

PENTLAND BRANDS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004

Registered in Scotland, number 3935



PENTLAND BRANDS PLC

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2004.

COMPANY PROFIT AND LOSS ACCOUNT

The Company results for the year and the appropriations are shown in the profit and loss account on page 5.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

DIVIDENDS

During the year an interim dividend of 2.94p per share totalling £10 million was paid on 8 December 2004 (2003: £5 million).

EMPLOYEE POLICIES

Group policy is to keep employees informed about activities and developments in the business. Various Pentland Group newsletters, published several times a year, are 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.

Group 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.

PENTLAND BRANDS PLC

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The following Directors held office during the year unless noted:

R S Rubin

A K Rubin

N P H Webster (Resigned 31.03.04)

A M Leslie

E B Brown

R H Taylor (Resigned 31.03.04)

J S Sinclair

No Director had any interest in the shares of the Company or any other Group company in the year. The interests of R S Rubin and A K Rubin in Pentland Group plc are disclosed in the financial statements of that company.

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, Centrepoint, 103 New Oxford Street, London, WC1A 1OU. The Company's average number of creditor days for the year (trade creditors divided by purchases) was 27 days (2003: 23 days).

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 as a going concern for the foreseeable future. Therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

PENTLAND BRANDS PLC

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss 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



P J Campbell
Secretary

11 March 2005

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 law and 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.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

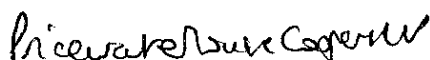
Basis of audit opinion

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 the company's affairs at 31 December 2004 and of its loss 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

11 March 2005

PENTLAND BRANDS PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	<u>2004</u> £m	<u>2003</u> £m
Turnover	3	9.1	13.1
Operating loss	4	<u>(2.3)</u>	<u>(0.1)</u>
Exceptional items	5		
-profit on sale of properties		1.2	-
-waiver of intercompany loans		-	10.8
Net interest (payable)/receivable	6	(1.1)	0.4
(Loss)/profit on ordinary activities before taxation		<u>(2.2)</u>	<u>11.1</u>
Taxation credit/(charge)	9	1.2	(1.3)
(Loss)/profit on ordinary activities after taxation		<u>(1.0)</u>	<u>9.8</u>
Dividends	10	(10.0)	(5.0)
Retained (loss)/profit for the financial year	17	<u>(11.0)</u>	<u>4.8</u>

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

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

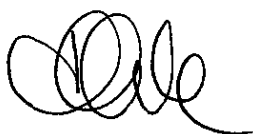
The notes on pages 7 to 19 form part of these financial statements.

PENTLAND BRANDS PLC**BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	£m	<u>2004</u> £m	£m	<u>2003</u> £m
Fixed assets					
Tangible assets	11		18.9		21.5
Current assets					
Stock	12	1.1		0.7	
Debtors	13	177.0		160.9	
Cash at bank and in hand		31.4		28.8	
			<u>209.5</u>	<u>190.4</u>	
Current liabilities					
Creditors - amounts falling due within one year	14	(104.2)		(76.7)	
			<u>105.3</u>	<u>113.7</u>	
Net current assets					
			<u>124.2</u>	<u>135.2</u>	
Net assets					
Capital and reserves					
Called up equity share capital	16		84.9		84.9
Reserves	17		39.3		50.3
			<u>124.2</u>	<u>135.2</u>	
Equity shareholders' funds					
			<u>124.2</u>	<u>135.2</u>	

Approved by the Board, 11 March 2005

On behalf of the Board



J S Sinclair
Director

The notes on pages 7 to 19 form part of these financial statements.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004

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.

Leases If the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating 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.

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 and assets under construction. The principal rates used are: freehold buildings: 2-2 1/2%, leasehold buildings: 2% or lease term, IT hardware, software and consultancy: 33 1/3%, plant and equipment: 20-50%, fixtures and fittings: 10-33 1/3% on a straight line basis.

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.

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

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

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 2004 have been set out in Note 8 of the financial statements.

1 ACCOUNTING POLICIES (continued)

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.
- provision is made for deferred tax that would rise on remittance of net earnings of overseas subsidiaries, associates and joint ventures only to the extent that the balance sheet date dividends had been accrued as receivables.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

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

2 STATEMENT OF CASH FLOWS

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

3 TURNOVER

Turnover is analysed by geographical area as follows:

	2004 £m	2003 £m
United Kingdom	9.1	11.8
Rest of the World	-	1.3
	<hr/> 9.1	<hr/> 13.1
	<hr/>	<hr/>

PENTLAND BRANDS PLC**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)****4 OPERATING LOSS**

	2004	2003
	£m	£m
Turnover	9.1	13.1
(Decrease)/increase in stocks	(0.1)	0.2
Other operating income	28.3	31.1
	<u>37.3</u>	<u>44.4</u>
Purchase and direct charges	7.4	5.8
Staff costs:		
Wages and salaries	13.7	13.7
Social security costs	1.2	1.1
Other pension costs	1.2	1.3
Depreciation of tangible fixed assets	4.2	5.1
Loss on disposal of tangible fixed assets	0.1	-
Hire of plant and equipment	0.2	0.3
Other operating lease rentals	1.6	1.5
Other operating charges	10.0	15.7
	<u>39.6</u>	<u>44.5</u>
Operating loss	<u>(2.3)</u>	<u>(0.1)</u>

The auditors' remuneration for 2004 was £17,000 (2003:£17,000).

5 EXCEPTIONAL ITEMS

	2004	2003
	£m	£m
Profit on sale of properties	1.2	-
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>1.2</u>	<u>10.8</u>

PENTLAND BRANDS PLC**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)****6 NET INTEREST (PAYABLE)/RECEIVABLE**

	2004	2003
	£m	£m
Interest receivable	0.6	1.0
Interest payable	(1.7)	(0.6)
	<u>(1.1)</u>	<u>0.4</u>

7 DIRECTORS AND EMPLOYEES

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

	2004	2003
Management and administration	291	281
Production and warehousing	239	233
	<u>530</u>	<u>514</u>

All employees and directors are domiciled within the United Kingdom.

Directors' Emoluments	2004 £m	2003 £m
Remuneration for management services	0.9	0.5
Pension contributions - defined benefit scheme	0.1	0.1
	<u>1.0</u>	<u>0.6</u>

The emoluments of the highest paid director, excluding pension contributions, were £289,432 (2003: £190,294).

The accrued pension attributable to the highest paid director under the defined benefits scheme is £1,375 per annum (2003 - £20,655).

Retirement benefits are accruing to 3 directors (2003 - 3) under the defined benefits scheme.

Retirement benefits are accruing to 2 directors (2003 - 3) under a funded unapproved retirement benefits scheme.

Those directors who are also directors of the parent company, Pentland Group plc, have their emoluments disclosed in the financial statements of that company.

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, Baillie Gifford Managed Pension Fund and New Star Investment Funds. At 31 December 2004 the value of the assets held in Axa's Mixed Fund were £28.5 million, the value of assets held in Baillie Gifford Managed Pension Fund was £7.0 million and the value of assets held in New Star Investment Funds was £3.9 million.

An actuarial review of the scheme was conducted by Heath Lambert Group, as at 1 April 2003 using the projected unit credit 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 past service deficit of £5.5 million in under six 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. An update to this review was undertaken in November 2004 which calculated the past service deficit to be £3.8 million which, at current contribution rates, would be eliminated in under four years. The charge to the profit and loss account for the year for the Group's contributory defined benefit pension scheme was £2.6m (2003: £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 2004. Scheme assets are stated at their market value.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

8 PENSION SCHEMES (continued)

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

	2004	2003	2002	2001
Discount rate	5.25%	5.50%	5.50%	5.75%
Inflation rate	2.75%	2.50%	2.00%	2.50%
Salary increases	3.75%	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%	3.00%
Accrued between 1 January 1992 and 1 January 2001	5.00%	5.00%	5.00%	5.00%
Accrued post 1 January 2001	2.75%	2.50%	2.00%	2.50%

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

	2004	2003	2002	2001
Cash on deposit	4.75%	6.00%	6.25%	6.50%
Berghaus Limited secured annuities	5.25%	5.50%	5.50%	5.8%
Equities	7.50%	8.00%	7.50%	7.75%
Bonds	5.00%	5.50%	5.50%	5.75%
Property	6.50%	7.00%	6.00%	6.50%
Cash	4.75%	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:

	2004	2003	2002	2001
	£m	£m	£m	£m
Cash on deposit	-	3.5	2.3	2.4
Berghaus Limited secured annuities	0.4	0.4	0.4	0.4
Equities	33.2	24.0	16.0	17.9
Bonds	2.9	3.4	2.6	2.0
Property	0.3	0.3	0.4	0.3
Cash	3.3	1.4	2.2	1.6
Total market value of assets	40.1	33.0	23.9	24.6
Present value of scheme liabilities	(61.4)	(49.5)	(45.6)	(36.3)
Deficit in the scheme	(21.3)	(16.5)	(21.7)	(11.7)
Pension deficit	(21.3)	(16.5)	(21.7)	(11.7)

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

8 PENSION SCHEMES (continued)

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:

	2004 £m	2003 £m	2002 £m	2001 £m
Net assets				
Net assets excluding pension deficit	124.2	135.2	130.4	194.4
Pension deficit	(21.3)	(16.5)	(21.7)	(11.7)
Net assets including pension deficit	<u>102.9</u>	<u>118.7</u>	<u>108.7</u>	<u>182.7</u>
	2004 £m	2003 £m	2002 £m	2001 £m
Reserves				
Profit and loss reserve excluding pension deficit	28.6	39.6	34.8	98.8
Pension deficit	(21.3)	(16.5)	(21.7)	(11.7)
Profit and loss reserve including pensions deficit	<u>7.3</u>	<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 2004, for the funded defined benefit pension scheme:

	2004 £m	2003 £m
Profit and loss account		
Amounts charged to operating profit:		
Current service cost	2.4	2.5
Past service cost/(credit)	0.1	(8.2)
Total operating charge/(credit)	<u>2.5</u>	<u>(5.7)</u>
Amounts charged/(credited) to other finance charges:		
Expected return on pension scheme assets	2.5	1.7
Interest on pension scheme liabilities	(2.7)	(2.5)
Net deficit	<u>(0.2)</u>	<u>(0.8)</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

8 PENSION SCHEMES (continued)

Amounts recognised in statement of total recognised gains and losses (STRGL)	2004 £m	2003 £m
Actual return less expected return on pension scheme assets	1.2	2.5
Experience gains and losses arising on the scheme liabilities	0.1	(1.3)
Changes in assumptions underlying the present value of the scheme liabilities	(6.1)	(4.9)
Actuarial loss recognised in the STRGL	<u>(4.8)</u>	<u>(3.7)</u>
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(16.5)	(21.7)
Movement in year:		
Current service cost	(2.4)	(2.5)
Employer contributions	2.7	4.0
Past service (costs)/credit	(0.1)	8.2
Other finance deficit	(0.2)	(0.8)
Actuarial losses recognised in STRGL	(4.8)	(3.7)
Deficit at end of year	<u>(21.3)</u>	<u>(16.5)</u>

History of experience gains and losses year ended 31 December 2004

	2004	2003	2002
Difference between the expected and actual return on scheme assets			
Amount (£m)	1.2	2.5	(6.6)
Percentage of scheme assets	3%	7%	(27%)
Experience gains and (losses) on scheme liabilities			
Amount (£m)	0.1	(1.3)	(1.6)
Percentage of the present value of the scheme liabilities	-	(3%)	(3%)
Total amount recognised in STRGL			
Amount (£m)	(4.8)	(3.7)	(10.0)
Percentage of the present value of the scheme liabilities	(8%)	(8%)	(22%)

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

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

9 TAXATION

	2004	2003
	£m	£m
Current Tax		
UK - Current corporation tax charge at 30% (2003 - 30%)	(1.2)	1.3
Tax (credit)/charge on loss/profit on ordinary activities	<u>(1.2)</u>	<u>1.3</u>

Based upon the results, the effective tax rate for the year ended 31 December 2004 was 54.5% (2003 11.7%).

The current tax charge reconciles with the charge calculated using the standard rate of UK corporation tax as follows:	2004	2003
	£m	£m
(Loss)/profit on ordinary activities before taxation	(2.2)	11.1
Corporation tax (credit)/charge at UK statutory rates	(0.7)	3.3
Effect on tax charge of:		
Depreciation and other timing differences	(0.6)	1.1
Permanent differences	0.1	(3.1)
Current tax (credit)/charge	<u>(1.2)</u>	<u>1.3</u>

10 DIVIDENDS

	2004	2003
	£m	£m
Interim dividend 2.94p per share (2003: 1.5p)	10.0	5.0
	<u>10.0</u>	<u>5.0</u>

PENTLAND BRANDS PLC**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)****11 TANGIBLE FIXED ASSETS**

	Freehold property £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost				
As at 1 January 2004	12.9	20.5	-	33.4
Additions	-	1.1	2.4	3.5
Disposals	(1.7)	(1.4)	-	(3.1)
Reclassifications	-	(0.7)	0.7	-
As at 31 December 2004	11.2	19.5	3.1	33.8
Depreciation				
As at 1 January 2004	0.9	11.0	-	11.9
Charge in the year	0.2	4.0	-	4.2
Disposals	(0.1)	(1.1)	-	(1.2)
As at 31 December 2004	1.0	13.9	-	14.9
Net book value				
As at 31 December 2004	10.2	5.6	3.1	18.9
As at 31 December 2003	12.0	9.5	-	21.5

12 STOCK

The Company's stock consists of finished goods held for resale.

13 DEBTORS

	2004 £m	2003 £m
Amounts due from fellow subsidiary undertakings	129.2	124.0
Amounts due from parent undertaking	43.4	35.1
Other debtors	0.1	0.4
Prepayments and accrued income	1.8	1.3
Corporation tax recoverable	2.5	0.1
	177.0	160.9

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

14 CREDITORS – amounts falling due within one year

	2004 £m	2003 £m
Bank overdrafts	36.1	18.4
Trade creditors	1.4	1.5
Amounts due to fellow subsidiary undertakings	56.3	47.3
Current taxation	-	1.3
Social security and other taxes	4.3	3.3
Other creditors	0.1	-
Accruals and deferred income	6.0	4.9
	<u>104.2</u>	<u>76.7</u>

Bank overdrafts are reported gross but the Company and 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.

15 DEFERRED TAXATION

No deferred tax has been provided in the accounts. The full potential deferred taxation asset is as follows:

	2004 £m	2003 £m
Accelerated capital allowance	2.0	2.5
Other timing differences	0.5	0.3
	<u>2.5</u>	<u>2.8</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

16 SHARE CAPITAL

	2004 £m	2003 £m
Authorised		
480,000,000 ordinary shares of 25p each	120	120
	<hr/>	<hr/>
	2004 £m	2003 £m
Allotted, issued and fully paid		
339,722,474 ordinary shares of 25p each	84.9	84.9
	<hr/>	<hr/>

17 RESERVES

	Capital redemption reserve £m	Share premium account £m	Profit and loss account £m	Total £m
At 1 January 2004	6.8	3.9	39.6	50.3
Loss for year	-	-	(11.0)	(11.0)
At 31 December 2004	<hr/> 6.8 <hr/>	<hr/> 3.9 <hr/>	<hr/> 28.6 <hr/>	<hr/> 39.3 <hr/>

18 COMMITMENTS AND CONTINGENCIES

The Company is party to guarantees in favour of two of its banks regarding the aggregate indebtedness on the cleared current account balances in sterling, US dollars and euros, respectively, of Pentland Group plc and/or of several UK fellow subsidiaries, which together comprise the overdraft group and participate in the set-off arrangements with the bank concerned.

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

At 31 December 2004 the company had £4.0m of authorised capital commitments (2003: £3.9m) of which £0.2m was contracted (2003: £0.4m).

PENTLAND BRANDS PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2004 (continued)

18 COMMITMENTS AND CONTINGENCIES (continued)

The Company had the following annual commitments under non-cancellable operating leases:

	2004 £m	2003 £m
Land and Buildings		
Lease expiring;		
Within one year	0.3	-
Within two to five years	0.5	0.6
After five years	2.6	2.5
Other assets		
Lease expiring;		
Within one year	-	0.1
Within two to five years	0.1	0.1
After five years	0.1	-
	<hr/> 3.6	<hr/> 3.3

19 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.

20 PARENT UNDERTAKING

The parent undertaking is Pentland Group plc, a company registered in England. Consolidated accounts have been prepared by Pentland Group plc for the year ended 31 December 2004 and these can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.