PENTLAND GROUP PLC

ANNUAL REPORT

31 DECEMBER 2003

Registered number 793577

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the audited financial statements for the year ended 31 December 2003.

GROUP PROFIT AND LOSS ACCOUNT

The Group results for the year and the appropriations are shown in the Group profit and loss account on page 6.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company is a management holding company. Its principal subsidiary undertakings are set out on page 4 and are engaged in brand management and the supply of footwear, clothing and sports goods.

The current economic environment internationally in which the Group operates continues to be challenging, however the Group's portfolio of brands is expected to provide considerable resilience in the period ahead.

DIVIDENDS

During the year an interim dividend of 41.1p per share totalling £4,001,661 was paid.

The Directors do not recommend the payment of a final dividend (2002: £nil).

POST BALANCE SHEET EVENT

Pentland Group plc and Monthély SA the Joint Venture shareholders of Kickers Worldwide NV, the holding company for the Group's companies which licence and distribute footwear and clothing under the Kickers brand, have agreed in principle to terminate the Joint Venture with effect from 1 January 2004. Under the agreement the entire share capital of Airborne Footwear Ltd passes to Pentland Group plc. Airborne Footwear Ltd retains the Kickers licence for the UK and Eire markets.

EMPLOYEE POLICIES

Group policy is to keep employees informed about activities and developments in the business. A Pentland Group newsletter, published several times a year, is distributed to all employees worldwide. Local managers are charged with communicating and explaining the Group's financial results to their staff and are provided with explanatory notes to assist them. Other communications, and the methods used for consulting employees and their representatives, vary locally according to the type of business and nature of employee representation.

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

Group policy is to recruit people and consider them for promotion, without discrimination, purely on their aptitude and ability. Disabled people are given equal opportunities in recruitment, promotion and career development. Wherever possible this applies to anyone who becomes disabled while in our employment.

UNITED NATIONS GLOBAL COMPACT

Pentland Group is a participating company in the United Nations Global Compact. As such, the Group is committed to the Global Compact's nine principles, covering human rights, labour standards and the environment. More information can be obtained from www.unglobalcompact.org.

CHARITABLE DONATIONS

Charitable donations made during the year amounted to £197,000 (2002: £378,000), of which £165,000 (2002: £40,680) was paid directly by the Company. Neither the Company nor its subsidiary undertakings made any donations or subscriptions for political purposes.

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The following directors held office during the year:

RS Rubin
AS Rubin
AK Rubin
CL Rubin
AJ Mosheim
TJ Hockings
NPH Webster

None of the Directors had a beneficial interest in any contract of significance to which a member company of the Group was a party during the financial year.

The following Directors of the Company together with their families were beneficially interested in the ordinary shares of the Company at the end of the financial year, as follows:

	At 31 December 2003	At 1 January 2003
RS Rubin	2,855,988	2,855,988
AS Rubin	1,513,523	1,513,523
AK Rubin	1,598,420	1,598,420
CL Rubin	1,598,714	1,598,714
AJ Mosheim	1,605,626	1,605,626

SUPPLIER PAYMENT POLICY

The Group's policy is to agree the terms of payment at the start of business with each supplier, to ensure suppliers are aware of those terms and to abide by them. We comply with the Confederation of British Industry Prompt Payers Code, copies of which can be obtained from the CBI, Centrepoint, 103 New Oxford Street, London, WC1A 1OU. The Group's average number of creditor days for the year (trade creditors divided by purchases) was 33 days (2002: 32 days). The Company does not have any trade creditors.

GOING CONCERN

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss of the Company and the Group for the period to that date. In preparing those financial statements the Directors are required:

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

The Directors have responsibility for ensuring that the Company and the Group keeps accounting records that disclose with reasonable accuracy the financial position of the Company and the Group and that enable them to ensure that the financial statements of the Company and the Group 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 the Group and to prevent and detect fraud and other irregularities.

AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

By Order of the Board

R A STEVENS
Secretary

24 March 2004

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Company and % owned if not 100%	Country of operation	Country of incorporation
A&B Securities Ltd	UK	England
*Airborne Footwear Ltd (50%)	UK	England
*Asco General Supplies (Far East) Ltd	Hong Kong	Bahamas
Asco Group Ltd	Hong Kong	Bahamas
Berghaus Ltd	UK	England
Brasher Boot Company Ltd	UK	England
Ellesse International Ltd	UK	England
Ellesse International SpA	Italy	Italy
Ellesse Ltd	UK	England
*Fashion Shoe Licensing Inc	USA	USA
H&H Refrigeration Ltd	UK	England
Kangaroos Ltd	UK	England
*Kickers International BV (50%)	Netherlands	Netherlands
*Kickers International Ltd (50%)	UK	England
Kickers Worldwide NV (50%)	Netherlands	Netherlands
Mitre Sports International Ltd	UK	England
No Ordinary Shoes Ltd	UK	England
*Pentland Australia Pty Ltd	Australia	Australia
Pentland Chaussures Ltd	UK	England
Pentland Brands UK Ltd	UK	England
*Pentland France sarl	France	France
Pentland Brands plc	UK	Scotland
*Pentland Holdings BV	Netherlands	Netherlands
Pentland Industries Ltd	UK	England
*Pentland USA Inc	USA	USA
*Pentland Ventures Ltd	UK	England
*Regentmart Ltd	UK	England
RSH Managed Funds Ltd	UK	England
*Speedo Australia Pty Ltd	Australia	Australia
*Speedo Holdings BV	Netherlands	Netherlands
Speedo International Ltd	UK	England

Shares held directly by Pentland Group plc unless asterisked (*)

During 2003 the Group re-acquired the minority interest in Fashion Shoe Licensing Inc. for £0.6m the net book value of the interest attributable to the minority at the date of re-acquisition, which approximated to fair value.

Under the proposed Kickers Joint Venture termination agreement referred to in the Directors Report the Group's holding in Kickers Worldwide NV and Kickers International BV will be disposed of with effect from 1 January 2004. Following the termination of the Joint Venture the services of Kickers International Ltd will be no longer required and the company will be liquidated. The Group will have 100% ownership of Airborne Footwear Ltd.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENTLAND GROUP PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in group shareholders' funds and the related notes. The financial statements have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

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

Basis of 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 and the Group as at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors
24 March 2004

Group Profit and Loss Account
for the year ended 31 December 2003

	Notes	Before exceptional items 2003 £m	Exceptional items 2003 £m	Total 2003 £m	2002 £m
Turnover					
Continuing operations		325.1		325.1	362.1
Discontinued operations		3.1		3.1	18.1
	2	328.2		328.2	380.2
Operating (loss)/profit					
Continuing operations before goodwill amortisation	5	0.4	(8.1)	(7.7)	5.6
Amortisation of goodwill		(4.1)		(4.1)	(4.1)
Continuing operations		(3.7)	(8.1)	(11.8)	1.5
Discontinued operations		1.9		1.9	0.6
Total operating (loss)/profit	2,3,5	(1.8)	(8.1)	(9.9)	2.1
Income from fixed asset investments		1.0		1.0	1.4
Loss from interests in associated undertakings	4	(0.1)		(0.1)	(0.3)
Exceptional Items					
- Profit on disposal of fixed asset investment	5		6.3	6.3	
		(0.9)	(1.8)	(2.7)	3.2
Interest income (net)	6	2.4		2.4	1.7
(Loss)/profit on ordinary activities before taxation		1.5	(1.8)	(0.3)	4.9
Taxation (charge)/credit	9	(2.9)		(2.9)	3.2
(Loss)/profit on ordinary activities after taxation		(1.4)	(1.8)	(3.2)	8.1
Equity minority interests		(2.2)		(2.2)	(3.8)
(Loss)/profit for the financial year		(3.6)	(1.8)	(5.4)	4.3
Dividends	10	(4.0)		(4.0)	(1.8)
Transferred (from)/to reserves		(7.6)	(1.8)	(9.4)	2.5

The notes on pages 11 to 30 form part of these financial statements.

Group Balance Sheet
at 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Fixed assets					
Intangible assets - goodwill	11		65.8		69.9
Tangible assets	12		58.4		66.9
Investments	13		8.2		7.2
			132.4		144.0
Current assets					
Stock	14	42.3		46.8	
Debtors	15	52.6		64.3	
Investments	16	15.3		9.3	
Cash at bank and in hand	17	142.4		158.4	
		252.6		278.8	
***Creditors** – amounts falling due within one year*	18	*(101.3)*		*(123.7)*	
Net current assets			151.3		155.1
Total assets less current liabilities			283.7		299.1
Creditors - amounts falling due after more than one year	19		(4.5)		(5.1)
Provisions for liabilities and charges	20		(11.1)		(8.5)
			268.1		285.5
Capital and reserves					
Called up equity share capital	22		1.0		1.0
Reserves attributable to equity shareholders	23		257.6		271.4
Shareholders' funds			258.6		272.4
Equity minority interests			9.5		13.1
			268.1		285.5

R S Rubin
Director

Approved by the Board, 24 March 2004

The notes on pages 11 to 30 form part of these financial statements.

Group Cash Flow Statement
for the year ended 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Net cash inflow/(outflow) from operating activities					
Continuing operations	25		15.6		29.6
Discontinued operations	26		(0.5)		(1.7)
Net cash inflow from operating activities			15.1		27.9
Return on investments and servicing of finance					
Interest received		2.8		2.6	
Interest paid		(0.4)		(0.9)	
Dividends to minority		(2.2)		(4.5)	
Dividends received		1.0		1.4	
Net cash inflow/(outflow) from return on investments and servicing of finance			1.2		(1.4)
Taxation			(4.1)		(1.8)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(3.3)		(12.5)	
Purchase of current asset investments		(4.5)		(3.6)	
Purchase of fixed asset investments		(3.3)		(1.7)	
Sale of tangible fixed assets		1.4		2.9	
Sale of current asset investments		-		2.5	
Sale of fixed asset investments		7.2		1.4	
Reorganisation costs		*(0.5)*		*(1.0)*	
Net cash outflow for capital expenditure and financial investment			(3.0)		(12.0)
Acquisitions and disposals					
Sale of business (net)	29	(2.1)		0.2	
Purchase of minority		*(0.6)*		-	
Net cash (outflow)/inflow from acquisitions and disposals			(2.7)		0.2
Equity dividends paid to shareholders			(4.0)		(1.8)
Net cash inflow before use of liquid resources and financing			2.5		11.1
Management of liquid resources					
Net deposit in term deposits			(1.2)		(9.4)
Financing					
Debt due beyond a year:					
Loan notes redeemed		(0.6)		(1.8)	
Net cash outflow from financing			(0.6)		(1.8)
Increase/(decrease) in cash in the period			0.7		(0.1)

The notes on pages 11 to 30 form part of these financial statements.

Reconciliation of net cash flow to movement in net cash
for the year ended 31 December 2003

	Notes	2003		2002	
		£m	£m	£m	£m
Increase/(decrease) in cash in the period		0.7		(0.1)	
Cash outflow from decrease in debt and lease financing		0.6		1.8	
Cash outflow from increase in liquid resources		1.2		9.4	
Decrease in net debt resulting from cash flows			2.5		11.1
Translation difference			(3.7)		(3.5)
Movement in net cash in the period			(1.2)		7.6
Net cash at 1 January	27, 28		91.2		83.6
Net cash at 31 December	27, 28		90.0		91.2

Group statement of total recognised gains and losses
for the year ended 31 December 2003

	2003	2002
	£m	£m
(Loss)/profit attributable to the members	(9.4)	2.5
Currency translation differences arising on consolidation	(4.3)	(2.3)
Revaluation loss on fixed assets	(0.1)	-
Total recognised (losses)/gains relating to the year	(13.8)	0.2

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

Reconciliation of movements in equity shareholders' funds
for the year ended 31 December 2003

	2003	2002
	£m	£m
(Loss)/profit attributable to the members	(9.4)	2.5
Currency translation differences arising on consolidation	(4.3)	(2.3)
Revaluation loss on fixed assets	(0.1)	-
Net (decrease)/increase in equity shareholders' funds	(13.8)	0.2
Opening equity shareholders' funds	272.4	272.2
Closing equity shareholders' funds	258.6	272.4

The notes on pages 11 to 30 form part of these financial statements.

Company Balance Sheet
at 31 December 2003

	Notes	2003 £m	2003 £m	2002 £m	2002 £m
Fixed assets					
Tangible assets	12		7.8		7.8
Investments	13		408.6		607.0
			416.4		614.8
Current assets					
Debtors - amounts falling due within one year	15	20.1		253.3	
Debtors - amounts falling due after one year	15	-		70.0	
Cash at bank and in hand	17	40.4		14.2	
		60.5		337.5	
Creditors - amounts falling due within one year	18	(39.2)		(247.2)	
Net current assets			21.3		90.3
Creditors - amounts falling due after one year	19		(34.3)		(310.6)
			403.4		394.5
Capital and reserves					
Called up equity share capital	22		1.0		1.0
Reserves attributable to equity shareholders	23		402.4		393.5
Equity shareholders' funds			403.4		394.5

R S Rubin
Director

Approved by the Board, 24 March 2004

The notes on pages 11 to 30 form part of these financial statements.

Notes to the Accounts

1 Accounting Policies

Basis of consolidation The consolidated accounts include the accounts of Pentland Group plc and all its subsidiary undertakings made up to the end of the financial year. The profit and loss account of Pentland Group plc has been approved by the Directors but, as permitted by section 230(1) of the Companies Act 1985, is not presented with these accounts.

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

Associates and Joint ventures Associated undertakings and Joint ventures are included using the gross equity method in accordance with FRS 9: Accounting for Associates and Joint Ventures.
Joint Ventures over which management exercise control are consolidated in the financial statements.

Investment income Dividends are recognised when received.

Goodwill and intangible assets Purchased goodwill arising on the acquisition of new subsidiary undertakings represents the difference between the fair value of the consideration and the aggregate of the fair values of the separable net assets acquired and will be amortised, taking into account the useful economic life of goodwill, over a period not greater than 20 years. Prior to the implementation of FRS 10 on Goodwill and Intangible Assets, the Group had eliminated purchased goodwill and intangible assets from its balance sheet by immediate write-off to reserves on acquisition. The Group has not reinstated past goodwill.

Valuation of tangible fixed assets It is Group policy to carry fixed assets at the lower of cost and recoverable amounts. In accordance with FRS 15: Tangible Fixed Assets, differences between existing use and historical cost are taken through the profit and loss account, and those arising not as a result of economic consumption to the Statement of Total Recognised Gains and Losses.

Leases If the Group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. Other leases are treated as operating leases. Operating lease payments are charged to the profit and loss account on a straight line basis over the life of the lease.

Depreciation Depreciation is provided on fixed asset expenditure at rates calculated to write off each asset over its estimated useful life. No depreciation is provided on freehold land and assets under construction. The principal rates used are: freehold buildings and long leasehold property: 2% to 4% straight line; short leasehold property: straight line over lease period; plant and equipment: 15% to 33% on a straight line basis.

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

Foreign currencies Transactions in foreign currencies are translated at the rate of exchange applicable at the transaction date or, if hedged forward, at the contracted rate. Assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or contracted rate where hedging arrangements are in place. The results of overseas subsidiary undertakings are translated at the average rates of exchange ruling during the year. Exchange translation differences on consolidation and exchange translation differences on foreign currency borrowings in respect of foreign equity investments are taken to reserves. Other exchange differences are taken to the profit and loss account.

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

Accounting for retirement benefits The expected cost of pensions in respect of the Group's defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes and deferred tax is accounted for on these variations in accordance with FRS19: Deferred tax as described elsewhere in these notes. The pension cost is assessed in accordance with the advice of qualified actuaries. Contributions to the Group's defined contribution pension schemes are expensed as incurred. The Group has no other significant post employment benefit obligations.

Notes to the Accounts

1 Accounting Policies (continued)

Disclosures in relation to the pension schemes for the year ended 31 December 2003 have been set out in Note 8 of the financial statements.

Accounting for Deferred Tax Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date if transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only if, at the balance sheet date, there is a commitment to dispose of the replacement assets

- provision is made for deferred tax that would arise on remittance of net earnings of overseas subsidiaries, associates and joint ventures, only to the extent that at the balance sheet date dividends have been accrued as receivable

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not *that there will be suitable taxable profits from which the future reversal of the underlying timing differences* can be deducted

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

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

Notes to the Accounts

2 Segmental Analysis

The Group's activities are derived from a single business segment, its brand management and supply of footwear, clothing and sports goods activities.

Analysis of results, net operating assets and average employee numbers by geographical origin

	Employees		Turnover		Operating profit		Net operating assets	
	2003 No.	2002 No.	**2003 £m**	2002 £m	**2003 £m**	2002 £m	**2003 £m**	2002 £m
United Kingdom	1,215	1,508	238.0	269.5	(17.3)	(11.9)	51.8	89.9
North America	13	14	6.1	6.8	(0.5)	2.5	6.6	3.8
Continental Europe	111	153	67.4	68.6	6.2	9.0	40.3	30.9
Far East	118	129	4.9	15.7	(0.3)	2.0	13.6	21.5
Other	96	87	11.2	12.1	0.1	(0.1)	3.7	4.2
Less inter-segment sales	-	-	(2.5)	(10.6)	-	-	-	-
	1,553	1,891	325.1	362.1	(11.8)	1.5	116.0	150.3
Discontinued operations	*3*	*40*	*3.1*	*18.1*	*1.9*	*0.6*	*(0.8)*	*(24.6)*
	1,556	1,931	328.2	380.2	(9.9)	2.1	115.2	125.7
Goodwill							65.8	69.9
Fixed asset investments							8.2	7.2
Net cash							90.0	91.2
Provisions for liabilities and charges							(11.1)	(8.5)
							268.1	285.5

The £1.9m million discontinued operating profit is from businesses based in North America £1.3m and Far East £0.6m (2002 UK: £0.5m, North America £0.2m, Other £0.1m loss).

Analysis of inter-segment sales by geographical origin

	2003			2002		
	Total £m	**Inter-segment £m**	**Third parties £m**	Total £m	Inter-segment £m	Third parties £m
United Kingdom	238.0	-	238.0	269.5	-	269.5
North America	6.1	-	6.1	6.8	-	6.8
Continental Europe	67.4	-	67.4	68.6	(4.4)	64.2
Far East	4.9	(2.5)	2.4	15.7	(6.2)	9.5
Other	11.2	-	11.2	12.1	-	12.1
	327.6	(2.5)	325.1	372.7	(10.6)	362.1
Discontinued operations	3.1	-	3.1	18.1	-	18.1
	330.7	(2.5)	328.2	390.8	(10.6)	380.2

Notes to the Accounts

2 Segmental Analysis (continued)

Turnover by geographical destination

	2003 £m	2002 £m
United Kingdom	207.1	247.8
North America	6.4	6.8
Continental Europe	99.1	96.4
Far East	1.6	0.6
Other	10.9	10.5
	325.1	362.1
Discontinued operations	3.1	18.1
	328.2	380.2

The £3.1 million discontinued operations' turnover by both geographical origin and destination is derived from the UK £0.4m, North America £2.1m and the Far East £0.6m (2002: UK £13.0m, North America £3.4m, Other £1.7m).

3 Operating profit before exceptional items

	2003			2002		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Turnover	325.1	3.1	328.2	362.1	18.1	380.2
Increase/(decrease) in stocks	(4.5)	-	(4.5)	(4.4)	(3.3)	(7.7)
	320.6	3.1	323.7	357.7	14.8	372.5
Purchases and direct charges	189.7	1.1	190.8	217.0	8.3	225.3
Staff costs:						
Wages and salaries	48.4	0.5	48.9	49.2	1.4	50.6
Social security costs	5.2	-	5.2	5.3	0.1	5.4
Other pension costs	3.8	-	3.8	3.9	0.1	4.0
Depreciation of tangible fixed assets	7.9	-	7.9	8.4	-	8.4
Amortisation of goodwill	4.1	-	4.1	4.1	-	4.1
Profit on disposal of fixed asset investments	(0.1)	-	(0.1)	(0.6)	-	(0.6)
Impairment of tangible fixed assets	1.5	-	1.5	-	-	-
(Revaluation)/write down of listed investments	(1.3)	-	(1.3)	2.7	-	2.7
Write down of unlisted investments	1.1	-	1.1	3.4	-	3.4
Profit on disposal of current asset investments	(0.1)	-	(0.1)	0.6	-	0.6
Profit on sale and termination of businesses	(2.1)	-	(2.1)	-	-	-
Hire of plant and equipment	0.4	-	0.4	0.3	-	0.3
Other operating lease rentals	3.1	-	3.1	3.4	-	3.4
Auditors' remuneration*	0.4	-	0.4	0.4	-	0.4
Other operating charges	70.4	(0.4)	70.0	58.1	4.3	62.4
	332.4	1.2	333.6	356.2	14.2	370.4
	(11.8)	1.9	(9.9)	1.5	0.6	2.1

* In addition, payments made to the Group's auditors for non-audit services in the United Kingdom were £47,000 (2002: £151,000) and outside the United Kingdom £78,000 (2002: £102,000). The Company's audit fee for 2003 was £18,300 (2002: £17,800 restated).

Notes to the Accounts

4 Income from interests in associated undertakings

The Group's joint venture with MAS Holdings (Private) Ltd and Brandt International Ltd to manufacture Speedo and other branded garments through Linea Aqua (Private) Ltd in Sri Lanka recorded turnover for the period 1 January 2003 to 31 December 2003 of £6.4m resulting in losses of £0.4m. The Group's 33.3% share amounts to £2.1m and £0.1m respectively.

5 Exceptional Items pre tax

	2003	2002
	£m	£m
Operating		
Restructuring of Ellesse operations	(8.1)	-
Non operating		
Profit on part disposal of fixed asset investment	6.3	-
Total exceptional items pre tax	(1.8)	-

The profit on disposal of fixed asset investment relates to the gain from the part disposal of the Group's investment shareholding in Bennett Footwear Group LLC as detailed in Note 13.

There is no tax effect of the restructuring operations.

6 Interest Income (net)

	2003	2002
	£m	£m
Interest receivable	2.8	2.6
Less interest payable	(0.4)	(0.9)
	2.4	1.7

7 Directors

	2003	2002
Emoluments	**£000's**	£000's
Remuneration for management services	1,730	1,808
Pension contributions - defined benefits scheme	207	271
Pension contributions - funded unapproved retirement benefits scheme	40	27
Benefits	37	47
Bonuses	335	80
	2,349	2,233

The emoluments of the highest paid Director were £752,295 (2002: £580,043).

The accrued pension attributable to the highest paid director is £19,980 per annum (2002: £203,059).

Retirement benefits are accruing to six directors (2002: six) under the defined benefit scheme.

Retirement benefits are accruing to three directors (2002: three) under funded unapproved retirement benefits schemes.

Notes to the Accounts

8 Pension Schemes

Statement of Standard Accounting Practice 24 disclosure

Composition of Scheme The Group operates a contributory defined benefit pension scheme for UK based employees. The scheme is administered by trustees and is independent of Group finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service. The scheme's assets are invested in Axa's Mixed Fund and Baillie Gifford Managed Pension Fund. At 31 December 2003 the value of the assets held in Axa's Mixed Fund were £25.6 million and the value of assets held in Baillie Gifford Managed Pension Fund at 31 December 2003 was £2.8 million.

An actuarial review of the scheme was conducted by Heath Lambert Group, as at 1 April 2003 using the projected unit method. The principal actuarial assumptions adopted in the review were that, over the long term, the average yield would be 6.5% per annum compound and that members' scheme salaries would, on average, increase at 4.0% per annum compound from the valuation date until the assumed retirement date. Annual increases in present and future pension payments are assumed to be no greater than 2.5% per annum compound. The average remaining service life of the membership was assessed as 17 years. The actuarial valuation of the assets revealed a deficit of £5.5 million. The funding level, representing the value of the scheme's assets in relation to liabilities, was 85.0%. The actuary recommended that the current employer's contribution rate remained at 13.7% which, together with the member contribution rate, should eliminate the part service deficit of £5.5 million over approximately seven years. The Group has paid special contributions of £2.4 million during the period from the 1st July 2000, the last valuation date, and the current valuation date of 1 April 2003. The charge to the profit and loss account for the year for the Group's contributory defined benefit pension scheme was £2.8m (2002: £2.8m).

Financial Reporting Standard 17 disclosures

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2003 and updated by Heath Lambert Group to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 December 2003. Scheme assets are stated at their market value.

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

	2003	2002	2001
Discount rate	5.50%	5.50%	5.75%
Inflation rate	2.50%	2.00%	2.50%
Salary increases	3.50%	3.00%	3.75%
Rate of increase in pensions in payment			
Accrued prior to 1 January 1992	3.00%	3.00%	3.00%
Accrued between 1 January 1992 and 1 January 2001	5.00%	5.00%	5.00%
Accrued post 1 January 2001	2.50%	2.00%	2.50%

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

	2003	2002	2001
Cash on deposit	6.00%	6.25%	6.50%
Berghaus Limited secured annuities	5.50%	5.50%	5.8%
Equities	8.00%	7.50%	7.75%
Bonds	5.50%	5.50%	5.75%
Property	7.00%	6.00%	6.50%
Cash	3.75%	3.00%	3.50%

Notes to the Accounts

8 Pension Schemes (cont'd)

Net pension deficit

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and are consequently inherently uncertain, were:

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

It is not considered prudent to take any credit for a deferred tax asset.

If FRS 17 had been adopted in the financial statements, the Group net assets and profit and loss reserve including the pension deficit would be:

	2003 £m	*2002* £m	*2001* £m
Group net assets			
Net assets excluding pension deficit	268.1	285.5	285.9
Pension deficit	(16.5)	(21.7)	(11.7)
Net assets including pension deficit	251.6	263.8	274.2

	2003 £m	2002 £m	2001 £m
Group reserves			
Profit and loss reserve excluding pension deficit	229.8	243.5	243.3
Pension deficit	(16.5)	(21.7)	(11.7)
Profit and loss reserve	213.3	221.8	231.6

Notes to the Accounts

8 Pension Schemes (cont'd)

If FRS 17 had been adopted in the financial statements, the following amounts would have been recognised in the performance statements for the year to 31 December 2003, for the funded defined benefit pension scheme:

	2003 £m	2002 £m
Profit and loss account		
Amounts charged to operating profit:		
Current service cost	2.5	2.6
Past service credit	(8.2)	-
Total operating (credit)/charge	(5.7)	2.6
Amounts charged/(credited) to other finance charges:		
Expected return on pension scheme assets	1.7	1.9
Interest on pension scheme liabilities	(2.5)	(2.1)
Net deficit	(0.8)	(0.2)
Amounts recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	2.5	(6.6)
Experience losses arising on the scheme liabilities	(1.3)	(1.6)
Changes in assumptions underlying the present value of the scheme liabilities	(4.9)	(1.8)
Actuarial loss recognised in the STRGL	(3.7)	(10.0)
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(21.7)	(11.7)
Movement in year:		
Current service cost	(2.5)	(2.6)
Employer contributions	4.0	2.8
Past service credit	8.2	-
Other finance deficit	(0.8)	(0.2)
Actuarial losses recognised in STRGL	(3.7)	(10.0)
Deficit at end of year	(16.5)	(21.7)

Notes to the Accounts

8 Pension Schemes (cont'd)

History of experience gains and losses year ended 31 December 2003

Difference between the expected and actual return on scheme assets

	2003	**2002**
Amount (£m)	2.5	(6.6)
Percentage of scheme assets	7%	(27%)
Experience losses on scheme liabilities		
Amount (£m)	(1.3)	(1.6)
Percentage of the present value of the scheme liabilities	(3%)	(3%)
Total amount recognised in STRGL		
Amount (£000's)	(3.7)	(10.0)
Percentage of the present value of the scheme liabilities	(8%)	(22%)

Contributions

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). The total contributions made by the Group during the year ended 31 December 2003 were £4.0 million (2002: £2.8 million). The agreed future contribution rate is 13.7%.

Other

The Group's other UK scheme is a money purchase scheme operated by a subsidiary undertaking Speedo International Ltd ("Speedo"). The assets of the scheme are held separately from those of Speedo. The funds are invested with Scottish Equitable.

The main overseas subsidiary undertakings schemes are defined contribution schemes in the USA and Far East.

The Group has no significant health and medical plans providing post retirement benefits.

Notes to the Accounts

9 Taxation

	2003		2002	
	£m	**£m**	£m	£m
Current tax				
UK - Current corporation tax at 30% (2002: 30%)	0.2		0.7	
Prior year charge	0.1		0.2	
		0.3		0.9
Overseas taxation		2.6		2.6
Total current tax		2.9		3.5
Deferred tax				
Timing differences	-		0.3	
Prior year credit	-		(7.0)	
		-		(6.7)
Tax charge/(credit) on profit on ordinary activities		2.9		(3.2)

Based upon the results, the effective tax rate for the year ended 31 December 2003 was (966.7)% (2002: 65.3%)

	2003	2002
	£m	£m
Tax charge/(credit)	2.9	(3.2)
- on ordinary activities		
	2.9	(3.2)

The current tax charge reconciles with the charge calculated using the standard rate of UK corporation tax as follows:

	2003	2002
	£m	£m
(Loss)/profit on ordinary activities before taxation	(0.3)	4.9
Corporation tax at UK statutory rates	(0.1)	1.5
Effect on tax charge of:		
Depreciation and other timing differences	3.0	1.4
Permanent differences	2.4	1.7
Higher tax rates on overseas earnings	0.6	0.5
Adjustment to tax in respect of prior periods	0.1	(6.7)
Utilisation of tax losses	(3.1)	(1.6)
Current tax charge/(credit)	2.9	(3.2)

Notes to the Accounts

10 Dividends

	2003 £m	2002 £m
Interim dividend paid 13 December 2003 : 41.1p per 10p share (2002: 18.5p)	4.0	1.8

11 Intangible Fixed Assets

a) Goodwill

	£m
At 1 January 2003	69.9
Amortisation	(4.1)
At 31 December 2003	65.8

b) Other intangibles

The Group owns a portfolio of brands whose value is not recognised in the Group balance sheet.

12 Tangible Fixed Assets

Group	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m
Cost or valuation				
At 1 January 2003	36.6	13.8	61.1	111.5
Additions	0.3	0.1	2.9	3.3
Disposals	(1.0)	-	(5.8)	(6.8)
Impairment	-	(1.8)	-	(1.8)
Currency adjustments	0.1	(0.6)	0.2	(0.3)
At 31 December 2003	36.0	11.5	58.4	105.9
Accumulated depreciation				
At 1 January 2003	4.3	2.4	37.9	44.6
Charge for the year	0.6	0.2	7.1	7.9
Disposals	(0.1)	-	(4.8)	(4.9)
Impairment	-	(0.2)	-	(0.2)
Currency adjustments	-	-	0.1	0.1
At 31 December 2003	4.8	2.4	40.3	47.5
Net book value at:				
31 December 2003	31.2	9.1	18.1	58.4
31 December 2002	32.3	11.4	23.2	66.9

Freehold and leasehold properties were revalued in 1989 with subsequent additions included at the lower of cost and recoverable amount. All other tangible fixed assets are stated at the lower of cost and recoverable amounts. Of the revalued leasehold properties, £5.6 million at cost (2002: £8.0 million) relates to long leaseholds. The total revaluation surplus which arose on the 1989 revaluation of freehold property of £4.7 million was reversed following an external professional valuation of the Group's principal properties in 1998. Of the revalued freehold properties, the depreciable amount at cost was £18.5 million (2002: £18.7 million).

Notes to the Accounts

12 Tangible Fixed Assets (continued)

During 2003 the Directors of Asco General Supplies (Far East) Ltd, a group subsidiary, reviewed the valuation of leasehold properties in Hong Kong compared to latest open market values. As a result impairments totalling £1.6m have been recorded against these properties. Of this, £0.1m was charged against the revaluation surplus which arose on a previous revaluation of these properties.

On an historical cost basis at 31 December 2003 and 2002, property would have been included as follows:

Leasehold Property	2003 £m	2002 £m
Cost	10.6	11.1
Accumulated depreciation	(2.6)	(2.4)
	8.0	8.7

Company	Freehold property £m	Long Leasehold property £m	Fixtures and fittings £m	Total £m
Cost or valuation				
At 1 January 2003	2.3	3.6	2.7	8.6
Additions	-	-	0.2	0.2
Disposals	-	-	-	-
At 31 December 2003	2.3	3.6	2.9	8.8
Depreciation				
At 1 January 2003	0.1	0.4	0.3	0.8
Charge for year	-	0.1	0.1	0.2
Disposals	-	-	-	-
At 31 December 2003	0.1	0.5	0.4	1.0
Net book value at:				
31 December 2003	2.2	3.1	2.5	7.8
31 December 2002	2.2	3.2	2.4	7.8

13 Fixed Asset Investments

Group	Joint Venture	Non participating interests		
	unlisted £m	listed £m	unlisted £m	Total £m
Cost or valuation				
At 1 January 2003	0.6	1.2	5.4	7.2
Additions (see Note 4)	0.2	-	3.1	3.3
Disposals	-	-	(0.9)	(0.9)
Share of loss for the year (see Note 4)	(0.1)	-	-	(0.1)
Currency adjustments	(0.2)	-	(0.1)	(0.3)
Provision for diminution in value	-	(0.1)	(0.9)	(1.0)
At 31 December 2003	0.5	1.1	6.6	8.2
Market value at 31 December 2003		1.3		

Notes to the Accounts

13 Fixed Asset Investments (continued)

The Group has 49.5% ownership of Alset Owners LLC, a company incorporated in Delaware, which operates restaurants in North America. Alset Owners LLC was formed in 2003 from the merger of two companies, Altes LLC and Setla LLC, in both of which the Group had a 49.5% share.

In 2003 the Group made a US$1.5m equity investment in addition to its existing equity investment in Fuze Beverage LLC, a company incorporated in Delaware, which processes, markets and distributes ready-to-drink beverages in North America. The Group's holding now totals 17,700,000 shares of capital stock, representing 33.7% of the issued stock of Fuze Beverage LLC. In 2003 the Group also made a US$1.05m loan to the company.

The Group does not participate in the management of the two companies and has therefore not equity accounted for either in its results.

The Group's investment in the Speedo joint venture in Sri Lanka, referred to in Note 4 above, comprises 10,000,000 common shares totalling US$1.3 million being 33.3% of the issued share capital. In 2002 the Group made a US$0.3m loan to the joint venture and in 2003 made an additional equity investment of $0.3m, maintaining the Group's shareholding at 33.3%. The Group's share at 31 December 2003 of Linea Aqua (Private) Ltd's gross assets and liabilities were £2.7 million and £2.2m respectively, for which it equity accounts.

During 2003 the Group made a £6.3m gain from the part disposal of its investment shareholding in Bennett Footwear Group LLC which distributes footwear under licence in North America. The Group had previously written down the value of its investment to nil. The Group exchanged its shareholding in Bennett Footwear Group LLC for ordinary shares and preference shares in a newly formed entity, Bennett Holdings LLC. The Group also received £6.3m in cash and re-acquired the 25% minority interest holding in its subsidiary, Fashion Shoe Licensing LLC for £0.6m, its net book value. At 31 December 2003 the Group retains 146,726 common units of capital stock, representing 14.7% of the equity shareholding and $4.2m 12% cumulative preference shares.

Company	Subsidiary undertakings		Non participating interests		
	shares	loans	listed	unlisted	Total
	£m	£m	£m	£m	£m
Cost or Valuation					
At 1 January 2003	592.5	11.3	1.1	2.1	607.0
Additions	35.2	7.2	-	2.2	44.6
Disposals	-	(0.3)	-	(0.9)	(1.2)
Provisions	(31.6)	-	(0.1)	(0.2)	(31.9)
Write down in value of subsidiaries following capital reduction programme	(209.9)	-	-	-	(209.9)
At 31 December 2003	386.2	18.2	1.0	3.2	408.6

During 2003, the Company acquired a subsidiary from Pentland Industries Ltd, a Group company.

Court orders for the cancellation of the share premium accounts of Speedo International Limited and Ellesse Limited were granted in accordance with Section 381A of the Companies Act 1985. Reciprocal intercompany debts due from the Company to Speedo International Limited and Ellesse Limited were forgiven by those companies.

The Directors have reviewed the carrying value of investments in subsidiaries and are satisfied that the carrying value is appropriate.

The principal subsidiary and associated undertakings of the Group are listed on page 4. Advantage has been taken of Section 231(5) of the Companies Act 1985 in that a full list of subsidiary and associated undertakings will be annexed to the Company's next Annual Return.

Notes to the Accounts

14 Stocks

Group	**2003 £m**	2002 £m
Raw materials	2.0	2.0
Work in progress	-	0.4
Finished goods and goods held for resale	40.3	44.4
	42.3	46.8

15 Debtors

	Group		Company	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Due within one year				
Trade debtors	37.0	46.6	-	-
Bills sold to banks	1.8	-	-	-
Amounts due from subsidiary undertakings	-	-	17.1	189.1
Proposed dividend from subsidiary undertaking	-	-	-	60.0
Corporation tax recoverable	0.3	2.8	2.3	3.6
Other debtors	6.5	7.9	0.4	0.3
Prepayments and accrued income	7.0	7.0	0.3	0.3
	52.6	64.3	20.1	253.3
Debtors due after one year				
Amounts due from subsidiary undertakings	-	-	-	70.0
	52.6	64.3	20.1	323.3

16 Investments Held as Current Assets

Group	**2003 £m**	2002 £m
Listed in the UK	4.4	3.3
Listed on other recognised stock exchanges	3.1	3.5
Listed investments	7.5	6.8
Certificates of tax deposit	-	0.1
	7.5	6.9
Unlisted investments	7.8	2.4
	15.3	9.3
Market value of listed investments	8.1	6.9

Notes to the Accounts

17 Cash at Bank and in Hand

	Group		Company	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Cash at bank and in hand	91.6	108.8	-	0.1
Short term deposits	50.8	49.6	40.4	14.1
	142.4	158.4	40.4	14.2

18 Creditors - Amounts Falling Due Within One Year

	Group		Company	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Bank overdrafts	47.9	62.1	1.0	1.7
Bills payable – other	1.2	1.1	-	-
Trade creditors	17.2	19.3	-	-
Amounts due to subsidiary undertakings	-	-	37.9	245.2
Current taxation	1.1	5.3	-	-
Social security and other taxes	5.7	5.8	-	-
Other creditors	7.4	13.2	-	-
Accruals and deferred income	20.8	16.9	0.3	0.3
	101.3	123.7	39.2	247.2

Bank overdrafts are reported gross but the Company and the majority of its UK subsidiaries 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 Group has various short term borrowing facilities at its disposal. The above bank overdrafts and bills obligations represent usage of these facilities, which are repayable upon demand. The Group's syndicated revolving credit facility for £60.0 million, which was extant but un-drawn at 31 December 2002, was cancelled voluntarily by the Group on 8 April 2003 owing to its high liquidity. The facility had been scheduled to terminate on 2 September 2003.

19 Creditors - Amounts Falling Due after One Year

	Group		Company	
	2003	2002	**2003**	2002
	£m	£m	**£m**	£m
Guaranteed unsecured loan notes 2005	4.5	5.1	4.5	5.1
Amounts due to subsidiary undertakings	-	-	29.8	305.5
	4.5	5.1	34.3	310.6

The Company issued the loan notes as part of the consideration for Pentland Brands plc. Interest is calculated at 0.75 per cent per annum below Barclays Bank PLC's six month LIBOR and is paid twice yearly in arrears on 31 March and 30 September. The loan notes will be redeemed in whole or in part on any interest payment date from 31 March 2001 to 30 September 2004 at the option of the holder or wholly on 31 March 2005 by the Company. The Company may redeem all loan notes outstanding after 31 March 2001 if the principal amount of the loan notes outstanding after that date falls below ten per cent of the amount outstanding at 30 March 2001. Repayment of the principal amount of the loan notes is guaranteed by Barclays Bank. The Company has deposited £4.5 million with Barclays Bank and has given the Bank a first fixed charge over the deposit to cover this guarantee.

20 Provisions for Liabilities and Charges

	Provisions £m	Deferred taxation £m	Total £m
Group			
At 1 January 2003	2.0	6.5	8.5
Charged during the year	3.1	-	3.1
Utilised	(0.5)	-	(0.5)
At 31 December 2003	4.6	6.5	11.1

The provision for deferred tax primarily represents potential tax liabilities in overseas jurisdictions. The tax rate applied was 30% (2002: 30%). The £3.1m charge during the year relates to restructuring of Ellesse operations.

21 Deferred Taxation

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

	2003 £m	2002 £m
Accelerated capital allowances	2.7	1.5
Other timing differences	3.2	1.5
Unrelieved overseas tax losses	19.9	24.1
	25.8	27.1

22 Share Capital

	2003 £m	2002 £m
Authorised 12,500,000 ordinary shares of 10p each (2002: 12,500,000)	1.2	1.2
Allotted, issued and fully paid 9,736,402 ordinary shares of 10p each (2002: 9,736,402)	1.0	1.0

23 Reserves

	Share premium and merger reserve £m	Revaluation reserve £m	Profit and loss £m	Total £m
Group				
At 1 January 2003	29.2	(1.3)	243.5	271.4
Loss for the year	-	-	(9.4)	(9.4)
Currency adjustments	-	-	(4.3)	(4.3)
Impairment of fixed assets	-	(0.1)	-	(0.1)
At 31 December 2003	29.2	(1.4)	229.8	257.6

The cumulative goodwill and intangible assets written off to reserves on acquisition in respect of the Group's businesses amounted to £62.1 million at 31 December 2003 (2002: £62.1 million).

Notes to the Accounts

23 Reserves (continued)

	Merger reserve £m	Share premium £m	Profit and loss £m	Total £m
Company				
At 1 January 2003	29.0	0.2	364.3	393.5
Profit for year	-	-	8.9	8.9
At 31 December 2003	29.0	0.2	373.2	402.4

The attributable profit dealt with in the Company's profit and loss account for the year is £8.9 million (2002: 51.1 million). £84.0 million (2002: £84.0 million) of the £373.2 million (2002: £364.3 million) of the profit and loss account is non distributable.

On the acquisition of the Pentland Brands plc minority, in place of cash or loan notes, the Company issued one Company share for every 25 Pentland Shares held or controlled by members of the Rubin family as disclosed in the Scheme of Arrangement. The Company has taken advantage of S131 and S132 of the Companies Act 1985 and has taken the share premium arising on the issue of the shares to a merger reserve.

24 Commitments

At 31 December 2003 the Group had authorised capital commitments of £4.0m of which £0.5m had been contracted. (2002: £nil). The Group had the following annual commitments under non-cancellable operating leases:

	Land and buildings		**Other operating leases**	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Leases expiring:				
Within one year	0.2	0.4	0.1	0.2
Within two to five years	1.5	1.5	0.3	0.4
Over five years	0.9	0.6	-	-
	2.6	2.5	0.4	0.6

At 31 December 2003 the Group had investment commitments of £4.4 million (2002: £6.3 million), which includes those that the Company had of £3.1 million (2002: £4.0 million), which may be drawn down over the next five years.

Notes to the Accounts

25 Reconciliation of Operating Profit to Net Cash Flow from Continuing Operations

	2003 £m	2002 £m
Operating (loss)/profit from continuing operations	(11.8)	1.5
Depreciation	7.9	8.4
Amortisation of intangible assets	4.1	4.1
Loss on disposal of fixed assets	-	0.9
Profit on disposal of fixed asset investments	(0.1)	(0.6)
Reorganisation provisions	3.1	-
Impairment of tangible fixed assets	1.5	-
Fixed asset investment written down	1.1	3.7
Current asset investment (revaluation)/write down	(1.3)	2.4
(Profit)/loss on disposal of current asset investment	(0.1)	0.6
Decrease in stocks	3.1	4.6
Decrease in debtors	4.7	13.2
Increase/(decrease) in creditors	3.4	(9.2)
Net cash inflow from continuing operations	15.6	29.6

26 Reconciliation of Operating Profit to Net Cash Flow from Discontinued Operations

	2003 £m	2002 £m
Operating profit from discontinued operations	1.9	0.6
Profit on disposal of fixed assets	-	(0.7)
Profit on sale of business	-	(0.1)
Decrease in stocks	-	3.1
Decrease/(increase) in debtors	3.2	(3.5)
Decrease in creditors	(5.6)	(1.1)
Net cash outflow from discontinued operations	(0.5)	(1.7)

27 Analysis of Net Cash

	At 1 January 2003 £m	**Cash flow £m**	**Exchange movement £m**	**At 31 December 2003 £m**
Cash in hand, at bank	108.8	(13.5)	(3.7)	91.6
Overdrafts	(62.1)	14.2	-	(47.9)
	46.7	0.7	(3.7)	43.7
Guaranteed unsecured loan notes 2005	(5.1)	0.6	-	(4.5)
Short term deposits	49.6	1.2	-	50.8
	91.2	2.5	(3.7)	90.0

Notes to the Accounts

28 Analysis of Net Cash, as shown in the balance sheet:

	2003 £m	2002 £m
At 31 December:		
Cash and bank deposits	142.4	158.4
Bank overdrafts	(47.9)	(62.1)
Guaranteed unsecured loan notes 2005	(4.5)	(5.1)
Net cash (Note 27)	90.0	91.2

29 Cash Flow Relating to Sale of Business

	2003 £m	2002 £m
Net assets disposed of:		
Stocks	0.8	0.4
Debtors	0.6	0.2
Creditors	(1.8)	(0.4)
Cash	4.5	-
Minority interest	(2.0)	-
Profit/(loss) on disposal	0.3	0.1
	2.4	0.3
Satisfied by:		
Cash consideration net of expenses	2.4	0.2
Deferred consideration	-	0.1
	2.4	0.3
Analysis of the net inflow of cash relating to disposals		
Cash consideration net of expenses	2.4	0.2
Net borrowings/cash disposed of	(4.5)	-
	(2.1)	0.2

Notes to the Accounts

30 Related Party Transactions

i) *Disclosure of control*
At 31 December 2003, R S Rubin and his close family exercised control over the Company.

ii) *Subsidiary undertakings*
Details of investments in principal undertakings are included on Page 4. In accordance with FRS 8, disclosure is not required of transactions and balances between Group companies where such transactions are eliminated on consolidation.

iii) *Associated undertakings*
Transactions by the Group with Linea Aqua (Private) Ltd, the Group's joint venture as set out in Note 4, were as follows during 2003 and 2002.

	Total value of transactions from 01.01.03 to 31.12.03	Total value of transactions from 01.01.02 to 31.12.02	Balance as at 31.12.03	Balance as at 31.12.02
Nature of Transaction	£m	£m	£m	£m
Purchase of Stock	3.7	1.3	0.7	0.1

iv) *Pension funds*
Information relating to pension fund arrangements is disclosed in Note 8. Other than the payment of normal pension contributions there have been no transactions between the Group or its related parties and any employee pension funds. There are no balances outstanding at the year end between Group companies and employee pension funds except those relating to the payment of pension contributions.

31 Approval of Accounts

These accounts were approved at a Directors' meeting held on 24 March 2004.

32 Registered Office

The Company's registered office is 8 Manchester Square, London, W1U 3PH.