

**PENTLAND BRANDS LAKESIDE LIMITED  
(FORMERLY PENTLAND BRANDS PLC)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**Registered number: SC003935**



<b>Table of Contents</b>	<b>Page</b>
Strategic Report.....	1
Directors' Report .....	2
Statement of directors' responsibilities .....	4
Independent auditors' report.....	5
Profit and loss account .....	7
Statement of comprehensive income .....	7
Balance Sheet .....	8
Statement of changes in equity.....	9
Notes to the financial statements .....	10

**Strategic Report for the year ended 31 December 2016**

The directors present their strategic report on the company for the year ended 31 December 2016.

**Review of the business**

Formerly, Pentland Brands PLC provided shared services including shipping, warehousing and administrative support to wholly owned subsidiaries and associates within the Pentland Group plc group.

As the majority of the Pentland Brands Plc operations occur in England, the directors decided to transfer legal, and beneficial, ownership of the net assets to Pentland Brands Limited - a newly incorporated entity in England. The transfer of the net assets at net book value occurred on 1 January 2016 in consideration for an inter-company loan of the same value. On 1 January 2016, the Company transferred all the net assets, excluding one commercial property, to Pentland Brands Limited.

Subsequently, Pentland Brands Plc changed its name to Pentland Brands Lakeside PLC on 12 January 2016.

On 6 July 2016, Pentland Brands Lakeside PLC re-registered as a private company, thus becoming Pentland Brands Lakeside Limited.

On 6 December 2016, the Company approved a bonus issue of 1 ordinary share of £0.25 for a total consideration of £11.6m in the share capital of the Company. The £11.6m held in non-distributable reserves was capitalised and applied as payment in full for the bonus share issue.

As a result, the share capital of the Company increased to 179,722,475 ordinary shares of £0.25p each.

The company exists to hold the intercompany debtor from the transfer of assets to Pentland Brands Limited. The only transaction that occurred during 2016 was the sale of the property used solely for commercial purposes.

**Performance**

The company's profit for the financial year is £0.8m million (2015: £1.7 million) and is shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2015: £nil).

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.

**Principal risks and uncertainties**

The directors of Pentland Group plc (the ultimate parent company) manage the group's risk and key performance indicators at a group level, rather than at an individual entity level, including financial risk management. For this reason, the company's directors believe that a discussion of the company's risks would not be appropriate for an understanding of the development, performance or position of Pentland Brands Lakeside Limited business.

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.

By order of the board

  
T Cullen  
**Company Secretary**  
24<sup>th</sup> May 2017

**Directors' Report for the year ended 31 December 2016**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

**Dividends**

Details of dividends paid and recommended are included on page 1 (Strategic Report).

**Financial Instruments**

Transactions which are denominated in a foreign currency present risk and uncertainty as to their value in an entity's functional currency. Due to the significant volumes of USD and EUR flows across the Pentland Group, these exposures are managed centrally by Group Treasury on a combined rather than individual brand basis. The objectives of this policy are to maximise the efficiency benefits of group hedging and to provide a level of exchange rate certainty to individual brands to assist them in the forecasting, planning and budgeting processes.

**Directors**

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

S E Gilburd  
A M Long  
A K Rubin

**Qualifying third party and pension scheme liability provisions**

The company has provided an indemnity for the directors and the secretary of the company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

**Employee policies**

The ultimate parent Pentland Group's policy is to keep employees informed about activities and developments across the business. Various Group, subsidiary and brand updates are distributed to employees worldwide several times a year. Local managers are charged with communicating and explaining the Group's financial results to their team, 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 the nature of employee representation.

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

Pentland policy is to recruit, develop and promote people purely on their aptitude and ability. We are determined 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.

## Post balance sheet events

1. *Reduction of capital:* On 6 December 2016, the Company undertook a share capital reduction by cancelling and extinguishing 179,718,475 ordinary shares of £0.25p each in the issue share capital of the Company (£44.9m), cancelling and extinguishing £15.5m standing to the credit of the share premium account and cancelling £6.8m standing to the credit of the capital redemption reserve. The sum of £67.2m arising from the capital reduction was credited to the profit and loss reserves of the Company. The effective date of the capital reduction is 19 January 2017. As a result, the remaining share capital of the Company is 4,000 ordinary shares of £0.25p each and the capital and reserves are as below:

	£m
Capital & Reserves	0.001
Retained Earnings	83.099
<b>Total Equity</b>	<b>83.1</b>

2. *Distribution in Species:* On 23 January 2017, the Company declared a distribution in specie to be satisfied by way of an assignment of the £82.1m receivable to Pentland Group plc as sole shareholder. The share capital of the Company remains at 4,000 ordinary shares of £0.25p each with the capital and reserves looking as follows:

	£m
Capital & Reserves	0.001
Retained Earnings	0.999
<b>Total Equity</b>	<b>1.0</b>

## **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 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**

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office 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

  
T Cullen  
Company Secretary  
24<sup>th</sup> May 2017

**Independent auditors' report to the members of Pentland Brands Lakeside Limited**  
**Report on the financial statements**

---

**Our opinion**

In our opinion, Pentland Brands Lakeside Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

---

**What we have audited**

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account and the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

---

**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 the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

---

**Other matters on which we are required to report by exception**

---

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

---

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## **Responsibilities for the financial statements and the audit**

---

### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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) ("ISAs (UK & 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.

### **What an audit of financial statements involves**

---

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Kate Wolstenholme (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
25<sup>th</sup> May 2017



**PENTLAND BRANDS LAKESIDE LIMITED (FORMERLY PENTLAND BRANDS PLC)**

**Financial statements for the year ended 31 December 2016**

**Profit and loss account**

<i>All amounts in £m</i>	<b>Note</b>	<b>Year ended 31 December</b>	
		<b>2016</b>	<b>2015</b>
<b>Turnover</b>	5	-	6.9
Cost of Sales		-	(4.9)
<b>Gross profit</b>		-	2.0
Administrative expenses		-	(29.6)
Other operating income		-	32.4
<b>Operating profit</b>	6	-	4.8
<b>Profit on ordinary activities before interest, investment income and taxation</b>		-	4.8
Unrealised gain/(losses) on derivative financial instruments		-	(0.1)
Realised gain on disposal of fixed assets		0.7	-
<b>Profit on ordinary activities before taxation</b>		0.7	4.7
Tax charge on profit on ordinary activities	8	0.1	(3.0)
<b>Profit for the financial year</b>		0.8	1.7

**Statement of comprehensive income**

<i>All amounts in £m</i>	<b>Year ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
<b>Profit for the financial year</b>	0.8	1.7
<b>Total comprehensive income for the year</b>	0.8	1.7


**PENTLAND BRANDS LAKESIDE LIMITED (FORMERLY PENTLAND BRANDS PLC)**

**Financial statements for the year ended 31 December 2016 (continued)**

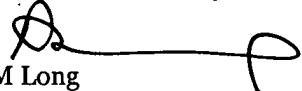
**Balance Sheet**

		As at 31 December	
<i>All amounts in £m</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Fixed assets</b>			
Intangible assets	9	-	2.3
Tangible assets	10	-	8.2
		-	10.5
<b>Current assets</b>			
Inventories	11	-	0.6
Deferred tax	16	0.8	0.1
Debtors: amounts falling due under one year	12	82.8	41.3
Debtors: amounts falling due after one year	13	-	1.0
Cash at bank and in hand		-	43.1
		83.6	86.1
<b>Creditors: amounts falling due within one year</b>	14	(0.7)	(11.2)
<b>Net current assets</b>		82.9	74.9
<b>Total assets less current liabilities</b>		82.9	85.4
Creditors – amounts falling due after one year	15	-	(0.2)
Provision for other liabilities	17	-	(3.1)
<b>Net assets</b>		<b>82.9</b>	<b>82.1</b>
<b>Capital and reserves</b>			
Called-up share capital	19	44.9	44.9
Share premium account		15.5	3.9
Retained earnings		15.7	14.9
Non-distributable reserve		-	11.6
Capital redemption reserve		6.8	6.8
<b>Total equity</b>		<b>82.9</b>	<b>82.1</b>

The notes on pages 10 to 28 are an integral part of these financial statements.

The financial statements on pages 7 to 28 were authorised for issue by the board of directors on  and signed on its behalf by:

24 March 2017

  
A M Long  
**Director**  
**Pentland Brands Lakeside Limited**  
**Registered number: SC003935**

## Financial statements for the year ended 31 December 2016 (continued)

## Statement of changes in equity for the financial year ended 31 December 2016

*All amounts in £m*

	Notes	Called up Share capital	Share premium Account	Capital redemption reserve	Non- distribut able reserves	Retained earnings	Total
<b>Balance as at 1 January 2015</b>		44.9	3.9	6.8	11.6	13.2	80.4
Profit for the year		-	-	-	-	1.7	1.9
Total comprehensive income for the year		-	-	-	-	1.7	1.9
<b>Balance as at 31 December 2015</b>		44.9	3.9	6.8	<b>11.6</b>	14.9	82.1
<b>Balance as at 1 January 2016</b>		<b>44.9</b>	<b>3.9</b>	<b>6.8</b>	<b>11.6</b>	<b>14.9</b>	<b>82.1</b>
Profit for the year		-	-	-	-	0.8	0.8
Total comprehensive income for the year		-	-	-	-	0.8	0.8
Issued share capital		-	11.6	-	(11.6)	-	-
<b>Balance as at 31 December 2016</b>		<b>44.9</b>	<b>15.5</b>	<b>6.8</b>	<b>-</b>	<b>15.7</b>	<b>82.9</b>

**Notes to the financial statements**

**1 General Information**

Formerly, Pentland Brands PLC provided shared services including shipping, warehousing and administrative support to wholly owned subsidiaries and associates within the Pentland Group plc group.

As the majority of the Pentland Brands Plc operations occur in England, the directors have decided to transfer legal, and beneficial, ownership of the net assets to Pentland Brands Limited - a newly incorporated entity in England. The transfer occurred on 1 January 2016 in consideration for an inter-company loan of the same value. On 1 January 2016, the Company transferred all the net assets, excluding one commercial property, to Pentland Brands Limited.

Subsequently, Pentland Brands Plc changed its name to Pentland Brands Lakeside PLC on 12 January 2016.

On 6 July 2016, Pentland Brands Lakeside PLC re-registered as a private company, thus becoming Pentland Brands Lakeside Limited.

The company exists to hold the intercompany debtor from the transfer of assets to Pentland Brands Limited. The only transaction that occurred during 2016 was the sale of the property used sole for commercial purposes.

The company's registered office is Oswalds 4<sup>th</sup> Floor, 115 George Street, Edinburgh, Scotland.

**2 Statement of compliance**

The individual financial statements of Pentland Brands 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 periods presented, unless otherwise stated.

**(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The 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) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flows, required under FRS 102 paragraph 10.3.17 (d) on the basis that it is a qualifying entity and its ultimate parent company Pentland Group plc includes the company's cash flows in its consolidated financial statements.

(ii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures of Pentland Group plc.

**Notes to the financial statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(c) Consolidated financial statements**

The company is a wholly owned subsidiary of Pentland Group plc which is the smallest and largest group to consolidate financial statements. The consolidated financial statements are publicly available at the address of its parent company; 8 Manchester Square, London, W1U 3PH.

**(d) Going concern**

Based on confirmation of continuing financial support from the parent entity, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

**(e) Foreign currency**

*(i) Functional and presentational currency*

The company's functional and presentational currency is the pound sterling.

*(ii) Transactions and balances*

Transactions in foreign currencies during the period are translated at the spot exchange rate at the transaction date, or in the case of stock purchases, at an average spot rate of exchange for the period in which the purchases were made or actual spot rate at the transaction date, where this would give a material difference.

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 or in the case of stock, at an average spot rate of exchange for the period in which stock purchases were made or actual spot rate at the transaction date, where this would give a material difference; 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 and losses are presented in the profit and loss account.

**Notes to the financial statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(e) Turnover**

Turnover comprises the value of external sales, net of trade discounts and returns, 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 or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The company recognises revenue when the significant risks and rewards of ownership have been transferred.

○ **Sale of services**

The company sells shipping and distribution services to a third party. Revenue is recognised in the accounting period in which the services are rendered.

○ **Interest income**

Interest income is recognised using the effective interest rate method.

○ **Service recharge**

The company recharges the Group and its undertakings for services provided at a service charge rate

**(f) Employee benefits**

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

**(ii) Retirement benefits**

The company's employees can either be members of the Pentland Group 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. Contributions made during the period can be found in Note 7 of the financial statements.

There is no policy for charging the cost of the Group defined benefit plan to individual entities within the Group.

The disclosures required under Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102) are disclosed in the financial statements of Pentland Group plc, the company's ultimate parent undertaking.

**(ii) 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.

**(g) Taxation**

Taxation expense for the period 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 period or prior periods. 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.

**(i) 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.

## Notes to the financial statements (continued)

## 3 Summary of significant accounting policies (continued)

**(g) Intangible assets**

Intangible assets are amortised over their expected useful life, a range of 10 to 20 periods. Where the Group is unable to make a reliable estimate of useful life, other intangibles are amortised over a period not exceeding 5 years. Intangible assets are reviewed for impairment if factors such as technological advancement or changes in market price indicate that the carrying amount may be impaired.

Intangible 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.

**(h) 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.

*Land and buildings, plant and equipment*

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

*Depreciation Rates:*

No depreciation is provided on Freehold land or Assets under construction

Land and Buildings:

Long Leasehold & Freehold buildings	50 yrs
Leasehold buildings	50 yrs (or lease term if shorter)

Plant and Equipment:

Computer Hardware	3-5 yrs
Fixtures & Fittings	5-15 yrs

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.



**Notes to the financial statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(i) Leased assets**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

*Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

*Lease incentives*

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

**(j) 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 is determined on the first-in, first out (FIFO) method. Cost includes the purchase price, including 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.

**(k) Cash and cash equivalents**

Cash and cash equivalents includes 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 borrowings in current liabilities.

**(l) Financial instruments**

**(i) Financial assets and liabilities**

Financial assets and financial liabilities are recognised in the Company 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 fair value.

Financial commitments that are contracted for are disclosed but not provided for.

**Notes to the financial statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(i) Derivative Financial Instruments**

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than pound sterling. The principal currencies giving rise to this risk are the Euro and US Dollar.

In the normal course of business, we manage this risk by using derivative financial instruments to hedge our exposure. We do not use derivative instruments for trading or speculative purposes.

Derivative financial instruments are recognised initially at fair value and re-measured at each period end. The fair value of forward foreign exchange contracts is determined using cash flows derived from the forward exchange rates at the balance sheet date discounted in order to provide the present value. The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss account.

**(ii) Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. This is adjusted by management as required to reflect other known circumstances at the time of valuation. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

**(n) Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- (i) Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- (ii) Provision is not made for future operating losses.
- (iii) Provisions are made for dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

**Notes to the financial statements (continued)**

**3 Summary of significant accounting policies (continued)**

**(o) 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.

**(p) Share Premium**

The amount by which the consideration for the Ordinary Shares exceeded the face value of the shares is classified as Share Premium.

**(q) 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.

**(r) Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned as per FRS 102.

**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 period are addressed below.

**(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 3(i) for the useful economic lives for each class of assets.

## Notes to the financial statements (continued)

**4 Critical accounting estimates and assumptions (continued)****(ii) Inventory provisioning**

The company designs, manufactures and sells footwear and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory and associated provision.

**(iii) 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 12 for the net carrying amount of the debtors and associated impairment provision.

**5 Turnover**

Analysis of turnover by geography:

	<b>2016 £m</b>	<b>2015 £m</b>
United Kingdom	-	6.9
	-	6.9

Analysis of turnover by category:

	<b>2016 £m</b>	<b>2015 £m</b>
Services	-	6.7
Sales of goods	-	0.2
	-	6.9

Notes to the financial statements (continued)

**6 Operating profit**

Operating profit is stated after charging:

	2016 £m	2015 £m
Wages and salaries	-	28.4
Social security costs	-	2.9
Other pension costs	-	1.4
Total staff costs	-	32.7
Depreciation of tangible fixed assets	-	1.1
Amortisation of intangibles	-	1.3
Operating lease charges:		
Land and building	-	2.5

The Company's audit fee was borne by Pentland Brands Limited (2015: £44k)

**7 Employees and directors**

**Employees**

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

	2016 Number	2015 Number
Management and administration	-	179
Selling and distribution	-	373
	-	552

**Directors' emoluments**

The directors' emoluments were as follows:

	2016 £m	2015 £m
Aggregate emoluments	-	3.9
	-	3.9

## Notes to the financial statements (continued)

## 7 Employees and directors (continued)

## Highest paid director

The highest paid director's emoluments were as follows:

	2016 £m	2015 £m
Emoluments excluding pension contributions	-	2.1
Contributions paid to the money purchase scheme	-	-
Defined benefit pension scheme:		
- Accrued pension at the end of the year	-	-
	-	2.1
Number of directors accruing benefits under the defined benefit scheme	-	1
Number of directors receiving contributions to the money purchase scheme	-	2

## 8 Income tax

## Tax expense included in profit or loss

	2016 £m	2015 £m
<b>Current tax:</b>		
UK - current corporation tax at 20% (2015: 20.25%)	0.2	1.2
Adjustments in respect of prior years	0.5	1.9
<b>Total current tax</b>	<b>0.7</b>	<b>3.1</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	0.7
Prior year deferred tax adjustments	(0.8)	(0.8)
<b>Total deferred tax</b>	<b>(0.8)</b>	<b>0.1</b>
<b>Tax on profit on ordinary activities</b>	<b>(0.1)</b>	<b>3.0</b>

## Notes to the financial statements (continued)

**8 Income tax (continued)****Reconciliation of tax charge**

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	<b>2016 £m</b>	2015 £m
<b>Profit on ordinary activities before taxation</b>	<b>0.7</b>	4.7
Profit on ordinary activities multiplied by the average rate in the UK of 20% (2015: 20.25%)	<b>0.2</b>	0.9
Effects of:		
Expenses not deductible for tax purposes	-	1.0
Prior year deferred tax not previously recognised	<b>(0.3)</b>	(0.8)
Adjustments to tax charge in respect of prior years	-	1.9
<b>Total tax (charge)/credit for the year</b>	<b>(0.1)</b>	3.0

**Tax rate changes**

The main rate of corporation tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for the accounting period to 31 December 2016 were taxed at an effective rate of 20%. Further rate reduction to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020 has been substantively enacted and therefore any relevant deferred tax balances at the balance sheet date have been measured at the enacted rate.

## Notes to the financial statements (continued)

**9 Intangible assets***All amounts in £m*

	<b>Software</b>	<b>Total</b>
<b>Cost</b>		
As at 1 January 2016	23.2	23.2
Transfers	(23.2)	(23.2)
<b>As at 31 December 2016</b>	-	-
<b>Accumulated Depreciation</b>		
As at 1 January 2016	(20.9)	(20.9)
Transfers	20.9	20.9
Amortisation for the year	-	-
<b>As at 31 December 2016</b>	-	-

The assets were transferred from Pentland Brands Plc at net book value. See Note 24.



## Notes to the financial statements (continued)

## 10 Tangible assets

*All amounts in £m*

	Land and buildings	Plant and equipment	Assets under construction	Total
<b>Cost</b>				
As at 1 January 2016	10.8	37.5	0.1	48.4
Transfers	(10.5)	(37.5)	(0.1)	(48.1)
Disposals	(0.3)	-	-	(0.3)
<b>As at 31 December 2016</b>	-	-	-	-
<b>Accumulated Depreciation</b>				
As at 1 January 2016	(3.5)	(36.7)	-	(40.2)
Transfers	3.5	36.7	-	40.2
Disposals	-	-	-	-
Depreciation for year	-	-	-	-
<b>As at 31 December 2016</b>	-	-	-	-
<b>Net Book Value</b>				
As at 1 January 2016	7.3	0.8	0.1	8.2
<b>As at 31 December 2016</b>	-	-	-	-

The assets were transferred out at net book value via an intercompany loan, as part of a group reconstruction. This was accounted for using the merger accounting method.

## 11 Inventories

	2016 £m	2015 £m
Finished goods and goods held for resale	-	0.6
	-	0.6

In 2015, there was no significant difference between the replacement costs of inventory and its carrying amount.

## Notes to the financial statements (continued)

**12 Debtors: amounts falling due under one year**

	<b>2016 £m</b>	<b>2015 £m</b>
Trade debtors	-	0.8
Amounts owed by group undertakings	82.8	4.4
Amounts owed by the parent undertaking	-	20.4
Intercompany derivative financial instruments	-	10.9
Corporation tax	-	1.7
Social security and other taxes	-	1.3
Other receivables	-	0.1
Prepayments and accrued income	-	1.7
	<b>82.8</b>	<b>41.3</b>

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

In 2015, trade debtors are stated after provision for impairment of nil.

**13 Debtors: amounts falling due after more than one year**

	<b>2016 £m</b>	<b>2015 £m</b>
Intercompany derivative financial instruments	-	1.0
Intercompany Loans with Related Parties	-	-
	<b>-</b>	<b>1.0</b>

**14 Creditors falling due under one year**

	<b>2016 £m</b>	<b>2015 £m</b>
Trade creditors	-	1.2
Intercompany derivative financial instruments	-	0.1
Other creditors	-	0.2
Amounts owed to group undertakings	0.7	-
Accruals and deferred income	-	9.7
	<b>0.7</b>	<b>11.2</b>

Amounts owed to group undertakings were unsecured, interest free, repayable on demand and have no fixed repayable date.

Amounts owed to parent undertakings were unsecured, interest free, are repayable on demand and have no fixed date of repayment.

## Notes to the financial statements (continued)

**15 Creditors falling due after more than one year**

	<b>2016 £m</b>	2015 £m
Intercompany derivative financial instruments	-	0.2
	-	0.2

**16 Deferred tax**

	<b>2016 £m</b>	2015 £m
Depreciation in excess of capital allowances	-	1.6
Other timing differences	-	(1.5)
	-	0.1

The directors consider that there is sufficient 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 in 2017, and therefore the asset has been recognised in these financial statements.

**17 Provisions for other liabilities**

<i>All amounts in £m</i>	Dilapidations provision	Total
At 31 December 2015	3.1	3.1
Transfers	(3.1)	(3.1)
<b>At 31 December 2016</b>	-	-

The provisions were transferred from Pentland Brands Plc at net book value. See Note 24.

## Notes to the financial statements (continued)

## 18 Financial instruments

	Note	2016 £m	2015 £m
Financial assets at fair value through profit and loss:			
- Intercompany derivative financial instruments	12/13	-	11.9
		-	11.9
Financial assets that are debt instruments measured at amortised cost:			
- Trade debtors	12	-	0.8
- Other debtors	12	-	0.1
		-	0.9
Financial liabilities at fair value through profit and loss:			
- Intercompany derivative financial instruments	14/15	-	(0.3)
		-	(0.3)
Financial liabilities that are at amortised cost:			
- Trade creditors	14	-	(1.2)
- Other creditors	14	-	(0.2)
- Accruals and deferred income	14	-	(9.7)
		-	(11.1)

## Notes to the financial statements (continued)

**19 Called up share capital***All amounts in £m*

	<b>2016 £m</b>	<b>2015 £m</b>
<b>Allotted and fully paid</b>		
at 1 January – 179,722,474 ordinary shares of £0.25p (2015: 179,722,474 ordinary shares of 0.25p each)	44.9	44.9
<b>At 31 December</b>	44.9	44.9

On 6 December 2016, the Company approved a bonus issue of 1 ordinary share of £0.25 for a total consideration of £11.6m in the share capital of the Company. The £11.6m held in non-distributable reserves was capitalised as share premium and applied as payment in full for the bonus share issue.

As a result, the share capital of the Company increased to 179,722,475 ordinary shares of £0.25p each.

**20 Share premium***All amounts in £m*

	<b>2016 £m</b>	<b>2015 £m</b>
at 1 January	3.9	3.9
On issue of shares during the year	11.6	
<b>At 31 December</b>	15.5	3.9

**20 Capital and other commitments**

At 31 December, the company had the following capital commitments:

	<b>2016 £m</b>	<b>2015 £m</b>
Contracts for future capital expenditure not provided for in the financial statements – Property, plant and equipment	-	0.2
	-	0.2

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods.

	<b>2016 £m</b>	<b>2015 £m</b>
Payments due		
Not later than one year	-	2.4
Later than one year and not later than five years	-	7.1
Later than five years	-	1.7
	-	11.2

**Notes to the financial statements (continued)**

**23 Transfer of assets**

On 1 January 2016, the Pentland Brands Plc transferred net assets totalling £81.8m, excluding one commercial property, to the newly incorporated Pentland Brands Limited. Pentland Brands Limited's ultimate parent is also Pentland Group plc. An equivalent intercompany loan asset has been provided as consideration for the net assets transferred. All assets and liabilities were transferred at net book value under the merger accounting method on the basis that the transaction is accounted for as a group reconstruction.

**Recognised amounts of identifiable assets and liabilities transferred from Pentland Lakeside Limited to Pentland Brands Limited;**

	<b>Book value £m</b>
Land and buildings	7.0
Plant and equipment	0.8
Assets under construction	0.1
<b>Tangible assets</b>	<b>7.9</b>
<b>Intangible assets</b>	<b>2.3</b>
<b>Inventories</b>	<b>0.6</b>
<b>Deferred tax</b>	<b>0.1</b>
Trade debtors	0.8
Amounts owed by group undertakings	4.4
Amounts owed by the parent undertaking	20.4
Intercompany derivative financial instruments	10.9
Corporation tax	1.7
Social security and other taxes	1.3
Other debtors	0.1
Prepayments and accrued income	1.7
<b>Debtors: amounts falling due under one year</b>	<b>41.3</b>
Intercompany derivative financial instruments	1.0
<b>Debtors: amounts falling due under one year</b>	<b>1.0</b>
<b>Cash at bank and in hand</b>	<b>43.1</b>
Trade creditors	(1.2)
Intercompany derivative financial instruments	(0.1)
Other creditors	(0.2)
Accruals and deferred income	(9.7)
<b>Creditors: amounts falling due under one year</b>	<b>(11.2)</b>
Intercompany derivative financial instruments	(0.2)
<b>Creditors: amounts falling due under one year</b>	<b>(0.2)</b>
<b>Provisions</b>	<b>(3.1)</b>
<b>Total identifiable net assets</b>	<b>81.8</b>

## Notes to the financial statements (continued)

**24 Related party transactions**

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Group.

**25 Controlling parties**

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 2016. The consolidated financial statements of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.

**26 Events after the balance sheet date**

**Reduction of capital:** Effective on 19 January 2017, the Company undertook a share capital reduction by cancelling and extinguishing 179,718,475 ordinary shares of £0.25p each in the issue share capital of the Company (£44.9m), cancelling and extinguishing £15.5m standing to the credit of the share premium account and cancelling £6.8m standing to the credit of the capital redemption reserve. The sum of £67.2m arising from the capital reduction was credited to the profit and loss reserves of the Company. The remaining share capital of the Company is 4,000 ordinary shares of £0.25p each and the capital and reserves are as below:

	£m
Capital & Reserves	0.001
Retained Earnings	83.099
<b>Total equity</b>	<b>83.100</b>

**Distribution in Specie:** On 23 January 2017, the Company declared a distribution in specie to be satisfied by way of an assignment of the £82.1m receivable to Pentland Group plc as sole shareholder. The share capital of the Company remains at 4,000 ordinary shares of £0.25p each with the capital and reserves looking as follows:

	£m
Capital & Reserves	0.001
Retained Earnings	0.999
<b>Total equity</b>	<b>1.000</b>