

SPEEDO INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Registered number: 00227323



SPEEDO INTERNATIONAL LIMITED

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SPEEDO INTERNATIONAL LIMITED

Strategic Report for the year ended 31 December 2018

The directors present their strategic report on the company for the year ended 31 December 2018.

Review of the business

The company's principal activity during the year was the design, sourcing, marketing and distribution of swimwear and related accessories in the UK and internationally. This is not expected to change in the coming year.

The company performed in line with expectations and no major changes occurred during the year.

Performance

The company's profit for the financial year is £12.6m (2017: £10.1m) and is shown in the profit and loss account on page 8. The company's net assets as at 31st December 2018 were equal to £32.8m (2017: £28.2m).

A dividend was paid in the year of £8.0m (2017: £7.2m).

Given the straightforward nature of the business, the company's directors are of the opinion that an analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The directors of Pentland Group plc (the ultimate parent company) manage the group's risk and key performance indicators at a group level, rather than at an individual entity level, including financial risk management. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of Speedo International Limited's business.

The principal risks and uncertainties of Pentland Group plc, which include those of the company, are discussed in the group's annual report which does not form part of this report. Copies of the Pentland Group plc consolidated financial statements are available from the company secretary at 8 Manchester Square, London, W1U 3PH.

By order of the board


T Cullen
Company Secretary
Date: 24 June 2019

SPEEDO INTERNATIONAL LIMITED

Directors' Report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the company for the year ended 31 December 2018.

Future developments and financial risk management

Refer to the Strategic report on page 2.

Dividends

Details of dividends paid are included on page 2 (Strategic Report).

Financial Instruments

Flows which are denominated in a foreign currency present risk and uncertainty as to the value of these flows in an entity's functional currency. Due to the significant volumes of USD and EUR flows across the Pentland Group, these exposures are managed centrally by Group Treasury on a combined rather than individual brand basis. The objectives of this policy are to maximise the efficiency benefits of group hedging and to provide a level of exchange rate certainty to individual brands to assist them in the forecasting, planning and budgeting processes.

Directors

The following directors who held office during the year and up to the date of signing the financial statements were:

A M Long
A K Rubin
R S Rubin
R Hicking
J A Carver (resigned 28 February 2018)
C Stephenson (resigned 23 April 2018)
C S Davies (appointed 1 June 2018)
K L Nurse (appointed 2 January 2019)

Qualifying third party and pension scheme liability provisions

The company has provided an indemnity for the directors and the secretary of the company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 and was in force during the financial year and at the date of approving these financial statements.

Employee policies

The ultimate parent, Pentland Group plc's, policy is to keep employees informed about activities and developments across the business. Various Group, subsidiary and brand updates are distributed to employees worldwide several times a year. Local managers are charged with communicating and explaining the Group's financial results to their team, and are provided with explanatory notes to assist them. Other communications, and the methods used for consulting employees and their representatives, vary locally according to the type of business and the nature of employee representation.

Employees are encouraged to identify with the aims of the Group through various schemes suited to local circumstances.

Pentland policy is to recruit, develop and promote people purely on their aptitude and ability. We are determined to ensure that no applicant or employee receives less favourable treatment. Disabled people are given equal opportunities in recruitment, promotion and career development. Wherever possible this applies to anyone who becomes disabled whilst in our employment.

SPEEDO INTERNATIONAL LIMITED

Directors' Report for the year ended 31 December 2018 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

By order of the board

T Cullen
Company Secretary
Date: 24 June 2019

SPEEDO INTERNATIONAL LIMITED

Independent auditors' report to the members of Speedo International Limited

Report on the audit of the financial statements

Opinion

In our opinion, Speedo International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018, the Profit and loss account, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement

SPEEDO INTERNATIONAL LIMITED

Independent auditors' report to the members of Speedo International Limited (continued)

Reporting on other information (continued)

of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

SPEEDO INTERNATIONAL LIMITED

Independent auditors' report to the members of Speedo International Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kate Wolstenholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 June 2019

SPEEDO INTERNATIONAL LIMITED

Financial statements for the year ended 31 December 2018

Profit and loss account

<i>All amounts in £m</i>	Note	Year ended 31 December	
		2018	2017
Turnover	5	111.1	107.1
Cost of Sales		(62.1)	(55.6)
Gross profit		49.0	51.5
Distribution costs		(12.7)	(17.0)
Administrative expenses		(21.6)	(27.2)
Operating profit	6	14.7	7.3
Investment Income		0.7	4.3
Profit before taxation		15.4	11.6
Tax on profit	8	(2.8)	(1.5)
Profit for the financial year		12.6	10.1

Statement of comprehensive income

<i>All amounts in £m</i>	Year ended 31 December	
	2018	2017
Profit for the financial year	12.6	10.1
Total comprehensive income for the year	12.6	10.1

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Financial statements for the year ended 31 December 2018 (continued)

Balance Sheet

All amounts in £m	Note	As at 31 December	
		2018	2017
Fixed assets			
Intangible assets	9	0.1	0.2
Tangible assets	10	0.7	0.4
Investments	11	8.3	8.3
		9.1	8.9
Current assets			
Inventories	12	15.0	15.5
Deferred tax	13	0.1	0.2
Debtors	14	34.0	22.3
Cash at bank and in hand		0.1	0.1
		49.2	38.1
Creditors: amounts falling due within one year	15	(25.5)	(18.6)
Net current assets		23.7	19.5
Total assets less current liabilities		32.8	28.4
Provisions for liabilities	16	-	(0.2)
Net assets		32.8	28.2
Capital and reserves			
Called up share capital	17	20.1	20.1
Retained earnings		12.7	8.1
Total equity		32.8	28.2

The notes on pages 11 to 26 are an integral part of these financial statements.

The financial statements on pages 8 to 26 were authorised for issue by the board of directors on 24 JUNE 2019 and signed on its behalf by:



K L Nurse
Director
Speedo International Limited
Registered number: 00227323

SPEEDO INTERNATIONAL LIMITED

Financial statements for the year ended 31 December 2018 (continued)

Statement of changes in equity

<i>All amounts in £m</i>	Notes	Called up share capital	Retained earnings	Total Equity
Balance as at 1 January 2017	17	20.1	5.2	25.3
Profit for the financial year		-	10.1	10.1
Total comprehensive income for the year		-	10.1	10.1
Dividends	18	-	(7.2)	(7.2)
Balance as at 31 December 2017		20.1	8.1	28.2
Balance as at 1 January 2018	17	20.1	8.1	28.2
Profit for the financial year		-	12.6	12.6
Total comprehensive income for the year		-	12.6	12.6
Dividends	18	-	(8.0)	(8.0)
Balance as at 31 December 2018		20.1	12.7	32.8

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements

1 General Information

Speedo International Limited is a private company limited by shares and is incorporated in England and Wales. Its registered office is situated at 8 Manchester Square, London, W1U 3PH.

The company's principal activity during the year was the design, sourcing, marketing and distribution of swimwear and related accessories in the UK and internationally.

2 Statement of compliance

The individual financial statements of Speedo International Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements are disclosed in note 4.

(b) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, required under FRS 102 p.3.17(d) on the basis that it is a qualifying entity and its ultimate parent company Pentland Group plc includes the company's cash flows in its consolidated financial statements.

(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures of Pentland Group plc.

(iii) The company is exempt from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

(c) Consolidated financial statements

The company is a wholly owned subsidiary of its immediate and ultimate parent Pentland Group plc (the 'Group'). It is included in the consolidated financial statements of Pentland Group plc, which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

(d) Foreign currency

(i) Functional and presentational currency

The company's functional and presentational currency is the pound sterling.

(ii) Transactions and balances

Transactions in foreign currencies during the year are translated at the spot exchange rate at the transaction date, or in the case of stock purchases, at an average spot rate of exchange for the period in which the purchases were made, or actual spot rate at the transaction date, where this would give a material difference.

At each period end foreign currency monetary items are translated using the closing spot rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the, and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and all other foreign exchange gains or losses are presented in the profit and loss account.

(e) Turnover

Turnover comprises the value of external sales and royalties, net of trade discounts, rebates and returns, excluding sales related taxes.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The company recognises revenue when the significant risks and rewards of ownership have been transferred.

- Sale of goods – retail

The company sells a range of swimwear and related accessories in the retail market. Sales of goods are recognised on delivery to the customer.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

(e) Turnover (continued)

o Sale of goods – wholesale

The company sells a range of swimwear and related accessories in the wholesale market. Sales of goods are recognised on delivery to the wholesaler, when the wholesaler has full discretion over the channel and price to sell the product and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the product. Delivery occurs when the goods have been shipped to the location specified by the wholesaler, the risks of obsolescence or loss have been transferred to the wholesaler, the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

Goods sold to wholesalers are often sold with volume rebates and also with the provision for the wholesale customer to return faulty goods. Sales are measured at the prices specified in the sale contract, net of estimated returns and volume rebates. Accumulated experience is used to estimate and provide for the discounts and returns.

Provisions are made for credit notes based on the expected level of returns which is based on the historical experience of returns.

Volume rebates are assessed based on anticipated annual purchases

o Sale of goods – internet based transactions

The company sells goods via its website for delivery to the customer. Revenue is recognised when the risks and rewards of the inventory are passed to the customer on dispatch.

o Royalty income

Royalty income is charged to licensee partners according to the terms of licence agreement, and is recognised in the same period as the sales or purchases to which the royalty relates.

(f) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

(f) Employee benefits (cont'd)

(ii) Retirement benefits

The company's employees can either be members of the Pentland Group defined benefit or defined contribution pension schemes.

The total expense recognised in the profit and loss account in relation to pensions represents the actual contribution paid into the defined contribution scheme on behalf of employees. Contributions made during the year can be found in Note 6 of the financial statements.

There is no policy for charging the cost of the Group defined benefit plan to individual entities within the Group.

The disclosures required under Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) are disclosed in the financial statements of Pentland Group plc, the company's ultimate parent undertaking.

(iii) Annual bonus plan

Should the company provide a bonus for the employees, an expense would be recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current or deferred taxation assets and liabilities are not discounted as the impact is not considered to be material.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted in the countries where the company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

(h) Fixed asset investments

Fixed asset investments are stated at cost, less provision for any diminution in value (if appropriate).

(i) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

Plant and equipment, fixtures and fittings

Plant and equipment and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

Depreciation and residual values

Fixtures and Fittings	5 years
Plant equipment and vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating gains/(losses)'.

(j) Intangible assets

Intangible assets are reviewed for impairment if factors such as technological advancement or changes in market price indicate that the carrying amount may be impaired. Intangibles are being amortised over a period of 3 years based on management estimate.

(k) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

(l) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

(m) Cash and cash equivalents

Cash and cash equivalents includes 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. Bank overdrafts are shown within borrowings in current liabilities.

(n) Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

The provisions are discounted where the effect is material.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

3 Summary of significant accounting policies (cont'd)

(o) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

All financial assets and liabilities are measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at estimated fair value and subsequently measured at fair value.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned as per FRS 102.

4 Critical accounting estimates and judgements

The company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Inventory provisioning

The company designs and sells swimwear and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 12 for the net carrying amount of the inventory and associated provision.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

(iii) Impairment of investments

Investments are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. See note 11 for the carrying value of investments.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

5 Turnover

Analysis of turnover by geography:

	2018 £m	2017 £m
United Kingdom	27.0	28.4
Continental Europe and Ireland	42.8	40.9
Americas	16.4	16.0
Asia-Pacific	21.1	17.5
Rest of the world	3.8	4.3
	111.1	107.1

Analysis of turnover by category:

	2018 £m	2017 £m
Sales of goods	100.7	96.9
Royalty income	10.5	10.2
	111.1	107.1

6 Operating profit

Operating profit is stated after charging:

	2018 £m	2017 £m
Wages and salaries	-	10.2
Social security costs	-	0.8
Other pension costs	-	0.5
Total staff costs	-	11.5
Depreciation of tangible fixed assets	0.4	0.2
Operating lease charges:		
-Land and building	1.7	1.7

During the year auditors' remuneration amounted to £0.04m (2017: £0.03m).

During the year, all employees contracts were transferred from the Company to Pentland Brands Limited, a sister company within the Pentland Group that provides shared services to all other companies within the Pentland Group. The average number of employees are disclosed within Pentland Brands Limited and, as at year end, all employees contracts are held by Pentland Brands Limited.

All wages and salary costs were incurred by Pentland Brands Limited. In exchange for services received from Pentland Brands Limited, the Company receives a management re-charge ("service fee"). In determining the service fee, Pentland Brands Limited takes into account the payroll and non-payroll related costs incurred to provide the services to the Company.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

6 Operating profit (cont'd)

The recharged wages and salaries costs are not split out within the wages and salaries disclosure, as it is impracticable to determine the amount of management charge that relates to employee services provided to the company.

7 Employees and directors

Employees

The average monthly number of persons employed by the company including directors during the year was:

	2018 Number	2017 Number
Management and administration	-	106
Selling and distribution	-	98
	-	204

Directors' emoluments

The directors' emoluments were as follows:

	2018 £m	2017 £m
Aggregate emoluments	0.6	0.5
	0.6	0.5

Included within aggregate emoluments, are amounts of £0.1m related to compensation for loss of office, none of which relate to the highest paid director.

Highest paid director

The highest paid director's emoluments were as follows:

	2018 £m	2017 £m
Emoluments excluding pension contributions	0.3	0.2
		0.2
Number of directors under the defined benefit scheme	-	-
Number of directors receiving contributions under the money purchase scheme	3	2

All directors are remunerated through the Group service company, Pentland Brands Limited, for their services as employees rather than being of an executive nature. The amounts disclosed above represent their share of emoluments included in the service charge to this company.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

7 Employees and directors (cont'd)

The emoluments for the directors who are also directors of Pentland Brands Limited, have been included in the service charge included within administrative expenses and this has not been included within the emoluments disclosure above. Their total emoluments are disclosed in the financial statements of Pentland Brands Limited.

8 Tax on profit

	2018 £m	2017 £m
Current tax		
UK - current corporation tax at 19% (2017: 19.25%)	2.6	1.4
Adjustment in respect of prior years	-	(0.2)
Current overseas tax	0.1	0.4
Total current tax charge	2.7	1.6
Deferred tax		
Origination and reversal of timing differences	-	(0.1)
Adjustment in respect of prior periods	0.1	-
Total deferred tax asset	0.1	(0.1)
Total tax charge on profit	2.8	1.5

Reconciliation of tax charges

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £m	2017 £m
Profit on ordinary activities before taxation	15.4	11.6
Profit before taxation multiplied by the average rate in the UK of 19% (2017: 19.25%)	2.9	2.2
Effects of:		
Income not taxable	(0.1)	(0.8)
Patent box deduction	-	(0.1)
Adjustments in respect of prior years	-	(0.2)
Overseas tax	-	0.4
Total tax charge on profit	2.8	1.5

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

8 Tax on profit (cont'd)

The main rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profits for the year to 31 December 2018 were taxed at an effective rate of 19% (2017: 19.25%). A further rate reduction to 17% will be effective from 1 April 2020 and therefore any relevant deferred tax balances at the balance sheet date have been measured at this rate (2017: 17%).

9 Intangible assets

All amounts in £m

	Software	Total
Cost		
As at 1 January 2018	0.2	0.2
As at 31 December 2018	0.2	0.2
Accumulated Amortisation		
As at 1 January 2018	-	-
Amortisation	(0.1)	(0.1)
As at 31 December 2018	(0.1)	(0.1)
Net book value at 31 December 2017	0.2	0.2
Net book value at 31 December 2018	0.1	0.1

Intangible assets comprise of website design and development.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

10 Tangible assets

All amounts in £m

	Plant equipment and vehicles	Fixtures and fittings	Total
Cost			
At 1 January 2018	0.5	0.7	1.2
Additions	0.7	-	0.7
As at 31 December 2018	1.2	0.7	1.9
Accumulated Depreciation			
At 1 January 2018	(0.1)	(0.7)	(0.8)
Depreciation	(0.4)	-	(0.4)
As at 31 December 2018	(0.5)	(0.7)	(1.2)
Net book value at 31 December 2017	0.4	-	0.4
Net book value at 31 December 2018	0.7	-	0.7

11 Investments

	£m
At 1 January and 31 December 2018	
Cost	15.5
Provision for impairment	(7.2)
Net book amount	8.3

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

11 Investments (cont'd)

	Registered office	Country of incorporation	% of shares held	2018 £m	2017 £m
Speedo Holdings BV	Speedo Holdings B.V. Hoogoorddreef 15 1101 BA Amsterdam The Netherlands	Holland	100%	7.2	7.2
Linea Aqua (Pvt) Ltd	10th Floor, Aitken Spence Tower II, No 315, Vauxhall Street, Colombo 2	Sri Lanka	33%	1.1	1.1
				8.3	8.3

The directors believe that the carrying value of the investments is supported by their underlying net assets, or where applicable, their estimated recoverable value.

12 Inventories

	2018 £m	2017 £m
Finished goods and goods for resale	15.0	15.5
	15.0	15.5

There is no significant difference between the replacement costs of inventory and its carrying amount.

Inventories are stated after provisions for impairment of £2.0m (2017: £1.3m)

13 Deferred tax

The deferred taxation asset, which has been recognised in 2018/2017, is as follows:

	2018 £m	2017 £m
Depreciation in excess of capital allowances	0.1	0.1
Other timing differences	-	0.1
	0.1	0.2

The directors consider that there is sufficient certainty that there will be sufficient taxable profits in the foreseeable future and therefore the asset has been recognised in full in these financial statements.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

14 Debtors

	2018 £m	2017 £m
Trade debtors	14.8	14.6
Amounts owed by group undertakings	14.7	6.3
Corporation tax	0.4	0.5
Prepayments and accrued income	4.1	0.9
	34.0	22.3

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment and due repayable on demand.

Trade debtors are stated after provisions for impairment of £2.9m (2017: £2.6m)

15 Creditors: amounts falling due within one year

	2018 £m	2017 £m
Trade creditors	2.4	2.4
Amounts owed to group undertakings	19.8	10.7
Taxation and social security	0.7	0.8
Accruals and deferred income	2.6	4.7
	25.5	18.6

Amounts owed to group undertakings are unsecured, interest free and repayable on demand and have no fixed date of repayments. Amounts owed to parent undertakings are unsecured, interest free and are repayable on demand and have no fixed date of repayment.

16 Provisions for other liabilities

The company had the following provisions during the year:

<i>All amounts in £m</i>	Onerous lease	Total
At 1 January 2018	0.2	0.2
Utilisation of provision	(0.2)	(0.2)
At 31 December 2018	-	-

This provision relates to onerous lease contracts on retail stores which was fully utilised in the current year.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

17 Called up share capital

All amounts in £m

Allotted and fully paid	2018	2017
At 1 January – 20,115,531 (2017: 20,115,531) ordinary shares of £1 each	20.1	20.1
At 31 December- 20,115,531 (2017: 20,115,531) ordinary shares of £1 each	20.1	20.1

18 Dividends

Amounts recognised as distributions to equity holders in the year:

	2018 £m	2017 £m
Final dividend for the year ended 31 December 2018 of £0.397 (2017: £0.357) per £1 ordinary share paid by 31 December 2018/31 December 2017	8.0	7.2

19 Capital and other commitments

At 31 December, the company had no capital commitments.

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2018 £m	2017 £m
Not later than one year	1.5	1.5
Later than one year and not later than five years	3.8	3.9
Later than five years	3.5	4.4
	8.8	9.8

The company had no other off balance sheet agreements.

SPEEDO INTERNATIONAL LIMITED

Notes to the financial statements (cont'd)

20 Related party transactions

Transactions with non-wholly owned subsidiaries:

a) Sale of goods

	2018 £m	2017 £m
Sale of goods to JD Sports Fashion plc	0.2	0.3

b) Purchases of goods:

	2018 £m	2017 £m
Purchases from Linea Aqua (Pvt) Limited	5.1	5.5

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group as per FRS 102.

21 Controlling parties

The immediate and ultimate parent undertaking is Pentland Group plc, a company registered in England and Wales. R S Rubin and his close family are considered the ultimate controlling party by virtue of their control of Pentland Group plc. Consolidated financial statements will be prepared by Pentland Group plc, which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements for the year ended 31 December 2018. The consolidated financial statements of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.