

PENTLAND BRANDS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2003

Registered in Scotland, number 3935



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COMPANIES HOUSE 22/07/04

PENTLAND BRANDS PLC

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company provides shipping, warehousing, retail support and administration support services to companies within Pentland Group plc. The current retail environment in which the Group operates continues to be challenging. The Directors are confident that the service levels required will be maintained in the foreseeable future.

RESULTS AND DIVIDENDS

The result for the year is set out on page 4 of the financial statements.

An interim dividend of 1.5p per share was paid, giving a total dividend for the year of £5,000,000 (2002: £60 million).

EMPLOYMENT POLICY

Company policy is to keep employees informed about activities and developments in the business. A Pentland Group newsletter, published several times a year, is distributed to all employees worldwide. Local managers are charged with communicating and explaining the Group's financial results to their staff and are provided with explanatory notes to assist them. Other communications, and the methods used for consulting employees and their representatives, vary locally according to the type of business and nature of employee representation.

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

Company policy is to recruit people and consider them for promotion, without discrimination, purely on their aptitude and ability. Disabled people are given equal opportunities in recruitment, promotion and career development. Wherever possible this applies to anyone who becomes disabled while in our employment.

SUPPLIER PAYMENT POLICY

The Company's policy is to agree the terms of payment at the start of business with each supplier, to ensure suppliers are aware of those terms and to abide by them. We comply with the Confederation of British Industry Prompt Payers Code, copies of which can be obtained from the CBI, Centrepont, 103 New Oxford Street, London, WC1A 1OU. The Company's average number of creditor days for the year (trade creditors divided by purchases) was 19 days (2002: 31 days).

PENTLAND BRANDS PLC

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The following Directors held office during the year:

RS Rubin
AK Rubin
NPH Webster
AM Leslie
E Brown
R Taylor
JS Sinclair (Appointed 3rd December 2003)

No Director had any interest in the shares of the company in the year. Messrs RS Rubin, AK Rubin and NPH Webster are Directors of Pentland Group plc, the Company's parent undertaking. Their interests in the shares of Pentland Group plc are shown in the financial statements of that Company.

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 of the Company for the period to that date. In preparing those financial statements the directors are required:

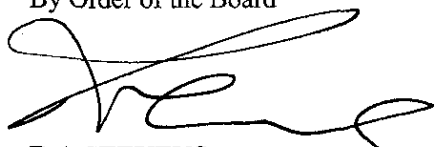
- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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



R A STEVENS
Secretary

24 March 2004

PENTLAND BRANDS PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND BRANDS PLC

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes. The financial statements have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members 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 in to 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 transactions is not disclosed.

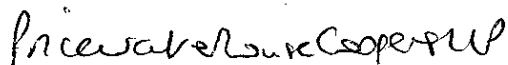
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the Company as at 31 December 2003 and of the result of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

24 March 2004

PENTLAND BRANDS PLC

Profit and Loss Account for the year ended 31 December 2003

	<u>Notes</u>	<u>2003</u> £m	<u>2002</u> £m
Turnover (continuing operations)	3	13.1	14.7
Operating profit/(loss) from continuing operations	4	(0.1)	0.6
Exceptional item			
Waiver of intercompany loans	5	10.8	-
Profit on ordinary activities before interest and taxation		10.7	0.6
Net interest income	6	0.4	0.6
Profit on ordinary activities before taxation		11.1	1.2
Tax on profit on ordinary activities	9	(1.3)	(5.2)
Profit/(loss) on ordinary activities after taxation		9.8	(4.0)
Dividends	10	(5.0)	(60.0)
Retained profit/(loss) for the financial year	18	4.8	(64.0)

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 18 form part of these financial statements.

PENTLAND BRANDS PLC

Balance Sheet at 31 December 2003

	Notes	£m	<u>2003</u> £m	£m	<u>2002</u> £m
Fixed assets					
Tangible fixed assets	11		21.5		26.6
Current assets					
Debtors	12	160.9		693.8	
Investments	13	-		0.1	
Cash and bank deposits	14	28.8		31.8	
Stock - finished goods for resale		0.7		0.5	
			<u>190.4</u>	<u>726.2</u>	
Creditors - amounts falling due within one year	15	(76.7)		(622.4)	
			<u>113.7</u>		103.8
Net current assets					
			<u>135.2</u>		<u>130.4</u>
Total assets less current liabilities					
			<u>135.2</u>		<u>130.4</u>
Capital and reserves					
Called up share capital	17		84.9		84.9
Reserves	18		50.3		45.5
			<u>135.2</u>		<u>130.4</u>
Equity shareholders' funds					
			<u>135.2</u>		<u>130.4</u>

Audron K. Rubin

AK Rubin
Director

Approved by the Board, 24 March 2004

The notes on pages 6 to 18 form part of these financial statements.

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting Policies

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

Consolidation Consolidated accounts have not been prepared as the company is a wholly owned subsidiary undertaking of Pentland Group plc, and is exempt from preparing Group accounts by virtue of Section 228 Companies Act 1985.

Fixed asset and current asset investments Fixed asset and current asset investments, other than associated undertakings, are stated at cost or valuation, less provision if appropriate, for any permanent diminution in value.

Leases Operating lease payments are charged to the profit and loss account on a straight line basis over the life of the lease.

Valuation of tangible fixed assets Fixed assets are stated at the lower of cost and recoverable amounts. In accordance with FRS 15: Tangible Fixed Assets, differences between existing use and historical cost are taken through the profit and loss account, and those arising not as a result of economic consumption to the Statement of Total Recognised Gains and Losses.

Going concern The Directors, having taken account of the Company's net cash resources and bank facilities and having made enquiries through the planning process, consider that the Company has adequate resources to continue operations for the foreseeable future. Therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Foreign currencies Transactions in foreign currencies during the year are translated at the rate of exchange applicable at the transaction date, or if hedged forward, at the contracted rate. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, or contracted rates where hedging arrangements are in place. All exchange differences are dealt with in the profit and loss account in the same period as the underlying transactions to which they relate.

Investment income Dividends are recognised when received.

Depreciation Depreciation is provided on fixed asset expenditure at rates calculated to write off each asset over its estimated useful life. No depreciation is provided on freehold land. The principal rates used are: Freehold Buildings, 2% to 4%; Fixtures, Fittings and Equipment, 15% to 33.33%; Motor Vehicles, 25% on a straight line basis.

Stock Stock is 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, services and royalties, excluding sales related taxes.

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

1 Accounting Policies (cont'd)

Accounting for retirement benefits The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes and deferred tax is accounted for on these variations in accordance with FRS19 : Deferred tax as described elsewhere in these notes. The pension cost is assessed in accordance with the advice of qualified actuaries. Contributions to the Group's defined contribution pension schemes are expensed as incurred. The Group has no other significant post employment benefit obligations.

Disclosures in relation to the pension schemes for the year ended 31 December 2003 have been set out in note 8 of the financial statements.

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 undertaking, has presented in its consolidated accounts a group cash flow statement drawn up under the provisions of Financial Reporting Standard 1: Cash Flow Statements (FRS1 revised 1996). Accordingly the Company has taken advantage of the exemption available under FRS1 to dispense with presenting its own cash flow statement.

PENTLAND BRANDS PLC**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)****3 Turnover**

Turnover by geographical area was as follows:

	2003	2002
	£m	£m
USA	0.6	-
Hong Kong	0.7	-
United Kingdom	11.8	14.7
	13.1	14.7

4 Operating profit from continuing operations

	2003	2002
	£m	£m
Turnover	13.1	14.7
Increase/(decrease) in stocks	0.2	(0.1)
Other income	0.3	11.0
Management charges to other group companies	30.8	19.7
Total income	44.4	45.3
Freight duty and charges payable	5.8	7.8
Staff costs:		
Wages and salaries	13.7	13.7
Social security costs	1.1	1.0
Other pension costs	1.3	1.3
Depreciation	5.1	4.9
Foreign exchange gain on intercompany loans	(2.1)	(1.7)
Auditors' remuneration	0.1	0.1
Operating lease charges	0.3	0.3
Other operating charges	19.2	17.3
	44.5	44.7
Operating (loss)/gain from continuing operations	(0.1)	0.6

In view of the size of the exceptional item, the Directors believe that it is appropriate to show separately the operating profit of the Company before exceptional items on the face of the profit and loss account as additional information.

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

5 Exceptional item

	2003 £m	2002 £m
Waiver of intercompany loans		
- Pentland Ventures Ltd	52.1	-
- Speedo International Ltd	170.7	-
- Ellesse Ltd	264.1	-
- Pentland Group plc	(146.1)	-
- Pentland Industries Ltd	(330.0)	-
	<u>10.8</u>	<u>-</u>

The exceptional item relates to the forgiveness of inter company indebtedness due from / (to) fellow subsidiary undertakings / parent undertaking as appropriate.

6 Net interest income

	2003 £m	2002 £m
Interest receivable	1.0	1.0
Less interest payable	(0.6)	(0.4)
	<u>0.4</u>	<u>0.6</u>

7 Directors and Employees

The average number of persons, including directors, employed by the Company during the year was:

	2003	2002
Management and administration	281	291
Production and warehousing	233	255
	<u>514</u>	<u>546</u>

	2003 £000's	2002 £000's
Directors Emoluments		
Remuneration for management services	1,460	1,631
Pension contribution - defined benefit scheme	171	208
- funded unapproved retirement benefits scheme	49	23
Benefits	43	47
Bonuses	398	296
	<u>2,121</u>	<u>2,205</u>

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

7 Directors and Employees (Cont'd)

The emoluments of the highest paid director were £611,727 excluding company contributions to a funded unapproved retirement benefits scheme of £27,623 (2002 - £30,207).

The accrued pension attributable to the highest paid director under the defined benefits scheme is £19,980 per annum (2002 - £18,020).

Retirement benefits are accruing to 6 directors (2002 - 7) under the defined benefits scheme.

Retirement benefits are accruing to 4 directors (2002 - 2) under a funded unapproved retirement benefits scheme.

8 Pension Schemes

Statement of Standard Accounting Practice 24 disclosure

Composition of Scheme The Group operates a contributory defined benefit pension scheme for UK based employees. The scheme is administered by trustees and is independent of Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The scheme's assets are invested in Axa's Mixed Fund and Baillie Gifford Managed Pension Fund at 31 December 2003. The value of the assets held in Axa's Mixed Fund were £25.6 million and the value of assets held in Baillie Gifford Managed Pension Fund at 31 December 2003 were £2.8 million.

An actuarial review of the scheme was conducted by Heath Lambert Group, as at 1 April 2003 using the projected unit method. The principal actuarial assumptions adopted in the review were that, over the long term, the average yield would be 6.5% per annum compound and that members' scheme salaries would, on average, increase at 4.0% per annum compound from the valuation date until the assumed retirement date. Annual increases in present and future pension payments are assumed to be no greater than 2.5% per annum compound. The average remaining service life of the membership was assessed as 17 years. The actuarial valuation of the assets revealed a deficit of £5.5 million. The funding level, representing the value of the scheme's assets in relation to liabilities, was 85.0%. The actuary recommended that the current employer's contribution rate remained at 13.7% which, together with the member contribution rate, should eliminate the part service deficit of £5.5 million over approximately seven years. The Group has paid special contributions of £2.4 million during the period from the 1st July 2000, the last valuation date, and the current valuation date of 1 April 2003.

The charge to the profit and loss account for the year for the Group's contributory defined pension scheme was £2.8M (2002 : £2.8M)

Financial Reporting Standard 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2003 and updated by Heath Lambert Group to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2003. Scheme assets are stated at their market value.

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

8 Pension Schemes (cont'd)

The financial assumptions used to calculate scheme liabilities under FRS 17, applying the projected unit valuation methods, are:

	2003	2002	2001
Discount rate	5.50%	5.50%	5.75%
Inflation rate	2.50%	2.00%	2.50%
Salary increases	3.50%	3.00%	3.75%
Rate of increase in pensions in payment			
Accrued prior to 1 January 1992	3.00%	3.00%	3.00%
Accrued between 1 January 1992 and 1 January 2001	5.00%	5.00%	5.00%
Accrued post 1 January 2001	2.50%	2.00%	2.50%

The expected rates of return assumed on the assets held in the scheme are:

	2003	2002	2001
Cash on deposit	6.00%	6.25%	6.50%
Berghaus Limited secured annuities	5.50%	5.50%	5.8%
Equities	8.00%	7.50%	7.75%
Bonds	5.50%	5.50%	5.75%
Property	7.00%	6.00%	6.50%
Cash	3.75%	3.00%	3.50%

Net pension deficit

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and are consequently inherently uncertain, were:

	2003 £m	2002 £m	2001 £m
Cash on deposit	3.5	2.3	2.4
Berghaus Limited secured annuities	0.4	0.4	0.4
Equities	24.0	16.0	17.9
Bonds	3.4	2.6	2.0
Property	0.3	0.4	0.3
Cash	1.4	2.2	1.6
Total market value of assets	33.0	23.9	24.6
Present value of scheme liabilities	49.5	45.6	36.3
Deficit in the scheme	(16.5)	(21.7)	(11.7)
Net pension deficit	(16.5)	(21.7)	(11.7)

It is not considered prudent to take any credit for a deferred tax asset.

PENTLAND BRANDS PLC**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)****8 Pension Schemes (cont'd)**

If FRS 17 had been adopted in the financial statements, the Company's net assets and profit and loss reserve including the pension deficit would be:

	2003 £m	2002 £m	2001 £m
Net assets			
Net assets excluding pension deficit	135.2	130.4	194.4
Pension deficit	(16.5)	(21.7)	(11.7)
Net assets including pension deficit	<u>118.7</u>	<u>108.7</u>	<u>182.7</u>
	2003 £m	2002 £m	2001 £m
Reserves			
Profit and loss reserve excluding pension deficit	39.6	34.8	98.8
Pension deficit	(16.5)	(21.7)	(11.7)
Profit and loss reserve	<u>23.1</u>	<u>13.1</u>	<u>87.1</u>

If FRS 17 had been adopted in the financial statements, the following amounts would have been recognised in the performance statements for the year to 31 December 2003, for the funded defined benefit pension scheme:

	2003 £m	2002 £m
Profit and loss account		
Amounts charged to operating profit:		
Current service cost	2.5	2.6
Past service credit	(8.2)	-
Total operating (credit)/charge	<u>(5.7)</u>	<u>2.6</u>
Amounts charged/(credited) to other finance charges:		
Expected return on pension scheme assets	1.7	1.9
Interest on pension scheme liabilities	(2.5)	(2.1)
Net deficit	<u>(0.8)</u>	<u>(0.2)</u>

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

8 Pension Schemes (cont'd)

Amounts recognised in statement of total recognised gains and losses (STRGL)	2003 £m	2002 £m
Actual return less expected return on pension scheme assets	2.5	(6.6)
Experience losses arising on the scheme liabilities	(1.3)	(1.6)
Changes in assumptions underlying the present value of the scheme liabilities	(4.9)	(1.8)
Actuarial loss recognised in the STRGL	<u>(3.7)</u>	<u>(10.0)</u>
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(21.7)	(11.7)
Movement in year:		
Current service cost	(2.5)	(2.6)
Employer contributions	4.0	2.8
Past service credit	8.2	-
Other finance deficit	(0.8)	(0.2)
Actuarial losses recognised in STRGL	(3.7)	(10.0)
Deficit at end of year	<u>(16.5)</u>	<u>(21.7)</u>

History of experience gains and losses year ended 31 December 2003

Difference between the expected and actual return on scheme assets	2003	2002
Amount (£m)	2.5	(6.6)
Percentage of scheme assets	7%	(27%)
Experience losses on scheme liabilities		
Amount (£m)	(1.3)	(1.6)
Percentage of the present value of the scheme liabilities	(3%)	(3%)
Total amount recognised in STRGL		
Amount (£000's)	(3.7)	(10.0)
Percentage of the present value of the scheme liabilities	(8%)	(22%)

Notes on Group contributions and other Group Pension's Schemes are included in the consolidated accounts of Pentland Group plc.

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

9 Taxation

	2003 £m	2002 £m
Current Tax		
UK - Current corporation tax at 30% (2002 - 30%)	1.3	1.2
Prior year charge	-	3.7
Deferred Tax		
Timing differences	-	0.3
Tax charge on profit on ordinary activities	<u>1.3</u>	<u>5.2</u>

Based upon the results, the effective tax rate for the year ended 31 December 2003 was 10.2% (2002 422.8%).

The current tax charge reconciles with the charge calculated using the standard rate of UK corporation tax as follows:	2003	2002
	£m	£m
Profit on ordinary activities before taxation	11.1	1.2
Corporation tax at UK statutory rates	3.3	0.4
Effect on tax charge of:		
Depreciation and other timing differences	1.1	0.8
Permanent differences	(3.1)	-
Adjustment to tax in respect of prior periods	-	3.7
Deferred tax	-	0.3
Current tax charge	<u>1.3</u>	<u>5.2</u>

10 Dividends

	2003 £m	2002 £m
Interim 1.5p per share (2002 – 17.7p)	5.0	60.0
	<u>5.0</u>	<u>60.0</u>

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

11 Tangible Fixed Assets

	Freehold property £m	Plant and equipment £m	Total £m
Cost			
As at 1 January 2003	13.9	20.3	34.2
Additions	-	1.1	1.1
Disposals	(1.0)	(0.9)	(1.9)
As at 31 December 2003	<u>12.9</u>	<u>20.5</u>	<u>33.4</u>
Depreciation			
As at 1 January 2003	0.7	6.9	7.6
Charge in the year	0.3	4.8	5.1
Disposals	(0.1)	(0.7)	(0.8)
As at 31 December 2003	<u>0.9</u>	<u>11.0</u>	<u>11.9</u>
Net book value			
As at 31 December 2003	<u>12.0</u>	<u>9.5</u>	<u>21.5</u>
As at 31 December 2002	<u>13.2</u>	<u>13.4</u>	<u>26.6</u>

12 Debtors

	2003 £m	2002 £m
Due within one year		
Corporation tax recoverable	0.1	2.8
Amounts due from fellow subsidiary undertakings	159.1	687.9
Other debtors	0.4	0.4
Prepayments and accrued income	1.3	2.7
	<u>160.9</u>	<u>693.8</u>

13 Investments Held as Current Assets

	2003 £m	2002 £m
Certificates of tax deposit	-	0.1
	<u>-</u>	<u>0.1</u>

14 Cash and Bank Deposits

	2003 £m	2002 £m
Cash and bank deposits	<u>28.8</u>	<u>31.8</u>

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

15 Creditors

	2003 £m	2002 £m
Amounts falling due within one year		
Bank overdrafts	18.4	25.6
Trade creditors	1.5	2.4
Amounts due to group undertakings	47.3	524.2
Dividends payable	-	60.0
Corporation tax payable	1.3	1.2
Accruals and deferred income	4.9	5.4
Social security and other taxes	3.3	3.6
	<u>76.7</u>	<u>622.4</u>

Bank overdrafts are reported gross but the Company and the majority of its UK fellow subsidiary undertakings have arrangements with their clearing banks whereby sterling and, if applicable, US dollar and euro cleared credit balances are set off against the respective sterling and foreign currency cleared debit balances on their current accounts and interest is paid only on the aggregate net overdrafts.

The Company has various short term borrowing facilities at its disposal. The above bank overdrafts represent usage of these facilities, which are repayable upon demand.

The company's syndicated revolving credit facility for £60.0 million, which was extant but undrawn at 31 December 2002, was cancelled voluntarily by the Company on 8 April 2003 owing to the Group's high liquidity. The facility had been scheduled to be terminated on 2 September 2003.

16 Deferred Taxation

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

The full potential deferred taxation asset, which has not been recognised, is as follows:

	2003 £m	2002 £m
Accelerated capital allowance	2.5	1.3
Other timing differences	0.3	0.6
Undiscounted for deferred tax asset	<u>2.8</u>	<u>1.9</u>

As stated in note 1, deferred tax assets have only been accounted for to the extent that the Directors consider it more likely than not that there will be suitable taxable profits to allow the future reversal of the deferred tax asset.

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

17 Share Capital

	2003 £m	2002 £m
Authorised 480,000,000 ordinary shares of 25p each (2002 - 480,000,000)	120.0	120.0
Allotted, issued and fully paid 339,722,474 ordinary shares of 25p each (2002 - 339,722,474)	84.9	84.9

18 Reserves

	Capital redemption reserve £m	Share Premium £m	Profit and loss £m	Total £m
At 1 January 2003	6.8	3.9	34.8	45.5
Profit for year	-	-	4.8	4.8
At 31 December 2003	6.8	3.9	39.6	50.3

19 Commitments and contingencies

The Company and many of its UK fellow subsidiary undertakings are party to several guarantees in favour of their bankers regarding the aggregate set-off of the cleared current account balances in sterling, US dollars and euros, respectively, of the Company and such fellow subsidiary undertakings.

The Company's liability under these guarantees is limited to the lower of the net account indebtedness of the relevant fellow subsidiary undertakings and its own current account credit balances in sterling and the respective foreign currencies with the banks concerned.

At 31 December 2003 the company had £3.9m of authorised capital commitments (2002 nil) of which £0.4m was contracted (2002 nil).

The Company had annual commitments under non-cancellable operating leases as set out below.

	2003 £m	2002 £m
Land and Buildings		
Expire in less than one year	-	0.3
Expire within two to five years inclusive	0.6	0.9
Expire in more than five years	2.5	1.6
Other assets		
Expire in less than one year	0.1	0.1
Expire within two to five years inclusive	0.1	-
	3.3	2.9

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003 (continued)

20 Parent undertaking

The parent company is Pentland Group plc, a company registered in England. Consolidated accounts have been prepared by Pentland Group plc for the year ended 31 December 2003 and these can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.

21 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.

22 Approval of Accounts

These accounts were approved at a Directors' meeting held on 24 March 2004.