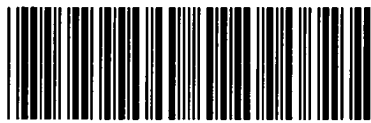


Company Registration No. 02761041 (England and Wales)

PENTLAND WHOLESALE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

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COMPANIES HOUSE

PENTLAND WHOLESALE LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | Mr C M Allen Mr E Conway Mr T J Hockings Mr A R Lowe Mrs M Mason Mr D Simpson |
| Secretary | Mr T E Cullen |
| Company number | 02761041 |
| Registered office | 8 Manchester Square London W1U 3PH England and Wales |
| Auditor | RSM UK Audit LLP Chartered Accountants Bluebell House Brian Johnson Way Preston Lancashire PR2 5PE |

PENTLAND WHOLESALE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The directors report a profit before tax for the year of £938,017 (2017 - £1,283,504), turnover for the year of £14.84m (2017 - £14.41m), gross margin for the year of 26.61% (2017 - 28.30%) and net assets at the end of the year of £9,477,816 (2017 - £8,532,242 restated). Additional industry related costs and a competitive market have caused a drop in margin, despite increased turnover.

The directors are pleased with the performance of the business and levels of profit this year.

Principal risks and uncertainties

The directors of the company manage the company's risk in conjunction with the management of Pentland Group plc.

The company's operations are exposed to a variety of financial risks that include the effects of changes to foreign currency exchange rates, customer credit risk, supply chain risk and trading seasonality. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Policies are in place to limit the exposure to excess stock being carried forward from one year to the next. The company has no significant concentrations of credit risk. Receivable balances are monitored on an ongoing basis to ensure the company's bad debt exposure is not significant.

The company's foreign exchange exposures arise from sourcing product overseas in US dollars and Euros. The company, via the group, has a policy of hedging these exposures through the use of forward contracts and options.

The company looks to mitigate supply chain risk by implementing a rigorous supplier selection process and working closely with a variety of suppliers in a range of regions. The company continues to monitor the potential impact of Brexit.

Key performance indicators

The company's key performance indicators during the year were as follows:

| Years ended | 31 December 2018 | 31 December 2017 as restated | 31 December 2016 |
|---|------------------|---------------------------------|------------------|
| Turnover | £14.84m | £14.41m | £12.90m |
| Turnover growth | 2.95% | 11.76% | 5.72% |
| Gross profit margin | 26.61% | 28.30% | 22.18% |
| Profit before tax and exceptional items | £938,017 | £1,283,504 | £910,269 |

Future developments

The company has had a positive period with increased turnover, despite costs increasing at a faster rate.

The focus for 2019 will be to increase sales further throughout the company.

On behalf of the board



Mr C M Allen
Director

Date: 18/9/19

PENTLAND WHOLESALE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of the import and distribution of commercial refrigeration, air conditioning, catering equipment and the sale of parts for such equipment.

Directors

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

Mr C M Allen
Mr E Conway
Mr T J Hockings
Mr A R Lowe
Mrs M Mason
Mr D Simpson

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

RSM UK Audit LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr C M Allen
Director

Date: 18/9/19.

PENTLAND WHOLESALE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report and 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 elected to prepare 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTLAND WHOLESALE LIMITED

Opinion

We have audited the financial statements of Pentland Wholesale Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTLAND WHOLESALE LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Anthony Steiner FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire, PR2 5PE

19.9.19

PENTLAND WHOLESALE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

| | | 2018 | 2017 |
|--------------------------------------|-------|------------------|------------------|
| | Notes | £ | as restated £ |
| Turnover | 4 | 14,840,363 | 14,413,982 |
| Cost of sales | | (10,891,064) | (10,334,178) |
| Gross profit | | 3,949,299 | 4,079,804 |
| Distribution costs | | (855,724) | (682,635) |
| Administrative expenses | | (2,100,774) | (1,992,346) |
| Operating profit | 7 | 992,801 | 1,404,823 |
| Other gains and losses | 8 | (54,784) | (121,319) |
| Profit before taxation | | 938,017 | 1,283,504 |
| Tax on profit | 9 | 7,557 | 3,108 |
| Profit for the financial year | | 945,574 | 1,286,612 |

PENTLAND WHOLESALE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

| | | 2018 | | 2017 | |
|---|--------------|-------------------|------------------|--------------------|------------------|
| | Notes | £ | £ | as restated | £ |
| Fixed assets | | | | | |
| Intangible assets | 10 | | 108,776 | | - |
| Tangible assets | 11 | | 181,299 | | 312,250 |
| Investments | 12 | | - | | 54,784 |
| | | | <u>290,075</u> | | <u>367,034</u> |
| Current assets | | | | | |
| Stocks | 14 | 5,005,145 | | 4,018,038 | |
| Debtors | 15 | 6,484,750 | | 6,182,430 | |
| Cash at bank and in hand | | 227,950 | | 88,577 | |
| | | <u>11,717,845</u> | | <u>10,289,045</u> | |
| Creditors: amounts falling due within one year | 16 | (2,530,104) | | (2,123,837) | |
| Net current assets | | | <u>9,187,741</u> | | <u>8,165,208</u> |
| Total assets less current liabilities | | | <u>9,477,816</u> | | <u>8,532,242</u> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | | 100 | | 100 |
| Profit and loss reserves | 20 | | 9,477,716 | | 8,532,142 |
| Total equity | | | <u>9,477,816</u> | | <u>8,532,242</u> |

The financial statements were approved by the board of directors and authorised for issue on 18/5/19.. and are signed on its behalf by:



Mr C M Allen
Director

PENTLAND WHOLESALE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

| | Share capital | Profit and loss reserves | Total |
|--|------------------|--------------------------------|-----------|
| | £ | £ | £ |
| Balance at 1 January 2017 | 100 | 7,245,530 | 7,245,630 |
| Year ended 31 December 2017: | | | |
| Profit and total comprehensive income for the year | - | 1,286,612 | 1,286,612 |
| | | <hr/> | <hr/> |
| Balance at 31 December 2017 | 100 | 8,532,142 | 8,532,242 |
| Year ended 31 December 2018: | | | |
| Profit and total comprehensive income for the year | - | 945,574 | 945,574 |
| | | <hr/> | <hr/> |
| Balance at 31 December 2018 | 100 | 9,477,716 | 9,477,816 |
| | <hr/> | <hr/> | <hr/> |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Pentland Wholesale Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 8 Manchester Square, London, England and Wales, W1U 3PH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Pentland Group Plc. These consolidated financial statements are available from its registered office, 8 Manchester Square, London, England and Wales, W1U 3PH.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|----------|-----------------------|
| Software | 5 years straight line |
|----------|-----------------------|

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------------|--|
| Leasehold land and buildings | Over the length of the lease |
| Plant and equipment | 15% reducing balance & 3 years straight line |
| Computers | 5 years straight line |
| Motor vehicles | 25% reducing balance & 3-4 years straight line |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The only significant area of judgement surrounds the stock valuation and any related provisions.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Prior period adjustment

Changes to the statement of financial position

| | At 31 December 2017 | | |
|--------------------------------------|------------------------|-------------------|-------------------|
| | As previously reported | Adjustment | As restated |
| | £ | £ | £ |
| Current assets | | | |
| Stocks | 3,368,770 | 649,268 | 4,018,038 |
| Creditors due within one year | | | |
| Accruals | (464,077) | (649,268) | (1,113,345) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total equity | 8,532,242 | - | 8,532,242 |
| | <u> </u> | <u> </u> | <u> </u> |

Changes to the income statement

| | Period ended 31 December 2017 | | |
|---------------------------------|-------------------------------|-------------------|-------------------|
| | As previously reported | Adjustment | As restated |
| | £ | £ | £ |
| Cost of sales | (11,016,813) | 682,635 | (10,334,178) |
| Distribution costs | - | (682,635) | (682,635) |
| Profit for the financial period | 1,286,612 | - | 1,286,612 |
| | <u> </u> | <u> </u> | <u> </u> |

Notes to reconciliation

Stock on water

The prior period adjustment of £649,268 relates to stock on water where risks and rewards fall with the company. Accordingly the relevant amount has been reflected within stock and accruals.

Distribution costs

An amount of £682,635 relating to distribution costs has been reclassified from cost of sales to distribution costs as the directors consider this to be a more appropriate presentation.

4 Turnover and other revenue

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Sales of goods and services | 14,840,363 | 14,413,982 |
| | <u> </u> | <u> </u> |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

4 Turnover and other revenue (Continued)

| | 2018 £ | 2017 £ |
|--|-------------------|-------------------|
| Turnover analysed by geographical market | | |
| UK | 14,651,591 | 14,242,355 |
| Europe | 188,772 | 171,627 |
| | <u>14,840,363</u> | <u>14,413,982</u> |

5 Employees

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

| | 2018 Number | 2017 Number |
|------------|----------------|----------------|
| Management | 2 | 2 |
| Accounts | 4 | 4 |
| Marketing | 1 | 2 |
| Parts | 5 | 4 |
| Sales | 13 | 9 |
| Service | 4 | 4 |
| Transport | 10 | 11 |
| Warehouse | 9 | 9 |
| | <u>48</u> | <u>45</u> |

Their aggregate remuneration comprised:

| | 2018 £ | 2017 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,232,236 | 1,169,590 |
| Social security costs | 117,044 | 120,205 |
| Pension costs | 159,170 | 95,679 |
| | <u>1,508,450</u> | <u>1,385,474</u> |

6 Directors' remuneration

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 198,334 | 85,775 |
| Company pension contributions to defined contribution schemes | 122,033 | 25,721 |
| | <u>320,367</u> | <u>111,496</u> |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

6 Directors' remuneration (Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 3).

The company is recharged by another group company for work done by two directors on Pentland Wholesale Limited. The above amounts include the amounts recharged. The ultimate parent company does not recharge the costs borne by them in relation to the two directors they remunerate.

7 Operating profit

| | 2018 | 2017 |
|---|-----------|-----------|
| | £ | £ |
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange gains | (97,174) | (34,641) |
| Fees payable to the company's auditor for the audit of the company's financial statements | 7,440 | 4,225 |
| Depreciation of owned tangible fixed assets | 43,122 | 65,424 |
| Loss on disposal of tangible fixed assets | 5,938 | 1,288 |
| Amortisation of intangible assets | 30,611 | - |
| Cost of stocks recognised as an expense | 9,895,347 | 9,228,238 |
| Operating lease charges | 286,829 | 331,950 |

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a gain of £97,174 (2017 - a gain of £34,641).

8 Other gains and losses Fixed asset investments

| | 2018 | 2017 |
|--|----------|-----------|
| | £ | £ |
| Amounts written off investments held at fair value | (54,784) | (121,319) |

9 Taxation

| | 2018 | 2017 |
|--|---------|---------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | - | (3,108) |
| Deferred tax | | |
| Changes in tax rates | 15 | - |
| Other adjustments | (7,572) | - |
| Total deferred tax | (7,557) | - |
| Total tax credit | (7,557) | (3,108) |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

9 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Profit before taxation | 938,017 | 1,283,504 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%) | 178,223 | 247,031 |
| Tax effect of expenses that are not deductible in determining taxable profit | 10,955 | 23,958 |
| Group relief | (199,682) | (275,844) |
| Depreciation on assets not qualifying for tax allowances | - | 1,857 |
| Deferred tax adjustments in respect of prior years | - | (110) |
| Fixed asset differences | 2,042 | - |
| Adjust deferred tax to average rate | 905 | - |
| Taxation credit for the year | (7,557) | (3,108) |

10 Intangible fixed assets

| | Software £ |
|------------------------------------|---------------|
| Cost | |
| Additions - internally developed | 17,743 |
| Transfers | 235,614 |
| At 31 December 2018 | 253,357 |
| Amortisation and impairment | |
| At 1 January 2018 | 113,970 |
| Amortisation charged for the year | 30,611 |
| At 31 December 2018 | 144,581 |
| Carrying amount | |
| At 31 December 2018 | 108,776 |
| At 31 December 2017 | - |

The transfers relate to amounts previously classified as tangible fixed assets, where the revised categorisation is considered more appropriate.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Tangible fixed assets

| | Leasehold land and buildings £ | Plant and equipment £ | Computers £ | Motor vehicles £ | Total £ |
|------------------------------------|---|-----------------------------|----------------|------------------------|------------|
| Cost | | | | | |
| At 1 January 2018 | 178,735 | 32,744 | 285,200 | 36,832 | 533,511 |
| Additions | 20,631 | - | 1,040 | 18,082 | 39,753 |
| Disposals | - | - | (27,710) | - | (27,710) |
| Transfers | - | - | (235,614) | - | (235,614) |
| At 31 December 2018 | 199,366 | 32,744 | 22,916 | 54,914 | 309,940 |
| Depreciation and impairment | | | | | |
| At 1 January 2018 | 32,309 | 25,007 | 29,363 | 20,612 | 107,291 |
| Depreciation charged in the year | 13,627 | 5,890 | 8,742 | 14,863 | 43,122 |
| Eliminated in respect of disposals | - | - | (21,772) | - | (21,772) |
| At 31 December 2018 | 45,936 | 30,897 | 16,333 | 35,475 | 128,641 |
| Carrying amount | | | | | |
| At 31 December 2018 | 153,430 | 1,847 | 6,583 | 19,439 | 181,299 |
| At 31 December 2017 | 146,426 | 7,737 | 141,867 | 16,220 | 312,250 |

12 Fixed asset investments

| | Notes | 2018 £ | 2017 £ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 13 | - | 54,784 |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12 Fixed asset investments (Continued)

Movements in fixed asset investments

| | Shares in group undertakings £ |
|--------------------------------------|---|
| Cost or valuation | |
| At 1 January 2018 & 31 December 2018 | 176,103 |
| Impairment | |
| At 1 January 2018 | 121,319 |
| Impairment losses | 54,784 |
| At 31 December 2018 | 176,103 |
| Carrying amount | |
| At 31 December 2018 | - |
| At 31 December 2017 | 54,784 |

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct Indirect |
|--|--|--------------------------------------|-------------------------|---------------------------|
| Catering Equipment Professional Limited | 8 Manchester Square, London, W1U 3PH | Retail of catering equipment | Ordinary | 100.00 |
| Cook Professional Limited | 8 Manchester Square, London, W1U 3PH | Dormant | Ordinary | 100.00 |
| Dishwasher Professional Limited | 8 Manchester Square, London, W1U 3PH | Dormant | Ordinary | 100.00 |
| Refrigeration Professional Limited | 8 Manchester Square, London, W1U 3PH | Dormant | Ordinary | 100.00 |
| The Canopy Company Limited | 8 Manchester Square, London, W1U 3PH | Fabrication of catering equipment | Ordinary | 100.00 |

14 Stocks

| | 2018 £ | 2017 as restated £ |
|-------------------------------------|-----------|--------------------------|
| Finished goods and goods for resale | 5,005,145 | 4,018,038 |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

15 Debtors

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 936,974 | 1,044,185 |
| Amounts owed by group undertakings | 4,931,876 | 3,731,285 |
| Other debtors | 400,619 | 1,210,610 |
| Prepayments and accrued income | 207,581 | 196,207 |
| | <u>6,477,050</u> | <u>6,182,287</u> |
| Deferred tax asset (note 17) | 7,700 | 143 |
| | <u>6,484,750</u> | <u>6,182,430</u> |

16 Creditors: amounts falling due within one year

| | 2018 £ | 2017 as restated £ |
|------------------------------------|------------------|--------------------------|
| Trade creditors | 293,589 | 271,795 |
| Amounts due to group undertakings | 723,173 | 126,261 |
| Other taxation and social security | 448,833 | 498,689 |
| Other creditors | 7,542 | 113,747 |
| Accruals | 1,056,967 | 1,113,345 |
| | <u>2,530,104</u> | <u>2,123,837</u> |

17 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

| | Assets 2018 £ | Assets 2017 £ |
|--------------------------------|---------------------|---------------------|
| Balances: | | |
| Accelerated capital allowances | 4,983 | - |
| Tax losses | - | 143 |
| Short term timing differences | 2,717 | - |
| | <u>7,700</u> | <u>143</u> |

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Deferred taxation (Continued)

| | 2018 £ |
|---------------------------------------|----------------|
| Movements in the year: | |
| Liability/(Asset) at 1 January 2018 | (143) |
| Credit to profit or loss | (7,557) |
| Liability/(Asset) at 31 December 2018 | <u>(7,700)</u> |

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

18 Retirement benefit schemes

| | 2018 £ | 2017 £ |
|---|----------------|---------------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>159,170</u> | <u>95,679</u> |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the year end, included in other creditors, where outstanding pension contributions totalling £7,354 (2017: £7,747).

19 Share capital

| | 2018 £ | 2017 £ |
|---|------------|------------|
| Ordinary share capital issued and fully paid | | |
| 100 Ordinary of £1 each | <u>100</u> | <u>100</u> |
| | <u>100</u> | <u>100</u> |

20 Reserves

Profit and loss reserves

The reserve represents cumulative profits and losses net of distributions to owners.

21 Financial commitments, guarantees and contingent liabilities

The company has an unlimited guarantee, dated 21 October 1999, given by Pentland Brands Lakeside Limited.

The company has an unlimited guarantee, dated 31 May 2001, given by Airborne Leisure Ltd, Berghaus Limited, Ellesse International Limited, Ellese Limited, Kangaroos Limited, IUC Berjen - Paris - Limited, Mitre Sports International Limited, Pentland Brands Lakeside Limited, Pentland Chaussures Limited, Pentland Shoe Company Limited and The Brasher Boot Company Limited.

PENTLAND WHOLESALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2018 £ | 2017 £ |
|----------------------------|------------------|------------------|
| Within one year | 253,338 | 237,605 |
| Between one and five years | 968,693 | 788,991 |
| In over five years | 1,221,034 | 1,400,119 |
| | <u>2,443,065</u> | <u>2,426,715</u> |

23 Related party transactions

The company has taken advantage of the disclosure exemption relating to section 33.1A of the standard with regards to the requirement of disclosing transactions with fellow group companies.

24 Ultimate controlling party

The directors consider the immediate and ultimate parent undertaking to be Pentland Group Plc, a company incorporated in the UK.

Pentland Group Plc is the most senior undertaking that prepares group accounts including the financial statements of the company. The consolidated financial statements of Pentland Group Plc can be obtained from its registered office, 8 Manchester Square, London, W1U 3PH.

The ultimate controlling party is Mr R S Rubin and his close family.