PENTLAND CHAUSSURES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Registered number: 01786360

PENTLAND CHAUSSURES LIMITED

Company Information

Directors

A M Long
D M Lamoureux
T E Cullen
T L Guibert
C J Rubin
C Spindler

Company Secretary

N Conway

Registered Office

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Registered Number

01786360

Auditor

Ernst & Young LLP
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London
SE1 2AF

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Strategic Report for the year ended 31 December 2022

The directors present their strategic report on the company for the year ended 31 December 2022.

The Principal Activity
Effective from 1 January 2018, Pentland Group (Trading) Limited entered into a joint venture agreement with Maus Freres Brands Group S.A. Pentland Chaussures Limited is the ongoing entity for this joint venture. The company's principal activity during the year was the design, development, contract manufacture, and supply of footwear.

Performance and KPIs

The company performed exceptionally well during the year; recovering and exceeding pre-COVID19 levels of sales. Volumes of 12.3m pairs was the highest ever sold in a year. This result is not only due to COVID19 recovery but also in part due to a combination of the introduction of key franchises, key athleisure styles and enhanced regional performance.

The company's profit for the financial year was $39.6 million (2021: $26.5 million) and is shown in the profit and loss account on page 19.

- The company's net assets as at 31 December 2022 were $64.6m (2021: $55.0m)
- Dividends of $30m were declared during the year (2021: $45m declared)
- Profit attributable to shareholders was $39.6m (2021: $26.5m)

A combination of the factors described above and within, led to:

- Total turnover increasing by $94.8m (41%) driven by the recovery from COVID19 and strong product performance.
- Overheads increasing by $2.3m to $19.1m driven by the return to pre-COVID travel and a full year of maintenance costs associated with the SAP Upgrade Project.
- The net cash position at the year-end decreasing to $32.5m (2021 $33.8m) as a result of higher November and December 2022 sales leading to higher year end debtors.

Future Developments

The footwear category strategy continues to support the brand objective to become "the most inspiring brand in fashion sport".
We will drive revenue through premiumisation across the entire product range as well as acquiring new consumers through our Active and women's segments. We continue to anchor the brand to sport through innovation in tennis and golf performance product.

The growth of footwear is built on three pillars, which are aligned to the brand global marketing plan:

- Reinforce Tennis Heritage.
- Develop Active product segment.
- Extend Performance in tennis and golf.

The product strategy continues the evolution of the key franchises within these 3 growth pillars, driving a more consistent offer.
The sourcing plan to deliver these strategies leverages our core model and existing sourcing footprint in Southeast Asia.

Principal risks and uncertainties

The principal risks of the company are assessed below:

Dependency on brand performance

The company's principal activity is the design, development, manufacturing and supply of footwear which is licensed solely under the Lacoste brand. As this is the only brand sold by the company, there is an increased reliance on desirability of the brand to customers.

This risk is mitigated through creating highly desirable product that not only drives demand but also meets the Lacoste brand vision.

Supply chain risk

The company sources product from a variety of suppliers based primarily in Asia and is exposed to the risks associated with international trade.

The company mitigates this risk by working closely with these suppliers and, through its sourcing agent, ensuring that all product undergoes rigorous quality and compliance checks to satisfy stringent laws and regulations including, but not limited to, health and safety, packaging, and labelling. This process is end-to-end from initial selection of suppliers through to after-sales support.

Economic and political factors

The company is exposed to economic and political factors which impact demand in the various markets it trades with. These primarily include taxation, disposable incomes, currency fluctuations and broader economic and government policies affecting areas such as importation.

The company mitigates this risk by offering highly desirable and appropriately priced product. Diversified sourcing options have been explored in some regions to achieve this.

Currency risk

Pentland Chaussures Limited is a company reporting in US dollars. The company predominantly purchases footwear product and sells to distributors all over the world in US dollars, retaining receipts in US dollars. The company also sometimes transacts in Euro.

Distributors who do not trade in US dollars and Euro face an exposure and fluctuations can impact demand.

The company itself is exposed to fluctuations in foreign exchange rates, primarily US dollar and sterling due to most operating expenses taking place in sterling.

With the support of Pentland Group (Trading) Limited Treasury, this risk is mitigated through a hedging program using forward contracts. This provides certainty for what are predominantly fixed costs.

Seasonality

The company's operating model is seasonal in line with range planning and therefore results in peaks and troughs in working capital requirements throughout the year.

Regular, robust forecasting is used to manage this risk.

Personnel

Given the sometimes-specialised nature of the company's operations, success is partly dependent on the ability to attract, develop and retain appropriately qualified employees. In light of the post-Brexit hiring challenges, we have been experiencing an increase in our time to hire, both due to a talent shortage and the requirement of relocation and sponsorship for desired talent. Our focus has been on training managers on effective hiring techniques to help minimise sourcing and interviewing times, as well as being open to relocating talent from overseas.

The company offers competitive reward packages for all staff which includes relevant and high-quality learning and development programs designed to motivate and develop, regardless of level and role. Succession planning for key roles is also at the forefront of mitigating this risk.

The company is open about roles and offers 360-degree support throughout the colleague life cycle. This means supporting its employees in their decisions either to progress within or to exit the organisation. Whilst not all staff are able to progress within the organisation due to its size and structure, the company seeks to promote internally wherever appropriate. The company seeks the help of exiting employees in finding their replacement whilst offering assistance in their search for new opportunities both internally and externally.

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to(f) and forms the directors' statement under section 414CZA of The Companies Act 2006.

Directors' Section 172 (1) Statement – Sections 414 CZA (1) of the Companies Act 2006				
WHO? Stakeholder Group	**WHY? Why it is important to engage**	**HOW? How management and/or directors engaged**	**WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain?**	**OUTCOMES & ACTIONS What was the impact of the engagement including actions taken?**
Suppliers We have approximately 20 footwear vendors, the majority of whom are in Asia. We work particularly closely with one who is in turn heavily reliant on our business. Key metrics: - % of vendors with signed manufacturing agreements and who have signed up to a Lacoste group Compliance Charter - % of payments made within payment terms - OTIF (On time in full) rate - Perfect order rate (i.e. orders without any quality issues)	Our vendors are fundamental to the quality of our products and to ensuring that we meet high standards of social responsibility. In order to remain competitive and to harness the footwear manufacturing capabilities in different areas of the world, it has been a key Board strategy to pursue a strategy of sourcing diversification including local sourcing and near-shoring.	Much of our engagement with the vendors is through our exclusive sourcing partner (which is part of the Pentland Group group of companies). The senior management and operations teams regularly visited our vendors after the hiatus in 2020/2021 due to Covid. We also regularly review the results of our Payment Practices Reporting to meet their requirements.	The key topics during 2022 were as follows: (1) Reduced output capabilities in all countries due to worker shortages related to Covid, resulting in significant production delays. (2) Continued peaks and troughs in the demand curve, caused by the timing of orders placed by the Company's customers combined with difficulty in receiving accurate customer forecasts. This has placed suppliers under pressure to manufacture more than they have planned for, leaving them with excess capacity at other periods. (3) The exiting of a Vietnam vendor at the end of 2021 (at the vendor's choice) resulting in reallocation of product to vendors within the current portfolio during 2022.	(1) Wherever possible, we allowed our suppliers time to catch up on production so that orders did not need to be cancelled. (2) Following the introduction of seasonal product into "Buy 0" at the start of the AW 2023 buying period, we continued to utilise this approach during 2022 with the on-going aim of assisting with volume phasing across the season. (3) A staggered approach was implemented, where product was available at specific buys. This gave vendors the time necessary to have production ready on time.

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement (continued)

Directors' Section 172 (1) Statement = Sections 414 CZA (1) of the Companies Act 2006				
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Suppliers (continued)			This put added pressure on vendors to assimilate new product in time for customer orders deadlines. In each of these cases, the supply chain team, including at manager level, were in regular contact with the vendors to work through these challenges, either directly or via the Company's exclusive sourcing partner.	

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement (continued)

Directors' Section 172 (1) Statement – Sections 414 CZA (1) of the Companies Act 2006				
WHO? Stakeholder Group	**WHY? Why it is important to engage**	**HOW? How management and/or directors engaged**	**WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain?**	**OUTCOMES & ACTIONS What was the impact of the engagement including actions taken?**
Customers The business has a fixed customer base: the distributors appointed by the Lacoste brand to distribute footwear in their local markets. Key metrics: - Total volume of sales - Total amount of Sales - Average selling price - % of customer ledger overdue	Regular engagement with key distribution partners enables the business to ensure it is developing relevant product. Regular engagement with all customers regarding operational aspects of the business enables us and our customers to operate more effectively and efficiently.	Regular calls/meetings with key regional teams attended by members of the management team. In addition, the Head of Supply Chain was in regular contact with the operational team at Lacoste ensuring close communication with our customers regarding operational matters.	The key topics of engagement were: (1) Continued production/delivery delays caused by a variety of factors including Covid. (2) Delay from goods ready to shipping for some customers, resulting from late customer payment, and late customer shipping information, as well as lack of vessel space.	(1) We continued to maintain close contact with customers regarding delays in order to agree suitable actions with the customers. (2) We worked with customers and suppliers to ensure that customers were informed about the availability of goods for collection, to increase the chance of them being able to book vessel space. The team also shared documentation to customers earlier to ensure that they were able to make payment on time.

Directors' Section 172 (1) Statement – Sections 414 CZA (1) of the Companies Act 2006				
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Community We have local partnerships to help support our local community. Our primary partnership during 2022 was Outrunners, a charity based in London which aims to help young people from underrepresented backgrounds gain access to career opportunities work experience and attending career open days. We also agreed to make an annual monetary donation to Outrunners to help support their ongoing community projects.	We consider having a positive impact on the wider community to be part of our duty as a responsible employer. We also know from our employee engagement data that 'making a difference at work' is a popular motivator for our people, so we know our people are eager to give back to the wider community.	The business organised several awareness days and activities, some of which were organised by our Mental Health First Aid group and others partnership with Outrunners. Most notably, our colleagues held a stand at an Outrunners 'Run Your Career' event, to educate young people about how to build a career in the Footwear industry. The business has also been donating sample shoes to local charities such as InKind Direct and Outrunners, in a bid to give back and be more sustainable in our supply chain.	We believe that our people have a wealth of knowledge they can share with young people interested in building a career in the creative industry.	The activities we hosted in partnership with Outrunners had a positive impact with the individuals we met. At the 'Run Your Career' event, the post-survey event found that: • 90% said they felt more informed about their different career options. • 87% said they had a better understanding of the steps they needed to take to get the job they wanted. • 81% said they were more confident they could get a job they wanted in the future. Additionally, 27 young people said they would like to do work experience at PCL and so we are organising a 2-day work placement which will take place in August 2023.

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement (continued)

Directors' Section 172 (1) Statement – Sections 414 CZA (1) of the Companies Act 2006				
WHO? Stakeholder Group	**WHY? Why it is important to engage**	**HOW? How management and/or directors engaged**	**WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain?**	**OUTCOMES & ACTIONS What was the impact of the engagement including actions taken?**
Workforce Our workforce is made up entirely of payrolled employees. Our closing headcount for 2022 was 61 people. Key metrics: - Total benefits and payments to employees - Employee turnover rate - Employee wellbeing statistics (online portal)	The success of the company depends on the skill and commitment of our workforce to our objectives (as informed by the Lacoste brand strategy) and to our company objectives. We engage with our workforce to ensure that we are fostering an environment in which they are happy to work, and in which they understand the opportunities for career progression.	Details of our workforce engagement activities are outlined below: - Quarterly online informal staff socials. - Learning and development (L&D) initiatives including introducing Learnerbly, a self-led learning platform for all employees, and running a Future Leaders Programme. - Health and wellness activities to encourage self-care. - Online portal (Open Blend) to assess individual engagement levels and make improvements based on opportunity areas. We have a number of steering groups where we seek out ways to improve our working environment. This is shared with the Executive team for discussion and approval.	The pulse survey revealed that the most significant matters of concern to our workforce were: - Career progression – the opportunity to progress in our small business. Our focus for 2022 was to build on the success of increasing internal promotions by rolling out leadership programmes for our high-potential employees (aka The Future Leaders Programme) - Sustainability – how we respond to the increasing challenges of climate change. - Health and wellbeing – the challenge of making time for self-care alongside working commitments. This is also our top motivator for our people on Open Blend. - Communication – to raise awareness about key employee benefits and events. - Business Direction – for the Exec team to continue sharing business updates during the quarterly business reviews.	Career progression – there are regular talent meetings to discuss employees' future potential, to make sure there is a mutual understanding of career progression opportunities within the Company. We also promote internal career progression as a priority over external hiring to allow for an effective talent pipeline for the future. Communication – the business continues to send quarterly newsletters with key events and spotlight employee benefits. Business Direction – the Exec team will continue to update all employees regularly on key business information. Collaboration – the Exec team organised a Team Day for all employees to attend in March 2023 that will focus on cross-functional collaboration. Wellbeing – the Exec team will fund a monthly free lunch for all employees and will increase L&D budgets for all employees.

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement (continued)

Directors' Section 172 (1) Statement - Sections 414 CZA (1) of the Companies Act 2006				
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Workforce (continued)		Additionally, we sent out an annual pulse survey to all employees in August, to obtain feedback on the current employee experience, as well as to understand where we can improve.	Collaboration – to have the opportunity for employees to get to together on a cross-functional basis in an informal manner. Wellbeing – to address the cost-of-living crisis and plan ways the business can respond to this (e.g. free lunches, reminder of corporate discounts etc.) Training and Development – review the training and development offering and enhance the organisation's intranet facilities to ensure there is more cross-functional engagement. IT - improve the user experience with IT best suited them. The feedback was shared with the Executive Team who worked in partnership with a steering group who then created an action plan for review. Once agreed by all members of the steering group and Department Heads, the final action plan was shared back to all employees at the Quarterly Business Review.	Training and development - the HR team introduced Learnerbly to the organisation, empowering employees to take control of their learning with their own personal learning budgets to spend. IT – the business will offer regular workshops led by the IT team to support all employees, in particular new starters, to help them understand the IT systems better. We also review our engagement scores quarterly via Open Blend to assess our impact.

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement (continued)

Directors' Section 172 (1) Statement – Sections 414 CZA (1) of the Companies Act 2006				
WHO? Stakeholder Group	**WHY? Why it is important to engage**	**HOW? How management and/or directors engaged**	**WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain?**	**OUTCOMES & ACTIONS What was the impact of the engagement including actions taken?**
Environment The fashion industry (including footwear) is under the spotlight to show what effort is being made to reduce its environmental footprint. The Company is working on ways to accurately assess the impact of the measures it has been taking. Factors effecting its ability to make further improvements include: - the existing office environment - the Company's suppliers - how the company makes its products - how the Company ships its products - what materials it sources.	In order for the business to stay relevant and competitive long term it is imperative that sustainability continues to be part of our strategy. Our competitors are active in this space and our consumers are demanding it. French legislation requires us to declare the origin of the products and materials used. We anticipate that other countries will follow suit, such that this may become mandatory.	The Lacoste brand has a sustainability strategy (DURABLE ELEGANCE) which continues to evolve in line with seasonal requirement. Regular updates on this strategy are provided by the Executive team to the Board.	The key goals/topics: - Global audit of T4-T1 on social, technical and environmental - Reduction by 15% of the environmental impact of each product we sell by 2025. - Extend the lifespan of our products. - 100% recycled material used in main textiles. - 100% main production waste to have a second life.	A Life-Cycle Assessment ("LCA") has been delivered enabling the Company to: - Build an internal understanding of the relative environmental performance of footwear products. - Identify the environmental hotspots, strengths and weaknesses. - Explore different material scenarios. The Company has continued to extend its material library with more environmental preferred material such as recycled polyester, recycled rubber algae-based EVA-foam and sugar cane EVA. The development team meet regularly with the Lacoste brand, with the aim of aligning objectives and strategy, utilising available shared resources. These include beginning the development of IT tools for analysis on a product and supplier level that will generate environmental scores, which will inform future product materialisation, supplier engagement and build specific KPIs for environmental impact reduction.

Strategic Report for the year ended 31 December 2022 (continued)
Section 172 (1) statement (continued)

Directors' Section 172 (1) Statement – Sections 414 CZA (1) of the Companies Act 2006				
WHO? Stakeholder Group	**WHY? Why it is important to engage**	**HOW? How management and/or directors engaged**	**WHAT? What were the key topics of engagement and what feedback and input did the board/management obtain?**	**OUTCOMES & ACTIONS What was the impact of the engagement including actions taken?**
Environment (continued)				The Design and Development team had introductory training specifically in Circular Design Strategies, which brought awareness of the barriers, design considerations and opportunities involved. Guidance on eco design principles tailored to our product and manufacturing were available as a document but also a focus during regular collaboration of design and development teams. We are continuing to embed the expertise of our two additional hires made in the development team to focus on sustainable product initiatives and the gathering and verifying of data required to meet external legislation and Lacoste brand policy requirements, reflecting the commitment to Sustainability as a company value.

Strategic Report for the year ended 31 December 2022 (continued)

Section 172 (1) statement (continued)

Principal Decisions	
Dividend Policy	The Board took the decision to pay a total dividend of $30m in respect of 2022 profits. The Company does not have a formal dividend policy. However, the general approach taken by the Board is to consider, on a quarterly basis, the levels of cash required to run the business (day to day costs as well as specific strategic investments, as envisaged in the Company's business plan) and to return any surplus cash to the shareholders. In 2022 the Board considered the medium and long-term strategic goals of the company as set out in its business plan in deciding how much cash to distribute, and how much to keep in its reserves. As well as the interests of the shareholders, the Board considered the Company's cashflow – and therefore its ability to meet its day-to-day costs (including employee costs and on-time payment to its Suppliers).
Diversified and Local Sourcing	Discussions around local sourcing and near-shoring continued in 2022. The sub-licensing arrangement for Brazil, Argentina and Chile was extended in order to continue to produce more competitively priced entry-level footwear for those markets. The decision was also taken to move some production to Indonesia (to a factory owned by a group with which the Company has already been working for a couple of years). In taking this decision, the Board considered, in particular, the Company's customers, who would benefit from diversification of the Company's sourcing base.

N. Gray

By order of the board

N Conway
Company Secretary
Date: 21 **September 2023**

Directors' Report for the year ended 31 December 2022

The directors present their report and the audited financial statements of the company for the year ended 31 December 2022.

Dividends

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

Financial instruments

Cash 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. With the support of Pentland Group (Trading) Limited Treasury, the company hedges its exposure to US dollar/sterling through forward contracts. Details of these financial instruments are included in Note 19.

Directors

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

A M Long
D M Lamoureux
T E Cullen
T L Guibert
C J Rubin
C Spindler

Employee policies

The company keeps its colleagues informed of all developments and activities across the business with various forms of communication ranging from an all-hands Quarterly Business Review (QBR) to ad-hoc memos to the total population or specific, targeted groups as appropriate. All policy changes are communicated to managers initially and then to colleagues in addition to being permanently hosted on the all-access intranet site with links provided for ease of access.

Pentland Chaussures Limited's policy is to recruit, develop and promote people purely on their aptitude and ability and works hard 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.

Greenhouse gas emissions

We report UK greenhouse gas emissions and energy consumption via Streamlined Energy and Carbon Reporting (SECR). The data below incudes emissions from the energy we use in the operation of our UK office comprising gas and energy:

	2023	2022
Total energy consumption (Kwh)	**340,103**	288,696
Carbon footprint (Tonnes CO2)	**73,455**	62,817
Intensity metric: Location based emissions (KgCO2e/m2)	**52**	45

The methodology used to calculate this is through the billing and consumptions report provided by the energy providers. We have applied an intensity factor to our emissions expressed in CO2e per meter squared.

Energy Efficiency Action

The company recognises that it has a responsibility to manage the impact its business has on the environment and is committed to carrying out its activities with due consideration for any potential environmental impact, both now and in the future. Areas of focus and achievement during the year continue to include:

- Ensuring efficient use of energy and other materials
- Reducing the environmental impact of our supply chain and own operations
- Increasing our use of sustainable materials, including extend our material library with more environmentally preferred material
- Sending zero waste from our UK office to landfill. Anything that cannot be recycled is used to generate energy. Our office also uses 100% renewable energy

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.

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.

Disclosure of information to auditors

As 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 the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' Report for the year ended 31 December 2022 (continued)

Independent auditors

The auditors Ernst & Young have indicated their willingness to continue in office and they are deemed reappointed by the shareholders.

Section 172 – Stakeholder Engagement

Refer to the stakeholder engagement detail in the strategic report from page 4 to 11.

Going Concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities and the company's principal risks and uncertainties in the context of the current operating environment. This includes possible impacts of the global COVID-19 pandemic, inflation, and the economic environment of the markets in which the company operates.

The directors have considered various scenarios (including a reverse stress test) in assessing the impact of the factors described above on future financial performance and cash flows up until 30 September 2024.

Based on the above going concern assessment the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

By order of the board

N. Conway

N Conway
Company Secretary
Date: 21 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTLAND CHAUSSURES LIMITED

Opinion

We have audited the financial statements of Pentland Chaussures Limited for the year ended 31 December 2022 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity , Statement of cash flows, and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up until 30 September 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the United Kingdom Accounting Standards including FRS 102 "the Financial Reporting Standard applicable in the UK and

Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006 and the relevant UK tax compliance regulations.
- We understood how Pentland Chaussures Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes as well as consideration of the results of our audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of those responsible for legal and compliance procedures; enquires of management; performing journal entry testing with a focus on manual adjustments and journals indicating unusual transactions based on our understanding of the business, including in respect of management override through manual revenue journals and focused testing of revenue recorded at or near the balance sheet date. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and financial statements with all applicable reporting requirements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Rachel Dockar
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26 September 2023

Financial statements for the year ended 31 December 2022

Profit and loss account

All amounts in USD$m

	Note	Year ended 31 December 2022	2021
Turnover	5	**325.4**	**230.6**
Cost of sales		**(258.6)**	**(180.0)**
Gross profit		**66.8**	**50.6**
Distribution costs		**(0.9)**	**(0.9)**
Administrative expenses		**(18.2)**	**(15.9)**
Operating profit	6	**47.7**	**33.8**
Profit on ordinary activities before investment income, interest and taxation	6	**47.7**	**33.8**
Unrealised (losses)/gain on derivative financial instruments		**0.8**	**(1.3)**
Interest receivable		**0.2**	**0.0**
Profit before taxation		**48.7**	**32.5**
Tax charge on profit on ordinary activities	8	**(9.1)**	**(6.0)**
Profit for the financial year		**39.6**	**26.5**

Financial statements for the year ended 31 December 2022 (continued)

Statement of comprehensive income

All amounts in USD$m

	Year ended 31 December	
	2022	**2021**
Profit for the financial year	**39.6**	**26.5**
Other comprehensive (loss)/income	-	-
Other comprehensive (loss)/income for the year, net of tax	-	-
Total comprehensive income for the year	**39.6**	**26.5**

Financial statements for the year ended 31 December 2022 (continued)

Balance sheet

All amounts in USD$m	Note	As at 31 December 2022	2021
Fixed assets			
Tangible assets	10	1.0	0.4
Intangible assets	11	3.4	5.1
		4.4	5.5
Current assets			
Inventories	12	3.7	1.3
Deferred tax asset	13	0.8	0.8
Debtors	14	87.6	86.0
Cash at bank and in hand		32.5	33.8
		124.6	121.9
Creditors: amounts falling due within one year	15	(64.4)	(72.4)
Net current assets		60.2	49.5
Total assets less current liabilities		64.6	55.0
Net assets		64.6	55.0
Capital and reserves			
Called up share capital	16	0.0	0.0
Retained earnings		64.6	55.0
Total equity		64.6	55.0

The notes on pages 25 to 41 are an integral part of these financial statements.

The financial statements on pages 20 to 22 were authorised for issue by the board of directors on 21st September 2023 and signed on its behalf by:

A M Long
Director
Pentland Chaussures Limited
Registered number: 01786360

Financial statements for the year ended 31 December 2022 (continued)

Statement of changes in equity for the year ended 31 December 2022

All amounts in USD$m

	Notes	Called up share capital	Retained earnings	Total equity
Balance as at 1 January 2021		0.0	73.5	73.5
Profit for the financial year		-	26.5	26.5
Other comprehensive (loss)/income for the year		-	-	-
Total comprehensive income for the year		-	26.5	26.5
Dividends	9	-	(45.0)	(45.0)
Total transactions with owners, recognised directly in equity		-	(45.0)	(45.0)
Balance as at 31 December 2021		0.0	55.0	55.0
Balance as at 1 January 2022		**0.0**	**55.0**	**55.0**
Profit for the financial year		-	**39.6**	**39.6**
Other comprehensive (loss)/income for the year		-	-	-
Total comprehensive income for the year		-	**39.6**	**39.0**
Dividends	9	-	**(30.0)**	**(30.0)**
Total transactions with owners, recognised directly in equity		-	**(30.0)**	**(30.0)**
Balance as at 31 December 2022		**0.0**	**64.6**	**64.6**

Financial statements for the year ended 31 December 2022 (continued)

Statement of cash flows for the year ended 31 December 2022

All amounts in USD$m	Note	2022	2021
Net cash from operating activities	18	42.2	61.8
Taxation paid		(8.7)	(6.6)
Net cash generated from operating activities		33.5	55.2
Cashflow from investing activities			
Interest received		0.2	0.0
Purchase of tangible assets	10	(2.6)	(1.1)
Purchase of intangible assets	11	(0.2)	(4.8)
Net cash used in investing activities		(2.6)	(5.9)
Cashflow from financing activities			
Equity dividends paid to shareholders	9	(30.0)	(45.0)
Loan from /(to) fellow associates		-	5.0
Net cash used in financing activities		(30.0)	(40.0)
Net increase / (decrease) in cash at bank and in hand		0.9	9.3
Cash and cash equivalents at the start of the year		33.8	23.0
Exchange gains on cash and cash equivalents		(2.2)	1.5
Cash at bank and in hand at the end of the year		32.5	33.8

Notes to the financial statements

1 General information

Pentland Chaussures Limited is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 8 Manchester Square, London, W1U 3PH.

The company's principal activity during the year was the design, development, manufacturing and supply of footwear.

2 Statement of compliance

The individual financial statements of Pentland Chaussures 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.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities and the company's principal risks and uncertainties in the context of the current operating environment. This includes possible impacts of the global COVID-19 pandemic, inflation and the economic environment of the markets which the company operates.

The directors have considered various scenarios (including a reverse stress test) in assessing the impact of the factors described above on future financial performance and cash flows up until 30 September 2024.

Based on the above going concern assessment the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Other areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Foreign currency

(i) Functional and presentational currency

The company's functional and presentation currency is the United States dollar mainly due to activities in a number of areas:

- currency in which costs of providing goods or services are denominated and settled
- currency in which receipts from operating activities are retained in

The presentation currency also aligns with the functional currency as this more appropriately reflects the underlying performance.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Transactions and balances

Transactions in foreign currencies during the year are translated at the relevant monthly exchange rate on the transaction date.

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 transaction, 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.

(c) Turnover

Turnover comprises the value of external sales on stock, net of trade discounts, credits and 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 discounts allowed by the company and value-added taxes. Volume discounts are assessed on annual purchases.

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

- Sale of goods – free on board (FOB)

  The company manufactures and sells a range of footwear products to distributors on an FOB basis. Sales of goods are recognised once the goods are on board the vessel. At this point, ownership and the risks of obsolescence or loss are transferred fully to the buyer.

- Sale of goods – UK importation

  The company manufactures and sells a range of footwear products to four distributors. Sale of goods are recognised once delivered to a named place nominated by the buyer with applicable importation taxes and charges paid. At this point, ownership and the risks of obsolescence or loss are transferred fully to the buyer.

Provisions are made for credit notes based on the expected level of claims on the basis of historical experience.

(d) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements 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.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(d) Employee benefits (continued)

(ii) Retirement benefits

The company's employees are all eligible for 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.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is 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.

(e) Taxation

Taxation expense for the year 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.

(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.

(f) 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.

Footwear moulds, plant equipment and vehicles, and fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment losses.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(f) Tangible assets (continued)

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

Footwear moulds	1 year
Plant equipment and vehicles	3 years
Fixtures and fittings	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 (losses)/gains'.

(g) Intangible assets

The SAP software and associated costs (SAP upgrade project costs) has been recognised as it has been determined that the project costs (including software licenses and development) meet the relevant criteria, namely that it is separable and arises from a contractual right.

The useful life of the project has been determined as 3 years.

(h) 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 includes the actual purchase price, and any applicable 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.

(j) 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. Bank overdrafts are shown within creditors in current liabilities.

Notes to the financial statements (continued)

3 Summary of significant accounting policies (continued)

(k) Financial instruments

(i) Financial assets and liabilities

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.

(ii) Derivative financial instruments

The company is exposed to foreign currency risk on operating expenses in a currency other than US dollars. The principal currency which gives rise to this risk is pound sterling.

The company uses forward currency contracts to reduce exposure to exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a contract is entered into and are subsequently measured at fair value through profit and loss. The estimated fair value of the forward contract is calculated by reference to the forward exchange rates at the balance sheet date, discounted to provide the present value.

(l) 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.

(m) Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

(n) Related party transactions

As the company is a joint venture, it discloses transactions with members of Pentland Group Holdings Limited and Maus Freres S.A. as per FRS 102.

Notes to the financial statements (continued)

4 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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) 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.

5 Turnover

Analysis of turnover by geography:

	2022 $m	2021 $m
United Kingdom	**31.2**	22.5
Continental Europe and Ireland	**130.3**	96.8
Americas	**75.6**	48.0
Asia-Pacific	**62.4**	44.8
Rest of the World	**25.9**	18.5
	325.4	230.6

Analysis of turnover by category:

	2022 $m	2021 $m
Sales of goods	324.8	230.4
Distribution Royalties	0.6	0.2
	325.4	230.6

Notes to the financial statements (continued)

6 Operating profit

Operating profit is stated after charging:

	2022	2021 $m
Wages and salaries	4.6	5.1
Social security costs	0.6	0.6
Other pension costs	0.2	0.3
Staff costs	5.4	6.0
Depreciation of tangible fixed assets	1.9	1.1
Amortisation of intangible fixed assets	1.9	0.5
Foreign exchange differences	2.1	0.4

Staff costs included $667k for compensation to Key Management Personnel (2021: $765k). In addition, management fees totalling $660k were paid for Key Management Personnel services during the year (2021: $660k)

The company's audit fee was $71.4k (2021: $77.7k).

Fees payable to the auditors for non-audit services amounted to $nil (2021: $nil).

Notes to the financial statements (continued)

7 Employees and directors

Employees

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

	2022 Number	2021 Number
Management and administration	16	13
Product design and development	34	37
Selling and distribution	14	12
	64	62

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2021: $0).

8 Tax on profit on ordinary activities

	2022 $m	2021 $m
UK - current corporation tax at 19% (2021: 19%)	**9.2**	6.0
Adjustment in respect of prior years	**(0.1)**	(0.0)
Foreign tax relief / other relief	-	(0.0)
Foreign tax suffered	-	0.0
Total current tax charge	**9.1**	6.0
Deferred tax	**0.0**	0.0
Tax charge on profit on ordinary activities	**9.1**	6.0

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities (continued)

Reconciliation of tax charges:

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 $m	2021 $m
Profit on ordinary activities before taxation	**48.7**	32.5
Profit on ordinary activities multiplied by the average rate in the UK of 19% (2021: 19%)	**9.3**	6.2
Effects of:		
Income not taxable	-	(0.0)
Expenses not deductible	**(0.1)**	(0.0)
Adjustment in respect of prior year	**(0.1)**	0.0
Tax rate impact	**0.0**	(0.2)
Total tax charge for the year	**9.1**	6.0

The company's profits for the accounting year to 31 December 2022 were taxed at the UK headline corporation tax rate of 19%. A rate increase to 25% effective 1 April 2023 has been enacted and therefore any relevant deferred tax balances at the balance sheet date have been measured at that rate.

9 Dividends

	2022 $m	2021 $m
Dividend declared and paid for the year ended 31 December 2022 of $30,000 (2021: $45,000) per $1 ordinary A and ordinary B share	**30.0**	25.0
	30.0	25.0

Dividends of $30.0m were paid during the year related to 2022 profits and in 2021, dividends of $45.0m were paid including $20m which related to 2020 profits.

Notes to the financial statements (continued)

10 Tangible assets

	Footwear moulds	Fixtures and fittings	Computer equipment	Total ($m)
Cost				
Opening balance	7.5	0.4	0.1	8.0
Additions	2.6	-	-	2.6
As at 31 December 2022	10.1	0.4	0.1	10.6
Accumulated Depreciation				
Opening Balance	(7.2)	(0.4)	(0.1)	(7.7)
Depreciation	(1.9)	-	-	(1.9)
As at 31 December 2022	(9.1)	(0.4)	(0.1)	(9.6)
Net Book Value				
As at 31 December 2022	1.0	0.0	0.0	1.0
As at 31 December 2021	0.4	0.0	0.0	0.4

Notes to the financial statements (continued)

11 Intangible Assets

	Software	Total
Cost		
Opening balance	5.6	5.6
Additions	0.2	0.2
Transfers	-	-
As at 31 December 2022	5.8	5.8
Accumulated Amortisation		
Opening balance	(0.6)	(0.6)
Amortisation for the year	(1.8)	(1.8)
As at 31 December 2022	(2.4)	(2.4)
Net Book Value		
As at 31 December 2022	3.4	3.4
As at 31 December 2021	5.0	5.0

12 Inventories

	2022 $m	2021 $m
Finished goods and goods held for resale	3.7	1.3

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

Inventories are stated after provisions for impairment of $nil (2021: $nil).

Notes to the financial statements (continued)

13 Deferred tax asset

The full potential deferred taxation asset, which has been recognised in 2021 and 2022 is as follows:

	2022 $m	2021 $m
Accelerated capital allowances	**0.8**	0.8
Other timing differences	**-**	-
	0.8	0.8

The directors of Pentland Chaussures Limited consider that there is sufficient certainty that there will be taxable profits in the foreseeable future for the joint venture and therefore an asset has been recognised in these financial statements.

14 Debtors

	2022 $m	2021 $m
Trade debtors	**10.7**	6.4
Amounts owed by fellow associated undertakings	**60.1**	48.5
Corporation tax	**15.5**	30.2
VAT	**0.1**	0.4
Other debtors	**0.1**	0.1
Prepayments and accrued income	**0.4**	0.4
Derivative Financial instruments	**0.7**	0.0
	87.6	**86.0**

Trade debtors are stated after provisions for impairment of $70k (2021: $910k).

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

VAT amount includes $0.1m and Amounts owed by fellow associated undertakings amount includes $0.6m. Both of these are related to estimated amounts owing to HMRC for duties and applicable Import VAT on royalty cost on importations into the UK 2021 - 2022. These amounts owing to HMRC are rechargeable to the relevant customers or reclaimable from HMRC and so have been provided for in Debtors.

Notes to the financial statements (continued)

15 Creditors

Amounts falling due within 1 year	2022 $m	2021 $m
Trade creditors	32.6	25.8
Amounts owed to fellow associated undertakings	12.7	11.3
Current taxation	15.1	29.4
Other taxation and social security	1.4	0.1
Accruals and deferred income	2.5	4.7
Other creditors	0.1	-
Derivative Financial instruments	-	0.2
Loan payable to fellow associated undertaking	0.0	0.9
	64.4	72.4

Amounts owed to fellow associated undertakings are unsecured, interest-free, are repayable on demand and have no fixed repayment date.

Loan payable to fellow associated undertaking is unsecured, interest free and has no fixed repayment date.

Accruals and deferred income include an amount of $0.7m. This is related to estimated amounts owing to HMRC for duties and applicable Import VAT on royalty cost on importations into the UK 2021 - 2022.

16 Called up share capital

Allotted and fully paid	2022 $	2021 $
500 'A' (2017: 500) ordinary shares of £1 each	673	673
500 'B' (2017: 500) ordinary shares of £1 each	673	673
At 31 December	1,346	1,346

The 'A' ordinary shares and 'B' ordinary shares rank pari passu in rights to dividends, amounts receivable on winding up of the company and voting rights of Pentland Chaussures Limited.

17 Capital and other commitments

The company had no commitments or other off-balance sheet arrangements.

Notes to the financial statements (continued)

18 Net cash from operating activities

All amounts in USD$m	**2022**	2021
Profit for the financial year	**39.6**	26.5
Adjustments for:		
Tax on profit	**9.1**	6.0
Unrealised losses/(gains) on derivative financial instruments	**(0.8)**	1.3
Deferred tax	**0.0**	0.0
Interest Received	**(0.2)**	0.0
Operating Profit	**47.7**	33.8
Depreciation of tangible assets	**1.9**	1.1
Amortisation of intangible assets	**1.9**	0.5
Decrease/(increase) in Inventory	**(2.4)**	5.2
Decrease/(increase) in Debtors	**(15.8)**	16.5
Increase/(Decrease) in Creditors	**6.8**	5.8
Foreign exchange movement	**2.1**	(1.1)
Net cash from operating activities	**42.2**	61.8

Notes to the financial statements (continued)

19 Financial instruments

All amounts in USD$m	Note	2022	2021
Financial Assets that are debt instruments measured at amortised cost:			
Trade debtors	14	**10.7**	6.4
Amounts owed by fellow subsidiary undertakings	14	**60.1**	48.5
Other debtors	14	**0.1**	0.1
Loans receivable from fellow subsidiary undertakings	14	-	-
		70.9	55.0
Financial assets at fair value through profit and loss:			
Financial derivative instruments	14	**0.7**	0.0
		0.7	0.0
Financial liabilities measured at amortised cost:			
Trade creditors	15	**32.6**	25.8
Amounts owed to fellow subsidiary undertakings	15	**12.7**	11.3
Accruals and deferred income	15	**2.5**	4.7
Loans payable to fellow subsidiary undertaking	15	**0.0**	0.9
		47.8	42.7
Financial liabilities at fair value through profit and loss:			
Financial derivative instruments	15	-	0.2
		-	0.2

Derivative financial instruments

The company entered into forward currency contracts to mitigate exposure to foreign exchange risk. On 31 December 2022, there were outstanding contracts maturing within 12 months of the year end.

As of 31 December 2022, the company was committed to buy £12.2m against a fixed US dollar amount (2021: £16.0m).

Fair value is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD:GBP.

The fair value of the foreign exchange derivative contracts was a gain of $0.7m (2021: $0.2m loss). The unrealised fair value gains/losses arising from the foreign exchange contracts taken to the profit and loss account for the period was a gain of $0.8m (2021: $1.3m loss).

Notes to the financial statements (continued)

20 Related party transactions

During the year, the company entered into transactions in the ordinary course of business with other related parties. Transactions entered into and trading balances outstanding as at 31 December are as follows:

	Sales to related party		Purchases from related party		Amounts owed from related party		Amounts owed to related party	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Other related parties:								
Asco General Supplies (Far East) Ltd	-	-	**17.4**	11.3	-	-	**2.9**	2.2
Devanlay Mexico S.A. De Cv	**12.1**	8.0	-	-	**2.2**	1.5	-	-
Devanley-Eren Tekstil	**3.7**	0.2	-	-	**1.2**	-	-	-
Devanlay Polska Sp. Z.O.O.	**9.6**	4.2	-	-	**2.6**	0.8	-	-
Devanlay Ventures Do. Brasil. Imp. Exp E Participacoes Ltda.	**2.8**	1.1	-	-	**1.5**	0.0	-	-
Dong-Il Devanlay, Inc.	**19.3**	11.4	-	-	**4.1**	2.6	-	-
Er De Pazarlama A.S.	**9.7**	4.2	-	-	**3.7**	1.3	-	-
Lacoste Alligator S.A.	-	-	**4.8**	3.2	-	-	**1.5**	1.0
Lacoste Canada, Inc.	**6.8**	4.0	-		**2.5**	1.3	-	-
Lacoste Footwear France S.A.S.	**0.2**	9.8	-	-	**0.1**	0.7	-	-
Lacoste Germany GmbH	**0.1**	6.8	-	-	**0.1**	0.6	-	-
Lacoste Iberica S.A.	**0.1**	0.1	-	-	**0.0**	0.1	-	-
Lacoste Japan Co., Ltd.	**6.5**	3.1	-	-	**2.1**	0.5	-	-
Lacoste Operations S.A.	**89.2**	53.0	**5.6**	5.7	**20.2**	17.0	**1.8**	4.8
Lacoste Portugal, Soc. Unip., Lda.	-	1.8	-	-	-	-	-	-
Lacoste S.A.	**0.6**	0.2	**15.8**	15.6	**0.1**	0.0	**5.1**	3.2
Lacoste Switzerland AG	**0.9**	1.2	-	-	**0.0**	0.4	-	-
Lacoste Taiwan Ltd	**0.6**	0.7	-	-	**0.1**	0.2	-	-
Lacoste USA, New York	**41.8**	27.8	-	-	**7.1**	6.8	-	-
Lode LLC	**0.9**	6.3	-	-	**0.0**	2.6	-	-
Montaigne Garments (Shanghai) Co., Ltd.	**10.5**	10.1	-	-	**2.0**	3.0	-	-
Montaigne Hong Kong Ltd.	**0.2**	0.2	-	-	**0.1**	0.1	-	-
Murvral Company S.A.	**1.3**	0.7	-	-	**0.6**	0.2	-	-
NL Diffusion B.V.	**5.6**	2.1	-	-	**2.3**	0.5	-	-
P. B. Distribution (UK) Ltd.	**37.6**	23.9	-	-	**3.3**	3.9	-	-
Pentland Brands Limited	-	0.1	**5.3**	12.2	-	-	**0.4**	0.4
Retek LLC	**(0.1)**	1.7	-	-	**0.6**	1.2	-	-
Sidas S.P.A.	**2.7**	1.2	-	-	**0.8**	0.2	-	-
Sporloisirs S.A.	-	-	**2.7**	2.3	-	-	**1.0**	0.6
Vesuvio Comercial Y Textil Chile Limitada	**1.4**	0.8	-	-	**0.5**	0.7	-	-
Vesuvio Sacifei	**3.3**	3.8	-	-	**2.2**	2.3	-	-
Technifibre USA	**0.1**	-	-	-	**0.1**	-	-	-
	267.5	**188.5**	**51.6**	**50.3**	**60.1**	**48.5**	**12.7**	**12.2**

Notes to the financial statements (continued)

20 Related party transactions (continued)

Outstanding balances from related parties are unsecured, interest-free and cash settlement is expected within either 60 or 90 days. The company has not provided or benefited from any guarantees for any related party receivables or payables.

21 Controlling parties

As at 31 December 2022, the company was jointly controlled by immediate and ultimate parent undertakings:

- Pentland Group (Trading) Limited, a company registered in England owns 50% of the Company. The ultimate parent undertaking of Pentland Group (Trading) Limited is Pentland Group Holdings Limited, a company registered in Jersey. R S Rubin and his close family are considered the ultimate controlling party by virtue of their control of Pentland Group Holdings Limited. Consolidated financial statements are prepared by Pentland Group Holdings Limited, which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements for the year ended 31 December 2022. The consolidated financial statements of Pentland Group Holdings Limited can be obtained from the company's registered office at 26 New Street, St Helier, Jersey JE2 3RA.

- Maus Freres Brands Group S.A, a company registered in Switzerland owns 50% of the Company. Maus Freres S.A. are considered the ultimate controlling party by virtue of their control of Maus Freres Brands Group S.A. Consolidated financial statements have been prepared by Maus Freres Brands Group S.A., which is the parent undertaking of the smallest group of undertakings to consolidate these financial statements for the year ended 31 December 2022. The parent undertaking of the largest group is Maus Freres S.A. The consolidated financial statements of Maus Freres Brands Group S.A. can be obtained from the company's registered office at 6 rue de Cornavin, 1201 Genève, Switzerland. The consolidated financial statements of Maus Freres S.A. are not publicly available.

22 Subsequent events

Dividends

Interim 2022 dividends totalling $20M were paid in April 2023 ($10m) and July 2023 ($10m).

HMRC Determination

The company has provided for amounts owing to HMRC related to duties and applicable Import VAT on royalty cost on importations into the UK 2021 – 2022. The company is currently awaiting a determination of final amounts owing covering this period. This follows a previous determination for years 2018-2020 which has since been settled. The amounts related to duty are rechargeable to the relevant customers and so are provided for in both debtors and creditors. The Import VAT amounts are reclaimable in the subsequent VAT returns.

Russia/Ukraine Crisis

The directors do not consider the war in Ukraine to have a material impact on the business as a going concern. This is due to highly diversified geographic customer base.
The company has begun to trade with its Ukraine customer again with regular payments being received to clear overdue balances.