ELLESSE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Registered number: 2081721

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ELLESSE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the year was that of the management of the Ellesse brand, including the collection of royalty income derived from licensing the brand to third parties This is not expected to change in the coming year

Given the prevalence of uncertainty arising from political and economic instability in the global market, as well as the inherent risks faced by the business, the directors' acknowledge that the future year will be a challenging period However, through a combination of strong industry knowledge and robust long term strategic planning the directors' remain confident that the business will continue to meet the challenges it faces

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 Ellesse Limited'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

RESULTS AND DIVIDENDS

The company's loss for the financial year is £2,907k (2011 £2,868k) and is shown in the profit and loss account on page 6 The directors do not recommend the payment of a dividend (2011 £nil)

DIRECTORS

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

A K Rubin
R S Rubin
A M Long
M Ellerker (appointed 19 March 2012)

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (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 can abide by them We comply with the Confederation of British Industry (CBI) Prompt Payers Code, copies of which can be obtained from the CBI, Centrepoint, 103 New Oxford Street, London, WC1A 1DU The company's average number of creditor days for the year was 30 days (2011 30 days)

GOING CONCERN

The financial statements have been prepared on a going concern basis as the ultimate parent undertaking has indicated its intention to provide continuing financial support to the company for at least the next twelve months, and the foreseeable future thereafter

STATEMENT OF DIRECTORS' RESPONSIBILITES

The directors are responsible for preparing the 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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

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
19 February 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELLESSE LIMITED

We have audited the financial statements of Ellesse Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities set out on page 2 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) 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

Scope of the audit of the financial statements
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 In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Alison Lees (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 February 2013

ELLESSE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012 £'000**	2011 £'000
Turnover	3	**2,511**	2,862
Operating loss	4	**(3,094)**	(2,547)
Income from shares in group undertakings		**-**	24
Loss on ordinary activities before taxation		**(3,094)**	(2,523)
Tax on loss on ordinary activities	6	**(65)**	(345)
Loss for the financial year	13	**(3,159)**	(2,868)

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 loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents

ELLESSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	7	**110**	794
		110	794
Current assets			
Stock	8	**-**	151
Debtors	9	**952**	1,122
		952	1,273
Creditors: amounts falling due within one year	10	**(9,987)**	(7,833)
Net current liabilities		**(9,267)**	(6,560)
Total assets less current liabilities		**(8,925)**	(5,766)
Net liabilities		**(8,925)**	(5,766)
Capital and reserves			
Called up share capital	12	**50,032**	50,032
Profit and loss account	13	**(58,957)**	(55,798)
Total shareholders' deficit		**(8,925)**	(5,766)

The financial statements on pages 6 to 15 were approved by the board of directors on 19 February 2013 and signed on behalf of



M Ellerker
Director

Registered number: 2081721

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

The financial statements have been prepared on a going concern basis as the ultimate holding company, Pentland Group plc, has committed to provide full financial support to enable the company to meet its liabilities as they fall due for at least the next twelve months, and the foreseeable future thereafter

Consolidation Consolidated financial statements 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 400 of the Companies Act 2006

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

Investment income Dividends are recognised when received

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

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 royalty income and is recognised in the period in which the related sales are made

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

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

1 ACCOUNTING POLICIES (continued)

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 deferred tax that would arise on remittance of net earnings of overseas subsidiaries, associates and joint ventures only to the extent that 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 average 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 the 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 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

Turnover by destination is analysed by geographical area as follows

	2012	2011
	£'000	£'000
United Kingdom	**206**	63
Continental Europe	**1,244**	1,415
USA	**216**	140
Far East	**690**	899
Rest of the world	**155**	345
	2,511	2,862

4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £'000	2011 £'000
Turnover	**2,511**	2,862
Cost of sales	**(1,038)**	(1,897)
Gross profit	**1,473**	965
Net operating expenses		
Administrative expenses before exceptional items	**(4,429)**	(3,506)
- Exceptional expenses	**(138)**	(6)
Operating loss	**(3,094)**	(2,547)

The following are included within the operating loss:	2012 £'000	2011 £'000
Staff costs:		
Wages and salaries	**953**	907
Social security costs	**98**	129
Other pension costs	**33**	50
	1,084	1,086
Auditors' remuneration	**9**	6
Impairment of fixed asset investments	**684**	-

Within exceptional expenses in 2012 is £138,000 of redundancy costs (2011 £6,000)

5 DIRECTORS AND EMPLOYEES

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

By activity:	2012 Number	2011 Number
Management and administration	7	8
Selling and distribution	3	8
	10	16

Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	133	-

The emoluments of the highest paid director, excluding pension contributions, were £133,226 (2011 £nil) The other directors did not receive any emoluments in respect of their services to the company (2011 £nil)

The contributions to the money purchase scheme for the highest paid director were £9,412 (2011 £nil)

Contributions were made to the money purchase scheme on behalf of one director (2011 zero)

The accrued pension attributable to the highest paid director is £9,412 per annum (2011 £nil)

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Current tax Overseas tax	65	345
Tax on loss on ordinary activities	65	345

6 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	**(3,094)**	(2,523)
Loss on ordinary activities multiplied by the average rate in the UK at 24 5% (2011 26 5%)	**(758)**	(668)
Effect on tax credit of		
Group relief surrendered for £nil consideration	**554**	622
(Capital allowances in excess of depreciation)/ depreciation in excess of capital allowances and other timing differences	**(19)**	24
Expenses not deductible for tax purposes	**169**	4
Capital allowances in excess of depreciation	**47**	-
Tax rate change impact	**7**	18
Foreign tax suffered	**65**	181
Prior year foreign tax suffered	**-**	164
Current tax charge for the year	**65**	345

During the year, a change in the UK main corporation tax rate from 26% to 24% was substantively enacted and was effective from 1 April 2012

7 FIXED ASSET INVESTMENTS

	£'000
Cost	
At 1 January and 31 December 2012	**1,474**
Accumulated amortisation	
At 1 January 2012	680
Impairment during the year	684
At 31 December 2012	**1,364**
Net book value at 31 December 2012	**110**
Net book value at 31 December 2011	794

7 FIXED ASSET INVESTMENTS (continued)

The company has the following subsidiary

	Country of incorporation	% ownership of ordinary shares	Principal activity
Ellesse International Spa	Italy	100%	Licence holder

	2012 £'000	2011 £'000
Profit for the financial year	**540**	600
Reserves	**11,602**	11,337

The directors believe that the carrying value of the investments is supported by their underlying net assets

8 STOCK

The company's stock consists of finished goods held for resale There is no material difference between the replacement cost of stock and the amount disclosed

9 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade debtors	**20**	210
Prepayments and accrued income	**886**	912
Amounts owed by fellow subsidiary undertakings	**1**	-
Other debtors	**45**	-
	952	1,122

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

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade creditors	**60**	17
Amounts owed to the parent undertaking	**9,263**	6,873
Amounts owed to fellow subsidiary undertakings	**419**	724
Other creditors	**-**	17
Accruals and deferred income	**245**	202
	9,987	7,833

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

Amounts owed to the parent undertaking relates to a short term cash balance which is interest free and is repayable on demand

11 DEFERRED TAXATION

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

	2012 £'000	2011 £'000
Depreciation in excess of capital allowances	**69**	88
Other timing differences	**130**	83
	199	171

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

Based on current capital investment plans, the directors expect to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

12 CALLED UP SHARE CAPITAL

	2012 £000	2011 £'000
Allotted, issued and fully paid		
50,031,650 (2011 50,031,650) ordinary shares of £1 each	**50,032**	50,032

13 PROFIT AND LOSS ACCOUNT

	2012 £'000	2011 £'000
At 1 January	**(55,798)**	(52,930)
Loss for the financial year	**(3,159)**	(2,868)
At 31 December (deficit)	**(58,957)**	(55,798)

14 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

15 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

16 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 2012 The consolidated financial statements of Pentland Group plc can be obtained from the company's registered office at 8 Manchester Square, London, W1U 3PH