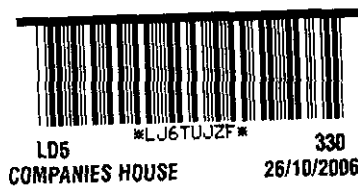


PENTLAND SHOE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

Registered number 556890



PENTLAND SHOE COMPANY LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company's principal activity during the year was the sourcing and distribution of footwear in the UK. This is not expected to change in the coming year.

RESULTS AND DIVIDENDS

The Company's profit for the financial year is £1,000 (2004: £19,000) and is shown in the profit and loss account on page 5. The Directors do not recommend the payment of a dividend (2004: £ nil)

DIRECTORS AND THEIR INTERESTS

The following Directors held office during the year:

P J Campbell

A M Leslie

J S Sinclair (Appointed 21 March 2005)

No other director had any interest in the share capital of the Company or any other company in the group.

GOING CONCERN

The financial statements have been prepared on a going concern basis as the ultimate parent undertaking has indicated its intention to provide continuing financial support to the Company.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss for the period to that date. In preparing those financial statements the Directors are required:

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

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements of the Company comply with the Companies Act 1985. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By Order of the Board



P J Campbell
Secretary
05 May 2006

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PENTLAND SHOE COMPANY LIMITED

We have audited the financial statements of Pentland Shoe Company Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
05 May 2006

PENTLAND SHOE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Turnover	3	294	300
Operating profit	4	1	27
Profit on ordinary activities before taxation		1	27
Tax charge on profit on ordinary activities	6	-	(8)
Profit on ordinary activities after taxation		1	19
Retained profit for the financial year		1	19
Accumulated losses brought forward		(2,633)	(2,652)
Accumulated losses carried forward		(2,632)	(2,633)

All activities are continuing. All recognised gains and losses are included in the profit and loss account. A separate movement of shareholders' funds statement is not provided as there are no changes for the current or previous year other than the accumulated losses in the profit and loss account.

The profit for the year on historical cost basis is not materially different from the reported profit for the year.

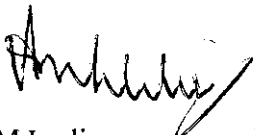
The notes on pages 7 to 10 form part of these financial statements.

PENTLAND SHOE COMPANY LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2005**

	Notes	2005 £'000	2004 £'000
Current assets			
Stocks	7	114	147
Debtors	8	43	9
Cash at bank and in hand		-	1
		<hr/> 157	<hr/> 157
Current liabilities			
Creditors – amounts falling due within one year	9	(2,789)	(2,790)
Net liabilities		<hr/> (2,632)	<hr/> (2,633)
Capital and reserves			
Called up equity share capital	11	-	-
Profit and loss account	12	(2,632)	(2,633)
Total shareholders' deficit		<hr/> (2,632)	<hr/> (2,633)

Approved by the Board on 05 May 2006

On behalf of the Board


A M Leslie DIRECTOR

The notes on pages 7 to 10 form part of these financial statements.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 ACCOUNTING POLICIES

Basis of preparation The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently is given in the following paragraphs.

The following new accounting standards have been adopted within these financial statements for the first time:

FRS21: Events after the balance sheet date

FRS25: Financial Instruments: Disclosure and Presentation

There has been no impact on these financial statements from the adoption of these new standards.

Stocks Stocks are valued at the lower of cost, including an appropriate share of production overheads where relevant, and estimated net realisable value.

Turnover Turnover comprises the value of external sales, excluding sales related taxes.

Accounting for deferred tax Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date if transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only if, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The deferred tax for a period and any adjustments in respect of previous periods are recognised in the profit and loss account. Tax arising on gains and losses that have been recognised in the statement of total recognised gains and losses are recognised in that statement.

2 STATEMENT OF CASH FLOWS

Pentland Group plc, of which the Company is a wholly owned subsidiary, has presented in its consolidated accounts a group cash flow statement drawn up under the provisions of Financial Reporting Standard 1: Cash Flow Statements (FRS 1 Revised 1996). Accordingly the Company has taken advantage of the exemption available under FRS 1 to dispense with presenting its own cash flow statement.

PENTLAND SHOE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

3 TURNOVER

The whole of the Company's turnover is derived from the Company's principal activity within the United Kingdom.

4 OPERATING PROFIT

	2005 £'000	2004 £'000
Turnover	294	300
	<hr/> 294	<hr/> 300
	<hr/>	<hr/>
Purchases and direct charges	293	273
	<hr/> 293	<hr/> 273
	<hr/>	<hr/>
Operating profit	<hr/> 1	<hr/> 27
	<hr/>	<hr/>

Auditor's remuneration for the year has been borne by a fellow subsidiary undertaking.

5 DIRECTORS AND EMPLOYEES

The directors, who were the only employees of the Company, did not receive any emoluments in respect of their services to the Company during the year (2004: £nil).

6 TAXATION

	2005 £'000	2004 £'000
Current tax		
UK corporation tax at 30% (2004: 30%)	-	8
	<hr/> -	<hr/> 8
Total current tax	<hr/>	<hr/>

Based upon the results, the effective tax rate for the year ended 31 December 2005 was 30% (2004: 30%)

PENTLAND SHOE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

7 STOCKS

	2005 £'000	2004 £'000
Raw materials and consumables	114	147
	<hr/>	<hr/>

8 DEBTORS

	2005 £'000	2004 £'000
Trade debtors	9	8
Amounts due from fellow subsidiary undertakings	34	1
	<hr/>	<hr/>
	43	9
	<hr/>	<hr/>

Amounts due from fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

9 CREDITORS – amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdraft	1,736	1,710
Trade creditors	1	-
Amounts due to fellow subsidiary undertakings	951	980
Current taxation	-	8
Accruals and deferred income	101	92
	<hr/>	<hr/>
	2,789	2,790
	<hr/>	<hr/>

Amounts due to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayment.

10 DEFERRED TAXATION

There is no unprovided deferred tax for the year under review or prior year.

11 SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted, issued and fully paid		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

PENTLAND SHOE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005 (continued)

12 RESERVES

	Profit and loss account
	£'000
At 1 January 2005	(2,633)
Retained profit for the year	1
At 31 December 2005	<u>(2,632)</u>

13 COMMITMENTS AND CONTINGENCIES

The Company is party to a guarantee in favour of its bank regarding the aggregate indebtedness on the cleared current account balances in sterling, US dollars and euros, respectively of several UK fellow subsidiaries, which together comprise the overdraft group and participate in the set-off arrangements with the bank.

The Company's liability under the guarantee is limited to the lower of the account indebtedness of the relevant group companies and its own current account credit balances in sterling and the respective foreign currencies with the bank.

14 RELATED PARTIES

Pentland Group plc, of which the Company is a wholly owned subsidiary, has presented in its consolidated accounts, which are publicly available, a related parties disclosure note under the provisions of Financial Reporting Standard 8: Related Party Disclosures (FRS 8). Accordingly, the Company has taken advantage of the exemption available under FRS 8 to dispense with disclosing related party transactions with entities within the group, or investees of the group, qualifying as related parties.

15 PARENT UNDERTAKING

The parent undertaking is Pentland Group plc, a company registered in England. Consolidated accounts have been prepared by Pentland Group plc for the year ended 31 December 2005 and these can be obtained from the Company's registered office at 8 Manchester Square, London W1U 3PH.