

Pittards plc Annual Report and Accounts 2014



Pittards is a global brand supplying premium leather and leather products, working with leading international brands, retailers and manufacturers.



1

Pittards recently hosted a factory visit from members of the Institute of Directors in the South West. CEO Reg Hankey and Director of Marketing Debbie Burton gave tours and presentations explaining our development from leather producer into also making our own premium leather goods.

2

John Moriarty, former ETSC general manager, cuts the ribbon to formally open the new classroom funded by ETSC at the local Ejersa village school, watched by current GM Jason Perry and enthusiastic young pupils. This represents the latest development in our ongoing support for the school.

3

Our Ethiopian Environmental management team were re-certificated with ISO 2001:2004 during the year, providing our workforce and stakeholders with assurance that environmental impact is being continuously monitored and improved.

4

Polo's world No. 1 player Adolfo Cambiaso was wearing Ona Polo gloves made in Pittards Atomic patterned WR100 leather when he won the Veuve Cliquot Gold Cup at the British Open, part of polo's Triple Crown.

5

As part of Pittards commitment to reducing waste a range of canvas and leather bags, part of the Qo'da collection, has been developed to utilise off cuts from our industrial work gloves production to great effect.

6

Master Glover Alison Gowman of the Worshipful Company of Glovers presented certificates to the latest group of Pittards staff to complete 25 years' service with the company taking the current total to 56.

7

Our relationship with Wells Lamont, part of the Berkshire Hathaway Group, grows stronger as we continue to increase the annual volume of industrial gloves we make for them using our Asa leather.

8

As our prowess at finished product manufacturing grows we are delighted to be working with iconic British brand Jack Wills developing a new range of beautiful on trend bags with them to show off the best of British.

Results in brief

	2014	2013
	£'m	£'m
Revenue	34.7	35.8
Profit from operations before finance costs	2.0	2.0
Profit before taxation	1.6	1.7
Net debt	7.6	7.1
Net assets	18.3	16.9
		Pence per share
Per weighted average 50p share:		
Profit (basic)	12.06	15.68
Net assets per 50p share	197.99	182.97
Gearing	42%	42%

Highlights

- Profit from trading activities before finance costs unchanged at £2.0m
- EBITDA up to £2.39m (2013: £2.36m)
- Profit before tax down slightly at £1.6m (2013: £1.7m)
- Exceptional Ethiopian tax charge of £0.19m settled in year
- Cash generated from operations of £0.7m (2013: used £0.7m)
- Net assets increased to £18.3m (2013: £16.9m)
- Gearing level at 42%
- Percentage of revenue outside the UK 91% (2013: 91%)

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Chairman's statement

The second half of 2014 was significantly more profitable than the first half leading to a full year result in line with expectations. Sterling strength, principally against the dollar in which a significant proportion of our sales are invoiced, was a major issue for the business until July when it peaked and then rapidly moved back to more acceptable levels.

Turnover for the year was £34.7m compared to £35.8m in 2013 and this shortfall was entirely attributable to the currency situation in the first half. Sales of industrial and dress gloves made by our Pittards Products Manufacturing (PPM) subsidiary in Ethiopia continued to grow during the year and our consumer product division in UK gained more traction. Sales of dress glove leather were adversely affected by another mild start to the winter in most regions as this sector is particularly weather sensitive. Military procurement was very patchy with few draw downs from contracts already in place for military leathers.

Gross margins of 20% were consistent year on year as whilst turnover was reduced by the strong pound in the first half, we also benefitted when buying raw materials in dollars and euros. Cost reduction exercises implemented in the first half meant that distribution costs were £0.278m lower than in 2013 and administrative expenses remained virtually the same.

Profit from operations of £1.971m was therefore very similar to the prior year (£2.004m). As the Ethiopian consumer division grows we have taken out more funding for working capital in Ethiopia where interest rates are considerably higher. This has led to an increase in finance costs from £0.350m in 2013 to £0.427m in the current year therefore profit before tax was £1.589m (2013: £1.712m).

During the year the Ethiopian Revenue and Customs carried out their first four yearly taxation audit since the Ethiopia Tannery Share Company (ETSC) was acquired by Pittards in late 2009. This resulted in an additional corporation tax charge of £0.193m during the year, so the total taxation charge for 2014 was £0.479m compared to £0.265m in 2013. It is expected that the taxation charge will revert to normal levels in 2015.

The Group's net assets rose from £16.9m to £18.3m in the year reflecting its continuing profitability but the slowdown in certain key sectors noted above meant that inventory rose further in the period. Gearing remained at 42%.

The Directors do not recommend payment of a dividend.

We continue to reinforce our global presence as both a premium leather brand and increasingly a premium leather goods brand by exhibiting at trade fairs around the world. This enables us to regularly meet with key customers such as FootJoy to whom we sell leathers for golf gloves, golf shoes and now golf accessories, Spanish designer casual shoe brand Camper and outdoor footwear specialists Berghaus (which incorporates Brasher Boot).

On the consumer side of the business we have forged a strong relationship with Wells Lamont (part of the Berkshire Hathaway group) in the industrial gloves sector and our Pittards consumer brand is gaining increasing recognition. We have ongoing third party manufacturing contracts with prestigious British brands including Jaguar and Jack Wills.

Our workforce now numbers c.1700 across both the UK and Ethiopia and we have been recognised for our UK apprenticeship scheme. My thanks go to each and every one of our employees for their continued efforts this year.

In late 2014 Peter Gyllenhammar, who injected £2m of new money into the restructured business in March 2006, sold the remainder of his holding. Our thanks go to Peter for his support through some difficult times.

Whilst there are global uncertainties in various areas of the world we have started 2015 with more favourable currency rates and stable raw material prices. Trading is currently in line with our expectations and we have identified a number of opportunities for expansion which we look forward to bringing to fruition.



Stephen Boyd Chairman

20 March 2015

Directors and officers

S D Boyd | BSc Hons, Chairman, non-executive^{A B C}

Stephen Boyd (65) joined the Group in 2004 as Executive Chairman. He became non-executive Chairman on 7 December 2007. He is also Deputy Chairman of Pure Wafer plc and senior non-executive director at The Mission Marketing Group plc. He owns a number of private companies including Axminster Carpets.

G P Davis | FCA non-executive^{A B}

Godfrey Davis (66) joined the Board in February 2014. He is Executive Chairman of Mulberry Group plc. He is also a director of Hestercombe Gardens Ltd and Woodard Schools (Taunton) Ltd.

R H Hankey | FSLTC, LCGI, FCMI, CDipAF^C

Reg Hankey (59) 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 a director of UK Leather Federation (formerly BLC Research).

J G Holmstrom | non-executive^{A B C}

Jan Holmstrom (62) joined the Group in March 2010. He is Managing Director of Browallia AB in Sweden and holds a number of UK directorships including Densitron Technology plc, Leeds Group plc and Johnson & Starley Ltd.

J Williams | LLB Hons, ACA, Secretary

Jill Williams (57) joined the Group as Finance and Planning Manager in 1989. She became Company Secretary in 1991, and Finance Director on 1 June 2007.

A Member of the audit committee.

B Member of the remuneration committee.

C Member of nominations committee.

Registered office Sherborne Road, Yeovil, Somerset BA21 5BA

Company Number 102384

Advisers

Stockbrokers

WH Ireland, 4 Colston Avenue, Bristol BS1 4ST

Nominated Advisers

WH Ireland, 4 Colston Avenue, Bristol BS1 4ST

Independent Auditors

PricewaterhouseCoopers LLP, Chartered Accountants & Statutory Auditors, 31 Great George Street, Bristol BS1 5QD

Bankers

Lloyds Bank plc, Canons House, Canons Way, Bristol BS99 7LB

Registrars

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Strategic report

for the year ended 31 December 2014

Principal activities

The principal activities of the Company are the design, production and procurement of technically advanced leather for sale to manufacturers and distributors of shoes, gloves, luxury leathersgoods and sports equipment, the provision of consultancy services within the global leather industry and the retail of leather, leathersgoods and leather garments. The principal activities of its subsidiaries are the production of leather, leathersgoods, leather garments and gloves.

Business review

Financial results

Revenue reduced by £1.1m to £34.7m in 2014, which was due to the impact of dollar and euro exchange rates in the first half as noted in the Chairman's Statement in our 2014 Interim report.

The profit from operations before finance costs was the same for both years at £2.0m, despite the impact of currency in the first half, as the second half result was much stronger.

Total finance costs were higher than 2013 at £0.43m (2013: £0.35m), as more borrowings were in Ethiopia where interest rates are higher.

There was a tax charge of £0.479m (2013: £0.265m) representing corporation tax payable by ETSC including an adjustment relating to prior years plus withholding tax on payment of royalties from Ethiopia to the parent company.

Strategic report (continued)

for the year ended 31 December 2014

Year end position

Net assets at 31 December 2014 were £18.3m (2013: £16.9m) reflecting profitability achieved in the year.

Total net debt (including obligations, finance leases and overdrafts) was £7.60m, (2013: £7.09m), with gearing remaining at 42% (2013: 42%), consistently within the target range of 10% to 50%.

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.

The Group operates mainly in the UK, where it sources most of its hides, and in Ethiopia where it sources the majority of its hairsheep skins, however it exports on average around 90% of its production into most areas of the world.

Strategy

The Group seeks to increase its hides and goatskins business in the UK as more of its sheepskin business is carried out in Ethiopia. It has established various new sources of skins to process into its technically advanced leathers in Yeovil, and this sourcing continues to be refined. It is also starting to import more skins into Ethiopia to supplement local supplies.

The Group's strategy is to increase the consumer facing side of its business, building on its brand values of innovation, service and integrity with new ranges of finished products. This was initiated in 2011 with the establishment of Pittards Products Manufacturing (PPM) in Ethiopia and has developed further as PPM is now producing larger volumes of dress gloves, both for the Pittards brand and third party customers. The Design Centre in Yeovil is now a busy production unit making both Pittards England and Daines & Hathaway products alongside our Walsall facility, and fulfilling more substantial third party contracts for prestigious UK consumer brands.

Principal risks and uncertainties

The following are identified as the principal risks and uncertainties facing the Group:

- The volatility of the US dollar. The Group manages this by using forward exchange contracts if appropriate or selling any surplus US dollars when the rate is favourable. Some purchases are also made in US dollars. Future cashflow forecasts are updated weekly and monthly.
- The availability of quality raw materials. The Group owns ETSC (which is its main supplier of Ethiopian skins) and has strong relationships with other major suppliers of skins and hides in the UK, Ethiopia and around the world.
- Continuing escalation in energy and 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. For instance, a range of products utilising the small pieces of leather remaining from cutting out larger pieces for bags, gloves etc, where the trimmings might otherwise have gone to landfill, has been established as the Pittards Qo'da collection.
- The availability of working capital to finance its operations. The Group monitors its weekly and monthly financial requirements closely against facility to ensure its needs are met. The banking relationship with Lloyds Bank remains strong and increased facilities have been renewed with them for 2015. We have also negotiated additional bank facilities in Ethiopia.

Key performance indicators

The principal key performance indicators used to assess the performance and position of the Group are as follows:

- Profit before tax. The Group's profit before taxation of £1.589m is close to £1.712m achieved in 2013, despite a difficult first half, due to adverse currency exchange rates.
- Gearing. The Group's gearing stayed at 42%, which remains comfortably within the target level of between 10% and 50%.
- Environmental measures. The Group has targets to improve energy and processed water usage on which it reports in its Environmental updates. The 2010 report can be found on the Company's website at www.pittardsleather.com
- Borrowings. The Group monitors its bank balances against facilities on a daily basis and prepares weekly, monthly and annual cashflow forecasts to ensure that it has sufficient funds to run the business. Borrowings at the end of 2014 were higher than in 2013 due to the expansion of the consumer product side of the business which increased working capital. Additionally a slowing down in the dress glove market towards the end of 2014 reduced sell through of stock of that type.

This report was approved by the board on 20 March 2015 and signed on its behalf by

J Williams

Company Secretary
20 March 2015

Directors' report

The directors submit their report together with the audited consolidated financial statements of the Group and the Company for the year ended 31 December 2014.

Principal activities

The principal activities of the Company are the design, production and procurement of technically advanced leather for sale to manufacturers and distributors of shoes, gloves, luxury leathers and sports equipment, the provision of consultancy services within the global leather industry and the retail of leather, leathers and leather garments. The principal activities of its subsidiaries are the production of leather, leathers, leather garments and gloves.

Future developments

The Group will continue to look for new opportunities to develop the Pittards brand and build on its relationships across the supply chain and it will seek to maximise the benefits from owning facilities in Ethiopia and manufacturing both leather and finished leather products in a lower cost environment. It will continue to establish itself as a recognised consumer brand via the Pittards brand and the Daines & Hathaway collection, seeking more retail outlets to increase customer recognition of the brand and building its online sales.

Dividends and reserves

No interim dividend was paid in respect of 2014 (2013: nil) and the directors do not recommend payment of a final dividend (2013: nil). A profit of £1.11m is transferred to reserves (2013: £1.45m).

In January 2014 a share consolidation on a 1:50 basis was carried out to facilitate payment of a dividend when the board considers it in the best interest of the business, see Note 19 for further details.

Going concern

After making enquiries and taking into consideration the factors described in Note 1b to the accounts, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Research and development

The Group recognises the importance of continuous product and process development to 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 in order to reflect current trends in more fashion orientated products and 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 24. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities. The Group has not traded in financial instruments during the year.

Overall, some 72% of Group revenue is in US dollars, 10% in sterling, 6% in birr and 12% in euros. Group policy is to sell away surplus dollars.

22% of the Group's raw material purchases are in US dollars, and this forms a natural hedge against a proportion of the dollar sales.

The Group's principal borrowings are in pounds sterling, US dollars and Ethiopian Birr (for ETSC, PPM and PGS) which are used to manage timing differences in cash flows arising from trading activities as set out in Note 24d. The debt is a combination of floating and fixed rate. The Group's policy is to use interest rate caps to manage exposure to significant fluctuations in interest rates when it believes that the risk justifies the cost, however at the year-end no interest rate caps were in place (2013: no caps in place).

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and finance leases. No specific policy exists with regard to liquidity. Short-term and medium term floating rate debt is favoured and the Group renewed and increased some medium-term borrowings in 2014 in Ethiopia.

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, 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 and working closely with its suppliers and committing to purchase on the basis of anticipated and actual forward sales

Directors' report (continued)

orders. The purchase of ETSC enabled this risk in respect of Ethiopian skins and hides to be managed more closely, with greater market information.

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. For small local suppliers the policy is to pay within 45 days of invoice and for other suppliers to pay within 40 days. Trade payables at the year end represented 40 days' purchases (2013: 42 days).

Disabled employees

Every consideration is given to the employment, training and career development of the disabled and those who have become disabled during employment, having regard to their particular aptitudes and abilities. Applications for employment by disabled persons are given full and fair consideration.

Employee consultation and involvement

The Group recognises the need for good communications with employees and places great importance on employee involvement. Joint consultative committees have been active for many years and a Staff Forum was established in 2009. Management are encouraged to develop the skills and attitudes required for clear communications and consultation. Matters of particular interest or importance are communicated to all employees through special briefing meetings.

Substantial interests

In addition to those disclosed under directors' interests, the Company has been notified of the following interests under section 793 Companies Act 2006 as at 20 March 2015:

	Holding of 50p shares	
Artemis Investment Management LLP discretionary	1,850,000	(20.0%)
Hargreave Hale Nominees Ltd	873,756	(9.4%)
Pension Protection Fund	790,747	(8.5%)
Armstrong Investments Ltd	375,000	(4.0%)
Zaphiriou Zarifi Overseas Investments Ltd	333,333	(3.6%)
Rath Dhu Ltd	285,000	(3.1%)

Directors

The persons named on page 3 are the directors during the period and up to the date of approval of the Annual Report and Accounts. R H Hankey retires by rotation and offers himself for re-election. GP Davis was appointed a director on 6 February 2014.

Directors' interests

The directors at the end of the year and their interests in the shares of the Company were:

	At end of year Ordinary Shares of 50p	At beginning of year or date of appointment Ordinary Shares of 50p
	Total interests fully paid 50p shares	Total interests fully paid 50p shares
SD Boyd	171,666	362,666
GP Davis	31,000	–
RH Hankey	175,000	158,734
J Holmstrom	24,000	6,000
J Williams	23,426	23,426

No changes took place in the interests of directors in the shares of the Company between 31 December 2014 and 20 March 2015.

Directors' report (continued)

Annual general meeting

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

An ordinary resolution (number 4) will be proposed to enable the Company to issue and allot shares up to an aggregate nominal value of £463,102. This authority lasts until the 2016 AGM. A special resolution (number 6) will be proposed to increase the authority to allot equity shares for cash to a nominal amount of £463,102. The authority will last until the 2016 AGM.

Independent auditors

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

This report was approved by the board on 20 March 2015 and signed on its behalf by

J Williams

Company Secretary
20 March 2015

Statement of directors' responsibilities in relation to financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor's report to the members of Pittards plc

Report on the financial statements

Our opinion

In our opinion:

- Pittards plc's Group financial statements and parent company financial statements (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 2014 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Pittards plc's financial statements comprise:

- the Group and Company Balance Sheets as at 31 December 2014;
- the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income for the year then ended;
- the Group and Company Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditor's report to the members of Pittards plc (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in relation to financial statements set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2014 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
24 March 2015

Consolidated income statement

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations:			
Revenue	3	34,729	35,813
Cost of sales		(27,696)	(28,487)
Gross profit		7,033	7,326
Distribution costs		(2,001)	(2,279)
Administrative expenses		(3,061)	(3,043)
Profit from operations before finance costs		1,971	2,004
Finance costs	7	(427)	(350)
Finance income	7	45	58
Profit before taxation	4	1,589	1,712
Taxation	8	(479)	(265)
Profit for the year after taxation		1,110	1,447
Profit attributable to:			
Owners of the parent		1,115	1,449
Non controlling interest		(5)	(2)
		1,110	1,447
Earnings per share attributable to the owners of the parent			
Basic	9	12.06p	15.68p
Diluted	9	12.06p	15.68p

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Profit for the year after taxation		1,110	1,447
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings	10	245	139
		245	139
Items that may be subsequently reclassified to profit or loss			
Unrealised exchange gain (loss) on translation of overseas subsidiaries		41	(469)
		41	(469)
Other comprehensive income (expense)		286	(330)
Total comprehensive income for the year		1,396	1,117
Total comprehensive income (expense) attributable to:			
Owners of the parent		1,398	1,131
Non controlling interest		(2)	(14)

The accompanying notes on pages 14 to 37 form an integral part of the Financial Statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014

Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share options reserve £'000	Capital reserve £'000	(Accumulated losses) Retained earnings £'000	Translation reserve £'000	Shares held by ESOP £'000	Revaluation reserve £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2013	4,631	5,250	8,158	48	6,475	(7,413)	(2,417)	(495)	1,370	15,607	188	15,795
Comprehensive income for the year:												
Profit (loss) for the year after taxation	-	-	-	-	-	1,449	-	-	-	1,449	(2)	1,447
Other comprehensive income:												
Gain (loss) on the revaluation of buildings	10	-	-	-	-	-	-	-	148	148	(9)	139
Unrealised exchange loss on translation of foreign subsidiaries		-	-	-	-	-	(374)	-	(92)	(466)	(3)	(469)
Total other comprehensive (expense) income		-	-	-	-	-	(374)	-	56	(318)	(12)	(330)
Total comprehensive income (expense) for the year		-	-	-	-	1,449	(374)	-	56	1,131	(14)	1,117
Transactions with owners:												
Reserves transfer	20	-	(5,250)	(8,158)	(48)	-	13,456	-	-	-	-	-
Total transactions with owners		-	(5,250)	(8,158)	(48)	-	13,456	-	-	-	-	-
At 1 January 2014	4,631	-	-	-	6,475	7,492	(2,791)	(495)	1,426	16,738	174	16,912
Comprehensive income for the year:												
Profit (loss) for the year after taxation		-	-	-	-	1,115	-	-	-	1,115	(5)	1,110
Other comprehensive income:												
Gain on the revaluation of buildings	10	-	-	-	-	-	-	-	242	242	3	245
Unrealised exchange gain on translation of foreign subsidiaries		-	-	-	-	-	41	-	-	41	-	41
Total other comprehensive income		-	-	-	-	-	41	-	242	283	3	286
Total comprehensive income (expense) for the year		-	-	-	-	1,115	41	-	242	1,398	(2)	1,396
At 31 December 2014	4,631	-	-	-	6,475	8,607	(2,750)	(495)	1,668	18,136	172	18,308

Company statement of changes in equity

for the year ended 31 December 2014

	Note	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share options reserve £'000	(Accumulated losses) Retained earnings £'000	Shares held by ESOP £'000	Total equity £'000
At 1 January 2013		4,631	5,250	8,158	48	(5,796)	(495)	11,796
Comprehensive income for the year:								
Retained profit for the year		–	–	–	–	1,757	–	1,757
Total comprehensive income for the year		–	–	–	–	1,757	–	1,757
Transactions with owners:								
Reserves transfer	20	–	(5,250)	(8,158)	(48)	13,456	–	–
Total transactions with owners		–	(5,250)	(8,158)	(48)	13,456	–	–
At 1 January 2014		4,631	–	–	–	9,417	(495)	13,553
Comprehensive income for the year:								
Retained profit for the year		–	–	–	–	529	–	529
Total comprehensive income for the year		–	–	–	–	529	–	529
At 31 December 2014		4,631	–	–	–	9,946	(495)	14,082

Balance sheets

as at 31 December 2014

	Note	Group		Company	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	6,560	6,095	1,618	1,669
Intangible assets	11	187	164	187	164
Investments in subsidiary undertakings	25	–	–	186	186
Deferred income tax asset	18	1,636	1,194	1,636	1,194
Available for sale financial instruments	25	2	2	–	–
Total non-current assets		8,385	7,455	3,627	3,213
Current assets					
Inventories	12	17,796	15,441	9,570	8,770
Trade and other receivables	13	4,896	5,312	9,703	9,664
Cash and cash equivalents	13	529	522	88	84
Current income tax recoverable		–	84	–	–
Deferred income tax asset	18	164	606	164	606
Total current assets		23,385	21,965	19,525	19,124
Total assets		31,770	29,420	23,152	22,337
LIABILITIES					
Current liabilities					
Deferred income tax liability	18	(64)	(27)	–	–
Trade and other payables	14	(5,097)	(4,868)	(4,647)	(4,449)
Current income tax liability		(171)	–	–	–
Interest bearing loans, borrowings and overdrafts	15	(6,877)	(6,196)	(4,393)	(4,293)
Total current liabilities		(12,209)	(11,091)	(9,040)	(8,742)
Non-current liabilities					
Interest bearing loans, borrowings and overdrafts	16	(1,253)	(1,417)	(30)	(42)
Total non-current liabilities		(1,253)	(1,417)	(30)	(42)
Total liabilities		(13,462)	(12,508)	(9,070)	(8,784)
Net assets		18,308	16,912	14,082	13,553
EQUITY					
Share capital	19	4,631	4,631	4,631	4,631
Capital reserve	20	6,475	6,475	–	–
Shares held by ESOP	20	(495)	(495)	(495)	(495)
Retained earnings	20	8,607	7,492	9,946	9,417
Translation reserve	20	(2,750)	(2,791)	–	–
Revaluation reserve	20	1,668	1,426	–	–
Total equity attributable to owners of the parent		18,136	16,738	14,082	13,553
Non-controlling interest		172	174	–	–
TOTAL EQUITY		18,308	16,912	14,082	13,553

The financial statements on pages 10 to 37 were approved and authorised for issue by the board of directors on 20 March 2015 and signed on its behalf by:

J Williams

Finance Director

Statement of cash flows

for the year ended 31 December 2014

	Note	Group		Company	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash flows from operating activities					
Cash generated from (used in) operations	21	744	(685)	280	(680)
Tax paid		(151)	(63)	–	–
Interest paid		(451)	(334)	(183)	(106)
Net cash generated from (used in) operating activities		142	(1,082)	97	(786)
Cash flows from investing activities					
Purchases of property, plant and equipment		(607)	(358)	(146)	(224)
Purchases of intangible assets		(35)	(57)	(35)	(57)
Net cash used in investing activities		(642)	(415)	(181)	(281)
Cash flows from financing activities					
Proceeds from borrowings		1,063	1,265	–	–
Repayment of bank loans		(680)	(1,029)	–	–
Repayment of obligations under finance leases and hire purchase obligations		(45)	(38)	(45)	(38)
Net cash generated from (used in) financing activities		338	198	(45)	(38)
Decrease in cash and cash equivalents		(162)	(1,299)	(129)	(1,105)
Cash and cash equivalents at beginning of the year		(4,388)	(3,105)	(4,164)	(3,074)
Exchange gains on cash and cash equivalents		(1)	16	–	15
Cash and cash equivalents at end of the year	22	(4,551)	(4,388)	(4,293)	(4,164)

Notes to the consolidated accounts

1. Statement of accounting policies

General information

Pittards plc is a public limited company incorporated and domiciled under the Companies Act 2006 in England and is quoted on the Alternative Investment Market (AIM). The address of the registered office is given on page 3. The nature of the Group's operations and its principal activities are set out in the Strategic report on page 4.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as endorsed by the European Union.

The consolidated financial statements have been prepared in accordance with the Companies Act 2006, applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings.

Notes to the consolidated accounts (continued)

1. Statement of accounting policies (continued)

(a) Basis of preparation (continued)

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 accounting policies outlined below have been consistently applied.

(b) Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 24.

(c) New and amended standards adopted by the Group

The IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 are shown below.

IFRS10 Consolidated financial statements
 IFRS11 Joint arrangements
 IFRS12 Disclosure of interests in other entities
 IAS27 Separate financial statements
 IAS28 Associates and joint ventures
 Amendments to IFRS10,11 and 12 on transition guidance
 Amendments to IFRS10,12 and IAS27 on consolidation for investment entities
 Amendments to IAS32 on Financial instruments assets and liability offsetting
 Amendments to IAS36 Impairment of assets on recoverable amount disclosures
 Amendments to IAS39 Financial Instruments: Recognition and measurement on novation of derivative and hedge accounting
 IFRIC21 Levies

The presentational impact of these standards and interpretations has been assessed. The directors consider that these standards and interpretations do not have a material impact on the financial statements of 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.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity herein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interest in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Acquisition costs are expensed as incurred. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any non-controlling interest. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Notes to the consolidated accounts (continued)

1. Statement of accounting policies (continued)

(d) Basis of consolidation (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss as a bargain gain on purchase.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

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 achieved a profit of £0.549m (2013: £1.957m)

(e) Subsidiaries

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentation 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.

(f) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services and consultancy income provided in the normal course of business, net of discounts, value added tax and other sales related taxes. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

i) Sales of goods

Revenue from the sale of skins, hides and retail and leather goods is not recognised until the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, this is usually on despatch.

ii) Sales of services

Where services are provided revenue is recognised on an accruals basis in the accounting period in which the service is rendered.

(g) Finance income

Finance income comprises interest receivable in respect of overdue debtors.

(h) Finance expenses

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

(i) Foreign currency translation

These financial statements are presented in sterling as that is considered to be the currency of the primary economic environment in which the Company operates. This decision was based on the fact that sterling is the currency in which management reporting and decision making is based.

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 sterling which is the Company's functional and the Group's presentation 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. 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 in the income statement within administrative expenses (Note 4).

(j) Exceptional items

Items that are material in size, unusual and infrequent in nature are presented as exceptional items in the Income Statement. The directors are of the opinion that the separate disclosure of such items provides helpful information about the Group's underlying business performance.

Notes to the consolidated accounts (continued)

1. Statement of accounting policies (continued)

(k) 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 (1-7 years).

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

(l) Property, plant and equipment

Property, plant and equipment (other than freehold 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 so as to write off the cost or valuation of assets on a straight-line basis over their estimated useful lives, as follows:

Freehold buildings	2%
Plant, machinery and motor vehicles	6-33%

A revaluation policy is applied to freehold buildings. Buildings were revalued at December 2014 and December 2013 based on the fair value as determined by an independent licensed loss assessor qualified to value buildings in Ethiopia. The increase in value has been reflected via a revaluation of land and buildings in other comprehensive income. Buildings have been depreciated at 2%. No depreciation has been charged on the building being constructed by Pittards Global Sourcing Private Limited in Ethiopia as it is still 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.

(m) Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have been transferred to the Group, are capitalised in the balance sheet and depreciated over the shorter of the lease term or their useful lives. The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The capital elements of future obligations under finance leases are included in liabilities in the balance sheet and analysed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the Income Statement over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. The cost of operating leases (net of any incentives received from the lessor) is charged to the Income Statement on a straight line basis over the periods of the leases.

(n) 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.

Notes to the consolidated accounts (continued)

1. Statement of accounting policies (continued)

(n) Inventories (continued)

Inventory held at ETSC 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. Inventories include goods in transit from the suppliers to our 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.

(o) 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.

(p) Retirement benefit costs

The Group operated a stakeholder pension scheme for the benefit of its UK employees under which no employer contribution was made. The scheme ceased at the end of April when the new Auto Enrolment scheme was introduced. Matching contributions are made by the employer in line with scheme rules. Pension contributions are made for employees at ETSC, PPM and PGS under the Ethiopian Social Security Agency scheme.

(q) Provisions

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money. A contingent liability is disclosed where the existence of the obligations will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability.

(r) Financial instruments

Investment

Where the investing entity does not exercise significant influence or control over the other entity, its investment is recorded initially at cost and then at fair value through profit and loss.

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. 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.

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.

Notes to the consolidated accounts (continued)

1. Statement of accounting policies (continued)

s) Share based payments

The Group has applied the requirements of IFRS 2 Share-based Payment to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2007.

The Group has periodically issued equity-settled share based payments to certain employees and invited all employees to participate in Save As You Earn share option schemes. There are currently no share based payment schemes within the Group.

(t) Employee share ownership trust

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 with a previous bonus scheme which is no longer in existence.

(u) 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.

(v) 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.

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. Estimates are revised periodically through the year to ensure that absorption of overheads is materially correct as at the end of the year.

The Group reviews its finished goods 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. The level of inventory provisions at year end represents the consistent application of an agreed formula plus additional specific provisions which management have deemed to be appropriate.

(b) Recognition of deferred tax asset

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences are related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgement regarding the future financial performance of the entity in which the deferred tax asset has been recognised.

Notes to the consolidated accounts (continued)

3. Business segments information

Management has determined the operating segments based on the reports reviewed by the board that are used to make strategic decisions. With effect from 2014 the board consider the business in terms of four divisions: UK leather, UK consumer, Ethiopian leather, Ethiopian consumer. The consolidation adjustment segment represents those adjustments made to prepare the group accounts. The segment information is shown below:

2014	UK Leather £'000	UK Consumer £'000	Ethiopian Leather £'000	Ethiopian Consumer £'000	Consolidation Adjustment £'000	Total £'000
Turnover	31,513	1,054	11,402	2,651	–	46,620
Inter-segmental trading	(2,356)	–	(9,522)	(13)	–	(11,891)
	29,157	1,054	1,880	2,638	–	34,729
Gross Profit	4,083	49	2,520	381	–	7,033
Taxation	(49)	–	(430)	–	–	(479)
Assets	29,233	930	13,609	3,314	(15,316)	31,770
Liabilities	(14,446)	(1,040)	(6,661)	(2,229)	10,914	(13,462)
2013	UK Leather £'000	UK Consumer £'000	Ethiopian Leather £'000	Ethiopian Consumer £'000	Consolidation Adjustment £'000	Total £'000
Turnover	33,132	981	12,656	1,504	–	48,273
Inter-segmental trading	(2,440)	(47)	(9,939)	(34)	–	(12,460)
	30,692	934	2,717	1,470	–	35,813
Gross Profit	4,947	7	2,034	338	–	7,326
Taxation	(236)	–	(29)	–	–	(265)
Assets	27,937	455	12,862	2,874	(14,708)	29,420
Liabilities	(13,895)	(467)	(6,475)	(2,000)	10,329	(12,508)

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

2014	UK Leather £'000	UK Consumer £'000	Ethiopian Leather £'000	Ethiopian Consumer £'000	Total £'000
UK	2,285	727	–	10	3,022
Europe	4,413	129	–	–	4,542
North America	2,104	198	–	2,407	4,709
Rest of the world	20,355	–	1,880	221	22,456
	29,157	1,054	1,880	2,638	34,729
2013	UK Leather £'000	UK Consumer £'000	Ethiopian Leather £'000	Ethiopian Consumer £'000	Total £'000
UK	2,657	716	–	5	3,378
Europe	5,321	122	173	79	5,694
North America	1,319	96	–	1,333	2,748
Rest of the world	21,395	–	2,544	53	23,993
	30,692	934	2,717	1,470	35,813

Revenues of approximately £5.309m (2013: £5.006m) within the UK Leather segment are derived from one customer. Revenues of approximately £8.398m (2013: £8.295m) within the UK Leather segment are derived from another customer. Both customers' revenues fall within the Rest of the world geographical segment.

Notes to the consolidated accounts (continued)

4. Profit before taxation

The following items have been included in arriving at profit before taxation:

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment (Note 10)	407	355
Amortisation of intangible assets (Note 11)	12	5
Operating lease rentals recognised as an expense	302	302
Staff costs (Note 5)	7,675	7,524
Employee benefit expense (life and health insurances)	135	120
Research and development expenditure	111	175
Net gain on foreign currency translation	104	78

Auditors' remuneration

The analysis of fees payable to the Company's auditors is as follows:

	2014 £'000	2013 £'000
Fees payable to the Company's auditors in respect of the audit of the parent company and consolidated accounts	43	40
Fees payable to the Company's auditors in respect of the audit of subsidiaries	5	5
Total audit fees	48	45

No non-audit fees were paid during the year (2013: £nil). The audit fees include £2,000 in respect of work performed on the accounting system.

5. Staff costs

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

	2014 No.	2013 No.
Production	1,450	1,111
Sales, distribution and administration	230	202
Directors	5	5
	1,685	1,318

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	6,859	6,801
Social Security costs	713	682
Other pension costs	103	41
	7,675	7,524

There are no share options outstanding at the end of 2014 (2013: nil).

Notes to the consolidated accounts (continued)

6. Directors' remuneration

	Salary & fees £'000	Profit Related Bonus £'000	Benefits £'000	Pension Contributions £'000	2014 Total £'000	2013 Total £'000
Executive						
RH Hankey	196	23	10	6	235	208
J Williams	106	13	6	3	128	113
Non-executive						
SD Boyd	64	–	3	–	67	68
LM Cretton	–	–	–	–	–	34
GP Davis	31	–	–	–	31	–
JG Holmstrom	34	–	–	–	34	34
	431	36	19	9	495	457

In 2014 the Remuneration Committee established a Profit Related Bonus scheme for the executive directors and key management. It is a cash settled scheme with a minimum profit before tax threshold which must be exceeded otherwise no bonus will be paid. It is designed to incentivise key staff in the business and align them closely with shareholders.

Benefits received consist of health insurance and life assurance. The values of the benefits are based on the taxable value.

In May 2014 the Company set up an Auto Enrolment compliant pension scheme in line with the Government staging date. In the case of directors and key management the Company matches employee contributions up to a maximum of 5% of basic salary.

Key management compensation

Key management represents the directors of the Yeovil supervisory board. The compensation paid or payable to key management for employee services is shown below:

	2014 £'000	2013 £'000
Salaries, bonus and other short-term benefits	554	526
Pension contributions	11	–
Total	565	526

7. Finance costs and income

	2014 £'000	2013 £'000
<i>a) Finance costs</i>		
Interest on bank loans and overdrafts	417	347
Interest on obligations under finance leases and hire purchase contracts	10	3
	427	350
<i>b) Finance income</i>		
Interest on overdue debtors	(45)	(58)

Notes to the consolidated accounts (continued)

8. Taxation

<i>(a) Analysis of the charge in the year</i>	2014	2013
	£'000	£'000
The charge based on the profit for the year comprises:		
Corporation tax on profit for the year	217	–
Foreign tax on profit for the year	32	36
Foreign tax related to prior years	193	–
Total current tax	442	36
Deferred Tax		
Origination and reversal of temporary differences	(49)	40
Impact of change in UK tax rate	86	189
Total deferred tax	37	229
Income tax charge	479	265

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014 and further reduces to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 21.50% and will be taxed at 20% in the future.

Following the first tax audit of ETSC since it was purchased in 2009 the corporation tax calculations for the preceding four years were revised upwards.

<i>(b) Factors affecting the charge for the year</i>	2014	2013
	£'000	£'000
Profit on ordinary activities before tax	1,589	1,712
Tax calculated at domestic tax rates applicable to profits in the respective countries	428	552
Income not subject to tax	(49)	(141)
Corporation tax related to prior years	193	–
Expenses not deductible for tax purposes	125	90
Allowable tax deductions	(270)	(225)
Foreign tax paid	32	36
Double tax relief	(31)	(11)
Utilisation of tax losses	(35)	(225)
Impact of change in UK tax rate	86	189
Total tax charge for the year (Note 8(a))	479	265

(c) Factors that may affect future tax charges

Resolutions passed by the UK parliament during March 2013 reduced the main rate of corporation tax to 23% from 1 April 2013, to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes were substantially enacted on 2 July 2013 therefore all UK deferred tax assets have been measured using the rate in place at the time they expect to be realised or settled.

The Group has recognised a deferred tax asset of £1.800m (2013: £1.773m) out of a total potential deferred tax asset of £1.990m (2013: £2.244m). The element of the deferred tax asset not yet recognised would be available to be utilised against future UK taxable profits (Note 18).

Notes to the consolidated accounts (continued)

9. Earnings per ordinary share

	2014 £'000	Restated 2013 £'000
Analysis of the profit in the year:		
Profit for the year attributable to owners of the parent	1,115	1,449
Weighted average number of ordinary shares in issue (excluding the shares owned by the Pittards Employee Share Ownership Trust)	'000's	'000's
Basic	9,243	9,243
Diluted	9,243	9,243
Basic earnings per ordinary 50p share	12.06p	15.68p
Diluted earnings per ordinary 50p share	12.06p	15.68p

On 15 January 2014 the shareholders approved a 1:50 share consolidation which changed the structure of the share capital from 463,101,933 1p shares to 9,262,039 50p shares.

10. Property, plant and equipment

	Group			Company	
	Freehold buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000	Plant, machinery and motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2013	3,547	15,740	19,287	11,483	11,483
Exchange differences	(216)	(256)	(472)	–	–
Additions	15	411	426	292	292
Disposals	–	–	–	–	–
Revaluation of property	66	–	66	–	–
At 1 January 2014	3,412	15,895	19,307	11,775	11,775
Exchange differences	16	17	33	–	–
Additions	5	602	607	146	146
Disposals	–	(104)	(104)	–	–
Revaluation of property	165	–	165	–	–
At 31 December 2014	3,598	16,410	20,008	11,921	11,921
Accumulated depreciation					
At 1 January 2013	–	13,122	13,122	9,931	9,931
Exchange differences	–	(192)	(192)	–	–
Charge for year	73	282	355	175	175
Release of depreciation on revaluation	(73)	–	(73)	–	–
At 1 January 2014	–	13,212	13,212	10,106	10,106
Exchange differences	–	13	13	–	–
Charge for year	80	327	407	197	197
Disposals	–	(104)	(104)	–	–
Release of depreciation on revaluation	(80)	–	(80)	–	–
At 31 December 2014	–	13,448	13,448	10,303	10,303
Net book value					
At 31 December 2014	3,598	2,962	6,560	1,618	1,618
At 31 December 2013	3,412	2,683	6,095	1,669	1,669
At 31 December 2012	3,547	2,618	6,165	1,552	1,552

Notes to the consolidated accounts (continued)

10. Property, plant and equipment (continued)

Depreciation of £0.330m (2013: £0.336m) has been charged to cost of sales and £0.066m (2013: £0.019m) to administrative expenses and £0.011m (2013: £nil) to distribution expenses in the Income Statement.

Included in the Group's and Company's plant, machinery and motor vehicles are leased assets and assets being acquired under hire purchase agreements with a net book value of £0.156m (2013: £0.170m).

Freehold buildings includes an amount of £0.544m (2013: £0.515m) in respect of work commenced on the building for Pittards Global Sourcing Private Limited Company. As this building is under construction no depreciation has been charged.

The Group's buildings were revalued to fair value based on market rates as at 31 December 2014. Fair value was determined by Getachew Tesfaye, licensed loss assessor, who is an independent valuer.

If buildings were stated on historic cost basis the net book value would be £0.822m (2013: £0.900m).

11. Intangible assets

	Group Computer Software £'000	Company Computer Software £'000
Cost		
At 1 January 2013	1,685	1,677
Additions	57	57
At 1 January 2014	1,742	1,734
Additions	35	36
At 31 December 2014	1,777	1,770
Accumulated amortisation		
At 1 January 2013	1,573	1,565
Charge for year	5	5
At 1 January 2014	1,578	1,570
Charge for year	12	13
At 31 December 2014	1,590	1,583
Net book value		
At 31 December 2014	187	187
At 31 December 2013	164	164

12. Inventories

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Raw material and sundry inventory	4,757	5,182	2,390	2,705
Work in progress	5,461	4,516	2,137	1,969
Finished goods	7,578	5,743	5,043	4,096
	17,796	15,441	9,570	8,770

During the year £0.018m in respect of a stock provision was debited to the Income Statement (2013: £0.003m) as part of the cost of sales, and £18.803m inventory was charged to the Income Statement as cost of sales (2013: £18.836m). Raw material and sundry inventory includes £0.269m of goods in transit at year end (2013: £0.277m).

Notes to the consolidated accounts (continued)

13. Current financial assets

Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	4,445	4,352	4,089	3,983
Less provision for impairment of trade receivables	(259)	(289)	(259)	(289)
Trade receivables net	4,186	4,063	3,830	3,694
Other receivables	463	963	103	309
Prepayments and accrued income	247	286	208	241
Amounts owed by Group undertakings	–	–	5,562	5,420
	4,896	5,312	9,703	9,664

Movement on the provision for impairment of trade receivables was as follows:

As at 1 January	289	307	289	307
Release of provision for receivables impairment	(30)	(24)	(30)	(24)
Receivables written off during the year as uncollectable	–	6	–	6
As at 31 December	259	289	259	289

The table below shows an analysis of the ageing of trade receivables which are past due but not impaired.

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Up to 60 days	832	611	817	624
60-90 days	117	21	115	19
More than 90 days	596	284	540	189
	1,545	916	1,472	832

As at 31 December the provision against trade receivables was £0.259m (2013: £0.289m) for the Group and £0.259m (2013: £0.289m) for the Company. The ageing of the receivables impaired against which part provisions have been made is as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Not overdue	266	35	266	35
Up to 60 days	135	323	135	323
60-90 days	62	36	62	36
More than 90 days	83	28	83	28
	546	422	546	422

The directors consider that the carrying amounts of trade and other receivables approximate to their fair value and that the above unprovided elements are recoverable.

An analysis of the currencies in which trade receivables are held is shown in Note 24 (c).

<i>Cash and cash equivalents</i>	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and cash equivalents	529	522	88	84

Notes to the consolidated accounts (continued)

13. Current financial assets (continued)

Credit risk

The Group's credit risk is attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for impaired receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Where possible, the Group mitigates its credit risk by using credit insurance policies to insure its credit sales and as a result the reserve made for irrecoverable amounts is not material. The maximum exposure, representing trade and other receivables not covered by insurance, impaired, or due from government or similar institutions was £1.418m (2013: £1.569m). Management carries out a review of trade receivables past due date and makes provision for any debts which are considered to be impaired. Provision is also made for any customer claims or allowances where a credit note has yet to be issued. The Group does not hold any collateral as security. However, the Group has traded with a high proportion of its customers for several years and is experienced in managing this risk, resulting in low levels of impairment.

14. Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	3,458	3,676	1,643	1,983
Other taxes and social security costs	206	175	148	153
Accruals and deferred income	1,126	865	999	1,172
Other payables	307	152	40	7
Amounts owed to Group undertakings	–	–	1,817	1,134
	5,097	4,868	4,647	4,449

The directors consider that the carrying amounts of trade and other payables approximate to their fair value.

15. Interest-bearing loans, borrowings and overdrafts – current

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Unsecured:				
Loans	63	165	–	–
Secured:				
Overdrafts	5,080	4,910	4,381	4,247
Loans	1,722	1,075	–	–
Obligations under finance leases	12	46	12	46
	6,877	6,196	4,393	4,293

Notes to the consolidated accounts (continued)

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Unsecured:				
Loans	107	40	–	–
Secured:				
Loans	1,116	1,335	–	–
Obligations under finance leases	30	42	30	42
	1,253	1,417	30	42
Repayable as follows:				
Between one and five years by instalments	1,253	1,417	30	42
	1,253	1,417	30	42

During 2014 ETSC took out a loan for £0.317m with the Commercial Bank of Ethiopia. The loan has been taken for a period of three years at an interest rate of 9.5% and is secured against assets of ETSC. During 2014 PPM took out a loan for £0.458m with the Commercial Bank of Ethiopia at an interest rate of 9.5%. The loan is rolling and is secured against confirmed orders. PPM also took out a five year loan for £0.288m with the Development Bank of Ethiopia at an interest rate of 9.5%.

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. Obligations under finance leases are secured by the related asset.

17. Obligations under leases

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties.

Future aggregate minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Not later than one year	297	302	297	302
After one year but not more than five years	408	705	408	705
	705	1,007	705	1,007

During 2007 the Group entered into a sale and leaseback agreement for its Yeovil operating facility. The lease is for a term of 10 years following a six month rent free period.

Notes to the consolidated accounts (continued)

17. Obligations under leases (continued)

The Group uses finance leases to acquire plant and machinery. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Future minimum payments due:				
Not later than one year	21	48	21	48
After one year but not more than five years	24	57	24	57
	45	105	45	105
Less finance charges allocated to future periods	(3)	(18)	(3)	(18)
Present value of minimum lease payments	42	87	42	87
The present value of minimum lease payments is analysed as follows:				
Not later than one year	12	46	12	46
After one year but not more than five years	30	42	30	42
	42	88	42	88

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximates their carrying amount.

18. Deferred taxation

The Group has recognised and unrecognised deferred tax assets in respect of temporary differences and losses. In accordance with the requirements of IAS12 the directors considered the potential utilisation of the deferred tax asset and have decided to maintain a deferred tax asset of £1.800m in view of the Group's prospects and future profitability.

Deferred tax assets

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Deferred tax asset to be recovered after more than 12 months	1,636	1,194	1,636	1,194
Deferred tax asset to be recovered within 12 months	164	606	164	606
	1,800	1,800	1,800	1,800

Deferred tax liabilities

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Deferred tax liability to be realised after more than 12 months	(64)	(27)	–	–
Deferred tax liability to be realised within 12 months	–	–	–	–
	(64)	(27)	–	–
Deferred tax assets (net)	1,736	1,773	1,800	1,800

Notes to the consolidated accounts (continued)

18. Deferred taxation (continued)

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 January	1,773	2,005	1,800	2,000
Income Statement charge	(37)	(232)	–	(200)
At 31 December	1,736	1,773	1,800	1,800

a) Deferred tax assets

The analysis of the deferred tax asset is as follows:

Recognised	Group		
	Tax losses £'000	ACA £'000	Total £'000
At 1 January 2013	1,806	199	2,005
Income Statement (charge) credit	(206)	1	(205)
At 1 January 2014	1,600	200	1,800
Income Statement credit (charge)	113	(113)	–
At 31 December 2014	1,713	87	1,800

In addition the Group has £0.190m of unrecognised deferred tax assets in relation to tax losses (2013: £0.430m) and £nil in relation to temporary timing differences (2013: £0.041m).

Recognised	Company		
	Tax losses £'000	ACA £'000	Total £'000
At 1 January 2013	1,801	199	2,000
Income Statement (charge) credit	(201)	1	(200)
At 1 January 2014	1,600	200	1,800
Income Statement credit (charge)	113	(113)	–
At 31 December 2014	1,713	87	1,800

In addition the Company has £0.190m of unrecognised deferred tax assets in relation to tax losses (2013: £0.430m) and £nil in relation to temporary timing differences (2013: £0.041m).

b) Deferred tax liabilities

The deferred tax liability of £0.064m (2013: £0.027m) represents temporary timing differences.

Notes to the consolidated accounts (continued)

19. Share capital

	2014	Restated
	£'000	2013
		£'000
Issued and fully paid		
At 1 January and 31 December	4,631	4,631
	2014	Restated
	Shares	2013
		Shares
Number of ordinary shares of 50p each		
At 1 January and 31 December	9,262,039	9,262,039

The Company has one class of ordinary shares which carry no right to fixed income.

Share options

At 31 December 2014 directors and employees held nil options to subscribe for shares (2013: nil).

On 15 January 2014 the shareholders approved a 1:50 share consolidation which changed the structure of the share capital from 463,101,933 1p shares to 9,262,039 50p shares.

20. Reserves

The share premium account represented the difference between the issue price and the nominal value of shares issued.

The capital redemption reserve represented shares redeemed by the Company at various times.

The capital reserve relates to goodwill arising on previous acquisitions written off directly to reserves.

The share premium and capital redemption reserve were cancelled and the balances transferred to retained earnings, following approval by the Company Court in 2013.

The retained earnings reserve represents the cumulative net gains and losses recognised in the Consolidated statement of comprehensive income.

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 ETSC, Pittards Products Manufacturing and Pittards Global Sourcing Private Limited undertaken annually.

The share options reserve represented the cost to the Company of the Matching Share Options issued to directors and employees following the placing exercise in December 2009. Following the lapsing of all options the reserve was transferred to retained earnings in 2013.

The Pittards Employee Share Ownership Trust holds Pittards plc ordinary shares to meet potential obligations under the restricted share plan scheme. Shares are 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 2014 the trust held a total of 19,026 50p shares (2013:19,026 (restated post share consolidation)) with a market value at that date of £21,118 (2013: £28,540).

Notes to the consolidated accounts (continued)

21. Cash generated from (used in) operations

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Profit before taxation	1,589	1,712	549	1,957
Adjustments for:				
Depreciation of property, plant and equipment	407	355	197	175
Amortisation	12	5	13	5
Bank and other interest charges	451	334	183	106
Other non-cash items in Income Statement	(31)	(44)	(18)	663
Operating cash flows before movement in working capital	2,428	2,362	924	2,906
Movements in working capital (excluding exchange differences on consolidation):				
Increase in inventories	(2,328)	(1,541)	(800)	(842)
Decrease (increase) in receivables	437	(963)	(42)	(1,573)
Increase (decrease) in payables	207	(543)	198	(1,171)
Cash generated from (used in) operations	744	(685)	280	(680)

22. Analysis of the changes in cash and cash equivalents and bank overdrafts

Group	As at 1 January 2014 £'000	Cash flow £'000	Exchange movements £'000	As at 31 December 2014 £'000
	Cash at bank and in hand			522
Bank overdraft	(4,910)	(168)	(2)	(5,080)
	(4,388)	(162)	(1)	(4,551)

Company	As at 1 January 2014 £'000	Cash flow £'000	Exchange movements £'000	As at 31 December 2014 £'000
	Cash at bank and in hand			84
Bank overdraft	(4,248)	(134)	–	(4,381)
	(4,164)	(129)	–	(4,293)

23. Related party transactions

(a) Related party trading

Group

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

	Group	
	2014 £'000	Restated 2013 £'000
Transactions with related parties:		
Purchases from related parties	17	24
Sales to related parties	56	8

Notes to the consolidated accounts (continued)

23. Related party transactions (continued)

(a) Related party trading (continued)

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

The prior year figures in relation to purchases and payables above have been restated to exclude payments made to directors as part of their standard emoluments package. These amounts are separately disclosed within the Directors' Remuneration note on page 24.

	Group	
	2014 £'000	Restated 2013 £'000
Year end balances arising from purchases:		
Payables to related parties	6	8
Receivables from related parties	2	8

Company

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

	Company	
	2014 £'000	Restated 2013 £'000
Transactions with subsidiaries:		
Purchases from subsidiaries	8,959	9,261
Sales to subsidiaries	1,469	1,483

The prior year sales to subsidiaries figure has been restated to exclude sales made by a fellow group company.

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.

	Note	Company	
		2014 £'000	2013 £'000
Amounts due from subsidiaries			
Pittard Garnar Services Limited		5,185	4,903
Ethiopia Tannery Share Company		44	252
Pittards Global Sourcing Private Limited Company		2	1
Pittards Products Manufacturing		331	264
	13	5,562	5,420
Amounts due to subsidiaries			
Pittards Group Limited		(30)	(30)
Ethiopia Tannery Share Company		(1,768)	(1,088)
Pittards Global Sourcing Private Limited Company		(19)	(16)
	14	(1,817)	(1,134)

(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.

Notes to the consolidated accounts (continued)

24. Financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management systems seek to minimise potential adverse effects on the Group's financial performance. The Group can use derivative financial instruments to mitigate its foreign currency exposure risk where appropriate and also uses credit insurance policies to mitigate its credit risk. 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.

(a) Risk management policies

Foreign currency exchange rate 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. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. This risk is managed by the use of fixed contracts and options where applicable and the selling of surplus US dollars.

Approximately 91% (2013: 91%) of the Group's revenue is from sales outside the UK, with some 72% (2013: 69%) in US dollars. US dollar based raw material purchases amounted to 22% in 2014 (2013: 14%), creating an increased natural hedge on the prior year.

Price risk

Price risk includes the variability in selling prices 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 sheepskins sourced in Ethiopia.

Interest rate risk

The Group mitigates its exposure to interest rate fluctuations by using fixed rates where possible and when it is felt to be beneficial and the directors 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 borrowings 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 to improve cash flow where necessary.

Credit risk

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments. The Group utilises credit insurance policies to mitigate its risk from its trading exposure or seeks secure terms or payment in advance. It mitigates its financial exposure on financial instruments by only using instruments from banks and financial institutions with a minimum rating of 'A'.

(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 instrument are disclosed in Note 1 to the financial statements.

Notes to the consolidated accounts (continued)

24. Financial instruments (continued)

(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 follows:

	Assets		Liabilities		Cash	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
US Dollar	2,663	2,812	307	1,077	(1,234)	76
Euro	536	523	(213)	(98)	638	–
Ethiopian Birr	356	156	(5,639)	(4,931)	258	362
Other	1	4	–	14	8	–
	3,556	3,495	(5,545)	(3,938)	(330)	438
GBP	630	568	(2,176)	(7,503)	(3,522)	84
Total	4,186	4,063	(7,721)	(11,441)	(3,852)	522

(d) Foreign currency sensitivity

As 72% (2013: 69%) 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 10% increase in pounds sterling against the US dollar. 10% is considered to be a reasonable movement and also enables the users of the accounts to calculate other % 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 the reporting period. A positive number indicates an increase in profit or loss and other equity where pounds sterling decrease against the respective currency.

Group	2014 £'000	2013 £'000
Loss (i)	(2,080)	(2,041)

(i) This is mainly attributable to the exposure on revenue and outstanding US dollars 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 dollars and to enter into forward foreign exchange contracts to manage the risk associated with anticipated foreign currency sales and purchase transactions, when this is felt appropriate, however no such contracts were entered into in 2014 or 2013.

(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 floating 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 year and held constant throughout the reporting period. 50 basis point has been applied in the sensitivity analysis as this is considered to be an indicative movement for the analysis of interest rate risk.

At the reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's net profit would decrease by £0.044m (2013: £0.033m). This is attributable to the Group's exposure to interest rates on its variable borrowings.

Notes to the consolidated accounts (continued)

24. Financial instruments (continued)

(f) Liquidity and interest rate risk (continued)

iii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, 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 by continuously monitoring forecast with actual cash flows and matching profiles of financial assets and liabilities.

iv) Liquidity and interest rate tables

The interest rate profile of the non-derivative financial liabilities of the Group and its contractual maturity as at 31 December 2014 and at 31 December 2013 are as follows:

As at 31 December 2014

Group	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						
Other loans	–	–	–	171	–	171
Obligations under finance leases	4	8	–	30	–	42
Floating rate						
Bank overdrafts and loans	5,080	875	–	1,752	–	7,707
Trade and other payables	3,766	–	–	–	–	3,766
Other loans	–	–	211	–	–	211

As at 31 December 2013

Group	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						
Other loans	–	205	–	–	–	205
Obligations under finance leases	–	–	88	–	–	88
Floating rate						
Bank overdrafts and loans	4,910	–	–	2,200	–	7,110
Trade and other payables	3,829	–	–	–	–	3,829
Other loans	–	210	–	–	–	210

The Group has the following undrawn borrowing facilities:

Group	2014 £'000	2013 £'000
Floating rate		
Expiring within one year	714	752
Expiring beyond one year	–	–
	714	752

The facilities expiring within one year are subject to review at various dates in 2015.

Notes to the consolidated accounts (continued)

24. Financial instruments (continued)

(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 2014, the Group's strategy was to maintain the gearing ratio at an acceptable level, which is considered to be between 10% and 50%. The gearing ratios at 31 December 2014 and 2013 were as follows:

Group	2014 £'000	2013 £'000
Total borrowings	8,130	7,613
Less cash at bank and in hand	(529)	(522)
Net debt	7,601	7,091
Total equity	18,308	16,912
Gearing ratio	41.5%	41.9%

25. Investments

Company	2014 £'000	2013 £'000
At 1 January	186	865
Dissolution of R&A Kohnstamm	–	(679)
At 31 December	186	186

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	Dormant	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	Production of quality leather gloves and leather goods	Ethiopia	Ethiopian Birr

Pittards plc holds directly or indirectly all the issued ordinary share capital and voting rights of its principal trading subsidiary undertakings except for Pittards Global Sourcing Private Limited Company where it holds 67% of the capital and voting rights

	Non-consolidated subsidiaries 2014 £'000	2013 £'000
Non-consolidated investments held	2	2

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

The non-consolidated investment represents a non-controlling investment in Ethiopian Leather Industries Development held by ETSC.

Analysis of shareholders

as at 31 December 2014

Ordinary shares	Number of holders	% held	Number of shares held	% held
Category:				
Individuals	1,417	99.23	4,686,006	50.59
Trust and investment companies	7	0.49	3,780,061	40.81
Pension funds	4	0.28	795,972	8.60
	1,428	100.00	9,262,039	100.00
Size of holding				
Up to 999 shares	1,214	85.01	113,354	1.22
1,000 to 9,999 shares	134	9.38	478,533	5.17
10,000 to 49,999	53	3.71	1,177,992	12.72
50,000 shares and over	27	1.90	7,492,160	80.89
	1,428	100.00	9,262,039	100.00

Five year review

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Revenue	34,729	35,813	37,029	38,194	36,086
Percentage sold outside UK	91%	91%	93%	93%	91%
Profit from operations before finance costs	1,971	2,004	574	3,050	3,297
Profit on ordinary activities before taxation	1,589	1,712	300	2,758	2,931
Profit on ordinary activities after taxation	1,110	1,447	270	3,637	3,662
Ordinary dividends	–	–	–	–	–
Equity attributable to owners of the parent	18,136	16,738	15,607	15,601	11,551
Earnings per 50p ordinary share (restated from 1p share)	12.06p	15.68p	3.05p	41.41p	42.52p
Dividends per ordinary share	–	–	–	–	–

Financial calendar

Annual General Meeting	12 May 2015
Announcement of half year results for 2015	September 2015
Payment of interim dividend for 2015 (if declared) to shareholders registered on 10 October 2015 (ex dividend date 9 October 2015)	5 November 2015
Announcement of 2015 results	March 2016

Notice of meeting

Notice is hereby given that the 106th Annual General Meeting of Pittards plc will be held at the registered office at 12 noon on 12 May 2015 for the following purposes:

Ordinary resolutions

- 1 To receive the annual statement of accounts for the year ended 31 December 2014 and the directors' and auditor's reports thereon.
- 2 To re-elect the following director retiring by rotation:
Mr R H Hankey
- 3 To re-appoint the auditors, PricewaterhouseCoopers LLP, and to authorise the directors to determine their remuneration.
- 4 To consider and if thought fit resolve that the directors be and they are hereby unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal value of £463,102 (in substitution for and to the exclusion of previous allotment authorities granted prior to the meeting) to such persons and at such time and on such terms as they think proper during the period commencing on the date of the passing of this resolution and expiring at the 2016 AGM unless previously revoked, varied or extended by the Company in general meeting; and the Company be and is authorised to make prior to the expiry of such period any offer or agreement which would or might require equity securities to be allotted after the expiry of the said period and the Directors may allot equity securities in pursuance of any such an offer or agreement notwithstanding the expiry of the authority given by this resolution.

Special Business

- 5 To consider and, if thought fit, resolve that in accordance with Article 5 of the Articles of Association of the Company and Section 693(4) of the Companies Act 2006, the Company be hereby granted general and unconditional authority to make market purchases of any of its own shares on such terms and in such manner as the Board of Directors of the Company may from time to time determine provided that the authority conferred by this Resolution shall:
 - (a) be limited to 926,203 Ordinary Shares of 50p each (10% of the issued Ordinary Shares)
 - (b) not permit the price (exclusive of expenses) to be paid per share to be more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days before the purchase is made or to be less than 50p, and
 - (c) expire on the date falling 15 months after the passing of this Resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier, except in relation to the purchase of shares the contract for which was concluded before the expiration of the said period and which is executed wholly or partly after such date.
- 6 To consider and if thought fit resolve that, subject to and conditional upon the passing of resolution 4 above, the directors be and are hereby empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority under section 551 of the Act conferred on the directors pursuant to resolution 4 above, as if section 561(1) of the Act did not apply to any such allotment, such power to operate in addition to any previous or subsequent power given to the directors pursuant to section 95(1) of the Companies Act 1985 or section 570 of the Act (whichever is relevant) and to expire on the 2016 AGM resolution (unless previously revoked, varied or extended by the Company in general meeting), and provided that such power shall be limited to the allotment of equity securities having an aggregate nominal value of up to £463,102 save that the Company may at any time prior to the expiry of such power make an offer or enter into an agreement (subject to the foregoing limitations) which would or might require equity securities to be allotted after the expiry of such power and the directors may allot equity securities (subject to the foregoing limitations) in pursuance of such an offer or agreement as if such power had not expired.

By order of the board

J Williams

Secretary

Yeovil, Somerset

Date: 20 March 2015

Note (unaudited):

A member entitled to attend and vote at the above meeting may appoint a proxy, who need not be a member, to attend and vote instead of him/her. The register of directors' holdings and copies of directors' contracts of service will be available for inspection at the registered office of the Company during the usual business hours from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting from at least fifteen minutes prior to and until the conclusion of the meeting.

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