PENTLAND GROUP PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2000

Registered in Scotland, number 3935

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

On 8 June the company acquired the businesses, assets and liabilities of Pentland Management Services Limited for £4,134,000, Pentland Shipping Services Limited for £2,165,000 and the warehousing and distribution operation of Asco General Supplies Limited for £1. It now provides shipping, warehousing and other support services to companies within the Robert Stephen Holdings plc group.

The company disposed of its investment in Pentland Industries Limited to Robert Stephen Holdings plc at market value realising a gain of £212,000,000.

RESULTS AND DIVIDENDS

The results for the year are set out on page 5 of the financial statements.

The directors do not recommend the payment of a final dividend (1999 : 2.32p per share). Dividends declared during the year, totalled £449.3 million (1999 : £195.3 million).

THE EURO

The Company, as part of a Group-wide initiative, has adapted its commercial and financial processes to enable it to do business in the Euro. The capability to conduct business in national currencies will be retained as long as necessary.

The costs of this project were borne by a fellow subsidiary undertaking.

EMPLOYMENT POLICY

The Group's policy towards informing and consulting employees continued in 2000. Responsibility for implementation is delegated to individual locations, where different approaches are used appropriate to the type of business and form of employee representation. Communication channels include newsletters, videos, meetings, circulars, notices and suggestion schemes. All of the Group's financial announcements and press releases are circulated for dissemination as appropriate.

The involvement of employees in the Group's performance is encouraged through various schemes.

It is Group policy in the UK to develop a working environment and to offer terms and conditions of service to enable disabled persons with the appropriate skills and qualifications to have equal opportunities to seek and maintain employment within the Group. We retain in employment, whenever practicable, employees who have become disabled and, in line with our general Group policy, we shall give all such people equal consideration for training and career development.

PAYMENT POLICY

It is the company's policy to comply with the Confederation of British Industry (CBI) Prompt Payers Code in respect of all of our suppliers. It is our policy to settle payment terms with suppliers when agreeing the terms of transactions, to ensure suppliers are made aware of the terms of payment and to abide by the terms of payment. Copies of the CBI Code can be obtained from the Confederation of British Industry, Centre Point, 103 New Oxford Street, London WC1A 1OU. Average creditor days for 2000 were 12 days (1999: 34 days).

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The following directors held office during the year:

RS Rubin	
AK Rubin	
AJ de Keyser	
RA Stevens	
NPH Webster	
AM Leslie	(appointed 4 September 2000)
CJ Matchan	(appointed 4 September 2000)

No director had any interest in the shares of the company in the year. Their interest in the shares of Robert Stephen Holdings plc, the company's parent undertaking, and in other Group undertakings, are shown in the financial statements of Robert Stephen Holdings plc.

GOING CONCERN

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

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;
- 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

In accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint PricewaterhouseCoopers as auditors to the Company will be proposed at the Annual General Meeting.

By Order of the Board

R.A. STEVENS
Secretary

8 March 2001

AUDITORS' REPORT TO THE MEMBERS OF PENTLAND GROUP PLC

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention, and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3, the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2000 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

8 March 2001

Pentland Group plc
Profit and Loss Account
for the year ended 31 December 2000

	Notes	2000 £m	1999 £m
Turnover	3	**14.8**	-
Operating loss			
Continuing operations	4	**(4.5)**	(13.8)
Exceptional items			
Reorganisation costs	5	-	(1.4)
Total operating loss		**(4.5)**	(15.2)
Income from fixed asset investments		**218.2**	-
Exceptional items			
Profit on disposal of investments	5	**212.0**	-
Profit/(loss) on activities before interest and taxation		**425.7**	(15.2)
Net interest income	6	-	5.4
Profit/(loss) on ordinary activities before taxation		**425.7**	(9.8)
Tax on profit/(loss) on ordinary activities	9	**(0.4)**	2.3
Profit/(loss) on ordinary activities after taxation		**425.3**	(7.5)
Dividends	10	**(449.3)**	(195.3)
Transferred from reserves		**(24.0)**	(202.8)

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 either year other than the retained profit in the profit and loss account.

The notes on pages 7 to 13 form part of these financial statements.

Pentland Group plc
Balance Sheet
at 31 December 2000

	Notes	2000 £m	2000 £m	1999 £m	1999 £m
Fixed assets					
Investments	12		**-**		80.0
Tangible fixed assets	11		**22.7**		-
Current assets					
Debtors - amounts falling due after more than one year	13	**-**		*94.1*	
- amounts falling due within one year	13	**705.5**		2.4	
Investments	15	**0.4**		0.5	
Cash and bank deposits	16	**10.0**		53.4	
		715.9		150.4	
Creditors - amounts falling due within one year	17	**(644.7)**		(112.5)	
Net current assets			**71.2**		37.9
Total assets less current liabilities			**93.9**		117.9
Capital and reserves					
Called up equity share capital	18		**84.9**		84.9
Reserves attributable to equity shareholders	19		**9.0**		33.0
Equity shareholders' funds			**93.9**		117.9

Andrew K. Rubin

A K Rubin
Chief Executive

N P H Webster
Finance Director

Approved by the Board, 8 March 2001

1 Accounting Policies

Basis of accounting The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

Consolidation Consolidated accounts have not been prepared as the company is a wholly owned subsidiary undertaking of Robert Stephen Holdings plc ("RSH"), and is exempt from preparing Group accounts by virtue of S.228 Companies Act 1985.

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

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

Foreign currencies Transactions 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 into sterling at rates of exchange ruling at the end of the financial year or contracted rates where hedging arrangements are in place. Exchange gains and losses on translated foreign currency amounts are included in operating profit.

Deferred taxation Deferred taxation is provided for the estimated net liability in respect of timing differences and profits retained in overseas subsidiary undertakings to the extent that it is expected that liabilities will crystallise in the foreseeable future. Deferred taxation assets are recognised only to the extent that amounts are considered to be recoverable.

Investment income Dividends are recognised when declared.

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

Turnover Turnover comprises invoiced sales net of value added tax.

2 Statement of Cash Flows

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

3 Turnover

Turnover by geographical area was as follows:

	2000 £m	1999 £m
United Kingdom	**14.8**	-

4 Operating loss before Exceptional Items

	2000 Total £m	1999 Total £m
Turnover	**14.8**	-
Other income	**7.4**	-
Management charges to other group companies	**10.8**	-
Total income	**33.0**	-
Freight duty and charges payable	**13.6**	-
Staff costs:		
Wages and salaries	**9.3**	3.2
Social security costs	**0.8**	0.4
Other pension costs	**3.0**	0.3
Depreciation	**2.2**	-
Foreign exchange profit/(loss) on intercompany loans	**1.4**	(0.6)
Auditors' remuneration	**0.1**	0.1
Operating lease charges	**0.8**	-
Other operating charges	**6.3**	10.4
	37.5	13.8
Operating loss	**(4.5)**	(13.8)

5 Exceptional items pre tax

	2000 £m	1999 £m
Reorganisation		
Fees	-	(0.8)
Cancellation of options	-	(2.4)
Employee Share Ownership Plan	-	1.8
Profit on disposal of investments	**212.0**	-
	212.0	(1.4)

6 Net interest income

	2000 £m	1999 £m
Interest receivable	**3.7**	5.9
Less interest payable	**(3.7)**	(0.5)
	-	5.4

7 Directors and Employees

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

	2000	1999
Management and administration	265	10
Production and warehousing	405	-
	670	10

Directors Emoluments	2000 £000's	1999 £000's
Remuneration for management services	1,127.1	1,280.1
Compensation for loss of office	-	489.2
Pension contribution - defined benefit scheme	114.1	102.4
- *money purchase scheme*	33.2	33.3
Fees	-	134.8
Benefits	86.2	180.3
Bonuses	480.0	573.0
Bonuses arising from the cancellation of save as you earn and phantom options	-	239.2
	1,840.6	3,032.3

The emoluments of the Chairman, were £378,920 excluding pension contributions of £70,238 (1999 – £370,600 excluding pension contributions of £169,100).

The emoluments of the highest paid director were £508,173, excluding pension contributions of £28,709, (1999 - £740,900 including compensation for loss of office, and excluding pension contributions of £22,500).

Retirement benefits are accruing to five directors under the defined benefits scheme.

8 Pension schemes

The main UK scheme is of the defined benefit type, with assets held in separate trustee administered funds. Its principal asset is a deposit administration insurance contract underwritten by Sun Life, the value of which at 1 July 2000 was £15.7 million. The scheme will be subject to actuarial review on 31 December 2001 and annually thereafter in accordance with FRS17. Following an acturial valuation of the assets in 1993, a single payment of £250k was made to fund part of the deficit identified. This payment was being charged to the profit and loss account over the average remaining service life of the membership. It was assessed by Heath Lambert Group, as at 1 July 2000 using the projected unit method. The principal actuarial assumptions adopted in the 2000 valuation were that, over the long term, the average yield will be 8.0% per annum compound and that members' scheme salaries will, on average, increase at 6.0% 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 5% per annum compound. The average remaining service life of the membership was assessed as 14 years. The actuarial valuation of the assets revealed a deficit of £2.9 million. The funding level, representing the value of the scheme's assets in relation to liabilities, was 85%. The actuary recommended an increase in the current employer's contribution rate to 14.5%. The Group paid £1.0 million and provided a further £1.3 million to reduce this deficit. The annual cost of the scheme to the Group is currently 13.7% of the salaries of the members (subject to the "earnings cap" where appropriate) and in 2000 was £2.7 million (1999 - £2.6 million). The 1 July 2000 valuation confirmed that the scheme complied with the Minimum Funding Requirement.

9 Taxation

	2000 £m	1999 £m
United Kingdom corporation tax charge of 30% (1999 corporation tax credit – 30.25%)	**0.8**	(2.3)
Under provision in prior year	**0.1**	-
Deferred tax	**(0.5)**	-
	0.4	(2.3)

10 Dividends

	2000 £m	1999 £m
Interim paid 20 March 2000 – 61.70p per share (1999 - 1.65p per share)	**209.6**	5.6
Second interim paid 8 June 2000 – 70.54p per share (1999 - 0.85p per share)	**239.7**	2.7
Third interim paid nil (1999 – 55.04p per share)	-	187.0
	449.3	195.3

11 Tangible Fixed Assets

	Freehold property £m	Plant and equipment £m	**Total £m**
Cost			
As at 1 January 2000	-	-	-
Additions	14.5	10.7	**25.2**
Disposals	(0.1)	(0.5)	**(0.6)**
As at 31 December 2000	14.4	10.2	**24.6**
Depreciation			
As at 1 January 2000	-	-	-
Charge in the year	0.2	2.0	**2.2**
Disposals	-	(0.3)	**(0.3)**
As at 31 December 2000	0.2	1.7	**1.9**
Net book value			
As at 31 December 2000	14.2	8.5	**22.7**
As at 31 December 1999	-	-	-

12 Fixed Asset Investments

	Loans £m	**Total £m**
At 1 January 2000	80.0	**80.0**
Transferred to debtors on the disposal of Pentland Industries Ltd	(80.0)	**(80.0)**
At 31 December 2000	-	-

13 Debtors

	2000 £m	1999 £m
Due within one year		
Corporation tax recoverable	1.8	2.3
Amounts owed by fellow subsidiary undertakings	698.9	-
Deferred tax provision	0.5	-
Other debtors	2.8	-
Prepayments and accrued income	1.5	0.1
	705.5	2.4
Due after one year		
Amounts owed by fellow subsidiary undertakings	-	94.1
	705.5	96.5
Total debtors	705.5	96.5

14 Deferred tax asset

The deferred tax balance comprises:	Provided 2000 £m	Unprovided 2000 £m	Provided 1999 £m	Unprovided 1999 £m
Accelerated capital allowances	-	0.4	-	-
Other timing differences	0.5	0.1	-	0.1
	0.5	0.5	-	0.1

	2000 £m
Balance at 1 January 2000	-
Provided	0.5
Balance at 31 December 2000 (note 13)	0.5

15 Investments Held as Current Assets

	2000 £m	1999 £m
Certificates of tax deposit	0.4	0.5

16 Cash and Bank Deposits

	2000 £m	1999 £m
Cash and bank deposits	10.0	53.4

17 Creditors

	2000 £m	1999 £m
Amounts falling due within one year		
Bank overdrafts	**20.1**	29.4
Bank loans	**-**	60.0
Trade creditors	**3.1**	-
Amounts due to fellow subsidiary undertakings	**612.3**	22.8
Corporation tax payable	**1.1**	-
Accruals and deferred income	**8.1**	0.3
	644.7	112.5

Bank overdrafts are reported gross, but the Company and fellow subsidiaries have arrangements with their clearing banks whereby sterling current account credit balances are set off against debit balances and interest is paid only on the aggregate net overdraft.

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

At 31 December 2000, the Company had a term and revolving credit facility arranged by Barclays Capital and syndicated amongst various relationship banks. The facility comprises a revolving credit facility for £60.0 million. The payment obligations under the facility are now guaranteed jointly and severally by Ellesse UK Limited and Speedo International Limited. The final maturity date of the facility, which is not subject to annual review, is 2 September 2003. Usage at 31 December 2000 was £nil.

18 Share Capital

	2000 £m	1999 £m
Authorised 480,000,000 ordinary shares of 25p each (1998 - 480,000,000)	**120.0**	120.0
Allotted, issued and fully paid 339,722,474 ordinary shares of 25p each (1999 - 339,722,474)	**84.9**	84.9

19 Reserves

	Capital redemption reserve £m	Share premium £m	Profit and loss £m	**Total £m**
At 1 January 2000	6.8	3.9	22.3	**33.0**
Deficit for year	-	-	(24.0)	**(24.0)**
At 31 December 2000	6.8	3.9	(1.7)	**9.0**

20 Commitments and contingencies

The company is party to a guarantee in favour of Pentland Group's bankers regarding the aggregate set-off of the sterling current account balances of Pentland Group plc and its fellow subsidiaries.

The company's liability under this guarantee is limited to the lower of the aggregate account indebtedness of the relevant group companies and its own sterling current account credit balance with the bank.

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

	2000	1999
	£m	£m
Land and Buildings		
Expiring in more than five years	**0.7**	0.4
Other assets		
Expire within two to five years inclusive	**0.4**	0.4
	1.1	0.8

21 Parent undertaking

The parent company is Robert Stephen Holdings plc. Consolidated accounts will be prepared by Robert Stephen Holdings plc for the year ended 31 December 2000 and these can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.

22 Related Parties

Robert Stephen Holdings 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.

23 Approval of Accounts

These accounts were approved at a Directors' meeting held on 8 March 2001.