDAE Margin (%)	7 9	7 9
Average number of employees during the year	136	147
Turnover per employee	480	451
EBITDAE per employee	38	35

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

Despite continued challenging economic and market conditions, the focus of the Group continued to be to seek to maintain margins and to continue to invest in new product development Breville, the Group's core brand, continued to perform well and hold high market share The Group's haircare business, under the Nicky Clarke Electric brand, delivered good growth and gained market share Other brands had more challenging market conditions, and as a result sales declined, in the face of strong competition from retailers own label products at the value end of the market

It is anticipated that tough conditions will prevail throughout 2012/13 but the Group is well positioned to deal with that scenario

The Directors have reviewed the future trading forecasts of the Group to March 2013, including forecast compliance with banking covenants, and have concluded that it is appropriate to prepare the financial statements on a going concern basis

Pulse Home Products (Holdings) Limited

Directors' report (continued)

Principal risks and uncertainties

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

- **Competitor risk**

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

- **Price risk**

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

- **Currency risk**

The majority of the Group's purchases are in US dollars, and therefore there is a risk of currency losses should exchange rates move adversely through the year The Board seeks to mitigate this through the use of forward contracts such that a high level of future purchases is hedged Under UK GAAP, the fair value of these forward contracts as at the year-end is not included within the primary financial statements, although it is disclosed in note 27

- **Credit risk**

Credit risk is the risk that a customer defaults on its payment to the Group The Group mitigates this risk by the use of credit reports, and monitor trade debtors financial statements closely The Group also maintains credit insurance on its debts Details of the Group's trade debtors are shown in note 12 to the financial statements

- **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations created by its financial liabilities The Group mitigates this risk through careful monitoring of daily cash balances and detailed cash forecasting processes, as well as by close control over all areas of working capital within the Group

Results and dividends

The loss for the year after taxation was £7,542,000 (2011 £6,591,000) and this amount is to be transferred to reserves No dividends were paid during the year (2011 £nil) The Directors recommend that no dividends are paid (2011 £nil) to the ordinary shareholders of the company

Pulse Home Products (Holdings) Limited

Directors' report (continued)

Directors and their interests

The Directors who held office during the year and up to the date of signing of the financial statements are given below

Robert Leechman (Appointed 17/02/2012)
Michael Harris
David Allen
Mark Weems
Deborah Gough
David Wardrop

The Directors' interests in shares of the company at the end of the year were

	No. of ordinary 'B' shares	No. of ordinary 'C' shares	No of deferred shares
David Allen	140,000	-	15,162
Mark Weems	-	75,000	17,876
Deborah Gough	-	75,000	17,876

No other director holds any interest (2011 £nil) in the shares of the company at the end of the year, and there are no share options held by the Directors of the company

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Creditor payment policy

The Group's creditor payment policy is to pay suppliers in accordance with agreed terms of business These terms are agreed with suppliers at the outset of each transaction and the Group adhere to these terms provided the supplier meets its obligations The number of days' worth of purchases outstanding at the year end was 36 (2011 33)

Charitable and political contributions

During the year, the Group made charitable contributions of £2,000 (2011 £2,000) The Group made no political contributions in the year (2011 £nil)

Future developments

All divisions of the Group will continue to innovate and promote their products both in the UK and overseas

Pulse Home Products (Holdings) Limited

Directors' report (continued)

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

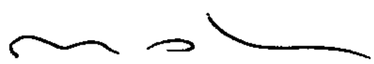
Disclosure of Information to auditors
In the case of each director in office at the date the Directors' report confirms that

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

(b) he / she has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board



Mark Weems
Secretary
6 July 2012

Pulse Home Products (Holdings) Limited

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

We have audited the Group and parent company financial statements (the "financial statements") of Pulse Home Products (Holdings) Limited for the year ended 31 March 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' responsibilities set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent company s affairs as at 31 March 2012 and of the Group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
6 July 2012

Pulse Home Products (Holdings) Limited

Consolidated Profit and Loss account for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Turnover	1	**65,265**	**66,275**
Cost of sales		(41,327)	(41,653)
Gross profit		**23,938**	**24,622**
Administrative expenses	2	(22,964)	(23,395)
Exceptional items	3	(207)	(316)
Operating profit		**767**	**911**
Interest received	7	3	2
Interest payable and similar charges	7	(8,582)	(7,763)
Loss on ordinary activities before tax		**(7,812)**	**(6,850)**
Tax credit on loss on ordinary activities	8	270	259
Loss for the financial year	19	**(7,542)**	**(6,591)**

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

All operations are classed as continuing

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 2012

	2012 £'000	2011 £'000
Loss for the financial year	(7,542)	(6,591)
Foreign exchange on retranslation of overseas operations	(42)	196
Total recognised losses relating to the financial year	**(7,584)**	**(6,395)**

Pulse Home Products (Holdings) Limited

Balance Sheets as at 31 March 2012

	Notes	**Group 2012 £'000**	Group 2011 £'000	**Company 2012 £'000**	Company 2011 £'000
Fixed assets:					
Intangible assets	9	15,965	18,949	-	-
Tangible assets	10	1,529	1,527	-	-
Investments in subsidiaries	11	-	-	2,000	2,000
		17,494	**20,476**	**2,000**	**2,000**
Current assets:					
Stocks	12	8,061	7,893	-	-
Debtors	13	15,776	14,375	-	-
Cash at bank and in hand		3,066	1,718	-	-
		26,903	**23,986**	-	-
Creditors: amounts falling due within one year	14	(8,505)	(7,298)	-	-
Provisions for liabilities and charges	15	(896)	(725)	-	-
Net current assets		**17,502**	**15,963**	-	-
Total assets less current liabilities		**34,996**	**36,439**	**2,000**	**2,000**
Creditors: amounts falling due after one year					
- Bank and other loans	16	17,911	18,014	-	-
- Unsecured shareholder loans	16	44,907	38,663	-	-
		62,818	**56,677**	-	-
Capital and reserves:					
Called up share capital	18	2,000	2,000	2,000	2,000
Profit and loss account	19	(29,822)	(22,238)	-	-
Total shareholders' (deficit)/ funds	20	**(27,822)**	**(20,238)**	**2,000**	**2,000**
		34,996	**36,439**	**2,000**	**2,000**

The financial statements on pages 8 to 27 were approved by the board of Directors on 6 July 2012 and were signed on its behalf by

David Allen
Chief Executive

Mark Weems
Financial Director

Pulse Home Products (Holdings) Limited

Registered Number 06322952

Pulse Home Products (Holdings) Limited

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	23	**4,764**	**4,423**
Return on investment and servicing of finance:			
Interest received	7	3	2
Interest paid		(1,398)	(1,455)
		(1,395)	**(1,453)**
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(1,230)	(964)
		(1,230)	**(964)**
Financing:			
Repayments of amounts borrowed	25	(791)	(3,187)
		(791)	**(3,187)**
Net increase / (decrease) in cash for the financial year	25	**1,348**	**(1,181)**

Pulse Home Products (Holdings) Limited

Accounting policies

Basis of accounting
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006 The Directors have prepared these financial statements on a going concern basis after assessing the expected consolidated budget performance of the Group out to a period of no less than 12 months from the date on which these financial statements have been signed

A summary of the more important accounting policies, which have been applied consistently, is set out below

Basis of consolidation
The Group financial statements, which comprise a consolidation of the parent company and all its subsidiaries, have been prepared in accordance with the Companies Act 2006 and in accordance with applicable Accounting Standards in the United Kingdom

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

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

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

Goodwill arising on acquisition is capitalised and classified as an intangible asset on the balance sheet The intangible asset is then amortised each month on a straight line basis over 10 years This life is the Directors' best estimate of the asset's useful economic life As per FRS11, the Directors will perform an impairment review to assess the carrying value of the goodwill at each balance sheet date, if any impairment triggers are identified

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

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

Computer equipment	4 years
Plant and machinery	4 years
Tooling equipment	2 years
Leasehold improvements	To the end of the lease

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

Pulse Home Products (Holdings) Limited

Accounting policies (continued)

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

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

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

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

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

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

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

Provisions for the costs incurred with goods returned under warranty are charged against profits when products have been invoiced Goods are sold with a warranty period of one year from the date of sale and therefore the provision for warranty returns has been classified within current liabilities The methodology used in the calculation of the provision is shown in note 15

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

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

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

Accounting policies (continued)

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

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

Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets

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

Taxation and deferred taxation
Current taxation is provided at amounts expected to be paid (or recovered) based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items if income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Pulse Home Products (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012

1 Turnover

	2012 £'000	2011 £'000
Turnover by destination can be split as follows		
United Kingdom	64,986	65,882
Rest of the World	279	393
	65,265	66,275

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

2 Operating profit

	Notes	2012 £'000	2011 £'000
The operating profit of £767,000 (2011 profit of £911,000) is stated after charging the following			
Depreciation of tangible fixed assets	10	1,228	992
Amortisation of goodwill	9	2,984	2,984
Employee costs	5	4,807	4,926
Exceptional items	3	207	316
Operating leases – plant and machinery	21	105	126
Operating leases – land and buildings	21	219	244
Auditors' remuneration for the audit (see next page)		78	66

The Group's EBITDAE as described within the Key Performance Indicators section of the financial statements (page 2) of £5,186,000 (2011 £5,203,000) is derived as follows

	Notes	2012 £'000	2011 £'000
Group operating profit		767	911
Depreciation of tangible fixed assets	10	1,228	992
Amortisation of goodwill	9	2,984	2,984
Exceptional items	3	207	316
Group EBITDAE		**5,186**	**5,203**

Pulse Home Products (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

Auditors' remuneration for the audit and other services

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

	2012 £'000	2011 £'000
Fees payable to company auditor for the audit of the parent company and audit of the consolidated financial statements	10	10
The audit of the company's subsidiaries pursuant to legislation	68	56
Total auditors' remuneration for the audit	**78**	**66**
Other fees payable to the company's auditor		
Taxation compliance	32	24
Total remuneration paid to auditors	**110**	**90**

3 Exceptional items

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

	2012 £'000	2011 £'000
Bad debt write off	207	-
Restructuring costs	-	316
Total exceptional costs	**207**	**316**

During the year, the Group wrote off £207,000 owed by T J Hughes as a result of the Company entering administration Due to its size and one-off nature, this amount has been treated as an exceptional operating cost

During the prior year, the Group restructured its European sales operation and its Hong Kong operation Exceptional costs were incurred as part of this process relating to termination of the existing agreement and redundancy costs totalling £316,000

4 Emoluments of Directors

	2012 £'000	2011 £'000
Aggregate emoluments	**655**	655
Contributions to money purchase schemes	**80**	80

Aggregate emoluments above does not include £159,731 (2011 £150,000) paid to 3rd parties for the services of non executive Directors

No retirement benefits accrue to Directors under defined benefit schemes The highest paid director received emoluments of £266,000 (2011 £266,000) and a pension contribution of £41,000 (2011 £41,000)

Notes to the financial statements for the year ended 31 March 2012 (continued)

5 Employee costs and staff numbers

Staff costs for the Group dunng the year were as follows

	2012 £'000	2011 £'000
Wages and salanes	4,212	4,337
Pension costs	203	207
Social secunty costs	392	382
	4,807	**4,926**

The average number of staff employed by the Group dunng the penod was as follows

	2012	2011
Warranty and warehousing	37	42
Sellng and distnbution	27	29
Administration	43	44
Purchasing and quality control	29	32
	136	**147**

6 Pensions

The company operates a defined contribution pension scheme for the benefit of the directors and employees The assets in the scheme are held separately from those of the company in an independently administered fund

The pension cost charge for the year to 31 March 2012 was £203,000 (2011 £207,000) At the end of the year, there was an accrual outstanding of £27,000 (2011 £26,000) in relation to such schemes

7 Net interest payable and receivable

	Notes	2012 £'000	2011 £'000
Bank loans and overdrafts		2,189	2,206
Shareholder loans	25	6,112	5,276
Cost of interest rate hedge		-	-
Amortisation of loan costs	16	281	281
Total interest payable and similar charges		**8,582**	**7,763**
Interest receivable		(3)	(2)
Net interest payable		**8,579**	**7,761**

Pulse Home Products (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

8 Tax on loss on ordinary activities

(a) Tax credit on loss on ordinary activities

	Notes	2012 £'000	2011 £'000
The tax (credit)/ charge for the year comprises			
Current tax UK @ 26% (2011 28%)		-	-
Current tax Overseas @ 16 5%		(7)	27
Total (credit) / current tax charge		**(7)**	**27**
Deferred Tax			
Impact of rate changes	17	108	85
Accelerated Capital Allowances / other timing differences	17	(371)	(371)
Total tax (credit) as per the profit and loss account		**(270)**	**(259)**

The tax assessed for the year is different (2011 different) to the standard rate of corporation tax in the UK of 26% (2011 28%) as explained below

	Note	2012 £'000	2011 £'000
Loss on ordinary activities before taxation		(7,812)	(6,850)
Expected tax credit on loss at 26% (2011: 28%)		**(2,031)**	**(1,918)**
Interest expense not deductible for taxation purposes		953	886
Amortisation of goodwill		631	914
Business expenses not deductible for taxation purposes		21	38
Accelerated capital allowances		178	241
Short term timing differences		292	148
Adjustment in respect of prior year		(27)	-
Deferred tax movement not recognised		-	(309)
Difference in overseas tax rate		(24)	27
Total current tax (credit) / charge	7(a)	**(7)**	**27**

(b) Factors which may affect future tax charges:

The Finance Act 2011 was substantively enacted on 29 March 2011 and included legislation to reduce the main rate of corporation tax from 28% to 26% from 1 April 2011 A further reduction to 25% from 1 April 2012 was substantively enacted by subsequent legislation on 5 July 2011 The deferred tax asset at 31 March 2012 has been re-measured accordingly

Further reductions to the UK corporation tax rate were announced in the 2011 Budget on 23 March 2011, which proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 However, a further announcement was made in the 2012 Budget on 21 March 2012, which will result in the rate reducing to 24% from 1 April 2012, with further 1% reductions per annum to 22% by 1 April 2014 The changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements

Notes to the financial statements for the year ended 31 March 2012 (continued)

The overall effect of the further changes from 24% to 22%, if these applied to the deferred tax balance at the balance sheet date, is not expected to be material

Notes to the financial statements for the year ended 31 March 2012 (continued)

9 Intangible fixed assets

Group

	Notes	£'000
Cost at 1 April 2011 and 31 March 2012		**29,835**
Accumulated amortisation at 1 April 2011		(10,886)
Amortisation provided in the year	2	(2,984)
Accumulated amortisation at 31 March 2012		**(13,870)**
Net book value at 31 March 2012		**15,965**
Net book value at 31 March 2011		18,949

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

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

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

10 Tangible fixed assets

Group

	Leasehold improvements £'000	Plant, Machinery and office equipment £'000	**Total £'000**
Cost:			
At 1 April 2011	603	3,635	4,238
Additions	-	1,230	1,230
At 31 March 2012	**603**	**4,865**	**5,468**
Accumulated depreciation:			
At 1 April 2011	(381)	(2,330)	(2,711)
Charge for the year	(101)	(1,127)	(1,228)
At 31 March 2012	**(482)**	**(3,457)**	**(3,939)**
Net book value:			
At 31 March 2012	**121**	**1,408**	**1,529**
At 31 March 2011	222	1,305	1,527

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

Notes to the financial statements for the year ended 31 March 2012 (continued)

11 Investments in subsidiaries

The company owns the entire share capital of Vine Mill Limited, a company registered in England and Wales The investment is held at its cost of £2,000,000

The subsidiaries of Vine Mill Limited are listed in note 26 The acquisition method of accounting has been adopted in the formation of these Group financial statements

The Directors believe that the carrying value of the investments is supported by their underlying net assets

12 Stock

	Group 2012 £'000	Group 2011 £'000
Finished goods held for resale	7,984	7,827
Raw materials and consumables	77	66
	8,061	7,893

The replacement value of stocks does not exceed its current carrying value

The company does not own any stocks

13 Debtors

	Note	**Group 2012 £'000**	Group 2011 £'000
Trade debtors		12,827	11,093
Other debtors		455	855
Prepayments and accrued income		729	925
Deferred tax asset	17	1,765	1,502
		15,776	**14,375**

The company does not have any debtors

Notes to the financial statements for the year ended 31 March 2012 (continued)

14 Creditors: amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000
Bank loans	839	739
Trade creditors	3,973	3,583
Taxation and social security creditors	630	576
Corporation tax	20	27
Accruals and deferred income	3,043	2,373
	8,505	**7,298**

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

15 Provisions for liabilities and charges

Provision for future returns of product under warranty

	£'000
At 1 April 2011	725
Utilised in the year	(5,120)
Additional charges in the year	5,291
At 31 March 2012	**896**

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

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

Notes to the financial statements for the year ended 31 March 2012 (continued)

16 Creditors: amounts falling due after one year

	Group 2012 £'000	Group 2011 £'000
Future instalments on bank and other loans	18,425	18,677
Brought forward loan issue costs	(663)	(812)
Amortisation of issue costs in the year	149	149
Total bank and other loans	**17,911**	**18,014**
Principal and accrued interest on shareholder loan notes	45,355	39,243
Brought forward loan issue costs	(580)	(712)
Amortisation of issue costs in the year	132	132
Total unsecured shareholder loans	**44,907**	**38,663**
	62,818	**56,677**

Borrowings are repayable as follows

Bank and shareholder loans		
- on demand or within one year	839	739
- between two and five years	5,821	3,944
- after five years	57,959	53,976
	64,619	**58,659**

The bank holds a fixed and floating charge over all property and assets, including goodwill, debtors and uncalled capital The borrowings incurred interest at rates between 4 24% and 9 5% per annum as at 31 March 2012

The shareholder loan notes bear interest at 15 53% and are repayable at the earlier of August 2018 or a change of ownership of the Group

Pulse Home Products (Holdings) Limited

Notes to the financial statements for the year ended 31 March 2012 (continued)

17 Deferred taxation

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

	Note	Accelerated capital allowances £'000	Other short term timing differences £'000	Total £'000
At 1 April 2011	12	612	890	1,502
Effect of changes in tax rates		(43)	(65)	(108)
Prior year adjustment		(64)	18	(46)
Origination and reversal of timing differences		164	253	417
At 31 March 2012	**12**	**669**	**1,096**	**1,765**

The above deferred tax asset relates to timing differences The Directors expect to be corporation tax paying over the next two years in line with their budgets and consequently have recognised the element of the deferred tax balance that arises on tax deductions relating to interest accrued in prior years In addition to the above, there is also an unrecognised deferred tax asset of £578,000 (2011 £626,000)

The company does not have any deferred tax balances

18 Called up share capital

	Group and Company 2011 and 2012 Number ('000)	Group and Company 2011 and 2012 £'000
Authorised:		
Deferred £1 shares	60	60
'A' ordinary £1 shares	1,600	1,600
'B' ordinary £1 shares	140	140
'C' ordinary £1 shares	260	260
	2,060	**2,060**
Allotted, called up and fully paid:		
Deferred £1 shares	60	60
'A' ordinary £1 shares	1,600	1,600
'B' ordinary £1 shares	140	140
'C' ordinary £1 shares	200	200
	2,000	**2,000**

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

Notes to the financial statements for the year ended 31 March 2012 (continued)

19 Profit and loss account

	Group £'000	Company £'000
Balance at 1 Apnl 2011	(22,238)	-
Loss for the year	(7,542)	-
Foreıgn exchange on retranslatıon of overseas operatıons	(42)	-
Balance at 31 March 2012	**(29,822)**	-

The company had no profit or loss ın the year (2011 £nıl)

20 Reconciliation of movements in shareholders' deficit

	Group £'000
At 1 Apnl 2011	(20,238)
Loss for the year	(7,542)
Foreıgn exchange on retranslatıon of overseas operatıons	(42)
Closıng shareholders' deficit	**(27,822)**

21 Operating leases

The mınımum annual rentals under non-cancellable operatıng leases are expırıng as follows

	Plant & machinery 2012 £'000	Plant & machınery 2011 £'000	Land and buıldıngs 2012 £'000	Land and buıldıngs 2011 £'000	Total 2012 £'000	Total 2011 £'000
Wıthın one year	12	16	-	-	12	16
Between two and five years	39	83	219	219	258	302
Total	**51**	**99**	**219**	**219**	**270**	**318**

22 Related party transactions

Rutland Fund II ("the Fund"), a pnvate equıty fund comprısıng a senes of UK lımıted partnershıps, ıs the majorıty shareholder of the company As part of the financıng of the acquısıtıon of Pulse Home Products, the Fund provıded loan notes of £23,300,000 The annual ınterest charge on these notes ıs 15 53%

The Manager of the Fund ıs Rutland Partners LLP, to whom the Group pays an annual management charge of £150,000 (2011 £150,000) The balance outstandıng wıth Rutland Partners at 31 March 2012 was £37,500 (2011 £37,500) on the management fee and £45,355,000 (2011 £39,243,000) on the loan notes The accrued ınterest charge on the loan notes sınce the acquısıtıon ıs £22,055,000

Notes to the financial statements for the year ended 31 March 2012 (continued)

The Dırectors also consıder Chelgo Lımıted a related party Chelgo Lımıted provıdes the servıces of the Chaırman to Pulse Home Products (Holdıngs) Lımıted Durıng the year management fees of £9,731 (2011 £nıl) were accrued to Chelgo The balance outstandıng as at 31 March 2012 was £9,731 (2011 £nıl)

There are no other partıes whıch are consıdered to be related partıes ın lıne wıth FRS8

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

	Notes	2012 £'000	2011 £'000
Operatıng profit	2	767	911
Depreciatıon of tangıble fixed assets	10	1,228	992
Amortısatıon of goodwıll	9	2,984	2,984
(Increase) ın debtors	13	(1,401)	(1,442)
(Increase) / Decrease ın stocks	12	(168)	162
Increase ın other credıtors and accruals		1,354	816
Total net cash ınflow from operatıng activities (page 10)		**4,764**	**4,423**

24 Reconciliation of net cash flow to movement in net debt

	Notes	£'000
Net cash flow in the year (page 10)		**1,348**
Increase ın debt ın perıod		(5,961)
Movement ın net debt in the year		**(4,613)**
Openıng net debt at 1 Aprıl 2011	25	(56,940)
Closıng net debt at 31 March 2012	**25**	**(61,553)**

Notes to the financial statements for the year ended 31 March 2012 (continued)

25 Analysis of changes in net debt

	At 1 Aprıl 2011	Cash flows (page 10)	Exchange movements	Other non-cash movements	**At 31 March 2012**
	£'000	£'000	£'000	£'000	**£'000**
Cash at bank and ın hand	1,718	1,348	-	-	3,066
Bank loans	(19,415)	791	-	(640)	(19,264)
Shareholder loans	(39,243)	-	-	(6,112)	(45,355)
Total net debt	**(56,940)**	**2,139**	**-**	**(6,752)**	**(61,553)**

Other non cash movements are the rolled up ınterest charge on a portıon of the bank loans £640,000 (2011 £619,000) and the rolled up ınterest charge on the shareholder loan notes £6,112,000 (2011 £5,276,000)

26 Subsidiary undertakings

The Group has the followıng 100% owned and controlled subsıdıarıes (all of whıch are regıstered ın England and Wales wıth the exceptıon of Pulse Home Products (Hong Kong) Lımıted whıch ıs regıstered ın Hong Kong)

	Princıpal actıvıty
Vıne Mıll Lımıted	Intermedıary holdıng company
Pulse Home Products Lımıted	Sale of small domestıc applıances
Pulse Home Products (Hong Kong) Lımıted	Sale of small domestıc applıances
Vıva (Consumer Products) Lımıted	Semı-dormant
Hınarı Lımıted	Dormant
Dırt Devıl Lımıted	Dormant

27 Financial Instruments

Currency exposure

As explaıned ın the Dırectors' report, the Group seeks to mıtıgate ıts exposure to fluctuatıons ın exchange rates through the use of forward contracts As at 31 March 2012, the Group had forward contracts wıth a total value of US$39 75m whıch mature between 1 Aprıl 2012 and 31 March 2013

The faır value of these contracts has been externally assessed as beıng £24 83m whıch represents a loss of £0 54m when the contracts are marked to market usıng the spot US Dollar rate at 31 March 2012

Notes to the financial statements for the year ended 31 March 2012 (continued)

28 Commitments and contingencies

As at 31 March 2012, the Group had the following commitments and contingencies

- A memorandum of understanding with UPS Ltd to provide haulage and warehousing services for a three year period which expires on 31 March 2014
- The borrowings of a Group company, Vine Mill Limited, are secured on the assets of Pulse Home Products Limited, another Group company

The Directors have not identified any other commitments or contingencies as at 31 March 2012

29 Ultimate parent company and controlling party

The Directors believe the controlling party of the company to be Rutland Partners LLP, who own 80% of the ordinary share capital of the ultimate parent company as noted in note 21