

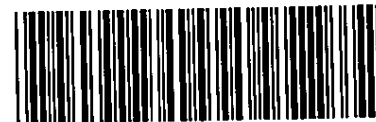
PENTLAND SHOE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

Registered number 556890

MONDAY



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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 2006

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.

Principal risks and uncertainties

The directors of Pentland Group plc manage the group's risk at a Group level, rather than at an individual business unit level. 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 the (include name of specific entity) business.

The principal risks and uncertainties of Pentland Group plc which include those of the Company, are discussed on page 2 of 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.

Key performance indicators

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

RESULTS AND DIVIDENDS

The Company's profit for the financial year is £56,000 (2005: £1,000) and is shown in the profit and loss account on page 6. The Directors do not recommend the payment of a dividend (2005: £nil).

DIRECTORS AND THEIR INTERESTS

The following Directors held office during the year:

P J Campbell
A M Leslie
J S Sinclair

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.

PENTLAND SHOE COMPANY LIMITED

DIRECTORS' REPORT (continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

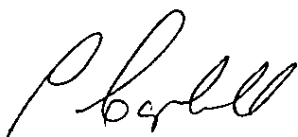
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS AND THE DISCLOSURE OF INFORMATION

So far as the Directors are aware, there is no relevant audit information, being information required by the auditors in connection with the preparation of the auditors report, of which the auditors are unaware. Having made enquiries of fellow directors and the Group auditors, each Director has taken all steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

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
20 April 2007

PENTLAND SHOE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND SHOE COMPANY LIMITED

We have audited the financial statements of Pentland Shoe Company Limited for the year ended 31 December 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

PENTLAND SHOE COMPANY LIMITED

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
20 April 2007

PENTLAND SHOE COMPANY LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
Turnover	3	414	294
Operating profit	4	56	1
Profit on ordinary activities before taxation		56	1
Tax charge on profit on ordinary activities		-	-
Profit on ordinary activities after taxation		56	1
Retained profit for the financial year		56	1
Accumulated losses brought forward		(2,632)	(2,633)
Accumulated losses carried forward		(2,576)	(2,632)

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 8 to 11 form part of these financial statements

PENTLAND SHOE COMPANY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £'000	2005 £'000
Current assets			
Stocks	6	2	114
Debtors	7	67	43
		<hr/> 69	<hr/> 157
Current liabilities			
Creditors – amounts falling due within one year	8	(2,645)	(2,789)
Net liabilities		<hr/> (2,576)	<hr/> (2,632)
Capital and reserves			
Called up equity share capital	10	-	-
Profit and loss account	11	(2,576)	(2,632)
Total shareholders' deficit		<hr/> (2,576)	<hr/> (2,632)

Approved by the Board on 20 April 2007

On behalf of the Board


J S Sinclair DIRECTOR

The notes on pages 8 to 11 form part of these financial statements

PENTLAND SHOE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006

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.

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.

3 TURNOVER

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

PENTLAND SHOE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

4 OPERATING PROFIT

	2006 £'000	2005 £'000
Turnover	414	294
	<u>414</u>	<u>294</u>
Purchases and direct charges	358	293
	<u>358</u>	<u>293</u>
Operating profit	<u>56</u>	<u>1</u>

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 (2005 £nil)

6 STOCKS

	2006 £'000	2005 £'000
Raw materials and consumables	2	114
	<u>2</u>	<u>114</u>

7 DEBTORS

	2006 £'000	2005 £'000
Trade debtors	41	9
Amounts due from fellow subsidiary undertakings	26	34
	<u>67</u>	<u>43</u>

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

PENTLAND SHOE COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

8 CREDITORS – amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft	1,547	1,736
Trade creditors	2	1
Amounts due to fellow subsidiary undertakings	1,030	951
Accruals and deferred income	66	101
	<u>2,645</u>	<u>2,789</u>

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

9 DEFERRED TAXATION

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

10 SHARE CAPITAL

	2006	2005
	£	£
Authorised, allotted, issued and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 RESERVES

	Profit and loss account
	£'000
At 1 January 2006	(2,632)
Retained profit for the year	56
At 31 December 2006	<u>(2,576)</u>

12 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

13 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

14 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 2006 and these can be obtained from the Company's registered office at 8 Manchester Square, London W1U 3PH