PENTLAND BRANDS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Registered number: SC003935

PENTLAND BRANDS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report of the group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company provides shared services including shipping, warehousing and administrative support to wholly owned subsidiaries and associates within the Pentland Group plc group. This is not expected to change in the coming year.

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. 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 plc's 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.

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.

By order of the board

P J Campbell
Company secretary
27 March 2015

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The company's gain for the financial year is £10.0m (2013: loss £0.1m) and is shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2013: £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:

S E Gilburd
A M Long
A K Rubin

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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
27 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND BRANDS PLC

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and 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

Pentland Brands Plc's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, 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.

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.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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.

ALees

Alison Lees (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2015

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Turnover	3	**7.5**	6.7
Operating profit/(loss) ordinary activities before taxation	4	**10.0**	(0.1)
Tax on profit/(loss) on ordinary activities	6	**-**	-
Profit/(loss) for the financial year	14	**10.0**	(0.1)

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.

PENTLAND BRANDS PLC

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Fixed assets			
Tangible assets	7	**12.9**	13.3
Current assets			
Stock	8	**0.5**	0.3
Debtors	9	**30.3**	12.6
Cash at bank and in hand		**38.3**	50.2
		69.1	63.1
Creditors: amounts falling due within one year	10	**(10.4)**	(14.9)
Net current assets		**58.7**	48.2
Total assets less current liabilities		**71.6**	61.5
Provision	11	**(2.8)**	(2.7)
Net assets		**68.8**	58.8
Capital and reserves			
Called up share capital	13	**44.9**	44.9
Share premium account	14	**3.9**	3.9
Profit and loss account	14	**13.2**	3.2
Capital redemption reserve	14	**6.8**	6.8
Total shareholders' funds		**68.8**	58.8

The financial statements on pages 6 to 16 were approved by the board of directors on 27 March 2015 and signed on behalf by:

S E Gilburd
Director

Registered number: SC003935

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.

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. In the company's balance sheet, bank overdrafts are shown within current liabilities.

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 fifty years, leasehold buildings 25 years and plant and equipment two to five years, all 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.

Provisions Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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.

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.

Foreign exchange differences are recognised in the profit and loss account.

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

Other Income Other income comprises the value of recharges to other fellow group undertakings within Pentland Group plc, for the provision of shared services including shipping, warehousing and administrative support.

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. Contributions made during the year can be found in Note 5 of the financial statements.

1 ACCOUNTING POLICIES (continued)

Retirement benefits (continued)

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.

Current and deferred income tax The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date 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.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset currently tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

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 whole of the company's turnover by destination is derived from the company's principal activities within the United Kingdom.

4 GAIN/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014 £m	2013 £m
Turnover	**7.5**	6.7
Cost of sales	**(6.1)**	(5.3)
Gross profit	**1.4**	1.4
Net operating expenses		
Distribution costs**	**(1.1)**	(1.3)
Administrative expenses before exceptional items**	**(27.3)**	(22.6)
Exceptional administrative expenses*	**-**	(3.3)
Other operating income from fellow group undertaking	**37.0**	25.7
Operating profit/(loss)	**10.0**	(0.1)

*Exceptional administrative expenses include pension costs of £3.0m in 2013

**Overhead costs have been reclassified for 2013, to provide a more accurate split between administration and distribution costs.

The following are included within the operating profit/(loss):	2014 £m	2013 £m
Staff costs:		
Wages and salaries	**29.0**	25.5
Social security costs	**3.0**	2.7
Other pension costs	**1.4**	1.3
	33.4	29.5
Depreciation of tangible fixed assets	**2.7**	3.0
Auditors remuneration – audit services	**0.1**	0.1
Operating lease rentals – land and building	**2.3**	2.3

5 DIRECTORS AND EMPLOYEES

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

	2014 Number	2013 Number
By activity:		
Management and administration	**204**	221
Selling and distribution	**338**	343
	542	564

Directors' emoluments

	2014 £m	2013 £m
Aggregate emoluments	**3.3**	3.1
	3.3	3.1

The emoluments of the highest paid director were £2,077,159 (2013: £2,059,428)

The accrued pension attributable to the highest paid director is £32,676 per annum (2013: £31,827).

The number of directors accruing benefits under the defined benefit scheme is one (2013: one).

Contributions were made to the money purchase scheme on behalf of two directors (2013: two).

6 TAX ON PROFIT/(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 (2013: the same) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.3%). The differences are explained below:

	2014	2013
	£m	£m
Profit/(loss) on ordinary activities before taxation	**10.0**	(0.1)
Profit/(Loss) on ordinary activities multiplied by the average rate in the UK of 21.49% (2013: 23.3%)	**2.1**	-
Effects of:		
Expenses not deductible for tax purposes	**0.4**	-
Group relief surrendered for £nil consideration	**(1.9)**	0.3
Movement in depreciation in excess of capital allowances and other timing differences	**(0.5)**	(1.4)
Tax rate change impact	**(0.1)**	0.7
Adjustment to tax charge in respect of prior year	**-**	0.4
Current tax charge for the year	**-**	-

The main rate of corporation tax in the UK reduced from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for the accounting period to 31 December 2014 were taxed at an effective rate of 21.49%. A further rate reduction to 20% effective from 1 April 2015 was substantively enacted on 2 July 2013 and therefore any relevant deferred tax balances have been measured at this rate.

7 TANGIBLE ASSETS

	Land and buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 1 January 2014	11.1	58.0	0.2	69.3
Additions	-	1.8	0.5	2.3
Transfers	-	0.2	(0.2)	-
At 31 December 2014	**11.1**	**60.0**	**0.5**	**71.6**
Accumulated depreciation				
At 1 January 2014	3.0	53.0	-	56.0
Charge for the year	0.2	2.5	-	2.7
At 31 December 2014	**3.2**	**55.5**	**-**	**58.7**
Net book value at 31 December 2014	**7.9**	**4.5**	**0.5**	**12.9**
Net book value at 31 December 2013	8.1	5.0	0.2	13.3

8 STOCK

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

9 DEBTORS

	2014 £m	2013 £m
Trade debtors	**2.9**	0.5
Amounts owed by fellow group undertakings	**4.3**	6.3
Amounts owed by the parent undertaking	**18.6**	-
Corporation tax	**1.6**	1.1
Social security and other taxes	**1.4**	2.7
Other debtors	**0.1**	0.6
Prepayments and accrued income	**1.4**	1.4
	30.3	**12.6**

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

Amounts owed by parent undertaking relate to a short term cash balance which is interest free and is repayable on demand.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £m	2013 £m
Trade creditors	1.5	1.6
Amounts owed to the parent undertaking	-	6.1
Other creditors	0.1	0.1
Accruals and deferred income	8.8	7.1
	10.4	14.9

11 PROVISIONS FOR LIABILITIES

	Dilapidation provisions £m
At 1 January 2014	2.7
Created in the year	0.1
At 31 December 2014	**2.8**

12 DEFERRED TAXATION

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

	2014 £m	2013 £m
Depreciation in excess of capital allowances	3.1	3.6
Other timing differences	0.6	0.6
	3.7	4.2

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.

13 CALLED UP SHARE CAPITAL

	2014 £m	2013 £m
Authorised		
320,000,000 ordinary shares of 25p each	**80.0**	80.0
Allotted and fully paid		
179,722,474 ordinary shares of 25p each	**44.9**	44.9

14 RESERVES

	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m
At 1 January 2014	3.9	6.8	3.2
Profit for the financial year	-	-	10.0
At 31 December 2014	**3.9**	**6.8**	**13.2**

15 COMMITMENTS AND CONTINGENCIES

Bank overdrafts are reported gross but the company and its UK fellow group 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 group undertakings, 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 2014 the company had £0.5m of authorised capital commitments (2013: £0.6m).

15 COMMITMENTS AND CONTINGENCIES (continued)

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

	2014	2013
	£m	£m
Leases expiring:		
After five years	**2.3**	2.3
	2.3	2.3

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 2014. The consolidated financial statements of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH.