PENTLAND BRANDS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Registered number: SC3935

WEDNESDAY
S1BYLBVN
SCT 27/06/2012 #69
COMPANIES HOUSE

PENTLAND BRANDS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company provides shared services including shipping, warehousing, retail support and administrative support to companies within Pentland Group plc. This is not expected to change in the coming year.

Given the prevalence of uncertainty arising from political and economic instability in the global market, as well as the inherent risks faced by the business, the directors' acknowledge that the future year will be a challenging period. However, through a combination of strong industry knowledge and robust long term strategic planning the directors' remain confident that the business will continue to meet the challenges.

Principal risks and uncertainties
The directors of Pentland Group plc (the ultimate parent company) manage the group's risk at a group level, rather than at an individual entity level, including financial risk management.

The principal risks and uncertainties of Pentland Group plc, which include those of the company, are discussed in the group's annual report which does not form part of this report. Copies of the Pentland Group plc consolidated financial statements are available from the company secretary at 8 Manchester Square, London, W1U 3PH.

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

RESULTS AND DIVIDENDS

The company's profit for the financial year is £2.7m (2010: £56.1m loss) and is shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2010: £nil).

EMPLOYEE POLICIES

The company follows the group employee policy.

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.

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining.

DIRECTORS

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

E B Brown
A K Rubin
A M Long

QUALIFYING THIRD PARTY AND PENSION SCHEME LIABILITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of its directors and the secretary which were made during the year and remain in force at the date of this report.

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 can abide by them. We comply with the Confederation of British Industry (CBI) Prompt Payers Code, copies of which can be obtained from the CBI, Centrepoint, 103 New Oxford Street, London, WC1A 1DU. The company's average number of creditor days for the year was 122 days (2010: 32 days).

GOING CONCERN

The directors, having taken account of the company's net cash resources and bank facilities, 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

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

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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

Pursuant to sections 485-488 of the Companies Act 2006, PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an annual general meeting.

By order of the board

P J Campbell
Company secretary
21 February 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND BRANDS PLC

We have audited the financial statements of Pentland Brands Plc for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the director's report and financial statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND BRANDS PLC (continued)

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Alison Lees (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 February 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011** **£m**	2010 £m
Turnover	3	**12.7**	15.9
Operating profit / (loss)	4	**2.8**	(56.1)
Profit / (loss) on ordinary activities before taxation		**2.7**	(56.1)
Tax on profit / (loss) on ordinary activities	6	**-**	-
Profit / (loss) for the financial year	13	**2.7**	(56.1)

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the financial years stated above and their historical cost equivalents.

BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	**2011**	2010
		£m	£m
Fixed assets			
Tangible assets	7	**15.9**	16.9
Current assets			
Stocks	8	**0.5**	2.4
Debtors	9	**114.1**	73.7
		114.6	76.1
Creditors: amounts falling due within one year	10	**(70.1)**	(35.3)
Net current assets		**44.5**	40.8
Total assets less current liabilities		**60.4**	57.7
Net assets		**60.4**	57.7
Capital and reserves			
Called up share capital	12	**44.9**	44.9
Share premium account	13	**3.9**	3.9
Profit and loss account	13	**4.8**	2.1
Capital redemption reserve	13	**6.8**	6.8
Total shareholders' funds	14	**60.4**	57.7

The financial statements on pages 6 to 17 were approved by the board of directors on 21 February 2012 and signed on behalf of:

A M Long
Director

Registered number: SC3935

PENTLAND BRANDS PLC

RECONCILATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £m	2010 £m
Profit for the financial year	**2.7**	(56.1)
Net increase / (decrease) in shareholders' funds	**2.7**	(56.1)
Opening shareholders' funds	**57.7**	113.8
Closing shareholders' funds	**60.4**	57.7

1 ACCOUNTING POLICIES

Basis of preparation These financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently with the prior year, is given in the following paragraphs.

Tangible fixed assets and depreciation Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically. The expected useful life of freehold buildings is forty to fifty years, plant and equipment two to five years, both on a straight line basis. Assets under construction are not depreciated.

Stock Stock is valued at the lower of cost, determined on a FIFO method, and estimated net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

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. Monetary 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.

Turnover Turnover comprises the value of external sales excluding sales related taxes. Sales are recognised as they are invoiced following the passing of title of goods.

Operating leases Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Other operating income Other operating income comprises the recharges to other companies within Pentland Group plc.

Retirement benefits The company's employees can either be members of the defined benefit or 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. No contributions have been made in the year.

The impact of Financial Reporting Standard (FRS17): Retirement Benefits on the defined benefit pension scheme have not been applied to the financial statements as the employer is unable to identify its share of the underlying assets and liabilities. The disclosures required under FRS 17: Retirement Benefits are disclosed in the financial statements of Pentland Group plc, the company's ultimate parent undertaking.

1 ACCOUNTING POLICIES (continued)

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 tangible 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 average 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 the 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 CASH FLOW STATEMENT

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

3 TURNOVER

The company's turnover is derived from the company's principal activities within the United Kingdom. This relates to the provision of shared services including shipping, warehousing, retail support and administrative support to companies within Pentland Group plc

4 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £m	2010 £m
Turnover	**12.7**	15.9
Cost of sales	**(11.0)**	(12.3)
Gross profit	**1.7**	3.6
Net operating expenses		
Distribution costs	(1.7)	(0.9)
Administrative expenses before exceptional items	(21.2)	(25.5)
- Exceptional administrative expenses	(1.8)	(59.0)
Other operating income	25.8	25.7
Operating profit / (loss)	2.8	(56.1)

The following are included within the operating profit / (loss):	**2011 £m**	2010 £m
Staff costs:		
Wages and salaries	23.5	21.7
Social security costs	2.4	2.2
Other pension costs	1.4	1.4
	27.3	25.3
Depreciation of tangible fixed assets	4.0	5.5
Auditors remuneration – audit services	0.1	0.1

Exceptional administrative expenses includes pension costs of £2.8m (2010: £9.2m) and gains on foreign exchange transactions of £1.0m (2010: £3.3m).

Also included in the prior year exceptional administrative expenses was a net loss of £53.1m arising from the forgiveness of amounts owed by fellow subsidiary undertakings.

5 DIRECTORS AND EMPLOYEES

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

	2011 Number	2010 Number
By activity:		
Management and administration	237	265
Selling and distribution	338	396
	575	**661**

Directors' emoluments

	2011 £m	2010 £m
Aggregate emoluments	1.5	1.5
Company contributions to money purchase scheme	0.1	0.1
	1.6	1.6

The emoluments of the highest paid director were £775,998 (2010: £757,777)

The contributions to the money purchase scheme for the highest paid director were £47,469 (2010: £46,308)

The accrued pension attributable to the highest paid director is £28,586 per annum (2010: £27,713).

The number of directors accruing benefits under the defined benefit scheme is two (2010: two).

Contributions were made to the money purchase scheme on behalf of two directors (2010: two).

6 TAX ON LOSS ON ORDINARY ACTIVITIES

Based upon the results, for the current and prior year there was no tax payable.

The tax assessed for the year is lower (2010: higher) than the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below:

	2011	2010
	£m	£m
Profit / (loss) on ordinary activities before taxation	**2.7**	(56.1)
Profit/(loss) on ordinary activities multiplied by the average rate in the UK of 26.5% (2010: 28%)	**0.7**	(15.7)
Effects of:		
Expenses not deductible for tax purposes	-	15.0
Group relief surrendered for £nil consideration	**(0.4)**	0.6
Movement in depreciation in excess of capital allowances and other timing differences	**(0.9)**	(1.4)
Tax rate change impact	**0.6**	-
Adjustment in respect of prior years	-	1.5
Current tax charge for the year	-	-

During the year, a change in the UK main corporation tax rate from 28% to 26% was substantively enacted and was effective from 1 April 2011. A further reduction to 25% was also substantively enacted and will be effective from 1 April 2012.

7 TANGIBLE ASSETS

	Freehold property	Plant and equipment	Assets under construction	Total
	£m	£m	£m	£m
Cost				
At 1 January 2011	11.3	49.8	1.1	62.2
Additions	-	0.3	2.8	3.1
Transfers	-	1.8	(1.8)	-
At 31 December 2011	11.3	51.9	2.1	65.3
Accumulated depreciation				
At 1 January 2011	2.2	43.1	-	45.3
Charge for the year	0.1	3.9	-	4.0
At 31 December 2011	2.3	47.0	-	49.3
Net book value:				
At 31 December 2011	9.0	4.9	2.0	15.9
At 31 December 2010	9.1	6.7	1.1	16.9

8 STOCKS

The company's stock consists of finished goods held for resale. There is no material difference between the replacement cost of stocks and the amount disclosed.

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£m	£m
Trade debtors	0.5	0.9
Amounts owed by fellow subsidiary undertakings	4.3	11.9
Amounts owed by the parent undertaking	104.2	57.6
Other debtors	0.7	0.5
Prepayments and accrued income	2.6	2.3
Corporation tax	0.5	0.5
Taxation and social security	1.3	-
	114.1	73.7

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

Amount owed by the parent undertaking relates to a short term cash balance which is interest free and is repayable on demand.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 **£m**	2010 £m
Bank overdraft	26.8	1.4
Trade creditors	1.6	1.1
Amounts owed to fellow subsidiary undertakings	0.1	1.7
Amounts owed to the parent undertaking	32.1	21.6
Taxation and social security	-	0.1
Other creditors	0.8	0.6
Accruals and deferred income	8.7	8.8
	70.1	35.3

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

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.

11 DEFERRED TAXATION

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

	2011 **£m**	2010 £m
Depreciation in excess of capital allowances	**4.1**	4.1
Other timing differences	**0.6**	0.7
	4.7	4.8

The directors consider that there is insufficient certainty that there will be taxable profits within the Pentland Group plc tax group in the foreseeable future such as to realise the deferred tax asset, and therefore the asset has not been recognised in these financial statements.

Based on current capital investment plans, the directors expect to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

12 CALLED UP SHARE CAPITAL

	2011 £m	2010 £m
Authorised		
320,000,000 (2010: 480,000,000) ordinary shares of 25p each	**80.0**	120.0
Reduction of share Capital 160,000,000 of 25p each	-	(40.0)
	80.0	80.0

	2011 £m	2010 £m
Allotted and fully paid		
179,722,474 (2010: 179,722,474) ordinary shares of 25p each	**44.9**	44.9

13 RESERVES

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 January 2011	3.9	6.8	2.1
Profit for the financial year	-	-	2.7
At 31 December 2011	**3.9**	**6.8**	**4.8**

15 COMMITMENTS AND CONTINGENCIES

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

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

At 31 December 2011 the company had £1.0m of authorised capital commitments (2010: £0.5m).

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

	Land and buildings	
	2011 **£m**	2010 £m
Leases expiring:		
Within two to five years	0.9	0.9
After five years	2.6	3.1
	3.5	4.0

16 RELATED PARTIES

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its consolidated financial statements, 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.

17 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate parent undertaking is Pentland Group plc, a company registered in England. R S Rubin and his close family are considered the ultimate controlling party by virtue of their control of Pentland Group plc. Consolidated financial statements have been prepared by Pentland Group plc, which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements for the year ended 31 December 2011. The consolidated financial statements of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.