

BERGHAUS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

Registered number 871405

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BERGHAUS LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the year was the design, sourcing, marketing and distribution of high performance, technical outdoor clothing, footwear and related accessories in the UK and internationally. The company continues to invest in research and development with regards to development of fabric technology. This is not expected to change in the coming year.

The directors' acknowledge that the future year will be a challenging period, however remain confident that the business will continue to meet those challenges.

Principal risks and uncertainties

The directors of Pentland Group plc manage the group's risk at a group level, rather than at an individual business unit level. 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 the Berghaus Limited business.

The principal risks and uncertainties of Pentland Group plc which include those of the company, are discussed on page 2 of 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 analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

RESULTS AND DIVIDENDS

The company's profit for the financial year is £1.9m (2007: £1.5m) and is shown in the profit and loss account on page 6. An interim dividend of 6.2p (2007: 9.6p) per ordinary share, amounting to £1.6m (2007: £2.5m) was paid on 22 December 2008. The directors do not recommend the payment of a final dividend (2007: £nil).

DIRECTORS

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

Sir C Bonington CBE

R Cotter

D Kennedy

A M Leslie (resigned 31 October 2008)

A K Rubin

R S Rubin

J S Sinclair (resigned 31 December 2008)

A M Long (appointed 4 December 2008)

Pentland Group plc (the ultimate parent company) has provided an indemnity for the directors and the secretary of the company, which is a qualifying third party indemnity provision for the purposes of the Companies Act 1985.

BERGHAUS LIMITED

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY

The company's policy is to agree the terms of payment at the start of business with each supplier, to ensure suppliers are aware of those terms and to abide by them. We comply with the Confederation of British Industry (CBI) Prompt Payers Code, copies of which can be obtained from the CBI, Centrepont, 103 New Oxford Street, London, WC1A 1DU. The company's average number of creditor days for the year (trade creditors divided by purchases) was 12 days (2007: 31 days).

GOING CONCERN

The directors, having taken account of the company's net cash resources and bank facilities, consider that the company has adequate resources to continue as a going concern for the foreseeable future. Therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

BERGHAUS LIMITED

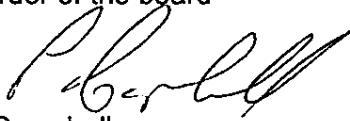
DIRECTORS' REPORT (continued)

INDEPENDENT AUDITORS AND THE 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 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.

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

A handwritten signature in black ink, appearing to read 'P J Campbell', is written over the printed name.

P J Campbell
Company secretary
24 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BERGHAUS LIMITED

We have audited the financial statements of Berghaus Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

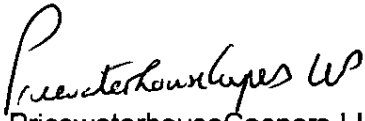
BERGHAUS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BERGHAUS LIMITED
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 March 2009

BERGHAUS LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 £m	2007 £m
Turnover	3	48.6	45.0
Operating profit	4	1.8	1.5
Tax on profit on ordinary activities	7	0.1	-
Profit for the financial year	16	1.9	1.5

All amounts relate to continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

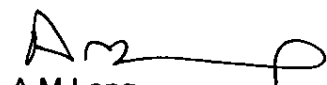
	2008 £m	2007 £m
Profit for the financial year	1.9	1.5
Currency translation differences	(0.1)	-
Total recognised gains and losses relating to the year	1.8	1.5

BERGHAUS LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	8	0.4	0.5
Investments	9	-	-
		<u>0.4</u>	<u>0.5</u>
Current assets			
Stocks	10	10.3	7.8
Debtors	11	8.8	8.5
Cash at bank and in hand		6.5	0.6
		<u>25.6</u>	<u>16.9</u>
Creditors: amounts falling due within one year	12	(21.9)	(14.0)
Total assets less current liabilities		<u>4.1</u>	<u>2.9</u>
Provision for liabilities	13	(1.8)	(1.3)
Net assets		<u>2.3</u>	<u>2.1</u>
Capital and reserves			
Called up equity share capital	15	1.3	1.3
Share premium account	16	0.1	0.1
Capital redemption reserve	16	0.6	0.6
Profit and loss account	16	0.3	0.1
Total shareholders funds		<u>2.3</u>	<u>2.1</u>

Approved by the board on 24 March 2009

On behalf of the board



A M Long
Director

The notes on pages 9 to 17 form part of these financial statements.

BERGHAUS LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS FOR THE YEAR
ENDED 31 DECEMBER 2008**

	2008 £m	2007 £m
Profit for the financial year	1.9	1.5
Dividends	(1.6)	(2.5)
Currency translation differences	(0.1)	-
	<hr/>	<hr/>
Net increase/(decrease) in shareholder's funds	0.2	(1.0)
Opening shareholders' funds	2.1	3.1
	<hr/>	<hr/>
Closing shareholders' funds	2.3	2.1
	<hr/>	<hr/>

BERGHAUS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES

Basis of preparation These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 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.

Consolidation Consolidated accounts have not been prepared as the company is a wholly owned subsidiary undertaking of Pentland Group plc, and is exempt from preparing group accounts by virtue of section 228 Companies Act 1985.

Fixed asset investments Fixed asset investments are stated at cost or valuation, less provision if appropriate for any permanent diminution in value.

Tangible fixed assets 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 in the light of experience.

Depreciation The principal rates used are, plant and equipment: 20-50%, on a straight line basis.

Stocks Stocks are 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 stocks.

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.

Turnover Turnover comprises the value of external sales, services and royalties, excluding sales related taxes. Sales are recognised as they are invoiced following the passing of title of goods. Royalties are recognised in the period in which the related sales are made.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 ACCOUNTING POLICIES (continued)

Research and development Costs relating to research and development into improving products are charged to the profit and loss account as incurred.

Retirement benefits The company's employees are members of a defined contributions scheme. The total expense recognised in the profit and loss account in relation to pensions represents the actual contribution paid on behalf of employees.

The impact of FRS 17: Retirement benefits on the defined benefit pension scheme has not been applied to the accounts 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. Not all the company's employees are members of the defined benefit pension scheme.

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

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

2 CASH FLOW STATEMENT

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

BERGHAUS LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008****3 TURNOVER**

Turnover by destination is analysed by geographical area as follows:

	2008	2007
	£m	£m
United Kingdom	40.2	39.2
Europe	5.6	5.2
Rest of World	2.8	0.6
	<u>48.6</u>	<u>45.0</u>

4 OPERATING PROFIT

	2008	2007
	£m	£m
Turnover	48.6	45.0
Cost of sales	(27.9)	(27.0)
	<u>20.7</u>	<u>18.0</u>
Gross profit		
Net operating expenses		
Distribution costs	(7.4)	(6.1)
Administrative expenses	(11.5)	(10.4)
	<u>1.8</u>	<u>1.5</u>
Operating profit		

The following are included within operating expenses:

Staff costs		
Wages and salaries	3.9	4.0
Social security costs	0.5	0.5
Other pension costs	0.3	0.3
	<u>5.5</u>	<u>4.8</u>
Impairment of tangible fixed assets	0.3	-
Depreciation of tangible fixed assets - owned	0.3	0.3
Other operating lease rentals	0.7	0.4

The company's audit fee was £22,000 (2007: £20,000)

BERGHAUS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

5 DIVIDENDS

	2008 £m	2007 £m
Equity – ordinary		
Interim paid 6.2p (2007: 9.6p) per ordinary share	1.6	2.5
	<u>1.6</u>	<u>2.5</u>

6 DIRECTORS AND EMPLOYEES

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

	2008 Number	2007 Number
By activity;		
Management and administration	73	73
Selling and distribution	47	41
	<u>120</u>	<u>114</u>

Directors' emoluments

	2008 £m	2007 £m
Aggregate emoluments	<u>0.5</u>	<u>0.4</u>

The emoluments of the highest paid director, excluding pension contributions, were £281,534 (2007 £216,904).

The contributions to the money purchase scheme for the highest paid director were £17,894 (2007 £17,031)

The accrued pension attributable to the highest paid director is £3,600 per annum (2007: £nil).

The number of directors accruing benefits under the defined benefit scheme is two (2007: two).

Contributions were made to the money purchase scheme on behalf of two directors (2007: two).

BERGHAUS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £m	2007 £m
Current tax		
Overseas tax – prior year	(0.1)	-
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Tax on profit on ordinary activities	(0.1)	-
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The tax assessed for the year is lower (2007: lower) than the standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are explained below:

	2008 £m	2007 £m
Profit on ordinary activities before taxation	1.8	1.5
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate in UK 28.5% (2007: 30%)	0.5	0.4
Effect on tax charge of:		
Group relief surrendered for £nil consideration	(0.6)	(0.5)
Capital allowances less than depreciation and other timing differences	-	0.1
Adjustment to tax in respect of prior years	0.1	-
Overseas tax	(0.1)	-
	<hr/>	<hr/>
Current tax (credit)/charge	(0.1)	-
	<hr/>	<hr/>

BERGHAUS LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008****8 TANGIBLE ASSETS**

	Plant and equipment £m
Cost or valuation	
At 1 January 2008	1.8
Additions	0.5
At 31 December 2008	2.3
Accumulated depreciation	
At 1 January 2008	1.3
Charge for the year	0.3
Impairment	0.3
At 31 December 2008	1.9
Net book value at:	
At 31 December 2008	0.4
At 31 December 2007	0.5

9 INVESTMENTS

The company has the following subsidiaries:

	Country of incorporation	% ownership of ordinary shares	Principal activity
Sportgrade Limited	UK	100%	Dormant
Berghaus Italia srl	Italy	100%	Dormant

The net book value of the investments is nil (2007: nil).

10 STOCKS

	2008 £m	2007 £m
Raw materials and consumables	1.7	2.2
Finished goods and goods for resale	8.6	5.6
	10.3	7.8

BERGHAUS LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008****11 DEBTORS**

	2008 £m	2007 £m
Trade debtors	4.9	7.5
Amounts owed by fellow subsidiary undertakings	0.6	0.7
Other debtors	2.9	-
Prepayments and accrued income	0.3	0.3
Overseas tax recoverable	0.1	-
	<u>8.8</u>	<u>8.5</u>

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

12 CREDITORS; amounts falling due within one year

	2008 £m	2007 £m
Trade creditors	0.5	1.0
Amounts owed to fellow subsidiary undertakings	18.7	11.2
Accruals and deferred income	2.7	1.8
	<u>21.9</u>	<u>14.0</u>

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

13 PROVISION FOR LIABILITIES

	2008 £m
Property provisions	
At 1 January 2008	1.3
Utilised in the year	(0.3)
Charged to the profit and loss account	0.8
At 31 December 2008	<u><u>1.8</u></u>

This provision relates to onerous leases, expected to be utilised over the remaining five to six year terms of the leases.

BERGHAUS LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008****14 DEFERRED TAXATION**

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

	2008 £m	2007 £m
Depreciation in excess of capital allowances	0.1	0.1
Other timing differences	0.1	0.1
	<u>0.2</u>	<u>0.2</u>

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

15 CALLED UP SHARE CAPITAL

	2008 £m	2007 £m
Authorised		
38,000,000 ordinary shares of 5p each	1.9	1.9
	<u> </u>	<u> </u>
	2008	2007
	£m	£m
Allotted and fully paid		
26,000,000 ordinary shares of 5p each	1.3	1.3
	<u> </u>	<u> </u>

16 RESERVES

	Share premium reserve £m	Capital redemption reserve £m	Profit and loss account £m
At 1 January 2008	0.1	0.6	0.1
Retained profit for the financial year	-	-	0.3
Currency translation differences	-	-	(0.1)
At 31 December 2008	<u>0.1</u>	<u>0.6</u>	<u>0.3</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

17 COMMITMENTS AND CONTINGENCIES

Bank overdrafts are reported gross but the company and its UK fellow subsidiary undertakings have arrangements with their clearing banks whereby sterling and, if applicable, US dollar and euro cleared credit balances are set off against the respective sterling and foreign currency cleared debit balances on their current accounts and interest is paid only on the aggregate net overdrafts.

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

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

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

	2008	2007
	£m	£m
Land and buildings:		
Leases expiring;		
Within one year	0.4	-
Within two to five years	1.5	-
After five years	0.3	0.5
	<hr/>	<hr/>
	2.2	0.5
	<hr/>	<hr/>

18 RELATED PARTIES

Pentland Group 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 FRS 8: related party disclosures. 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.

19 ULTIMATE PARENT UNDERTAKING

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 accounts have been prepared by Pentland Group plc, which is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statement for the year ended 31 December 2008. The consolidated accounts of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London W1U 3PH.