Pittards plc

Annual Report 2021

Company number: 102384

Pittards leather has provided optimum feel, grip, exceptional moisture management and long-lasting softness in in FootJoy gloves for more than 30 years. In 2021 its heritage StaSof golf glove launched in a range of covetable limited-edition colours.

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FootJoy partnered with west-coast street fashion icon, Jon Buscemi, in its Premiere Series shoe. Made using premium Pittards leather for one-year guaranteed waterproof protection and the style features distinctive gold accents and multi-direction traction.

Background and highlights

Principal activities

The principal activities of the Group are the design, procurement and production of technically advanced leather for manufacturers and distributors of shoes, gloves, luxury leather goods, interiors, sports equipment and the retailing of leather and leather goods. The principal activities of its subsidiaries are the production of leather, leather goods, gloves and shoes.

Strategic aims

- Manufacturing and supplying performance leathers and finished products, standing out for their superior performance in sport, automotive, aviation, interior, fashion, gloves, workwear, apparel and leather goods.
- Diversifying sales within a range of recently entered markets, developing market share in each of these new sectors.
- Optimising production facilities in Ethiopia by diversifying business operations to utilise lower operating costs together with established expertise in Ethiopia.
- Grow our people, place and market position, supporting staff, customers and shareholders developing a sustainable model that attracts and retains the best talents.
- Maintaining and enhancing leading technical competence and best practice through investment in R&D, approach to the environment, our people, our customers and the wider community thereby attracting and retaining customers.
- Working responsibly, respecting the environment, employee welfare and quality to the customer, delivering world class products and brand.

2021 Highlights – sales up 29%

- Sales revenues of £19.7m, up 29% on 2020 (2020: £15.2m)
- Return to profitability with profit before tax for the year of £0.5m (2020: £2.3m loss)
- Return to the Dividend List after 16 years with 0.5p interim paid and a further proposed final dividend of 0.5p (2020: Nil)
- Capital investment of £0.8m (2020: £0.2m)
- Successful apprentice and Kickstart programmes, with the long term employment of 10 Kickstart staff
- Order book opening 2022 at a 3-year high and 20% up on 2021

Pittards automotive leather made with WR100 water resistant technology is the exclusive leather option in the new Morgan Super 3. The Super 3 is a car synonymous with the dawn of motor sport and we were proud to be able to engineer a bespoke leather solution for it launch.

Chairman’s statement for the year ended 31 December 2021

I can report that Pittards has acquitted itself robustly against the strategies that we have in place, with a return to full year profit.

The resilience of the Group was particularly evidenced by an increased sales revenue to £19.7m resulting in a positive EBITDA of £1.4m and profit before tax of £0.5m, with returns on capital employed exceeding our weighted average cost of capital.

Sales increased by 29%, reflecting recovery in our core business and further development of our new business sectors, including interiors and shoes. The second half financial performance was affected by challenges in the supply chain, together with general inflationary pressures.

Throughout the year we have managed our inventory prudently, particularly in the light of unrest in Ethiopia and delays in reliability of shipping. As a result, we intentionally increased our raw material stocks in the UK to ensure reliable supply for our customers.

A remarkable contribution has been made by all our staff once again during this year. We are pleased that our staff headcount has remained broadly the same, and reflects a well-balanced, diverse team, both in Ethiopia and UK, capable of meeting the challenges facing the business. I thank them all for their considerable efforts.

The Board is confident in the Group’s business strategy and is committed to its future success, with Board members increasing their shareholding in Pittards. The Board’s collective shareholding rose to 7.6% at the end of 2021 (2020: 6.4%).

There were no changes to the Board during the year. As previously announced, Richard Briere (CFO), will be stepping down in April 2022 after 3 years and we thank him for his contribution.

In Q3, 2021 we undertook a further modest share buyback of 40,000 shares, resulting in 974,210 shares now being held in treasury. Also, in Q4 2021, we returned to the dividend list with a payment of 0.5p per share. A final dividend of 0.5p per share is being proposed for 2021 making the total dividend for the year 1.0p per share (2020: £ nil). Subject to the approval of shareholders at the AGM, to be held on 17 May 2022, the final dividend will be paid on 5 August 2022 to shareholders on the register at the close of business on 1 July 2022. The shares will go ex-dividend on 30 June 2022.

Outlook

In accordance with our strategic priorities, we are delivering a broader range (including finished shoes and packs for automotive) of products to more market segments (including outdoor endurance, interiors and automotive) therefore creating a more balanced portfolio. We continue to invest in new leading-edge technology, investing £0.8m in 2021, and we have planned further capital investments in 2022/23. Our focus continues, on growth, driven by innovation and sustainable development.

We have entered 2022 with a much stronger order book than the previous year. It remains too early to judge how strong the recovery will be, given the heightened uncertainty caused by the conflict in Ukraine, inflationary pressures, and continued supply chain challenges.

However, we remain cautiously optimistic that the group will see continued growth in the year.

Stephen Yapp
Chairman
23 March 2022

Outdoor Research specialises in performance apparel and gear for outdoor sports. Its Super Couloir Sensor glove incorporates Pittards Oiltac and Armortan technologies to deliver durability and outstanding grip in extreme conditions.

Chief Executive Officer's report

Key performance indicators 2021

	Full year	
	2021	2020
	£m	£m
Revenue	**19.66**	15.23
Gross profit	**5.46**	3.17
Gross margin	**28%**	21%
Profit / (Loss) before tax	**0.46**	(2.28)
EBITDA	**1.42**	(1.16)
Net assets	**13.07**	13.86
Inventory	**15.32**	15.02
Net debt	**10.69**	10.10
Net debt adjusted for treasury shares held	**10.29**	9.80
CAPEX spend	**0.78**	0.25
Gearing	**81.8%**	73.2%
Staff numbers	**1,108**	1,096
Basic earnings / (loss) per share (in pence)	**2.12**	(17.67)
Net Asset per share (in pence)	**101.92**	107.00

CEO Highlights

- Profit before tax of £0.46m (£2.38m loss: 2020), a satisfactory recovery given the wider macro pressures in the second half
- EBITDA £1.4m (2020: negative £1.1m)
- Sales order book opened 2022 stronger than the start of each of the previous three years
- Inventory increased by £0.3m, due to buffer stock from Ethiopia to mitigate supply chain risk
- Q4-2021 sales orders resuming from both interiors and big shoe markets
- Reduced risk in Ethiopia, whilst growing full shoe production as a key development business
- Developing relationship with Vivobarefoot, a key shoe customer for our Ethiopian business

COVID-19 response

During the first quarter of 2021, together with many other businesses, we were challenged with the renewed impact of a third lock down due to COVID-19. As the global pandemic unfolded, this unusual situation continued to affect our people, our customers and supply chains.

We continued with our responsive approach from 2020 to the challenges we faced and reviewed this on a weekly basis. The key pillars of our plan focused on:

- Safety of people - Implementing best practice in line with government advice
- Customer support - Continued to supply and ongoing dialogue
- Cash management – Strict daily control
- Cost control – Realignment of all costs

Chief Executive Officer's report

Performance review

Sales demand for leather and related goods continued to improve throughout the year with full year revenue at £19.7m (2020: £15.2m).

The changing shape of the business is aligned with our strategic priorities to achieve a more balanced customer and product portfolio, in particular the inroads made via Ethiopia in shoe production and sales, together with UK interiors and key shoe accounts. These remain priority development markets for the Group with volumes increasing by 12%. We expanded our design and production management functions to support a broader product offering.

Over the last two years we have established a more resilient business that is more profitable at lower levels of activity than in 2019, and 2021 built on this. Whilst costs overall rose as a result of increased production, administrative costs reduced.

We continued to operate COVID safe working procedures in line with government guidance throughout the year. We are fortunate in having relatively large production facilities in both the UK and Ethiopia which enabled us to implement socially distanced working practices.

Gross margin was 28% (2020: 21%) with EBITDA recovering to £1.4m (2020: negative £1.1m) and PBT of £0.46m (2020: £2.3m loss). Headcount rose modestly to 1,108 (2020: 1,096) with the increase being centered on production and technical staff.

In Ethiopia, the development of the COVID pandemic lags the UK. This coupled with wider instability in the country, during 2021, meant we had a raised level of supply chain risk. Although the Ethiopian factories remained open throughout the period the board decided it was prudent to mitigate this risk further through acquiring additional buffer stock of the unique sheepskins that are used to make our technical glove leathers.

Overall inventories rose to £15.3m (2020: £15.0m) due to the increase in raw materials explained above and offset by a reduction in older inventory of approximately £1.0m.

Raw material prices have broadly stabilized, having peaked in Q3 2021. We have successfully broadened our procurement strategy to achieve a more consistent supply and purchase price from a broader supply base, reducing supply chain risks.

Net debt at 31 December increased £0.58m, to £10.69m (2020: £10.11m), mostly as a consequence of more bufffer material held in Yeovil.

US dollar rates moved slightly against us during 2021, although average exchange rates were broadly unchanged on 2020. The Group has hedged between 40% and 60% of requirements, resulting in an average exchange rate of $1.355 through to June 2023. The average rate in 2021 for the Group was $1.37, broadly unchanged on 2020.

During 2021, we invested £0.8m in machinery to improve our efficiency and expand our capability and capacity.

Market view

We adapted our approach to customer engagement through the broader use of virtual meetings, as the obvious travel inhibiting factors of the pandemic remained throughout the year.

During the last two years, the overall demand for leather has been affected by numerous global factors, principally COVID-19 lockdowns, China/US tariffs and overall weakness in the global economy. Although Brexit had little impact on the Group there have been some complications around logistics and administration.

Given the increase in consumers' appetite for outdoor pursuits, including golf and endurance sports, we have started to see some recovery in demand in these market segments as social restrictions ease globally. Some of our other market segments have been harder hit by the pandemic, most notably the aviation and automotive industry, where global sales are down significantly since 2019 levels, albeit we continued to sell into these segments. Notwithstanding the challenges faced by these industries, we have focused on innovation to deliver better technical performance and create sustainable products across a broader range of markets, including big shoe, interiors, military and equestrian.

We continue to develop our direct-to-consumer digital sales channels in the UK and Ethiopia.

Operations

2021 was a challenging year for the Operations team as we increased sales by 29%, whilst managing efficiency and costs, together with training additional new young members of our workforce to allow for further growth in the future.

Ben Johnson joined in December 2020 as the UK Director of Production. He and his team have made substantial progress and have successfully installed a high level of capital equipment during his first full year. The extra sheepskin stocks from Ethiopia required additional processing in the UK, which added to the complexity but benefitted from our investment in new machinery which delivered improved quality and yield.

Investing in the next generation is an important part of our business. We were approved for the UK Government's Kickstart scheme for 16–24-year-olds, we finished the year with a good outcome creating permanent jobs for over 10 Kickstart members. We also continue to recruit Apprentices into the business, by adding two during the year.

The reliability of logistics, in particular, shipping, and transport, but also stock shortages in the supply chains has meant continually replanning of the production. Freight costs have increased dramatically adding £0.3m on a like for like basis. The team continue to work on finding innovative solutions to these challenges. These rising costs also apply to our competitors offering some new opportunities as new supply chains develop.

In Ethiopia we have continued to broaden our manufacturing capability in finished products and have increased sales in footwear alongside the production of shoe leather. This has so far been focused upon producing leather and shoes for Vivobarefoot and the local market.

During the year we responded to higher volumes by challenging how we work. Processing is split between Ethiopia and the UK, and the UK has taken on a higher proportion of the processing of our technical performance finished leather.

Technical

Pittards HQ in Somerset is the intellectual hub of the Group. Research and development is carried out to create innovative technologies, processes and performance products. By way of example, last year we reported the following developments.

- **Tri Protex® ;** comprising 3 separate anti-microbial technologies bound together to form one synergistic umbrella technology.
- Pittards technologies **Microspike™** and **Microdefence®** together with **Micro-Fresh™**, create a protective environment throughout the leather structure destroying microbials.
- Pittards **Tri Protex®** conforms to AATCC100, achieving 99.9% elimination of bacteria.

This past year we have been focusing on process improvements to bring us closer to achieving our sustainable development objectives. A primary focus being our carbon footprint which was reduced by 24%, achieving this objective well in advance of our 2025 target as our energy use relative to output fell compared to 2019, which is out base year for comparison. We now look to achieve further reductions in this area. In addition, we have been working to develop leathers with an increased natural content, giving a lower impact leather.

Pittards is the exclusive manufacturer of Vivobarefoot shoes in Ethiopia with a vertically integrated service that makes both leather and footwear. Above, (left) Galahad Clark, CEO & founder, Vivobarefoot and Reg Hankey (right) CEO, Pittards sign an understanding that underlines the partnership and looks to increasing production in the country.

Technical continued

We remain dedicated to developing and building our technical team. We continue to invest in capital equipment targeting improved production efficiencies and reduced energy and water usage. In 2021 we installed and commissioned our new vacuum drier (£0.4m of investment), together with three dye drum vessels, a whole hide splitting machine and two shaving machines. Alongside this, our technical team routinely review our manufacturing processes to improve overall efficiency in line with our sustainable development approach to operations in general.

The world is being adversely affected by increased greenhouse gas emissions, deforestation and increased pollution and it is widely recognised that the world's population must address these issues for the good of all. We understand that implementing and adhering to guidelines and regulations will contribute towards improving the global situation and we recognise the importance of this. Our customers expect compliance to international and their own standards concerning the environment, health and safety, quality, and leather performance.

Pittards is **ISO 14001:2015 and ISO 9001:2015** compliant. We are also Bronze Medal rated in the UK under the protocol 7.1 of the Leather Working Group (LWG). We have many years' experience with Restricted Substance Lists (**RSL**) and Material Restricted Substance Lists (**MRSL**) and working within the **ZDHC framework**. We work with responsible chemical partners who take a strategic approach to environmental impact such as adherence to ZDHC and the increased use of renewable carbon in their products.

Sustainable development highlights

- Carbon decrease of 10% by 2025 objective achieved in 2021 with a 24% reduction from our base year (2019), as our proportional use of energy relative to our output fell (see page 35).
- Several capital investment projects completed to reduce process water and energy usage.
- 100% of packaging is now recyclable.
- Adoption of UK Government Kickstart Scheme to provide equal opportunity for local 16–24-yearolds at risk of long-term unemployment.
- The newly installed machines in 2022, are expected to deliver labour efficiencies during 2022, as the new equipment and operators bed in.

Sustainable development strategy

Pittards is a long established and leading authority on the manufacturer of performance leathers, with operations in the UK and Ethiopia. We are committed to creating value for our stakeholders, our employees, and the communities in which we operate, while delivering on a promise of ongoing environmental and social improvement.

Established in rural Somerset in 1826, integrity of operation is written through our 200-year heritage, and a commitment to responsible manufacturing, independent certification and community engagement is at the heart of everything we do.

Pittards only uses hides and skins that are a by-product of the food industry and through versatile manufacturing turns them into leathers that can be used in a wide range of products, from gloves and footwear to apparel and upholstery. It is estimated that over 700m tonnes of waste from the global food industry could go to landfill if the leather industry did not upcycle hides and skins into leather. Source: Leather Naturally.

We have embraced the following quote as our understanding of sustainable development:

> "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."
>
> Brundtland Commission of the United Nations in 1987.

Community is at the heart of Pittards, our Ethiopian tannery grows its own mangoes and coffee from planting that marked the millennium there. The same grounds host multiple beehives that also supply honey. Support extends to our team members' families through the on-site clinic and a programme of new classroom builds at the local school.

Sustainable development strategy road map

A road map to sustainable development cannot be routed via one initiative, rather our strategy mimics nature's constant striving for equilibrium and is built on a balanced portfolio across the whole business. In line with this thinking our strategy focuses on several key areas:

- Ethical sourcing
- Efficient use of resources
- Responsible manufacturing
- A reduced carbon footprint

Sustainable development objectives

- Carbon decrease of 10% by 2025 – Achieved
- A further reduction of 10% in Carbon emissions by 2025
- Waste generation and water consumption decreases by 20% by 2025
- Establish self-generated renewable energy
- Develop a Repurposed Leather range of leather goods
- Develop a leather goods repair facility in the UK

In addition, we continue with our apprenticeship programme, building more classrooms in Ethiopia and planting trees, having planted 12,000 trees already.

In 2021 we rolled out our Footwear Services operation, an operation that links technical and account management expertise in the UK with volume manufacturing options in Ethiopia. The investment in sampling machinery in the UK allows brands to select bespoke support from sampling and short runs through to complete development and supply chain management.

Stakeholder engagement shaping our decisions in 2021 (Section 172)

Background

The following two pages comprise our **section 172 statement** and outline how the Directors have, in performing their duties over the course of the year, had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006. Stakeholder engagement is important to align our mutual goals. We embrace a variety of methods to achieve this including social media.

At Pittards we engage with staff twice yearly with our interim and annual results, to ensure all staff are aware of our performance and how collectively we can improve to meet our common goals.

As the group recovered from the initial impact of COVID, the Board resumed a more normal periodic review, although maintained a balance of virtual and physical meetings due to the ongoing need for social distancing during the year. The Board plans to maintain a hybrid approach to meetings.

Our shareholders were unable to attend the AGM in 2021 due once more to COVID-19 restrictions, however we provided them with a means to update the Board with any questions ahead of the AGM via a digital platform.

We actively sought to communicate more regularly with suppliers, with average days to pay suppliers rising by 7 days to 65 days (2020: 58 days). The dialogue and decision making tries to balance the competing pressures, so we are fairly balanced to suppliers, customers, and shareholders.

We took a positive approach to UK government initiatives, particularly the schemes initiated by the Department for Work and Pensions, to protect jobs and get business starting back stronger. Two such initiatives were the apprentice programme and Kickstart. We believe they have both been positive initiatives to develop a broader more diverse team, improve succession planning, whilst at the same time addressing broader economic aims.

Sustainability strategy development

The company has always been committed to continuous improvement of sustainability and a key member of the internationally recognised Leather **Working Group** and also a founder member of **Leather Naturally.** The board agreed that further leadership, resources, and effort should be planned and deployed to develop a broader sustainability strategy, the group's Chief Technical Officer is leading this with a package of initiatives to support our evolving sustainability strategy. An example of this was the technical support provided to Vivobarefoot, a new customer of the Ethiopian subsidiary, on their goals to develop a more sustainable product and address a broader coverage of sustainability.

Employee development 2021

Our team has developed through investment in apprentice and kickstart staff, whilst also introducing management trainee programs, and direct recruitment. The objective is maintaining a balanced, diverse workforce, that is both agile and cost effective. We are pleased to have delivered a more balanced team through an extensive recruitment drive to bring in both experienced and less experienced operatives to support our production cycle. This has met both national and local government objectives to reduce unemployment, whilst benefiting the community and business.

Pittards business apprentices, Caitlin, Ollie and Ryan; part of our investment in future skills.

Management remuneration 2021

Directors and senior staff supported the business as it recovered from the initial impact of Covid by agreeing to a pay freeze for 2021 with any bonus dependent on both profit and cash generation. This decision was designed to balance stakeholder interest, including shareholders, bank, and staff (job protection). We would like to thank our staff for their support and commitment.

Returns to shareholders

The Board implemented a modest Q3-2022 share buyback. In arriving at this decision, the Board considered the financial performance of H1-2021 and wider shareholder views. It may consider further buybacks as and when appropriate.

The board recognised the majority opinion of shareholders and reintroduced dividend payments as the Group returned to profitability, following a sixteen-year absence from the dividend list. The Board plans a progressive dividend policy subject to satisfactory trading performance.

Sheep skin strategic holding Q4 2021

We took the decision during 2021 to increase purchasing, and production, of the unique sheep skins that we source through our Ethiopian subsidiary. The decision, to increase the supply of skins, was taken in the light of the unrest and COVID19 in Ethiopia and the much-publicised issues with global logistics. This had an adverse effect on cash and inventory, in the short term, but was a prudent strategic decision and has put the Group in a strong position to supply this unique leather to its customers in 2022.

Long term funding

We have not sought any new, long-term loans during 2021, and our CBILS 6 year £1m term loan reverted to commercial terms in June 2021. The Group's bankers, Lloyds Bank plc, continue to be supportive of our strategy. We are not actively looking at new funding lines, as progressively reducing debt remains a strategic objective.

Chief Executive Officer's report (continued)

Outlook for 2022

The global pandemic has had a big impact upon our business. Our resilience has enabled us to come through one of the most serious set of circumstances we are likely to face, and we have emerged a stronger business today.

Looking forward to 2022, we have started the year with a better order book than each of the last three years and we believe that this higher level of demand is sustainable. In addition to our traditional markets, which have recovered well, we are also well placed to respond to our new strategic market sectors of interiors (automotive, aviation and mass transit), larger shoe brands and shoe production in Ethiopia which are set for faster growth than 2021.

We have during March 2022 signed a letter of intent with Vivobarefoot with planned sales in excess of $2m USD. We aim to manufacturer and sell over 50% more shoes to this customer compared to 2021, which assists in underpinning our confidence to continue to grow back sales.

With a more efficient cost base we will also be able to respond more positively to recovering demand in the global marketplace, and new capital projects implemented during 2021 will allow us to grow capacity in a more efficient way during 2022. Recruitment is expected to be significantly lower in 2022 than 2021, given that the newly shaped team, is now established.

Our commitment to our sustainable and responsible supply chains are well established and we will continue to build upon our continuous improvement culture which is consistent with the aspirations of our growth customers.

Our employees have come through many challenges during 2021. By working together and evolving our working practices we will continue to develop our flexible approach allowing agile responses to our customers' needs.

Although there are still some unpredictable macro-economic factors, specifically the instability in Europe, and inflationary cost pressures, our confidence is growing as we build a better-balanced business with a broader range of customers. We are conscious of the unstable situation in Ukraine and Russia, and specifically the sanctions environment. Our direct exposure to those territories is not material. We do anticipate that there will be some challenges arising in global markets more generally.

Whilst the reliability of global supply chains remains a doubt, we will continue to focus on inventory levels and efficient use of working capital.

We remain committed to a more balanced, agile business and we continue to believe that opportunities outweigh risks to build on our 2021 full year performance.

Reg Hankey
Chief Executive Officer
23 March 2022

Pittards Ethiopia team members with finished Vivobarefoot shoes

Investment in new machinery underlines a drive for improved efficiencies and our commitment to meeting sustainability targets. The Fast & Furious vacuum drier, (pictured) helps reduce throughput times by cutting the time required for drying leather.

Chief Financial Officer's report

Financial review

Sales revenue increased to £19.7m (2020: £15.2m), despite periods of substantial disruption, with gross profit rising strongly to £5.5m (2020: £3.2m). We achieved improved gross margins, underpinned by the low-cost facility in Ethiopia, greater operational efficiency through lower labour cost per output and a broader product range with better margin contribution.

Cost savings remained a key feature of 2021, with annual cost savings of £2m heading into 2021 compared to 2019 , whilst 2020 benefitted from furlough support of £0.6m reducing our costs (2021: Nil). We are not reliant on any form of cash deferment or subsidy during or at the end of the financial year. We did claim £185k of kick start grant funds, to support the kick start program, which reduced staff costs.

Overall inventory levels rose to £15.3m (2020: £15.0m) reflecting the strategic increased purchases of raw material in the second half in the light of challenging logistics, and unrest in Ethiopia, this was offset by a £1m reduction in older slow-moving stock. We are confident we will build on the progress made in 2021 and 2020, as our newly aligned capacity plan and reprocessing of existing stock to broaden utilisation of slower moving stock, continues to take effect.

Working capital has also been adversely affected by the changing shape of the business. Credit terms to new markets and customer mix have resulted in a modest increase in debtor terms and similarly to balance working capital creditors days which grew by 7 days .

Net debt was £10.69m (£10.12m: 2020).

One of the Group's key financial measures is gearing. Our gearing rose to 81% at the end of 2021 (2020: 73%) we remain committed to progressively reducing gearing.

End of year financial position and commitments

Total net debt (including lease obligations and overdrafts) increased to £10.69m as of 31 December 2021. Headroom on Group facilities was £2.6m (£3.1m: 2020). The UK business achieved positive free cashflow being cashflow from operations and after working capital excluding capital expenditure for the year, despite rising inventory.

Net assets decreased from £13.9m to £13.1m, due to entirely to the devaluation of the Ethiopian BIRR on Ethiopian held assets. The net assets of the group include £2.4m of net assets that are held in Ethiopia.

The Group is actively seeking to mitigate foreign exchange risk as far as practical, and US dollar remains a key risk which is managed. Due to economic uncertainty, we eased the hedging strategy in 2021 by lowering US$ cover to 40% and extending it to June 2023.

We plan modest capital expenditure in 2022, of circa £0.4m across the Group after a significant spend in 2021 of £0.8m, but these spends will be carefully targeted with short payback, operational efficiencies and growth prospects. We have not yet formally committed to this spend.

With the reduction in transit stock likely to materially reduce by the end of the first half of 2022, we anticipate a modest fall in inventory levels and improving cash headroom, as our purchasing commitment for inventory is expected to be lower during the first half of 2022.

Gross margins

Gross margin increased to 28% (2020: 21%).

Business environment

The leather industry is a global business; wherever countries have meat and dairy industries, hides and skins will be produced as by-products. Group policy is to only process hides and skins that are a by-product of these industries.

The Group operates in the UK, where it sources most of its hides, and in Ethiopia, where it sources local hair sheep skins, goat skins and hides. The Group exports on average 79% of its production into 39 countries over four continents.

The demand for quality leathers that protect and enhance user experience, especially in sports science, and consumer appetite for outdoor activities, including golf and endurance, has helped the recovery in these core markets in which we operate.

Anti-bribery and corruption

Pittards is committed to conducting its business affairs to ensure that it does not engage in or facilitate any form of bribery or corruption in any parts of its supply chain or in interaction with other stakeholders regardless of geographical location. Expected standards of behaviour are outlined in the anti-bribery and corruption policy, which also provides guidance on the giving and receiving of gifts and hospitality. We have not traded with Russian companies during recent years, including the full year 2021 or so far in 2022.

Principal risks and uncertainties

Risk management is an important part of the management process throughout the Group, with regular reviews of the key risks identified and the adequacy of the controls in place to mitigate the risks. The current risks considered to be key to the Group are as follows:

Coronavirus (COVID-19)

The safety of our staff, customers and wider community remains our key priority, and we will observe government guidance. The uncertainty of a lock down appears more predictable now. The lockdown enforced in January 2021 did not materially impede our progress. We have learnt a great deal about operating the business through periods of disruption, and we maintain contingency both in resources and available funding should further unforeseen disruption arise.

Currency

The Group is subject to the current volatility in the currency markets, particularly US dollar, Ethiopian Birr and Euro. The Group manages its exposure by maintaining a natural hedge where possible, for the US dollar and Euro. In 2021, the Group entered foreign forward currency contracts to hedge against movements in the US dollar, adopting a cash flow hedging strategy, in response to the anticipated continued volatile currency markets. The Group has moderate forward cover of 40% through to June 2023 and will continue to review strategy in this area in the light of certainty of future sales, mix of business, customer sentiment and order flow.

Political

Globally the political environment has been variable during 2021. We view this as short term in nature, and it has not impeded business operations. Despite the unrest in Ethiopia during 2021 we continued to trade as normal with no disruption to operations. In the UK, we now have more certainty regarding the country's future relationship with the European Union. The Group's exposure to Europe is supply driven, with some of its purchases derived from Europe. The global situation has a less optimistic tone at the start of 2022, which has naturally created uncertainty for all businesses, and ours is no exception, although in the near-term we have not experienced any material impact to our staff, business, or customers.

Supply

The availability of quality raw materials is paramount to the business. The Group owns Ethiopia Tannery Share Company (which is a main supplier of Ethiopian skins) and has strong relationships with other major suppliers of skins and hides in Ethiopia, the UK and around the world.

Energy cost and waste management

The Group is exposed to price volatility in the supply of energy and an increased burden of environmental costs. The Group uses industry experts to obtain the best energy rates available and continuous improvements are sought in reducing waste of all kinds from the business.

Working capital

The Group actively monitors its liquidity position to ensure it has enough available funds and working capital to operate and meet its planned commitments. The Group continues to have excellent working relationships with its banking partners both in the UK and Ethiopia and has sufficient facility levels to meet its planned requirements.

Through its activities, the Group is exposed to a variety of financial risks; market (including currency, price, and interest rate), liquidity and credit which are discussed in **Note 26**.

Share buybacks and dividends

During November 2021, the company paid a dividend to all shareholders of 0.5p per share, excluding ordinary shares held in treasury, and a final dividend has been proposed of 0.5p per ordinary share and, if approved, will be recorded within the financial statements for the year ended 31 December 2022. The company purchased a further 40,000 of its own ordinary shares during Q3-2021, with treasury shares rising to 974,210, representing 7% of the issued share capital.

Richard Briere
Chief Financial Officer
23 March 2022

Directors, officers, and advisers

Non-Executive directors

S Yapp FCMA MBA, Chairman, non-executive [B C]
Stephen Yapp (64) joined the Group in June 2015 and was appointed as Chairman in May 2016. Stephen has more than 25 years' experience as a director of public and private companies over the course of his career. He is also a former director of Downing Strategic Micro-Cap Investment Trust Plc, as well as several private companies, having held similar roles in other listed companies over recent years. Stephen is also a Fellow Chartered Management Accountant and holds an MBA.

G P Davis FCA, non-executive [A B]
Godfrey Davis (73) joined the Group in February 2014. He is non-executive Chairman of Mulberry Group plc, and a directorship of Hestercombe Gardens Ltd. Godfrey is an experienced leader of private and publicly owned entities and has a strong understanding of the UK AIM market. He has a deep knowledge of the leather goods sector accumulated over many years of experience.

L M Cretton BA (Hons), non-executive [A B]
Louise Cretton (64) rejoined the Group in August 2015 having previously served for twelve years until 2013 and was subsequently appointed as Audit Committee Chair. Serves as a non-executive director and vice chair of Croydon Health Services, where she chairs people and place committee and remuneration committee. Louise has experience in international quantitative and qualitative research, brand engineering, strategic development, and planning. Trustee of Surrey Club for Young People.

Executive directors

R H Hankey BSc, FSLTC, LCGI, FCGI, FCMI, CDipAF, Chief Executive Officer [C] , Company Secretary
Reg Hankey (66) was appointed to the Board in January 1998 having joined the Group as Technical Director of the Yeovil Division in 1990. He was appointed Chief Executive on 19 July 2007. He is also a Director and past President of Leather UK and chaired LIAC for the University of Northampton for over 20 years.

R Briere ACMA, CGMA, Chief Financial Officer, Company Secretary (resigned 9th April 2022)
Richard Briere (48) joined the Group as Chief Financial Officer and Company Secretary on 19 March 2019. Richard has broad experience across the manufacturing and distribution industries, including JCB, A-GAS and Knorr Bremse.

Associate Directors

J Loxston BA(Hons), FSLTC, Chief Technical Officer

Jon (53), a leather industry professional for over 30 years, started his career with Pittards in Yeovil as a leather technician, achieved Leather Technology qualifications and progressed through the business. Jon has a degree in International Business, he is a director and pension trustee of Leather UK, holds a position on the Leather Working Group (LWG) Executive Committee and additionally chairs the LWG Technical Subgroup.

T Mekbib – BSc, MBA, Divisional Managing Director

Tsedenia (44) has both a degree in Chemistry and an MBA from the University of Leicester. Having worked for GlaxoSmithKline, Tsedenia joined Pittards in 2011. In 2017, she was appointed Managing Director of Pittards Ethiopia with responsibility for operations at the tannery in Ejersa and the product manufacturing factories in Addis Ababa.

Key for directors

A - Member of the Audit Committee
B - Member of the Remuneration Committee
C - Member of the Nominations Committee

Registered Office and principal place of business

Sherborne Road, Yeovil, Somerset BA21 5BA - Company Number: 102384

Advisers

Nominated Adviser and Broker: WH Ireland, 24 Martin Lane, London, EC4R 0DR
Independent Auditors: PKF Francis Clark, Centenary House, Peninsula Park, Rydon Lane, Exeter EX2 7XE
Bankers: Lloyds Bank plc, Canons House, Canons Way, Bristol BS1 5LL
Investor communications: Wallbrook PR, 75 King William St, London EC4N 7BE
Registrars: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Associate Directors

Associate directors, are invited to main board meetings, but not formally registered as statutory directors

Pittards leather features on-stage in Frozen in both London and Sydney. The leather for Elsa’s gloves was custom dyed before being handmade into this intricately embroidered style by our skilled development team.

Photo credit: Trevor Leighton © Disney

Statement of Corporate Governance

As the Chairman, I recognise the importance of high standards of Corporate Governance and pleased to report below on how the Board of Pittards maintains its governance and operation of the QCA governance code.

The Group is led and controlled by the Board who are responsible for approving Group policy and strategy for the benefit of its shareholders in accordance with their fiduciary and statutory duties. The Board comprises two executive members and three non-executive directors whose biographies are on **pages 24 and 25,** and further includes 2 executive associated directors as key senior management in the business, responsible for technical and the running of the Ethiopian business. These show the range of business, technical and financial experience on which the Board can call.

Chairman and Chief Executive

The Chairman, Stephen Yapp, is responsible for the leadership of the Board and ensuring its effectiveness. The Chairman is considered independent by the Board as he has no outside interests that conflict with the business or otherwise connected to the market in which we operate. Reg Hankey, Chief Executive, manages the Group and has the prime role, with the assistance of the Board, of developing and implementing business strategy.

Non-Executives

The Non-Executive Directors, under the leadership of the Chairman, undertake detailed examination and discussion of the strategies proposed by the Executive Directors, to ensure that decisions are in the best, long-term interests of the shareholders and take proper account of the interests of the Group's other stakeholders. The Non-Executive Directors bring independent judgement and scrutiny to the decisions taken by the Board. They monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board. Their views are actively sought when developing proposals on strategy and in discussions in meetings.

The QCA Code acknowledges that for growing companies it may not be possible for Boards to meet the definition of "independence" for Non-Executive Directors, although it sets out that it is important for the Board to foster an attitude of independence of character and judgement. The Board is mindful of the threat to independence and actively manages the potential risk to ensure that the Non-Executives provide the independent, constructive challenge to help develop the Board's proposals on strategy. The Non-Executive Directors are considered independent by the Board.

The Senior Independent Director, Godfrey Davis, offers a sounding board for the Chairman and serves as an intermediary for other directors and shareholders when necessary. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures, applicable rules and regulations are observed.

In the furtherance of their duties on behalf of the Group, the Directors also have access to independent professional advice at the expense of the Group. The Chairman ensures that the Board meets regularly throughout the year, with additional ad hoc meetings and calls being held as required. The Chairman ensures that meetings of Non-Executive Directors without the Executive Directors are held.

Communication with Shareholders

The Group holds meetings with significant shareholders on a regular basis and regards the Annual Report and Annual General Meeting (AGM) as a good opportunity to communicate directly with shareholders. Shareholders participate by submitting questions at the AGM. The Board openly promotes AGM attendance, whilst also encouraging members of staff to attend. The Group lists contact details on its website should shareholders wish to communicate with the Board. All announcements and results, including those released via market Regulatory News Service (RNS), are available on the Group's website.

The Board encourages engagement with all shareholders, including two-way communications with institutional investors, analysts, and private investors. The Board holds regular meetings with the larger shareholders and considers it has successfully created an open channel of communication for specific concerns, questions or updates facilitated by regular meetings, site visits and ad hoc telephone calls as appropriate with the Chairman, the Chief Executive, and the Chief Financial Officer. Historic reports and accounts, along with all notices and circulars for the last five years, are available on the Group's website.

Committees

The Board has three standing committees: The Audit Committee, the Remuneration Committee, and the Nomination Committee. The Terms of Reference for each of the Committees are available on the Group's website.

Audit Committee

The Audit Committee currently consists of two Non-Executive Directors who formally met twice during the year under the Chairmanship of Louise Cretton. Whilst Louise Cretton has been a member of the Board for more than 18 years (non-consecutively), the Board nevertheless considers that Louise Cretton fulfils the roles of Audit Chair and Non-Executive Director with independence of character and judgement and has concluded that it is appropriate to retain the experience, corporate memory and knowledge of the business possessed by Louise Cretton in her role as Chair of the Audit Committee.

The Chief Financial Officer (CFO) and the external auditors attend meetings of the Audit Committee by invitation. The Committee may also hold separate meetings with the external auditors as appropriate.

The Audit Committee duties include monitoring internal controls throughout the Group, which includes annual meetings with external auditors, approving the Group's accounting policies and reviewing the Group's interim results and full year statements. The Audit Committee also reviews the risk register and risk appetite of the Group and monitors the independence of the external auditors. The Audit Committee acts to ensure that the financial performance of the Group is properly recorded and monitored, and in fulfilling its role, it meets annually with the auditors and reviews the external audit report.

During this year, the Audit Committee reviewed the audit fees, audit planning, and general recommendations from PKF Francis Clark responding to emerging best practice. In between the formal meetings, the Chair, non-executives, and CFO attended a webinar hosted by PKF Francis Clark to discuss the wider governance topics facing AIM listed companies and to consider the broader topics for discussion at board meetings and the annual report as we progress through the phases of the pandemic. Emphasis was made, on sustainability and risk management and regular monitoring of risks and developing the Group's approach to sustainability.

The contents of the meetings are recorded in the minutes which are then circulated to the Committee by the Chair, for review before being issued. The Chair reports on the full agenda and discussions to the Board.

Remuneration Committee

The Remuneration Committee consists of two Non-Executive Directors and meets at least once a year under the Chairmanship of Godfrey Davis.

The purpose of the Committee is to review the performance of the full-time Executive Directors and to set the scale and structure of their remuneration and the basis of their service agreements with due regards to the interests of the shareholders. In fulfilling this responsibility, the Remuneration Committee is responsible for setting salaries, incentives, and other benefit arrangements of Executive Directors. The Remuneration Committee also advises the Board on the remuneration policy for senior Executives and may invite participation in the Company's long-term incentive share scheme.

During this year, the Committee reviewed, in detail, the remuneration of the directors and senior employees, including the setting and measurement of annual bonus and long-term incentive targets. In between formal meetings, the Chair has taken external advice on long-term incentives, which are an area of focus as the business invests in developing and incentivising its management team and agreed a modification to the growth share scheme which was implemented in November 2020.

The contents of the meetings are recorded in the minutes which are circulated to the Committee by the Chair, for review before being issued. The Chair reports on the full agenda and discussions of the Board.

Nominations Committee

The Nominations Committee consists of one Executive and one Non-Executive Director and is chaired by Stephen Yapp. The Nominations Committee did not meet during this year. The Nominations Committee is responsible for evaluating the Board and determining the skills and characteristics that are needed in new Board candidates when required.

Internal Controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. A risk register is maintained by the Group containing both potential financial and non-financial risks which may impact the business.

The Board confirms that there are ongoing processes for identifying, evaluating, and mitigating the significant risks faced by the Group. The Group's internal financial control and monitoring procedures include:

- Clear responsibility on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information.
- The control of key financial risks through appropriate authorisation levels and segregation of accounting duties.
- Detailed budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budget.
- Reporting on any non-compliance with internal financial controls and procedures; and
- Audit Committee review reports issued by the external auditors and presented to the Board via the Chair of the Audit Committee.

Internal Audit

The Group does not have an Internal Audit function as the Board considers that the size and nature of the business does not currently require it. The Audit Committee, on behalf of the Board, reviews report from the external auditors together with management's response regarding proposed actions. In this manner, the Board comments on internal controls, as directed by the Executive Directors, and they also make independent enquiries on the function and scope of the controls. These discussions are recorded in minutes and actions, where necessary, are agreed.

Risk management

The Board is responsible for risk management and maintaining an appropriate system of internal controls to safeguard the shareholders' investment and Group assets. The Directors continue to review the financial reporting procedures and internal controls of the Group companies to ensure they are robust enough to deliver timely, detailed reporting that will allow accurate monitoring of the Group's performance.

The Board receives regular feedback from the Audit Committee on any internal control issues raised by its external auditors. In the context of the Group's overall strategy, the Board undertakes risk assessments as well as the review of internal controls. The Group has established a risk register which involves risks being identified, recorded, monitored, and addressed at division and Group level and subject to regular review. A top-down risk review is combined with a complementary bottom-up approach to ensure that risks are fully considered.

The Board determines the extent and nature of the risks it is prepared to take to achieve the Group's strategic objectives. The Board has overall responsibility for the Group's risk appetite and challenges the Executive directors to consider a broad scope of risks when devising its strategies and initiatives to balance the Group's risks.

Significant risk areas

The significant areas of risk and judgement in relation to the Group's financial statements for the year ended 31 December 2021, as discussed at the Audit Committee, are as follows:

- **COVID-19**
  Considering the COVID-19 pandemic, the Board has had ongoing discussions regarding its impact on the assessment of going concern. See note 1b of the financial statements for further detail. The directors believe the Group is unlikely to suffer a materially adverse impact because of the long-term effects of COVID-19.

- **Revenue recognition**
  As with most companies, there is a risk that to achieve planned results, revenue may not be recognised in accordance with the Group's policy. The systems of internal control deployed within the Group are designed to mitigate this risk and the adequacy and effectiveness of these controls is regularly reviewed by management.

- **Inventory valuation**
  Inventory remains a significant item in the Group's balance sheet and a key area of estimation and judgement. Inventory policies are reviewed on a regular basis, with provisions made where required to ensure that the inventory is held at an appropriate value.

Board attendance and activities

The Board normally meets six times per year in person to review and discuss strategy, financial results, business planning, sales, operations, and HR matters. The Directors are required to invest the necessary time to execute their role properly. Directors' attendance at Board and Committee meetings during the year was as follows: -

	Board Meetings		Audit Committee		Remuneration Committee		Nominations Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible
R Briere [1]	6	6	2	-	-	-	-	-
L Cretton	6	6	2	2	1	1	-	-
G Davis	6	6	2	2	1	1	-	-
R Hankey	6	6	-	-	-	-	-	-
S Yapp	6	6	-	-	1	1	-	-

See **pages 26 and 27** for more details about the Board.

[1] The Chief Financial Officer attends audit committee meetings by invitation which are not included in the above attendance.

During 2021 the Board's activities included

- Consider and approve a dividend policy and payment of dividend both interim and proposed final dividend
- Approve and consider approach to share buybacks
- Approval of the Annual Accounts and Reports 2021 to release to market and present to AGM
- Set the Group's 2022 budget, business plan and endorse the plan to maintain headcount
- Set out a new brand proposition and new name for the group
- Received detailed reports on the Group's operating and financial performance and safety performance
- Received updates on progress against strategic programmes and tested the overall strategy against the delivery of shareholders' long-term objectives
- Considered competitor behaviour, including the impact of failing contractors and the resulting impact on the industry as a whole
- Considered and agreed in principle a set of targets for the acceptable level of resilience, liquidity, and headroom

- Reviewed the Group's forecast funding requirements, debt capacity and potential financing options that would enable achievement of the desired resilience targets
- Agree new grant funding (Kickstart)
- Reviewed cash forecasts and cash management key risks, together with the adequacy of mitigation controls
- Approved the building of more classrooms near the Ethiopian Tannery site
- Received regular reports from the Chairs of the Audit, Remuneration and Sustainability Committees on activities and recommendations of the Committees
- Considered the continued personal development of the Executive Committee
- Closure of the ESOP scheme during 2021
- Decide on purchase of strategic stock to mitigate macro environment instability in Ethiopia
- Evaluated the short and long-term trends in sustainability that would help to inform the wider business strategy and the Group's long-term planning process.

Board performance

The Company undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports. Responsibility for assessing and monitoring the performance of the Executive Directors lies with the independent Non-Executive Directors. Key performance indicators are detailed on **page 9.**

The performance of individual Executive Directors is reviewed not less than once a year by the Remuneration Committee and has both formal and informal mechanisms for evaluating and giving feedback on an ad-hoc basis. This year the Board undertook a 360-degree assessment of the Board directors with recommended improvements to the functioning of the Board.

All Directors can undertake relevant training and attend relevant seminars and forums. The Board is confident that all its members have the knowledge, ability, and experience to perform the functions required of a director of an AIM listed company.

Corporate culture

The Board is committed to embodying and promoting a corporate culture of excellent service delivery across the Group, whereby a customer need can be fulfilled whilst maintaining the Group's margins. It has endorsed various policies to achieve this, which also require ethical behaviour of staff and relevant counterparties. Operating in a fragmented global industry, the Group's marketing strategy is to be selective and targeted towards trade shows, events and through social media. The Group is proud of its existing long-term customer relationships and will continue to invest in those as well as potential new customers. Staff throughout the business are regularly updated on key developments both formally and informally and staff feedback is always encouraged.

Stephen Yapp
Chairman
23 March 2022

Our Yeovil finished product operation can flex from start-up to volume production for brands looking to make in the UK. This agility helped Pets Corner to meet the high demand premium accessories generated by post-pandemic dog ownership.

Directors' report
for the year ended 31 December 2021

The directors submit their report together with the audited consolidated financial statements of the Group and the Company for the year ended 31 December 2021.

Dividends

An interim dividend of 0.5p per share was paid in respect of 2021 (2020: £nil) and the directors are recommending the payment of a final dividend of 0.5p (2020: £nil) per share at the May AGM, if approved will be included in the 2022 financial statements, making a total payment of 1p per ordinary share for the year. The ex-dividend date will be 30th June 2022.

Going concern

Whilst the pandemic created an initial shock for the business, the trading environment during the pandemic did not unduly affect the business. Our assumptions for going concern include no further government support or accessible cost reductions. Sensitivity analysis has been performed on forecasts prepared including scenarios with reduced activity. We retain adequate facilities to weather a range of outcomes, leading the Board to believe there are no doubts on the Group being able to continue as a going concern.

The Group and Company meet their day to day working capital requirements through their bank facilities. The banking relationship with Lloyds Bank has remained strong during 2021, with consistent delivery against internal forecasts. Since the year end our expiring banking facilities have been subject to discussions on their revision and renewal; agreement has been reached to renew facilities, although formal paper work will be completed at the end of March 2022, renewing facilities until March 2023.The bank has formally waived our covenant breach to 31 December 2021. Further information on going concern can be found in **Note 1(b)** of the accounts.

Research and development

The Group recognises the importance of continuous product and process development in maintaining its reputation for innovative high-performance leathers. It works closely with both customers and suppliers to develop clearly differentiated products using advanced technology. It uses trend information from designers to reflect current trends in more fashion orientated products, holds consumer focus groups and attends relevant trade shows to better understand its potential consumers.

Treasury policies

The Group finances its activities with a combination of bank loans, overdrafts, finance leases and hire purchase contracts, as disclosed in **Note 26**. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities.

Overall, some 79% of Group revenue is in US dollars, 14% in Sterling, 2% in Ethiopian Birr, 3% in Euros and 2% other. Where possible, a natural hedge is maintained against the Group's currency exposure. During 2021, a review of the Group's foreign currency risk management policy has been performed, resulting in the adoption of a cash flow hedging strategy with the use of forward foreign currency contracts for US dollars.

Given current currency market conditions the level of cover was reduced, but the Group policy was revised to hold for a longer duration, covering up to 18 months, to protect future cash flows and reduce the level of uncertainty. This period is considered appropriate for the cost base of the business to be amended, should a significant, prolonged shift in exchange rates be noted.

The Group's principal borrowings are in Sterling, US dollars and Ethiopian Birr (for Ethiopia Tannery Share Company (ETSC), Pittards Product Manufacturing Share Company (PPM) and Pittards Global Sourcing Private Limited Company (GS)) which are used to manage timing differences in cash flows arising from trading activities as set out in **Note 26**. The debt is a combination of variable and fixed rate.

The Group's objective is to maintain a balance between continuity of funding and flexibility, using overdrafts, bank loans and finance leases, with short and medium-term variable rate debt favoured. No specific policy exists regarding liquidity.

Transactions with customers are either credit insured or under confirmed letters of credit. Where these terms are not possible goods will not be released without payment in advance of despatch, unless the Group sets an internal credit limit based on its previous experience of the customer or external credit rating agencies.

Group policies also restrict the counterparties with which funds may be invested with, to those approved by the Board.

As with all companies that operate in this sector, the Group has significant exposure to changes in raw material prices for hides and skins which are a by-product of the meat and dairy industry. The Group manages its risk in this area by using industry wide information on pricing, working closely with its suppliers, and committing to purchase on the basis of anticipated and actual forward sales orders. The ownership of ETSC enables this risk in respect of Ethiopian skins and hides to be managed more closely, with greater market information.

Banking facilities

As disclosed in **Note 1b** of the financial statements, our expiring banking facilities have been subject to discussions on their revision and renewal; agreement has been reached and formalised, renewing facilities until March 2023. Headroom on our facilities at the year end was £2.6m, down from £3.1m 2020, due mostly due to repayments on term loans, including Coronavirus Business Interruption Loan (CBILS), which has a 5 year term remaining, being repaid in full in 2026.

Creditor payment policy

The Group does not follow a particular code for the payment of suppliers. It is the Group's policy in respect of major suppliers to settle terms of payment when the terms of each transaction are agreed, to ensure the supplier is made aware of the terms of payment and to abide by the terms of payment. Our policy is to attract and retain the best supply chain that can offer comparable terms to customers being 60-day EOM payment terms. Trade payables at the year-end represented 65 days' purchases (2020: 58 days).

Equal Opportunities

Pittards is committed to ensuring that colleagues are treated equally, regardless of gender, sexual orientation, religion or belief, age, mental status, social class, colour, race, ethnic origin, creed, disability, political or philosophical beliefs, or marital or civil partnership status.

Through the Group's equal opportunities policy, it aims to create an environment that offers all colleagues the chance to use their skills and talent. Decisions on recruitment, training, promotion, and employment conditions are based solely on objective, job-related criteria, and personal competence and performance.

The Group seeks wherever possible to make reasonable adjustments to ensure that a colleague who becomes disabled during his or her employment is able to continue working effectively.

The Group is confident that all employees, regardless of gender, are paid equally for doing equivalent jobs across the business and have an equal opportunity to participate in and earn incentives. The current recruitment, progression, performance, reward and benefit policies and practices are not gender biased and the business will continue to monitor them to ensure they remain fair and equitable.

Pittards is committed to ensuring that the rights of all individuals are respected throughout the business and its supply chain.

Employee consultation and involvement

The Group places significant importance on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the numerous factors affecting the performance of the Group, through special briefing meetings which include an interim and full year address to staff on the business presented by the CEO, following market announcement of results.

Stakeholder engagement is covered in the s172 statement on **pages 17 to 18**.

Carbon Reporting

As a public limited company, incorporated in the UK, we comply with all mandatory carbon reporting regulations. We have reported on all the emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have employed the Financial Control definition to outline our carbon footprint boundary. The reporting period is consistent with our 12-month financial reporting period and we have reported on emissions for the UK only.

We have followed the UK Government Environmental Reporting Guidelines (March 2019) including streamlined energy and carbon reporting guidance published by the UK's Department for Business, Energy & Industrial Strategy (BEIS). Emission factors were sourced from the UK Government's GHG Conversion Factors for Company Reporting 2021. Gas and electricity are considered the principal energy sources and usage figures were obtained from our current provider.

We are committed to reducing our carbon footprint through working to reduce energy usage and our impact on the environment. In Ethiopia we utilise borehole water and we have extended our manufacturing ability in both UK and Ethiopia, vertically integrating our operations to reduce transportation costs between leather manufacture and finished article manufacture.

We aim to increase the percentage of our electricity derived from renewable sources, whether from external sources or self-generated. Our capital project to continuously replace less efficient electric items progresses with older light fittings being replaced with LED fittings and older process equipment being replaced with newer more efficient items. We have reviewed our working practices such as our travel policy, encouraging increased use of video conferencing, non-motorised transport, and car sharing (COVID-19 restrictions compliant). We have been careful to optimise factory operational time, improving plant effectiveness and efficient planning to closely matching our capacity requirements.

GHG emissions and energy use data for the period 1st January 2021 to 31st December 2021

	2021	**2020**
Combustion of fuel and operation of facilities (kg CO_{2e})	1,467,396	1,186,397
Electricity, heat, steam, and cooling purchase for own use (kg CO_{2e})	625,721	539,560
Total gross emissions (kg CO_{2e})	**2,093,118**	**1,725,957**
Energy consumption in kWh used to calculate above emissions	10,929,285	8,713,434
Intensity measure of kg of CO_{2e} gross emissions per m^2 leather manufactured	**1.59**	**2.09**

Substantial interests

In addition to those disclosed under directors' interests, the Company has been notified of the interests under section 793 Companies Act 2006 as of 8th March 2022 shown in the table below. No significant movements impacting the profile of the key shareholders have been noted since 31 December 2021.

Shareholder	Holding 50p share	% holding
Mr John A Rendell	3,215,000	**24.83%**
Downing Corporate Finance	1,771,814	**13.68%**
Ruffer	1,131,250	**8.74%**
Pension Protection Fund	790,747	**6.11%**
Rath Dhu	550,000	**4.25%**
Armstrong Investments Limited	475,000	**3.67%**
Denton Pension Mgt	433,333	**3.35%**
Mr Reginald Hankey	380,848	**2.94%**
Hargreaves Lansdown Asset management	296,886	**2.29%**

Directors

The persons named on pages 24 and 25 are the directors during the year and up to the date of approval of the Annual Report. S Yapp and L Cretton retire by rotation and offer themselves for re-election at the forthcoming AGM.

Directors' interests

On 26 September 2016, a Long-Term Incentive Plan (LTIP) was granted to Board directors detailed below except for Richard Briere who joined the scheme in October 2019 on the same terms.

The Scheme continues to vest in March 2022; however, the scheme has been modified. The exercise period has been extended to April 2023, formerly August 2022, taking into the impact of COVID-19.

The base price has been set at 51p, with two new conditions. Firstly, that no award will be made unless the share price reaches or exceeds 70p, and finally that the aggregate award to management will not exceed 10% of the issued share capital, being 1,388,860 shares (the company already holds 974,210 in treasury (2020: 934,210)). Previously the scheme was uncapped.

Richard Briere, the CFO, served throughout the financial year but leaves the business in April 2022, with interest in 135,000 ordinary shares, and retains growth shares within the LTIP scheme having fully matured and therefore also retains his LTIP interest in the business.

The directors are entitled to shares from the vesting date, based on the excess value generated at the exercise date, with the total value generated split based on the following percentages:

	% Entitlement
R Briere	20%
LM Cretton	5%
GP Davis	5%
RH Hankey	40%
S Yapp	30%

Annual General Meeting

A special resolution (number 5) will be proposed to enable the Company to make further market purchases of its own shares.

The authority for all the above resolutions expires on the date falling 15 months after the passing of the resolutions or the conclusion of the Annual General Meeting in 2023 (whichever is earlier).

Independent auditors

A resolution to re-appoint PKF Francis Clark as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on **23 March 2022** and signed on its behalf by:

Richard Briere
Chief Financial Officer

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the UK.

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 Group and parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable IFRSs as adopted by the UK have been followed for the Group financial statements and IFRSs as adopted by the UK have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group and parent Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors' and officers' section on **page 24** confirm that, to the best of their knowledge:

- the parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the UK, give a true and fair view of the assets, liabilities, financial position, and loss of the Company.
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the UK, give a true and fair view of the assets, liabilities, financial position, and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditors are aware of that information.

On behalf of the Board:

Reg Hankey
Chief Executive Officer
23 March 2022

The Guardian article that explored the future of British fashion through a lens of domestic manufacturing featured Pittards at its heart. Our flexible volume offering combined with vertically integrated solutions from leather to final stitch provides third-party brands with supply-chain visibility and real options when considering rising shipping and import costs.

OPINION

We have audited the financial statements of Pittards plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, group and company balance sheets, group and company statements of cash flows and the 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 UK adopted international accounting standards
In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group and parent company's financial statements have been properly prepared in accordance with UK adopted international accounting standards; and as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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 group 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 as applied to listed entities, 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.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We planned and performed our audit by obtaining an understanding of the group and its environment, including the accounting processes and controls, and the industry in which it operates. The group comprises the following active companies:

- 1 UK trading parent company (Pittards plc);
- 1 UK wholly owned trading subsidiary company (Pittard Garnar Services Limited); and
- 3 wholly owned Ethiopian based trading subsidiaries (Pittards Products Manufacturing Share Company, Ethiopia Tannery Share Company and Pittards Global Sourcing Private Limited Company)

Of the group's five trading components four are considered significant reporting units and 1 component (Pittards Global Sourcing Private Limited Company) is considered a non-significant reporting unit.

The 2 UK - based trading companies (Pittards plc and Pittard Garnar Services Limited) were subject to full scope audits performed by the group audit team. The two significant Ethiopian subsidiaries (Pittards Products Manufacturing Share Company and Ethiopia Tannery Share Company) were audited by HST Consulting as a component auditor operating under our instruction and review.

Those components subject to audit cover 100% of the group's revenue and 100% of the group's consolidated profit after tax. Audit work at the component level is executed at levels of materiality appropriate for such components.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	RESPONSE AND CONCLUSION
INVENTORY VALUATION **The group and parent company hold a significant level of inventory, especially when compared to key metrics such as turnover and profitability. The risk is that inventory is overvalued if production costs are overstated or if stock provisions are understated.** **Inventory is valued on a cost-plus basis using a defined cost matrix (raw materials plus an allocation of labour and overheads) which involves some estimation.** **Whilst we understand that inventory is non-perishable, there is a risk that changing consumer preferences and commodity prices could lead to inventory being carried at an amount greater than net realisable value. As such, the inventory provision is a key calculation and area of judgement in the financial statements. See notes 1 and 2a to the financial statements for the directors' disclosures of the related accounting policies and key judgements and estimation uncertainty.**	In planning our audit work, we considered the extent of complexity and subjectivity in the valuation of inventory and the estimation uncertainty associated with stock provisioning. Our audit work included: ▪ Testing the costing of stock by agreeing a sample of raw materials and direct production overheads to supporting invoices. Further to this we reviewed and challenged the underlying assumptions and methodology used in the absorption of indirect overheads and confirmed they had been appropriately applied. ▪ We reviewed and tested the utilisation of the previously held stock provision, comparing amounts of stock written off in the current year to the provision previously held. We considered historic trends such as inventory turn, provision as a percentage of total inventory holding and inventory countbacks to look for inconstancies. ▪ Testing management's methodology for calculating closing inventory provisions. This included analysing inventory based on age and comparing average sales prices achieved to the carrying value of inventory. We noted the methodology for provisioning has largely been applied consistently with the prior year. The methodology for provisioning is broadly in line with the prior year. We noted that certain default provision calculations were overridden where more relevant information was available. ▪ We reviewed the relevant accounting policies, key judgements and estimation uncertainty as stated in the accounts to assess their appropriateness and clarity. ▪ We reviewed and reperformed consolidation journals for losses held in inventory, whereby the parent company acquired inventory from loss making subsidiaries. From our work performed, we did not identify any material issues.

OUR APPLICATION OF MATERIALITY

Misstatements, including omissions, are considered to be material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We use quantitative thresholds of materiality, together with qualitative assessments in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

MATERIALITY MEASURE	GROUP	PARENT COMPANY
Overall materiality	£196,000 (2020: £215,000)	£178,000 (2020: £193,000)
Performance materiality	75% of financial statement materiality	75% of financial statement materiality
Basis for determination	1% of revenue (2020: Composite approach between gross assets (1%) and turnover (1%))	1% of revenue (2020: Composite approach between gross assets (1%) and turnover (1%))
Misstatements reported to the audit committee	£6,000 (2020: £6,600)	£5,000 (2020: £6,600)

The range of materiality at the three significant components, excluding the parent company, subject to full scope audits: £23,000 - £57,000.

Rationale for the benchmark applied: Based on the benchmarks used in the annual report and our assessment of the group and parent company operating in a low margin industry, revenue is a primary measure used by the shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.

This differs to the approach adopted in the prior year whereby the advent of COVID in 2020 had a disproportionate impact on turnover compared to gross assets. As such in the prior year a composite of 1% of turnover and 1% of gross assets was used.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the entity’s ability to continue to adopt the going concern basis of accounting included:

- Understanding the continued impact of Covid-19 on the group.
- Reviewing and challenging management’s assessment of going concern (including assessment at the planning stage of the audit process). Our work included assessing the timing and amount of turnover and related cashflows in the models. We also tested the integrity and mathematical accuracy of the models used.
- Reviewing management’s sensitivity analysis including changes in turnover and related cashflows.
- Reviewing the bank covenant waiver issued pre year end to ensure presentation and disclosures in the financial statements is correct.
- Assessing the amount of facilities and expected headroom based on the forecast over the next 12 months.
- Evaluating the reliability of the forecast through discussion with management, review of post year end trading and from considering the historic reliability of forecasts compared to actual results.
- Reviewing going concern related disclosures in the financial statements to ensure they are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or parent company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

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 or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been
- received from branches not visited by us; or
- the parent company 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 **pages 38 and 49**, 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 group's and the parent 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 group or the parent 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial experience, through discussion with the directors and other management (as required by auditing standards).

We discussed the policies and procedures regarding compliance with laws and regulations with the directors and other management. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, there are laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks related to the misstatement of the result for the year and inventory provisioning. We audited the risk of management override of controls, including through substantively testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.

Secondly, the group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect:

- Health and Safety legislation and standards
- Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
- The Control of Substances Hazardous to Health Regulations

We also evaluated the risk of misstatement of profit/loss, including management bias in accounting estimates.as part of our audit which included substantive procedures around inventory and debtor provisioning and property valuations.

Through our procedures, which included inspection of regulatory and legal correspondence, we did not become aware of any material non-compliance at the balance sheet date.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statement. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at 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 shareholders, 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 shareholders those matters we are required to state to them in an audit 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 shareholders as a body for our audit work, for this report, or for the opinions we have formed.

Glenn Nicol
(Senior Statutory Auditor)
PKF Francis Clark
Statutory Auditor
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

23rd March 2022

Consolidated Income Statement
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	3	**19,655**	15,233
Cost of sales		**(14,198)**	(12,059)
Gross profit		**5,457**	3,174
Distribution costs		**(1,631)**	(1,632)
Currency gains / (losses) expensed		**266**	(48)
Administrative expenses		**(3,176)**	(3,268)
Profit/(Loss) before operations and finance costs		**916**	(1,774)
Finance costs	8	**(459)**	(508)
Profit/(Loss) before taxation	4	**457**	(2,282)
Taxation	9	**(182)**	(144)
Profit / (Loss) after taxation		**275**	(2,426)
Earnings / (Loss) per share			
Basic (pence per share)	10	**2.12**	(17.67)
Diluted (pence per share)	10	**2.12**	(17.67)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

		2021	2020
		£'000	£'000
Profit / (Loss) for the period after taxation		**275**	(2,426)
Other comprehensive income / (expense)			
Revaluation of land and buildings	11	**453**	508
Revaluation of land and buildings – unrealised exchange (loss)		**(517)**	(575)
		(64)	(67)
Unrealised exchange (loss) on translation of overseas subsidiaries		**(551)**	(860)
Fair value (loss) / gain on foreign currency cash flow hedges		**(381)**	6
		(932)	(854)
Other comprehensive (loss)		**(996)**	(921)
Total comprehensive (loss) for the period		**(721)**	(3,347)

Balance sheets
As at 30 December 2021

	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	**9,700**	9,599	**5,950**	5,530
Intangible assets	12	**63**	75	**63**	75
Investment in Subsidiary undertakings	27	**-**	-	**378**	378
Loans receivable	25	**-**	-	**1,607**	1,765
Deferred income tax asset	19	**100**	100	**100**	100
Total non-current assets		**9,863**	9,774	**8,098**	7,848
Current assets					
Inventories	13	**15,316**	15,021	**12,454**	10,916
Trade and other receivables	14	**3,304**	2,848	**8,778**	5,995
Cash and cash equivalents		**51**	85	**8**	8
Total current assets		**18,671**	17,954	**21,240**	16,919
Total assets		**28,534**	27,728	**29,338**	24,767
Liabilities					
Current liabilities					
Trade and other payables	15	**3,830**	2,863	**6,289**	2,730
Interest bearing loans, borrowings and overdrafts	16	**7,783**	6,909	**6,226**	4,881
Total current liabilities		**11,613**	9,772	**12,515**	7,611
Non-current liabilities					
Deferred income tax liability	19	**900**	804	-	-
Interest bearing loans, borrowings and overdrafts	17	**2,955**	3,294	**2,338**	2,391
Total non-current liabilities		**3,855**	4,098	**2,338**	2,391
Total liabilities		**15,468**	13,870	**14,853**	10,002
Net assets		**13,066**	13,858	**14,485**	14,765
Equity					
Share capital	20	**6,944**	6,944	**6,944**	6,944
Share premium	21	**2,984**	2,984	**2,984**	2,984
Capital reserve	21	**6,475**	6,475	**-**	-
Own shares reserve	21	**(375)**	(850)	**(375)**	(850)
Share based payment reserve	21	**56**	47	**56**	47
Cash flow hedge reserve	21	**(88)**	293	**(88)**	293
Translation reserve	21	**(5,473)**	(4,922)	**-**	-
Revaluation reserve	21	**1,035**	1,099	**179**	179
Retained earnings	21	**1,508**	1,788	**4,785**	5,168
Total equity		**13,066**	13,858	**14,485**	14,765

In accordance with the exemptions given by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income or Income Statement. The Company made a profit of £0.2m (2020: loss of £1.5m).
*The financial statements on **pages 46 to 75** were approved and authorised for issue by the Board of directors **on 23 March 2022** and signed on its behalf by:*

Company Number - 0102384

Richard Briere - Chief Financial Officer

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Share capital	Share premium	Capital Reserve	Own share reserve	Share based payment reserve	Cash flow hedge reserve	Translation reserve	Revaluation reserve	Retained Earnings	Total Equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2020		6,944	2,984	6,475	(495)	295	287	(4,062)	1,166	3,926	17,520
Comprehensive income/(loss) for the year:											
Loss for the year after taxation		-	-	-	-	-	-	-	-	(2,426)	(2,426)
Other comprehensive (loss):											
Gain on the revaluation of buildings		-	-	-	-	-	-	-	522	-	522
Unrealised exchange gain/(loss) on translation of foreign subsidiaries		-	-	-	-	-	-	(860)	(589)	-	(1,449)
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	6	-	-	-	6
Total other comprehensive (loss)		-	-	-	-	-	6	(860)	(67)	-	(921)
Total comprehensive income/(loss) for the year		-	-	-	-	-	6	(860)	(67)	(2,426)	(3,347)
Share-based payment expense		-	-	-	-	40	-	-	-	-	40
Lapse of LTIP		-	-	-	-	(288)	-	-	-	288	-
Purchase of own ordinary shares	20	-	-	-	(355)	-	-	-	-	-	(355)
As at 1 January 2021		**6,944**	**2,984**	**6,475**	**(850)**	**47**	**293**	**(4,922)**	**1,099**	**1,788**	**13,858**
Comprehensive income/(loss) for the year:											
Profit for the period after taxation		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**275**	**275**
Other comprehensive income/(loss):											
Gain on the revaluation of buildings		-	-	-	-	-	-	-	453	-	453
Unrealised exchange gain/(loss) on translation of foreign subsidiaries		-	-	-	-	-	-	(551)	(517)	-	(1,068)
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	(381)	-	-	-	(381)
Total other comprehensive (loss)		**-**	**-**	**-**	**-**	**-**	**(381)**	**(551)**	**(64)**	**-**	**(996)**
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**-**	**-**	**(381)**	**(551)**	**(64)**	**275**	**(721)**
Share-based payment expense		-	-	-	-	9	-	-	-	-	9
Purchase of own ordinary shares		-	-	-	(20)	-	-	-	-	(4)	(24)
Dividends paid to equity holders	10b	-	-	-	-	-	-	-	-	(65)	(65)
ESOP scheme closed	21	-	-	-	495	-	-	-	-	(486)	9
As at 30 December 2021		**6,944**	**2,984**	**6,475**	**(375)**	**56**	**(88)**	**(5,473)**	**1,035**	**1,508**	**13,066**

Company Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Share capital £'000	Share premium £'000	Capital Reserve £'000	Own share reserve £'000	Share based payment reserve £'000	Cash flow hedge reserve £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 1 January 2020		6,944	2,984	-	(495)	295	287	-	6,340	16,355
Comprehensive income/(loss) for the year:										
Loss for the period after taxation		-	-	-	-	-	-	-	(1,460)	(1,460)
Other comprehensive income/(loss):										
Gain on the revaluation of buildings		-	-	-	-	-	-	179	-	179
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	6	-	-	6
Total other comprehensive income		-	-	-	-	-	6	179	-	185
Total comprehensive income/(loss) for the period		-	-	-	-	-	6	179	(1,460)	(1,275)
Share-based payment expense		-	-	-	-	40	-	-	-	40
Purchase of own shares	20	-	-	-	(355)	(288)	-	-	288	(355)
As at 1 January 2021		**6,944**	**2,984**	**-**	**(850)**	**47**	**293**	**179**	**5,168**	**14,765**
Comprehensive income/(loss) for the year:										
Profit for the period after taxation		-	-	-	-	-	-	-	172	172
Other comprehensive income:										
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	(381)	-	-	(381)
Total other comprehensive income		-	-	-	-	-	(381)	-	-	(381)
Total comprehensive (loss) /income for the period		**-**	**-**	**-**	**-**	**-**	**(381)**	**-**	**172**	**(209)**
Share-based payment expense		-	-	-	-	9	-	-	-	9
Purchase of own shares	20	-	-	-	(20)	-	-	-	(4)	(24)
Dividends paid to equity holders	10b	-	-	-	-	-	-	-	(65)	(65)
ESOP scheme closed	21	-	-	-	495	-	-	-	(486)	9
As at 30 December 2021		**6,944**	**2,984**	**-**	**(375)**	**56**	**(88)**	**179**	**4,785**	**14,485**

Statement of cashflows
For the year ended 31 December 2021

	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash flows from operating activities					
Cash generated from operations	22	**181**	549	**(139)**	218
Tax paid		**(83)**	16	**-**	-
Interest paid		**(447)**	(489)	**(194)**	(159)
Net cash (used in) from operating activities		**(349)**	76	**(333)**	59
Cash flows from investing activities					
Purchases of property, plant and equipment		**(372)**	(252)	**(325)**	(191)
Purchases of intangible assets		**(11)**	(12)	**(11)**	(12)
Proceeds from sale of plant		**42**	-	**42**	-
Net cash (used) in investing activities		**(341)**	(264)	**(294)**	(203)
Cash flows from financing activities					
Proceeds from borrowings		**-**	3,334	**-**	2,750
Repayment of bank loans		**(733)**	(1,951)	**(391)**	(1,209)
Repayment of obligations under finance leases		**(21)**	(71)	**(15)**	(71)
Payment of equity dividends	10b	**(65)**	-	**(65)**	-
Purchase of own ordinary shares	20	**(20)**	(355)	**(20)**	(355)
Net cash (used) / generated in financing activities		**(839)**	957	**(491)**	1,115
(Decrease) / Increase in cash and cash equivalents		**(1,529)**	769	**(1,118)**	971
Cash and cash equivalents at beginning of year		**(5,077)**	(6,131)	**(4,586)**	(5,563)
Exchange gains/(losses) on cash and cash equivalents		238	285	**(45)**	6
Cash and cash equivalents at end of year		**(6,368)**	(5,077)	**(5,749)**	(4,586)

1. Statement of accounting policies

General information

Pittards plc is a public limited company incorporated and domiciled under the Companies Act 2006 in England, United Kingdom and is quoted on the Alternative Investment Market (AIM). The address of the registered office, which is also the principal place of business, is given on **page 25**. The nature of the Group's operations and its principal activities are set out on **page 5.**

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS") and IFRS Interpretations Committee ("IFRS IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. The consolidated financial statements for the years ended 31 December 2021 and 31 December 2020 have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in **note 2**.

The Company only disclosures have been prepared in accordance with the above.

The accounting policies outlined below have been consistently applied across all companies within the Group.

(b) Going concern

The Group and Company meet their day to day working capital requirements through their bank facilities. The banking relationship with Lloyds Bank remains strong. Lloyds have confirmed their commitment to the business and renewal of the facilities through to 31 March 2023 and although a formal agreement has yet to be signed, Lloyds have written a letter to confirm the facility has been agreed with credit committee and will be in place by the end of March 2022

In light of the ongoing geopolitical and COVID-19 challenges the Board has sensitised its forecasts and projections for the next 12 months to take account of possible changes in trading performance in order to determine when and to what extent, additional measures may be necessary.

Sensitivity analysis has been performed to reflect a reduction in sales from 2021 levels of 10% with no associated cost savings. This represents a discount of 25% to our ongoing order book. This analysis shows that there is adequate cash headroom in bank facilities for the next 12 months. The Board consider there are no material doubts in respect of the going concern status of the Group. The Board acknowledges, should it be necessary, we will revaluate this if conditions change.

Based on the above, and information available to the Board at the date of approval, the Group and Company continue to adopt the going concern basis in preparing these financial statements.

(c) New and amended standards

There are no new or amended standards or interpretations that impact on the Group's financial statements this year.

At the date of authorization of these financial statements, certain new standards, amendments, and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Group. Management anticipates that all the relevant standards, amendments and interpretations will be adopted in the Group's accounting policies for the first period beginning after their effective dates. No new standards in issue but not yet effective are expected to have a material impact on the Group.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

1. Statement of accounting policies (continued)

(e) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes. Revenue is also shown net of prompt payment discount included within the customer terms. Revenue is recognised to the extent that the performance obligations have been met and the revenue can be reliably measured.

- Sales of goods
Revenue from the sale of skins, hides and retail leather goods is recognised when the performance obligations have been met and the amount of revenue can be measured reliably, usually on despatch.
- Sales of services
Where services are provided, revenue is recognised on an accruals basis in the accounting period in which the service is rendered.

(f) Finance income

Finance income comprises interest receivable in respect of overdue debtors.

(g) Finance expenses

Finance expenses comprises interest payable on interest-bearing loans and borrowings. Finance expenses are recognised using the effective interest method.

(h) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in pounds sterling which is the Company's functional and the Group's presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, except where foreign currency has been hedged. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as gain or loss on foreign exchange. Foreign exchange gains and losses that relate to borrowings, and cash and cash equivalents are presented on the face of the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the Group's translation reserve **(pages 47 and 49)**.

(i) Intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences and consulting costs attributable to the development, design, and implementation of the computer software. Amortisation is calculated using the straight-line method so as to charge the cost of the computer software to the Income Statement over its estimated useful life (up to 7 years). Costs associated with the development of the Group's website are also recognised as intangible assets and carried at cost less accumulated amortisation.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(j) Property, plant, and equipment

Property, plant, and equipment (other than land and buildings) are stated at cost less accumulated depreciation and any recognised impairment loss. Property, plant, and equipment are initially recorded at cost of purchase or construction. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged (excluding land) to write off the cost or valuation of assets on a straight-line basis over their estimated useful lives, as follows:

Land and buildings	2%
Building improvements	7-20%
Plant, machinery, and motor vehicles	6-33%

1. Statement of accounting policies (continued)

The Group and Company adopt a revaluation policy in respect of Land and Buildings.

The Company revaluation policy is to perform a formal revaluation every 5 years, with director assessment in the intervening period, except where a material movement in property valuations is expected. In the UK, the Board instructed an independent RICS Registered Valuer, who concluded that the valuation for the Yeovil site was £3.86m at the end of December 2020. In order to arrive at the fair value, the valuer applied a rate of £30.00psf overall, reflecting a value of £3,860,000. Having considered comparable local property sales during the year the directors do not consider the valuation of the Yeovil site to have materially changed since December 2020. Buildings in Ethiopia were revalued at December 2021 and December 2020 based on the fair value (their depreciated replacement cost) as determined by an independent licensed loss assessor qualified to value buildings in Ethiopia. The increase in value has also been reflected via a revaluation of land and buildings in other comprehensive income. The devaluation of the Ethiopian Birr has since translation losses to also be processed through other comprehensive income. No depreciation has been charged on the building being constructed by Pittards Global Sourcing Limited in Ethiopia as it remains under construction.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income. The residual values and useful lives of assets are reviewed annually and adjusted when appropriate.

(k) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a first in first out (FIFO) basis. Net realisable value is the estimated selling price less all costs to be incurred. Raw materials are valued according to the cost of the materials purchased plus any direct transport costs. Work in progress (WIP) is valued as the cost of raw materials plus an appropriate proportion of production overheads. Finished goods are valued as the cost of raw materials plus full absorption of production overheads based on normal operating capacity.

Inventory held at Ethiopia Tannery Share Company is stated at the lower of cost and net realisable value, but cost is determined on an average cost basis. An impairment reserve to reflect the directors' best estimates of the difference between FIFO and average was established on acquisition. The directors have satisfied themselves that there was no material difference between FIFO and average cost methods. Inventories include goods in transit from the suppliers to the Group's factory where ownership has effectively passed to the Group.

Provision is made against slow moving and obsolete inventory to ensure the value at which inventory is held in the balance sheet is reflective of anticipated future sales patterns. Provision is made having regard to the saleability and condition of inventory.

(l) Leases

The Group enters into lease agreements for the use of buildings, plant, and office equipment.

The Group assesses whether a contract is or contains a lease, at inception of the contract and then accounts for the lease by recognizing a right of use asset and a lease liability.

The lease liability is initially measured at the present value of fixed payments under the lease. IFRS 16 requires payments to be discounted using the interest rate implicit in the lease. Where that rate cannot be readily determined, the Group uses its incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security, and conditions.

The initial value of the right of use asset is the present value of the fixed payments under the lease and any initial direct costs. Depreciation of the right of use asset is recognised in the income statement on a straight-line basis over the term of the lease. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented within Interest bearing loans, borrowings, and overdrafts in the consolidated Balance Sheet. The right-of-use assets are presented within Property, plant and equipment in the consolidated Balance sheet and separately disclosed in **note 11.**

The Group has taken advantage of the exemptions available under IFRS 16 not to apply the recognition and requirements of the standard to leases with a term of 12 months or less, or leases for which the underlying asset value is low. For these leases, a charge is recognized in the income statement based on straight-line recognition of the lease payments payable on each lease.

(m) Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss in the period in which they become receivable.

The benefit of a commercial loan which has initial interest settled by the Government, is treated as commercial and the interest saved, disclosed separately.

(n) Current and deferred income tax

Current tax is the expected tax payable or receivable on the taxable income for the year, on the basis of tax laws enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years, in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax is provided in full using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements. A deferred tax asset is only recognised to the extent it is probable that sufficient taxable profits will be available in the future for it to be utilised.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is realised or settled.

Tax is recognised in the Income Statement, except where it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or equity.

(o) Retirement benefit costs

An Auto Enrolment scheme was introduced in May 2014 under which matching contributions are made by the employer in line with scheme rules. Pension contributions are made for employees in Ethiopia under the Ethiopian Social Security Agency scheme.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

-Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.
A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Following the adoption of IFRS 9 in 2018, additional provisions are held on an expected credit loss basis against debt that is more than 90 days old. The amount of the provision is recognised in the Income Statement in Distribution costs.

- Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents includes bank overdrafts. Loans and other forms of longer-term debt instruments repayable in more than 90 days are not included in cash where there is no immediate demand to repay. This includes term loans and pre-shipment loans.

- Bank borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

- Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to reduce exposure to foreign currency risk, by hedging against highly probable forecast cash flows. The instruments are initially recognised at fair value on the date on which a derivative contract is entered into and then subsequently remeasured at fair value. The Group recognises the effective part of any gain or loss on the derivative financial instrument in equity within the cash flow hedge reserve. Any ineffective portion is recognised immediately in the income statement, if the underlying relationship cannot be rebalanced. The amounts accumulated in equity are reclassified to the income statement when the hedged item is recognised, or the hedging relationship ends.

- Holiday pay accrual
The Group accrues for all underutilised holiday at the end of the financial year where a liability to employees exists.

(q) Share-based payments
Equity settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date, using an appropriate valuation model. Details regarding the determination of the fair value of equity settled share-based transactions, including all key assumptions, are set out in **note 7**.

The fair value determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, with a corresponding increase in equity. For share schemes held with non-market performance and service conditions, the Group assesses its estimate of the number of equity instruments expected to vest at the end of each reporting period. Any revision to the original estimate is recognised in the Income Statement, with a corresponding adjustment to equity.

(r) Employee share ownership trust (ESOT)

The assets of the employee share ownership trust are fully consolidated within the accounts of the Group. Shares held in the Trust are deducted from shareholders' funds and are stated at cost. The shares were originally bought to reflect potential awards from a previous bonus scheme which is no longer in existence.

(s) Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Pittards plc which makes strategic decisions.

(t) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividends

Final and interim dividends are recognised in the Group's financial statements in the period in which the dividends are paid.

2. Critical judgements and estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

(a) Inventory valuation

The calculation of WIP and finished goods inventory value requires an estimate of the total production cost and an estimate of production levels in order to determine the value of direct costs to absorb into inventory on an ongoing basis. Variations in production levels will impact the value of direct costs not absorbed into inventory. Estimates are revised periodically through the year to ensure that absorption of labour and overheads is materially correct as at the end of the year.

The Group reviews its inventory on a regular basis and, where appropriate, makes provisions for slow moving and obsolete inventory based on estimates of future sales activity. The estimates of the future sales activity will be based on both historical experience and expected outcomes based on knowledge of the markets in which the Group operates as well as strategic assessments of potential new markets. Market performance is reviewed periodically throughout the year and the impact on the provision assessed.

(b) Property valuations

The Group policy is to perform a formal revaluation every 5 years, with a director assessment in the intervening period. An independent valuation was carried out during December 2020, on the UK's Yeovil site which is our principal place of production and head office, the directors believe it is appropriate to maintain this value as the current market value in 2021. The Ethiopian building assets were valued on 31 December 2021.

3. Business segments information

2021	UK Division £'000	Ethiopia Division £'000	Consolidation adj £'000	Total £'000
Revenue from customers	**18,227**	**4,956**	**(3,528)**	**19,655**
Inter-segmental trading	**-**	**(3,528)**	**3,528**	**-**
	18,227	**1,428**	**-**	**19,655**
Gross profit	**4,528**	**902**	**27**	**5,457**
Profit/ (Loss) before tax	**367**	**(536)**	**626**	**457**
Assets	**29,426**	**8,460**	**(9,352)**	**28,534**
Liabilities	**(14,941)**	**(6,071)**	**5,544**	**(15,468)**
Net assets	**14,485**	**2,389**	**(3,808)**	**13,066**

2020	UK Division £'000	Ethiopia Division £'000	Consolidation adj £'000	Total Total £'000
Revenue from customers	13,622	4,062	(2,451)	15,233
Inter-segmental trading	(171)	(2,280)	2,451	-
	13,451	1,782	-	15,233
Gross profit	3,023	413	(262)	3,174
(Loss) before tax	(955)	(1,327)	-	(2,282)
Assets	31,506	9,219	(12,997)	27,728
Liabilities	(14,894)	(6,703)	7,727	(13,870)
Net assets	16,612	2,516	(5,270)	13,858

Geographical analysis of revenue (based on the customer's country of domicile)

2021	UK Division £'000	Ethiopia Division £'000	Total £'000
UK	**2,422**	**361**	**2,783**
Europe	**450**	**313**	**763**
North America	**126**	**-**	**126**
Far East and Rest of World	**15,229**	**754**	**15,983**
	18,227	**1,428**	**19,655**

2020	UK Division £'000	Ethiopia Division £'000	Total Total £'000
UK	1,995	141	2,136
Europe	1,172	458	1,630
North America	97	34	131
Far East and Rest of World	10,187	1,149	11,336
	13,451	1,782	15,233

There are 3 customer who each represent more than 10% of the revenue of the group. (2020:3)

4. Profit before taxation

	Group	
	2021	2020
	£'000	£'000
Depreciation of property, plant and equipment (Note 11)	**475**	616
Amortisation of intangible assets (Note 12)	**23**	51
Low value asset lease expense	**-**	16
Staff costs (Note 5)	**7,027**	6,390
Employee benefits expense (life and health insurances)	**92**	72
Research and development expenditure	**67**	63
Net (gain) / loss on foreign currency translation	**(266)**	48

	Group	
	2021	2020
Auditors remuneration	**£'000**	£'000
The analysis of fees payable to the Group's auditor are as follows:-		
Fees payable to the Company's auditor in respect of the audit of the parent company and consolidated financial statements (PKF Francis Clark)	**52**	50
Fees payable to the Company's auditor in respect of the audit of subsidiaries in Ethiopia (HST)	**3**	3
Fees payable to the Group's auditor in respect of assistance review of unaudited interims	**4**	4
Total fees payable to the Company's auditors	**59**	57

5. Staff costs

The average number of employees of the Group and Company (including directors), on an average monthly basis was:

	Group		Company	
	2021	2020	**2021**	2020
	No.	No.	**No.**	No.
Production	**836**	848	**125**	105
Sales, distribution and administration	**267**	243	**61**	58
Directors	**5**	5	**5**	5
	1,108	1,096	**191**	168

Their aggregate remuneration comprised:

Wages and salaries	**6,227**	5,656	**5,569**	4,607
Social security costs	**488**	455	**488**	455
Other pension costs	**312**	279	**155**	157
	7,027	6,390	**6,212**	5,219

Staff costs are shown net of government grants received of £0.186m (Kick start Scheme) (2020: £0.65m - furlough scheme)

6. Directors' remuneration

	Salary & fees	Profit related pay	Benefits	Pension contributions	**2021**	2020
	£'000	£'000	£'000	£'000	**£'000**	£'000
Executive						
RH Hankey	**210**	**-**	**6**	**11**	**227**	208
R Briere	**127**	**-**	**3**	**6**	**136**	125
Non-Executive						
LM Cretton	**40**	**-**	**-**	**-**	**40**	36
GP Davis	**40**	**-**	**-**	**-**	**40**	36
S Yapp	**70**	**-**	**-**	**-**	**70**	65
	487	**-**	**9**	**17**	**513**	470

Key management compensation

Key management represents the directors of the Internal Executive Board, this does not include Executive Directors outlined above.

The compensation paid or payable to key management for employee services is shown below:

	2021	2020
	£'000	£'000
Salaries, bonus and other short-term benefits	**208**	210
Pension contributions	**11**	11
	219	221

Nil options (2020: Nil), remain outstanding for key management personnel in relation to 2017 Save As You Earn scheme which ceased 30th June 2020. The company no longer operates a SAYE scheme.

7. Share options

2017 Save As You Earn Scheme (SAYE)

On 16 May 2017, a Save As You Earn (SAYE) share option scheme was granted to employees. The options under the SAYE scheme lapsed on 1 July 2020. There are currently no SAYE schemes in operation or planned for 2022.

Details of the share-based payment cost recognised during the year are:	**2021 £'000**	2020 £'000
At 1 January	**-**	45
Share-based payment expense	**-**	2
At 31 December	**-**	47

Details of **the SAYE share options extant during the year are:**

	2021 No of options	**2021 Exercise price**	2020 No of options	2020 Exercise price
Outstanding at the beginning of the year	-	**-**	**131,249**	65.6
Lapsed during the year	-	**-**	**(131,249)**	65.6
Outstanding at the end of the year	-	**-**	**-**	65.6

2016 Long term Incentive Plan (LTIP)

On 26 September 2016, a Long Term Incentive Plan (LTIP) was granted to certain members of the Board. The vesting period is four years and is dependent upon the attainment of a minimum specific share price at the exercise date. The directors are entitled to shares to the value of specific percentages granted, based on the excess value generated at the exercise date. Richard Briere our Chief Finance Officer was added to the scheme during 2019.

Details of the share-based payment costs recognised during the year are:-	**£'000**	£'000
	2021	2020
At 1 January	**-**	250
Share-based payment expense	**9**	40
LTIP lapsed to reserves	**-**	(290)
At 31 December	**9**	**-**

Assumptions

Grant date	14/12/2020
Share price at grant date	47.5
Exercise price	70.0
Vesting period	2.5 years
Expected volatility	0.454
Risk-free rate	0.1%
Dividend yield	0.0%

100 growth shares are registered as subsidiary shares within Daines & Hathaway Limited a 100% wholly owned subsidiary; and are held by the board directors in the following proportions, as follows: R Hankey 40 shares, S Yapp 30 shares, R Briere 20 shares, G Davis 10 shares and L Cretton 10 shares.

8. Finance costs

	2021	2020
	£'000	£'000
(a) Finance costs		
Interest on bank loans and overdrafts	**457**	500
Interest on obligations under finance lease and hire purchase contracts	**2**	8
	459	**508**

9. Taxation

	2021 £'000	2020 £'000
(a) Analysis of the credit)/charge in the year		
The (credit)/charge based on the (loss)/profit for the year comprises:		
Corporation tax on profit for the year	**-**	-
Foreign tax on profit for the year	**10**	79
Foreign tax related to prior years	**148**	65
Total current tax	**158**	144
Deferred tax		
Origination and reversal of temporary differences	**24**	-
Total deferred tax	**24**	-
Income tax (credit)/charge	**182**	144

The Group's profits/losses for the year are taxed at the standard rate of corporation tax in the UK of 19% (2020: 19%) and Ethiopia of 30% (2020: 30%). The tax assessed in each year differs from the standard rate of corporation tax for the relevant year. The group retains taxable losses in the UK of £13.8m to utilise in future periods. The differences are explained below:

	2021 £'000	2020 £'000
(b) Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before tax	**457**	(2,282)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**13**	(579)
Impact of tax losses not recognised	**160**	575
Foreign tax related to prior years[1]	**148**	64
Expenses not deductible for tax purposes[2]	**77**	102
Allowable tax deductions[3]	**(207)**	(81)
Foreign tax paid	**13**	88
Double tax relief	**(22)**	(15)
Deferred tax impact of property valuation	**-**	(10)
Total tax charge /(credit) for the year (Note 9(a))	**182**	144

1 Foreign tax in prior years relates to a historic tax charge imposed on PPM and withholding tax paid.

2 Expenses not deductible for tax purposes largely relate to depreciation, for which capital allowances are received.

3 Allowable tax deductions relate to capital allowances received.

(c) Factors that may affect future tax charges

The main rate of corporation tax remains at 19%. All UK deferred tax assets have been measured using the rate in place at the time they expect to be realised or settled.

10a. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding the shares held in treasury under own share reserve, by the company not carry voting or dividend rights.

Earnings per share			**2021**	2020
Weighted average number of ordinary shares in issue	Basic	**000s**	**12,946**	13,733
Weighted average number of ordinary shares in issue	Diluted	**000s**	**12,946**	13,789
Basic earnings / (loss) per ordinary 50p share		**pence**	**2.12**	(17.67)
Diluted earnings / (loss)per ordinary 50p share		**pence**	**2.12**	(17.67)

10b. Dividends

	2021	2020
	£'000	£'000
Ordinary dividends paid during the year		
Interim dividends of 0.5p per share	**65**	-

The Directors are proposing a final dividend for the 2021 year of 0.5pence per share, (2020: £nil) in respect of the financial period ended 30 December 2021.

11. Property, plant and equipment

	Group				Company			
	Land and Buildings	Plant Machinery & motor vehicles	Assets under construction	Total	Land and Buildings	Plant Machinery & motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 January 2020	6,748	18,164	479	25,391	4,015	13,301	-	17,316
Exchange differences	(585)	(942)	(57)	(1,584)	-	-	-	-
Additions	-	249	3	252	-	191	-	191
Transfers	(14)	14	-	-	(14)	14	-	-
Disposals	(152)	(3)	-	(155)	(152)	-	-	(152)
Revaluation	500	-	44	544	11	-	-	11
At 1 January 2021	6,497	17,482	469	24,448	3,860	13,506	-	17,366
Exchange differences	**(560)**	**(846)**	**(132)**	**(1,538)**	**-**	**-**	**-**	**-**
Additions	**-**	**787**	**-**	**787**	**-**	**740**	**-**	**740**
Disposals	**-**	**(107)**	**-**	**(107)**	**-**	**(107)**	**-**	**(107)**
Revaluation	**535**	**-**	**56**	**591**	**-**	**-**	**-**	**-**
As at 30 December 2021	**6,472**	**17,316**	**393**	**24,181**	**3,860**	**14,139**	**-**	**17,999**
Accumulated depreciation								
At 1 January 2020	289	14,862	-	15,151	260	11,549	-	11,809
Exchange differences	(2)	(588)	-	(590)	-	-	-	-
Charge for the year	97	519	-	616	79	262	-	341
Disposals	(153)	-	-	(153)	(146)	-	-	(146)
Transfers	(9)	9	-	-	(7)	7	-	-
Revaluation	(175)	-	-	(175)	(168)	-	-	(168)
At 1 January 2021	47	14,802	-	14,849	18	11,818	-	11,836
Exchange differences	**(21)**	**(715)**	**-**	**(736)**	**-**	**-**	**-**	**-**
Charge for the year	**66**	**433**	**-**	**499**	**42**	**278**	**-**	**320**
Disposals	**-**	**(107)**	**-**	**(107)**	**-**	**(107)**	**-**	**(107)**
Revaluation	**(24)**	**-**	**-**	**(24)**	**-**	**-**	**-**	**-**
As at 30 December 2021	**68**	**14,413**	**-**	**14,481**	**60**	**11,989**	**-**	**12,049**
Net book value								
At 31 December 2020	6,450	2,680	469	9,599	3,842	1,688	-	5,530
As at 30 December 2021	**6,404**	**2,903**	**393**	**9,700**	**3,800**	**2,150**	**-**	**5,950**

11. Property, plant, and equipment (continued)

Depreciation of £0.44m (2020: £0.52m) has been charged to cost of sales, £0.03m (2020: £0.05m) to administrative expenses and £0.00m (2020: £0.05m) to distribution expenses in the Income Statement. The Group's buildings in Ethiopia were revalued to fair value as at 31 December 2021. Fair value was determined by Getachew Tesfaye, licensed loss assessor, who is an independent valuer. If buildings across the Group were stated on historic cost basis the net book value would be £4.1m (2020: £4.1m). The Yeovil site, belonging to the company was revalued in 2020 by an independent valuer, and the board accessed the value as unchanged at the end of 2021.

Included in the Group's and Company's plant, machinery and motor vehicles are right of use assets as follows:

	2021	2020
	£'000	£'000
Right of use assets plant and equipment as at 1 January	**117**	578
Depreciation charged	**(36)**	(121)
Asset no longer subject to lease	**(78)**	(340)
Additions to right of use assets	**556**	-
Right of use assets as at 31 December	**559**	117

12. Intangible

	Group			Company		
	Website	Computer Software	Total	Website	Computer Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2020	141	1,781	1,922	141	1,774	1,915
Additions	12	-	12	11	-	11
At 1 January 2021	153	1,781	1,934	152	1,774	1,926
Additions	11	-	11	11	-	11
At 31 December 2021	**164**	**1,781**	**1,945**	**163**	**1,774**	**1,937**
Accumulated amortisation						
At 1 January 2020	63	1,745	1,808	63	1,738	1,801
Charge for the year	16	35	51	16	34	50
At 1 January 2021	79	1,780	1,859	79	1,772	1,851
Charge for the year	22	1	23	21	2	23
As at 30 December 2021	**101**	**1,781**	**1,882**	**100**	**1,774**	**1,874**
Net book value						
At 31 December 2020	74	1	75	73	2	75
As at 30 December 2021	**63**	**-**	**63**	**63**	**-**	**63**

13. Inventories

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Raw Materials	**6,711**	5,342	**5,444**	4,234
Work in progress	**2,940**	3,803	**1,806**	1,489
Finished Goods	**5,665**	5,876	**5,204**	5,193
	15,316	15,021	**12,454**	10,916

The movement in provision was as follows:	**Group**	**Company**
	£'000	**£'000**
As at 1 January 2020	2,085	1,883
(Utilisation)	**(764)**	**(788)**
Charge	**130**	**71**
As at 30 December 2021	**1,451**	**1,166**

Inventory charged to income statement during the year as part of cost of sales totalled £14.5m (2020: £12.0m).

14. Current Financial Assets

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade receivables	**3,151**	2,644	**2,857**	2,178
Less provision for impairment of trade receivables	**(266)**	(279)	**(264)**	(277)
Trade receivables net	**2,885**	2,365	**2,593**	1,901
Other receivables	**121**	125	**28**	42
Prepayments and accrued income	**298**	263	**258**	251
Financial derivatives	**-**	95	**-**	95
Amounts owed by Group undertakings	**-**	-	**5,899**	3,706
	3,304	2,848	**8,778**	5,995

14. Current Financial Assets (continued)

The table below shows an analysis of the ageing of trade receivables which are past due but not impaired. The expected credit loss is 0.3% of sales (2020:0.3%)

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Up to 60 days	**983**	259	**759**	253
60-90 days	**68**	27	**68**	27
More than 90 days	**247**	452	**177**	311
	1,298	738	**1,004**	591

There are **£1.6m** (2020: £1.6m) trade receivables which are not due and not impaired as at 31 December 2021. There are no concerns regarding the recoverability of these amounts.

As at 31 December the provision against trade receivables was **£0.3m** (2020: £0.3m) for the Group and **£0.3m** (£0.3m: 2020) for the Company. The ageing of the receivables impaired against which part provisions have been made is as follows:-

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Not overdue	**-**	106	**-**	106
Up to 60 days	**59**	32	**59**	32
60-90 days	**-**	4	**-**	4
More than 90 days	**237**	211	**237**	211
	296	353	**296**	353

Provisions against trade receivables not overdue and up to 90 days represent credit note provisions. Part provisions have been made against some significantly overdue balances based on a recoverability assessment considering credit insurance held and ongoing discussions with customers. An analysis of the currencies in which trade receivables are held is shown in Note 26(c).

15. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade payables	**3,005**	1,969	**2,568**	1,463
Corporation tax payable	**1**	-	**-**	-
Other taxes and social security costs	**162**	170	**137**	136
Accruals and deferred income	**471**	669	**353**	530
Other payables	**79**	55	**72**	27
Financial derivatives	**112**	-	**112**	-
Amounts owed to Group undertakings	**-**	-	**3,047**	574
	3,830	2,863	**6,289**	2,730

16. Interest-bearing loans, borrowings and overdrafts - current

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Secured:				
Overdrafts	**6,419**	5,162	**5,757**	4,594
Loans	**1,263**	1,698	**375**	275
Obligations under leases	**101**	49	**94**	12
	7,783	6,909	**6,226**	4,881

The Company's overdraft and loan facilities are provided by Lloyds Bank. During the year, £0.4m of new hire purchases from Lloyds Bank was drawn down.

17. Interest-bearing loans, borrowings and overdrafts - non current

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Secured:				
Loans	**2,647**	3,288	**2,030**	2,388
Obligations under leases	**308**	6	**308**	3
	2,955	3,294	**2,338**	2,391
Repayable as follows:-				
1-5 Years	**2,955**	3,194	**2,338**	2,291
After more than 5 years	**-**	100	**-**	100
	2,955	3,294	**2,338**	2,391

The fair value of the Group's loan and overdraft facilities is materially the same as book value, and the secured facilities are supported by fixed and floating charges over the assets of the Group, principally property, plant and equipment, inventory and receivables.

18. Obligations under leases

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Lease obligations				
Not later than one year	**101**	43	**94**	12
After one year but not more than five years	**308**	6	**308**	3
	409	49	**402**	15
Plus, finance charges allocated to future periods	**31**	3	**31**	-
Total lease payments	**440**	52	**433**	15
Total minimum lease payments are analysed as follows:				
Not later than one year	**108**	46	**101**	12
After one year but not more than five years	**332**	6	**332**	3
	440	52	**433**	15

19. Deferred taxation

In accordance with the requirements of IAS12, the directors considered the potential utilisation of the deferred tax asset in relation to historic losses and in 2021, took a prudent view to continue to recognise an asset of £0.1m at 31 December 2021. The remaining deferred tax liabilities have been calculated using prevailing rate in the jurisdiction that they have arisen in.

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Deferred tax asset	**100**	100	**100**	100
Deferred tax liability	**(900)**	(804)	**-**	-
Deferred tax liability (net)	**(800)**	(704)	**100**	100

The movement on the net deferred tax account during the year is as follows:

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
At 1 January	**(704)**	(630)	**100**	100
Income Statement/Statement of Comprehensive Income (debit)/credit	**(230)**	(227)	**-**	-
Exchange differences	**134**	153	**-**	-
At 31 December	**(800)**	(704)	**100**	100

20. Share capital

	2021	2020
	£'000	£'000
Issued fully paid		
At 31 December	**6,944**	6,944

	2021	2020
	Shares	Shares
Number of ordinary shares of 50p each		
Opening number of shares fully paid and in issue	**12,952,390**	13,886,600
Purchase of own shares into treasury in year	**(40,000)**	(934,210)
At 31 December	**12,912,390**	12,952,390

The company has one class of ordinary shares which carry no right to fixed income. The company holds 974,210 of own shares in treasury which it intends to hold to satisfy existing LTIP schemes when they vest in 2022.

21. Reserves

The share premium account represents the difference between the issue price and the nominal value of shares issued. The capital reserve relates to goodwill arising on previous acquisitions written off directly to reserves.

The Pittards' Employee Share Ownership trust held Pittards' plc ordinary shares to meet potential obligations under the restricted share plan scheme. Shares were held in trust until such time as they may be transferred to employees in accordance with the terms of the scheme. There are no further awards in the scheme which could vest in the participants. At 31 December 2021, the trust held nil, 50p shares (2020: 19,026) with a market value at that date of £Nil (2020: £8,942).

Own shares reserve comprises	**Group**		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Own share reserve comprises				
ESOP	**-**	495	**-**	495
Ordinary own shares held in treasury	**375**	355	**375**	355
	375	850	**375**	850

During the year the ESOP trust scheme was dissolved and remaining assets disbursed by the trustees, which amount to cash of £1,320 and 19,126 of ordinary shares.

The cash flow hedge reserve represents the fair value of forward currency contracts held under hedge accounting at the end of the year. See note 26 for further details.

The translation reserve represents the cumulative net unrealised exchange loss arising from the translation of overseas subsidiaries.

The revaluation reserve represents the revaluation of the buildings at Yeovil, ETSC, PPM and GS undertaken annually.

The retained earnings reserve represents all other net gains and losses, and transactions with owners including dividends not recognised elsewhere.

22. Cash generated from / (used in) operations

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Profit / (Loss) before taxation	**457**	(2,282)	**172**	(1,460)
Adjustments for:				
Depreciation of property, plant and equipment	**475**	616	**320**	341
Amortisation of intangibles	**23**	51	**23**	51
Bank and other interest charges	**447**	489	**233**	174
Share based payment expense	**9**	40	**9**	40
Other non-cash items in Income Statement	**(556)**	1,302	**122**	370
Operating cash flows before movement in working capital	**855**	216	**879**	(484)
Movements in working capital (excluding exchange differences on consolidation):				
(Increase) / Decrease in inventories	**(1,100)**	513	**(1,538)**	451
(Increase) / Decrease in receivables	**(507)**	501	**(2,858)**	293
Increase / (Decrease) in payables	**933**	(681)	**3,382**	(42)
Cash generated /(used in) from operations	**181**	549	**(135)**	218

23. Analysis of the changes in cash and cash equivalents

Group	As at 1 January 2021 £'000	**Cashflow 2021 £'000**	**Exchange movements 2021 £'000**	**As at 31 December 2021 £'000**
Cash at bank and in hand	85	**(34)**	**-**	**51**
Bank overdraft	(5,162)	**(1,495)**	**238**	**(6,419)**
	(5,077)	**(1,529)**	**238**	**(6,368)**

Company	As at 1 January 2021 £'000	**Cashflow 2021 £'000**	**Exchange movements 2021 £'000**	**As at 31 December 2021 £'000**
Cash at bank and in hand	8	**-**	**-**	**8**
Bank overdraft	(4,594)	**(1,163)**	**-**	**(5,757)**
	(4,586)	**(1,163)**	**-**	**(5,749)**

24. Analysis of the changes in liabilities from financing activities

	As at 1 Jan £'000	Loan re-payments £'000	Non cash movements £'000	Exchange movements £'000	**As at 31 December £'000**
Group					
Long term borrowings	3,288	(464)	(382)	(259)	**2,647**
Short term borrowings	1,698	(733)	382	(84)	**1,263**
Lease Liabilities	55	(21)	402	(27)	**409**
	5,041	(662)	402	(370)	**4,319**
Company					
Long term borrowings	2,388	(8)	(350)	-	**2,030**
Short term borrowings	275	(250)	350	-	**375**
Lease Liabilities	15	(15)	402	-	**402**
	2,678	(273)	402	-	**2,807**

Non cash movements represent movements in categories between short and long term

25. Related party transactions

(a) Related party trading

Group

The following transactions with related parties took place during the year:

	Group	
	2021	2020
Transactions with related parties	**£'000**	£'000
Purchases from related parties	25	27

Purchases and sales are disclosed with entities where a member of the Board holds a further directorship. Purchases and sales are made on normal commercial terms and conditions.

	Group	
	2021	2020
Year end balances arising from purchases	**£'000**	£'000
Payables to related parties	5	5

Company

The following transactions with other Group undertakings took place during the year:

	Company	
	2021	2020
Transactions with subsidiaries	**£'000**	£'000
Purchases from subsidiaries	**3,528**	2,278
Sales to subsidiaries	**258**	**366**

Pittards plc holds intercompany balances with various subsidiary companies and settles expenses on behalf of these companies which are charged to the intercompany accounts.

There are no provisions for impaired debts relating to the amount of outstanding intercompany balances.

	Company	
	2021	2020
Amounts due from Subsidiaries - current	**£'000**	£'000
Pittard Garnar Services Limited	**5,146**	3,230
Ethiopia Tannery Share Company	**338**	242
Pittards Global Sourcing Private Limited Company	**2**	2
Pittards Products Manufacturing Share Company	**413**	232
	5,899	3,706
Amounts due to Subsidiaries		
Pittard Group Limited	**(30)**	(30)
Ethiopia Tannery Share Company	**(1,147)**	(528)
Pittard Garnar Services Limited	**(1,846)**	-
Pittards Global Sourcing Private Limited Company	**-**	-
Pittards Products Manufacturing Share Company	**(24)**	(16)
	(3,047)	(574)

(b) Transactions with directors

Disclosures required under IAS24 regarding remuneration of key management personnel are covered by the Directors' remuneration disclosure in Note 6 and interests in shares are disclosed in the Directors' report.

	Company	
	2021	2020
Amounts due from Subsidiaries - current	**£'000**	£'000
Pittard Garnar Services Limited	**5,146**	3,230
Ethiopia Tannery Share Company	**338**	242
Pittards Global Sourcing Private Limited Company	**2**	2
Pittards Products Manufacturing Share Company	**413**	232
	5,899	3,706

Amounts due to Subsidiaries		
Pittard Group Limited	**(30)**	(30)
Ethiopia Tannery Share Company	**(1,147)**	(528)
Pittard Garnar Services Limited	**(1,846)**	-
Pittards Global Sourcing Private Limited Company	**-**	-
Pittards Products Manufacturing Share Company	**(24)**	(16)
	(3,047)	(574)

(b) Transactions with directors

Disclosures required under IAS24 regarding remuneration of key management personnel are covered by the Directors' remuneration disclosure in Note 6 and interests in shares are disclosed in the Directors' report.

26. Financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks; market (including currency, price and interest rate), liquidity and credit. The Group's overall risk management systems seek to minimise potential adverse effects on the Group's financial performance. The Company's financial risk factors are considered to be consistent with those of the Group so are not presented separately.

The board of directors has approved policies for the management of the risks identified.

- Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar, Euro and Ethiopian Birr. Approximately 89% (2020: 79%) of the Group's revenue is from sales outside the UK, with 81% (2020: 77%) in US dollars. US dollar based raw material purchases amounted to 17% in 2021 (2020: 28%).

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Where possible, a natural hedge is maintained against the Group's currency exposure. However, during 2021, forward exchange contracts have additionally been entered into to manage the US dollar foreign exchange risk. Hedge accounting has been applied to these contracts. See the Treasury policy in the Directors' report on page 34for further details.

- Price risk

Price risk includes the variability in the purchase price of hides and skins which are internationally traded commodities with no futures markets. The Group addresses this by buying forward to match anticipated revenues. This risk was reduced by the purchase of ETSC which buys a substantial proportion of the skins sourced in Ethiopia.

- Interest rate risk

The Group mitigates its exposure to interest rate fluctuations by using fixed rates where possible. Management would consider taking out an interest rate cap if this was felt to be beneficial.

- Liquidity risk

Borrowing facilities are monitored against the Group's forecast requirements and it is the Group's policy to mitigate risk by staggering the maturity of borrowing and by maintaining undrawn committed facilities, using overdrafts and medium-term loans. Regular cash flow forecasts are prepared to assess the adequacy of undrawn facilities and appropriate action taken to improve cash flow where necessary.

- Credit risk

The group is exposed to credit risk to the extent of non-payment by its customers. The group utilises credit insurance policies to mitigate its risk from its trading exposure or seeks secure terms or payment in advance.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments, are disclosed in Note 1 to the financial statements.

(c) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follow:

	Assets		**Liabilities**		**Cash**	
	2021	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
US Dollar	**2,403**	1,679	**(534)**	(211)	**(2,738)**	(1,220)
Euro	**199**	144	**(981)**	(513)	**(56)**	(109)
Ethiopian Birr	**165**	247	**(1,864)**	(3,235)	**136**	(516)
Other	**6**	23	**(2)**	-	**8**	(53)
	2,773	2,093	**(3,381)**	(3,959)	**(2,650)**	(1,898)
GBP	**378**	551	**(4,105)**	(3,221)	**(3,718)**	(3,179)
Total	**3,151**	2,644	**(7,486)**	(7,180)	**(6,368)**	(5,077)

(d) Foreign currency sensitivity

As 77% (2020: 79%) of the Group's revenue is in US dollars, the sensitivity analysis is only on the US dollar impact. The following table details the Group's sensitivity to a strengthening of sterling against the US dollar. 10 US cents is considered to be a reasonable movement and also enables the users of the accounts to calculate other percentage movements.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout. A positive number indicates an increase in profit or loss whereas a negative number indicates a loss which can occur if sterling strengthens to dollar.

As the Group hedges between 40% and 80% of future currency exposure in US dollars but enjoys some natural hedging due to its purchase of material in US dollars. It estimates that currency exposure is reduced by approximately 65% through these two mechanisms. For this reason, a 10c change in US$ has the following effect assuming the Group is unable to pass on any of the currency impact to customers.

	Group	
	2021	2020
	£'000	£'000
Loss[1]	**(409)**	(338)

1. This is mainly attributable to the exposure on revenue and outstanding US dollar receivables, payables and cash at the year-end in the Group.

(e) Forward foreign exchange contracts

It is the policy of the Group to sell surplus US dollars and to enter into forward foreign exchange contracts to manage the risk associated with anticipated foreign currency sales and purchase transactions, where this is felt appropriate. In 2021, the Group has entered into forward foreign currency contracts to manage the US dollar foreign exchange risk, hedging against forecast cash flows to the extent that those cash flows are deemed highly probable. The Group currently holds contracts to cover the next 18 months and maintains cover on a rolling 12 to 18 months depending on conditions. The aim is to cover between 50% and 80% of the anticipated risk.

(f) Liquidity and interest rate risk

i) Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at both fixed and variable interest rates. The risk is managed by borrowing where appropriate on fixed interest rates.

ii) Interest rate sensitivity

The sensitivity analysis has been determined on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout. Given a 1% increase in interest rate on £10.68m debt, an increase in cost of £0.1m would result. This is attributable to the Group's exposure to interest rates on its variable borrowings.

iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking and borrowing facilities through continuously monitoring forecast with actual cash flows and matching profiles of financial assets and liabilities.

iv) Liquidity and interest risk tables

The interest rate profile of the non-derivative financial liabilities of the Group and its contractual maturity as at 31 December 2021 and at 31 December 2020 are as follows:

	Group					
As at 31 December 2021	**Less than 3 months £'000**	**3 months to 1 year £'000**	**1-2 years £'000**	**2-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Fixed rate:						
Lease obligations	**25**	**76**	**101**	**207**	**-**	**409**
Variable rate:						
Bank overdrafts and loans	**6,735**	**947**	**1,263**	**1,384**	**-**	**10,329**
Trade and other payables	**3,246**	**-**	**-**	**-**	**-**	**3,246**
At 31 December 2020						
Fixed rate:						
Lease obligations	12	37	6	-	-	55
Variable rate:						
Bank overdrafts and loans	6,427	433	621	2,567	100	10,148
Trade and other payables	1,969	-	-	-	-	1,969

The Group has the following undrawn borrowing facilities:	Group	
	2021 £'000	2020 £'000
Variable rate:		
Expiring within one year	**2,650**	3,282
	2,650	3,282

The facilities expiring within one year are subject to review at various dates in 2022. However, Lloyds have confirmed their commitment to the business and renewal of the facilities for 2023 and although a formal agreement has yet to be signed, Lloyds have written a letter to confirm the facility has been agreed with credit committee and will be in place by the end of March 2023.

(g) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet.

During 2021, the Group's strategy was to maintain the gearing ratio at an acceptable level, which is considered to be between 50% and 70%. The gearing ratios at 31 December 2021 and 2020 were as follows:

	Group	
	2021 £'000	2020 £'000
Total borrowings	**10,738**	10,203
Less cash at bank and in hand	**(51)**	(85)
Net debt	**10,687**	10,118
Total equity	**13,066**	13,858
Gearing ratio	**81.8%**	73.0%

27. Investments

	Company	
	2021	2020
	£'000	£'000
At 1 January and 31 December	**378**	378

The subsidiary undertakings whose results or financial position affect the figures in the consolidated financial statements are:

	Principal activities	**Country of incorporation**	**Functional currency**
Pittards Group Limited	Dormant	United Kingdom	£ sterling
Pittard Garnar Services Limited	Consultancy and other related services to the leather industry	United Kingdom	£ sterling
Daines & Hathaway Limited	Holding company	United Kingdom	£ sterling
Pittards Global Sourcing Private Limited Company	Production of quality leather garments	Ethiopia	Ethiopian Birr
Ethiopia Tannery Share Company	Leather production	Ethiopia	Ethiopian Birr
Pittards Products Manufacturing Share Company	Production of quality leather gloves and leather goods	Ethiopia	Ethiopian Birr

The registered office for all UK incorporated entities is Sherborne Road, Yeovil, Somerset BA21 5BA. The registered offices of the Ethiopian entities are as follows:

Pittards Global Sourcing Private Limited Company	Nefas Silk Laphto Sub City, Saris Industry Zone, Addis Ababa, Ethiopia
Ethiopia Tannery Share Company	P.O. Box 5628, Kirkos Sub City, Kebele 16, Addis Ababa, Ethiopia
Pittards Products Manufacturing Share Company	Nefas Silk Laphto Sub City, Saris Industry Zone, Addis Ababa, Ethiopia

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

Other Reserves (Own shares)	**Group**		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Own share reserve comprises				
ESOP	**-**	495	**-**	495
Ordinary shares held in treasury	**375**	-	**375**	-
	375	495	**375**	495

During Q3-2021 a further, £20,000 of shares were acquired into treasury.

Summary Financials - 7 Year Review

	2021	2020	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	**19,655**	15,233	22,301	28,469	30,287	27,009	30,523
Percentage sold outside UK	**89%**	79%	90%	90%	91%	92%	90%
Profit / (Loss) from operations before finance costs	**916**	(1,774)	1,177	992	934	(3,591)	1,115
Profit / (Loss) on ordinary activities before taxation	**457**	(2,282)	579	354	413	(4,071)	655
Profit / (Loss) on ordinary activities after taxation	**275**	(2,426)	406	(1,929)	497	(4,146)	471
Net assets	**13,066**	13,991	17,520	17,881	19,764	21,274	24,150
Inventory	**15,316**	15,021	17,341	16,306	15,332	17,353	18,872
Inventory days of sale	**394**	462	411	279	241	308	288
Net debt	**10,687**	10,118	9,895	7,724	7,990	10,109	6,458
Gearing	**81.8%**	72.3%	54.7%	43.2%	40.0%	48.0%	27.0%
Earnings / (Loss) per 50p ordinary share in pence	**2.12**	(17.67)	2.93	(13.91)	3.58	(29.89)	3.98
Dividends per ordinary share in pence	**0.50**	-	-	-	-	-	-

Financial calendar

Annual General Meeting (Planned at Yeovil site, subject to COVID-19 and government restrictions permitting)	**17 May 2022**
Announcement of half year results for 2022	**30 September 2022**
Announcement of 2022 results	**22 March 2023**

Notice of Annual General Meeting

Notice is hereby given that the 113th Annual General Meeting ("AGM") of Pittards Plc (the "Company") will be held at the Company's registered office situated at **Sherborne Road, Yeovil, Somerset, BA21 5BA at 12 noon on 17 May 2022** to consider and, if thought fit, pass the resolutions set out in this Notice.

All of the resolutions in this Notice, are proposed as ordinary resolutions.

Ordinary Resolutions

1. To receive the **annual statement of accounts of the Company for the year ended 31 December 2021**, and the directors' and auditors' reports thereon.
2. To **re-elect Reg Hankey** as a director of the Company, who is retiring by rotation.
3. To **re-elect Godfrey Davis** as a director of the Company, who is retiring by rotation.
4. To **re-appoint PKF Francis Clark LLP** as the Company's auditors and to authorise the directors to determine their remuneration.
5. To declare a **final dividend** for the financial year ended 31 December 2021 of 0.5 pence per ordinary share in the capital of the Company, to be paid on 5th August 2022 to shareholders whose names appear on the register at the close of business on 20 June 2022.
6. **Share buybacks – to renew authority to buy back up to 15% of share capital**

   That the Company be and is hereby granted general and unconditional authority, for the purposes of section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (as defined in section 693(4) of the Act) of any of its ordinary shares of 50 pence each ("Ordinary Shares") on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

   (a) the maximum number of Ordinary Shares which may be purchased is 2,083,303, this to include any pre-existing ordinary shares held in treasury

   (b) the maximum price (exclusive of expenses) which may be paid per Ordinary Share is 5% above the average middle market quotation for an Ordinary Share (as derived from the London Stock Exchange Daily Official List) for the five business' days immediately preceding the day on which such Ordinary Share(s) are contracted to be purchased;

   (c) the minimum price (exclusive of expenses) which may be paid per Ordinary Share is 30p; and

   (d) unless previously renewed, revoked or varied, this authority shall expire on the date falling 15 months after the passing of this resolution or the conclusion of the next Annual General Meeting of the Company (whichever is the earlier), but during this period the Company may enter into a contract to purchase Ordinary Shares, which would, or might, be completed or executed wholly or partly after the authority ends and the Company may purchase Ordinary Shares pursuant to any such contract as if such authority had not ended.

By order of the Board

Alan Burgess
Company Secretary
Pittards Plc
Sherborne Road
Yeovil, Somerset
BA21 5BA
Date: 28 March 2022

Notes

1. Voting at the AGM will take place by means of a show of hands, unless a poll is demanded in accordance with the Company's articles of association.

2. A member entitled to attend and vote at the AGM may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the AGM. We strongly encourage shareholders to appoint a proxy in accordance with the procedures set out below in order to vote in advance of the AGM. A proxy need not be a member of the Company, however, if you appoint the Chair of the AGM as your proxy, this will ensure that your votes are cast in accordance with your wishes. A proxy shall, unless directed otherwise by the appointing member, vote, or abstain from voting as the proxy sees fit at the AGM.

3. We strongly encourage you to appoint the Chair of the AGM as your proxy To be effective, the proxy vote must be submitted at **www.signalshares.com** so as to have been received by the Company's Registrars, Link Group, not less than 48 hours before the time appointed for the AGM, or any adjournment thereof (excluding weekends and public holidays). To register, members will need their Investor Code. Alternatively, a member may request a Form of Proxy in paper form from the Company's Registrars, **Link Group, on 0371 664 0300** (calls cost 12p per minute plus your operator's network access charge). If you are outside the United Kingdom, please call +44 371 664 0300 (calls will be charged at the applicable international rate). Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales.

4. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended), only those members entered on the Company's register of members at close of business on 10 May 2022 ("the "Specified Time") (or, if the AGM is adjourned to a time more than 48 hours after the Specified Time, at close of business on the business day which is two days' prior to the time of the adjourned meeting) shall be entitled to attend and vote or to appoint one or more proxies to vote on their behalf at the AGM in respect of the number of ordinary shares registered in their name at that time. If the AGM is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.

5. If a member appoints more than one proxy to attend the AGM, each proxy must be appointed to exercise the rights attached to a different share(s) held by the member should this be permitted under applicable COVID-19 restrictions. If a member wishes to appoint more than one proxy, they may do so at **www.signalshares.com** or by a paper Form of Proxy available on request from the Company's Registrars, Link Group, as set out in Note 3 above. The appointment of a proxy shall not preclude a member from attending and voting in person at the AGM should this be permitted under applicable COVID-19 restrictions, or at any adjournment thereof. If a member has appointed a proxy but decides to attend the AGM, such proxy will not be able to attend, speak or vote at the AGM on the member's behalf/

6. Any power of attorney (duly certified) or other authority under which a Form of Proxy is submitted, and any Form of Proxy completed in paper form, must be returned to the Company's Registrars, Link Group, by post to PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL so as to arrive not less than 48 hours before the time appointed for the AGM or any adjournment thereof (excluding weekends and public holidays).

7. Subject to Note 5, if more than one valid proxy appointment is submitted by a member, the appointment received last before the latest time for receipt of proxies will take precedence.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to an instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

12. A member wishing to revoke his or her proxy appointment should do so by sending a notice to that effect to the Company's Registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL or electronically by means of the facilities described in Notes 3 and 9 above. The revocation notice must be received by the Company's Registrars, Link Group, by the time limit set out in Note 3. Any revocation notice received after this time will not have effect.

13. Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

14. The Company's register of directors' holdings and copies of directors' contracts of service will be available for inspection at the registered office of the Company during usual business hours from the date of this Notice until the date of the AGM, and from at least fifteen minutes prior to commencement, and until the conclusion, of the AGM.

15. Members who have general queries about the AGM should contact the Company Secretary at the Company's registered address set out above. No other methods of communication will be accepted. Any electronic address provided either in this Notice of AGM, or in any related documents, may not be used to communicate with the Company for any purposes other than those expressly stated.

16. In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the register of members of the Company in respect of the joint holders (the first named being the most senior).

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For more information visit corporate.pittards.com