GLOBAL BRAND,
SUPPLYING PREMIUM LEATHER,
& WORKING WITH LEADING INTERNATIONAL BRANDS

Pittards®
WORLD CLASS LEATHER

ANNUAL REPORT AND ACCOUNTS 2016

UK
YEOVIL FACTORY

Factory area	2.96 acres
Entire site area	8.15 acres

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

Results in brief

	2016 £'m	2015 £'m
Revenue	**27.0**	30.5
Gross Profit before exceptional stock provision	**6.5**	6.6
Gross Profit Margin before exceptional stock provision	**24%**	22%
Profit before exceptional costs and tax	**0.2**	1.0
Exceptional costs	**4.3**	0.3
(Loss)/Profit before taxation	**(4.1)**	0.7
EBITDA	**(3.0)**	1.6
Net debt	**10.1**	6.5
Net assets	**21.3**	24.3

	Pence per share	
Per weighted average 50p share:		
(Loss)/Profit (basic)	**(29.89p)**	3.98p
Net assets per share	**153.38p**	204.45p
Gearing	**47.5%**	26.5%

Strategic and operational highlights

- **New management team in place from the final quarter of 2016**
- **Restructured operationally to become two reporting divisions: "UK" and "Ethiopia"**

Company Number 102384

PREMIUM LEATHER. INTERNATIONAL BRANDS.

NEW BALANCE 'INSIDE THE FACTORY'

Pittards featured on the popular documentary series Inside the Factory with Cherry Healy who took a hands-on approach to presenting.

Pittards supplies premium leather for UK-made New Balance trainers and featured in the programme as a key part of the manufacturing journey.

ALPS & METERS INCORPORATE PITTARDS LEATHER

Alps & Meters is a brand founded on the nostalgic and rich experience of alpine sport. Using a fusion of covetable style and technical fabrics its apparel is designed to perform from mountain to city street and incorporates Pittards water resistant leather.

Courtesy of Voltage TV

OIL TAC LEATER PERFECT FOR KUIU

Hunting brand Kuiu engineers kit for extended use in the most testing conditions. Pittards Oil Tac leather meets the Kuiu requirement that calls for a balance of dexterity, durability and protection in its highly specified glove line.

SERIOUS GOLF WITH **FOOTJOY**

FootJoy has launched the stunning Helix shoe as part of its DNA range, which provides the serious golfer with waterproof performance through a combination of Pittards leather outer and lining.

Pittards and FootJoy have been partnered for over 30 years and for that time the StaSof® glove, made using our lightweight, perspiration resistant gloving technology has set the standard for the ultimate in grip and feel combined with long-lasting softness.

PITTARDS ENGLAND DEBUTS IN JAPAN

Pittards England Collection has debuted one of its on-trend mini bags in Japan via Catalogue House. Made here in Somerset from one of our new leathergoods lines of leathers, the bags embody Made in England style.

CLASSIC COVERS FOR **TITLEIST**

Extending into a new sector of the golf market, Pittards is working with Titleist to supply water resistant leathers for its premium, tour-preferred range of classic head covers.

Chairman's statement

2016 was an active year for Pittards during which we have been primarily focused on the management team and structure to develop and implement a medium term strategic plan. As previously communicated, the financial performance during the year was overshadowed by challenging market conditions and political disruption in Ethiopia in the latter part of 2016.

The restructuring and strengthening of the management team was completed in the final quarter of the year and strides have already been made towards identifying the market priorities for the next three years. This will allow us to pursue growth opportunities both in existing core and new markets that are considered to be most aligned with our skills and expertise.

Year ended 31 December 2016:

- Revenue £27.0m (2015: £30.5m)
- Underlying PBT £0.2m and LBT of £4.1m (2015 PBT: £0.7m) after an exceptional stock write-down of £4.3m
- Net assets £21.3m (2015: £24.3m), net assets per share 153.38p (2015: 204.45p)
- New management team in place from the final quarter of 2016
- Restructured operationally to become two reporting divisions: "UK" and "Ethiopia"

Market conditions

The global leather market continues to be challenging for companies looking for growth against a backdrop of significant global change and weak consumer demand. Demand in our core markets of shoe, sport and dress gloves remains depressed and we now believe that after four years of contraction, the dress glove market has rebalanced at this lower level. Encouragingly though, we are beginning to see some signs that growth may return in some of our other markets during the latter part of 2017.

In line with an intention to broaden our market base, we are reviewing additional potential markets. Initial findings have identified both the interiors and general footwear markets as having the characteristics our capabilities can best leverage.

Financial review

Overall the Group had a difficult year financially with depressed leather volumes and a number of non-recurring items.

Revenue was down 11% to £27.0m as a consequence of reduced demand and the impact on the Ethiopian business of the political disruption. The political environment in Ethiopia has stabilised and our manufacturing production capabilities there are now returning to more normal levels.

Gross margin continued to improve at 24% pre-provision (2015: 22%) reflecting favourable currency improvements mainly US dollar-related.

The Board has conducted a detailed review of the stock holding and has decided to take a £4.3m provision reducing the year end stock to £17.4m. This provision takes into account: the impact of currency translation, slow moving stock and the potential strategic shift in the business moving towards a higher proportion of hide relative to skins business. The provision relates to low end dress and sport glove leather, with a write down of £1.3m in the UK and £3.0m in Ethiopia.

Underlying PBT for the year was £0.2m and after the exceptional stock write-down, the LBT for the year was £4.1m (2015 PBT: £0.7m).

Net debt increased by £3.6m to £10.1m. This reflects an increase in working capital and capital investment of £1.4m. The UK banking facilities were renewed in December 2016 with available Group banking facilities of £13.0m.

The Group's structure has been simplified into two divisions – UK and Ethiopia - and our focus during 2017 will be to develop and implement a range of key financial measures which both reflect the individual trading environments and deliver returns above the cost of capital.

Board changes

As previously announced, I was appointed Chairman on 16 May 2016 and on 1 June 2016 Matthew O'Rourke was appointed CFO and Jill Williams resigned from this role. She became a non-executive director on 1 January 2017.

Team

Throughout the past year, the Group has been in a transitional phase. To have executed the changes outlined internally, whilst adopting a 'business as usual' approach externally, is testament to the commitment and hard work of our 1600 employees to whom I would like to express my thanks.

Outlook

The restructuring and strengthening of the management team was completed in the final quarter of 2016 and strides have already been made to evolve and progress the strategic priorities and milestones for the next three years. Further updates on this will be given later this year.

Whilst it is still early days, we are beginning to experience a more positive demand environment for leather. Together with the actions being identified and taken, the Board believe we will start to see a benefit in the latter part of 2017 and that the prospects for the future are promising.

Stephen Yapp
Chairman
20 March 2017

At a glance

Profit before exceptional costs and taxation

£0.2 million

(2015: £1.0 million)

EBITDA

£(3.0) million

(2015: £1.6 million)

Loss before tax

£(4.1) million

(2015 PBT: £0.7 million)

Net debt

£10.1 million

(2015: £6.5 million)

Net assets

£21.3 million

(2015: £24.3 million)

Revenue outside the UK

92%

(2015: 90%)

Gearing

48%

(2015: 27%)

Directors and officers

S Yapp *FCMA MBA, Chairman, non-executive* [B C]

Stephen Yapp (59) joined the Group in June 2015 and was appointed as Chairman in May 2016. He is a director of a number of private companies, having held similar roles in other listed companies over recent years.

G P Davis *FCA, non-executive* [A B]

Godfrey Davis (68) joined the board in February 2014. He is Non-Executive Chairman of Mulberry Group plc. He is also a director of Hestercombe Gardens Ltd and King's Schools (Taunton) Ltd.

R H Hankey *BSc, FSLTC, LCGI, FCMI, CDipAF* [C]

Reg Hankey (61) 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).

L M Cretton *BA Hons, non-executive* [A B]

Louise Cretton (60) rejoined the Group in August 2015 having served for twelve years until 2013 and was subsequently appointed as Audit Committee Chair. She has wide marketing experience having previously been a director of McCann Erickson, Leapfrog Research and Planning, part of Cello Group Plc and Market Evaluer LLC. She also serves as a Non-Executive Director of Croydon Health Services, where she chairs the Finance and Performance Committee.

J Williams *LLB Hons, ACA, non-executive* [A]

Jill Williams (59) joined the Group as Finance and Planning Manager in 1989. She became Company Secretary in 1991, and Finance Director in June 2007. She now serves as a non executive to the Group, having stepped down from her previous roles in 2016.

M O'Rourke *ACMA, Secretary*

Matthew O'Rourke (47) joined the Group as Chief Financial Officer and Company Secretary in June 2016.

S Boyd *BSc Hons*

Stephen Boyd (67) joined the Group in 2004 as Executive Chairman and became non-executive director Chairman on 7 December 2007. He retired as a director in May 2016.

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

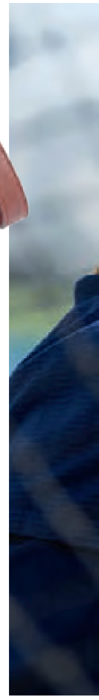
Independent Auditors PricewaterhouseCoopers LLP, Chartered Accountants & Statutory Auditors, Princess Court, 23 Princess Street, Plymouth PL1 2EX

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

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

PREMIUM LEATHER. INTERNATIONAL BRANDS.

Pittards WORLD CLASS LEATHER



DAINES & HATHAWAY AT HARRODS

Pittards-owned brand Daines & Hathaway is now available in the luggage department of Harrods. The collection, which includes a luxe full leather overnight bag is crafted here in Somerset.

KERATAN LEATHER FOR SCOTT MOTOR SPORTS

Scott motorsport line features Pittards innovative Keratan leather as reinforcement on its top-of-the range Priority jacket to provide additional abrasion resistance without compromising flexibility.

CORE LEATHERS FOR **FRANKLIN**

Franklin is a major force in the sport of Baseball and Pittards remains at the core of its premium glove offering, which features technical leathers that provide grip and abrasion resistance.

PITTARDS LEATHER THE DIFFERENTIATOR FOR **LA NEW**

Established in 1996 La New has 160 stores across Taiwan, Japan and Vietnam. Its signature comfortable casual shoes are differentiated by the use of Pittards water resistant leathers.

MILLION MARK PASSED FOR **WELLS LAMONT**

Partnership with Wells Lamont has seen the development of vertical manufacturing in Ethiopia from leather through to finished work gloves and Pittards now exports over a million pairs a year direct to the USA.

WATER-RESISTANT TECHNOLOGY FOR **BERGHAUS**

Synonymous with the great outdoors, Berghaus uses Pittards water resistant technology in its leather walking boots to ensure they meet the exacting performance standards set for long-lasting comfort and wear.

Strategic report
for the year ended 31 December 2016

Principal activities

The principal activities of the Group are the design, production and procurement of technically advanced leather for sale to manufacturers and distributors of shoes, gloves, luxury leathergoods, interiors and sports equipment and the retail of leather, leathergoods and leather garments. The principal activities of its subsidiaries are the production of leather, leathergoods, leather garments and gloves.

Business review

Financial results

Revenue reduced by £3.5m to £27.0m in 2016, mainly due to reducing global demand. 41% of the Company's revenue is from two key customers with whom we have excellent longstanding relationships.

Global leather demand has been subdued in recent years with the majority of brands reporting being over stocked. Consequently, Pittards, as part of these supply chains, is impacted by the reduced demand.

The Group made a loss from operations before finance costs of £(3.6)m (2015: profit of £1.1m) but this was after exceptional stock provision costs of £4.3m (2015 exceptional costs: £0.3m). See Note 4 for further details.

Total finance costs remained relatively static year on year at £0.5m (2015: £0.5m), with proportionately more borrowings continuing to be held in Ethiopia where interest rates are higher.

The tax charge reduced to £0.075m (2015: £0.184m), mainly as a result of the creation of tax losses following the performance during the year, offset by a historic tax charge in Ethiopia.

The level of distribution costs within the year has increased primarily to reflect a full year of trading at Clarks Village.

Staff costs have increased within the year due to the planned restructuring and strengthening of the management and their teams.

Year end position

Net assets at 31 December 2016 were £21.3m (2015: £24.3m).

Total net debt (including obligations, finance leases and overdrafts) was £10.1m (2015: £6.5m), with gearing increasing to 48% (2015: 27%), however remaining within the target of below 50%. This reflects decreased operating cash flows and an increase in working capital and capital investment of £1.4m, including buying out the minority interest in the Ethiopian-based Pittards Global Sourcing for £0.2m.

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.

Environmental matters

The Group monitors its energy and processed water usage on a regular basis and continues to look for ways to improve environmental efficiencies.

Strategy

During 2016, we began reviewing the strategic direction and priority of the business. This process has included four principal work streams being sales/marketing, manufacturing, people and finance.

As this strategy evolves, we anticipate a greater percentage of our business to be based upon hides rather than skins, as a result of greater growth potential. In addition, hide stock typically turns faster than skins.

Our core strengths of heritage, integrity, innovation, customer service and reputation will enable the business to access these new markets with confidence.

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 selling any surplus US dollars when the rate is favourable. Some purchases are also made in US dollars. As part of a broader review into financial risk management we will be exploring alternatives to our existing treasury policy.
- There are a number of uncertainties in connection with the future of the UK and its relationship with the EU. We are monitoring the consequences that Brexit could have on the business. Generally speaking, if sterling remains weak, the mid to long term impact remains positive.
- The availability of quality raw materials. The Group owns ETSC (which is a 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.
- 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 facilities have been renewed at the same level for 2017. Lloyds are a valued partner who believe in our strategy and are committed to working with us for the long term. We also continue to have good working relationships with the Commercial Bank of Ethiopia.

- The political environment in Ethiopia is stabilising and our manufacturing production capabilities are starting to return to more normal levels.

Key performance indicators
The priority in 2017 is to ensure a greater focus on the key operational measures required to improve the financial position of the business. This will be facilitated through improved management reporting and a more rigorous approach to key performance indicators.

The following key performance indicators are considered by the Board to be the most effective for achieving its business objectives:

- Profit before tax
  The Group's profit before exceptional costs and taxation of £0.2m is behind the £1.0m achieved in 2015 but represents a solid performance in the face of much lower global demand.
- Gearing
  The Group's gearing increased to 48% (2015: 27%), which remains within the target level of below 50%.
- 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.

In addition, we will be putting greater emphasis on Return on Capital Employed, On-Time in Full and Inventory Days of Stock measures in 2017.

This report was approved by the board on 20 March 2017 and signed on its behalf by:

M O'Rourke
Chief Financial Officer
20 March 2017

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 2016.

Principal activities
The principal activities of the Group are the design, production and procurement of technically advanced leather for sale to manufacturers and distributors of shoes, gloves, luxury leathergoods, interiors and sports equipment and the retail of leather, leathergoods and leather garments. The principal activities of its subsidiaries are the production of leather, leathergoods, 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.

Dividends and reserves
No interim dividend was paid in respect of 2016 (2015: nil) and the directors do not recommend payment of a final dividend (2015: nil). As part of the 2017 strategic process, we will evaluate our dividend policy.

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 26. 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 78% of Group revenue is in US dollars, 11% in sterling, 6% in birr and 4% in euros. Group policy is to sell away surplus dollars.

Directors' report
(continued)

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 26d. The debt is a combination of variable and fixed rate.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and finance leases. No specific policy exists with regard to liquidity. Short-term and medium term variable rate debt is favoured and the Group renewed and increased some medium-term borrowings in 2016 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 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 60 days. Trade payables at the year end represented 47 days' purchases (2015: 40 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. 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 interests under section 793 Companies Act 2006 as at 20 March 2017 shown in the table opposite. No significant movements impacting the profile of the key shareholders have been noted since 31 December 2016.

Directors

The persons named on page 5 are the directors during the period and up to the date of approval of the Annual Report and Accounts. R H Hankey and G P Davis retire by rotation and offer themselves for re-election. M O'Rourke was appointed a director in June 2016 and offers himself for election at the forthcoming AGM. S Boyd retired as a director in May 2016 and J Williams became a non-executive director in January 2017.

Directors' interests

The directors at the end of the year and their interests in the shares of the Company were as shown in the table opposite. No changes took place in the interests of directors in the shares of the Company between 31 December 2016 and 20 March 2017.

As noted on page 5, S Boyd retired in May 2016, with a shareholding of 192,499. This was consistent with the position at 31 December 2015.

During the year, the 2016 LTIP scheme was granted which entitles the following directors to the potential right to purchase shares in July 2018: R H Hankey, M O'Rourke, S Yapp, LM Cretton and GP Davis. See Note 8 for further details.

Annual general meeting

An ordinary resolution (number 3) will be proposed to ratify a loan to a director made during the year, as authorised by the Remuneration Committee.

An ordinary resolution (number 5) will be proposed to enable the Company to issue and allot shares up to an aggregate nominal value of £694,434. This authority lasts until the 2018 AGM.

A special resolution (number 6) will be proposed to enable the Company to make market purchases of its own shares.

A special resolution (number 7) will be proposed to increase the authority to allot equity shares for cash to a nominal amount of £694,434. The authority will last until the 2018 AGM.

Independent auditors

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

Substantial interests

	Holding of 50p shares	
Downing LLP	2,887,322	20.80%
Artemis Investment Management LLP discretionary	2,350,000	16.92%
John A Rendell	1,535,000	11.05%
Pension Protection Fund	790,747	5.69%
Rath Dhu Ltd	500,000	3.60%
Zaphiriou Zarifi Overseas Investments Ltd	433,333	3.12%
Armstrong Investments Ltd	425,000	3.06%

Directors' interests

	At end of year		At beginning of year or date of appointment	
	Fully paid 50p shares	Share options	Fully paid 50p shares	Share options
LM Cretton	12,000	–	12,000	–
GP Davis	72,667	–	72,667	–
RH Hankey	225,333	155,945	213,333	155,945
M O'Rourke	–	–	–	–
J Williams	40,093	84,465	40,093	84,465
S Yapp	35,231	47,337	20,000	47,337

This report was approved by the board on 20 March 2017 and signed on its behalf by:

M O'Rourke
Chief Financial Officer
20 March 2017

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 regulation.

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

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

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

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

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

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

Each of the directors, whose names and functions are listed in the Directors and officers section on page 5 confirm that, to the best of their knowledge:

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

Disclosure of information to the auditors

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

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

On behalf of the board:

M O'Rourke
Chief Financial Officer
20 March 2017

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 2016 and of the group's loss 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

The financial statements, included within the Annual Report & Accounts 2016 (the "Annual Report"), comprise:

- the Group and Company balance sheets as at 31 December 2016;
- 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 statement of changes in equity and the Company statement 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 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, and applicable law.

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, based on the work undertaken in the course of the audit:

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

In addition, in light of the knowledge and understanding of the group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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.

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 12, 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 &

Independent auditor's report to the members of Pittards plc

(continued)

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 parent 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 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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Plymouth
20 March 2017

Consolidated income statement
for the year ended 31 December 2016

Continuing operations	Note	2016 £'000	2015 £'000
Revenue	3	27,009	30,523
Cost of sales		(20,554)	(23,902)
Cost of sales – exceptional stock provision	4	(4,307)	–
Gross profit		2,148	6,621
Distribution costs		(2,167)	(1,919)
Administrative expenses		(3,572)	(3,275)
Administrative expenses – exceptional restructuring costs		–	(312)
(Loss)/Profit from operations before finance costs		(3,591)	1,115
Finance costs	9	(499)	(484)
Finance income	9	19	24
(Loss)/Profit before taxation	5	(4,071)	655
Taxation	10	(75)	(184)
(Loss)/Profit for the year after taxation		(4,146)	471
(Loss)/Profit attributable to:			
Owners of the parent		(4,146)	474
Non controlling interest		–	(3)
		(4,146)	471

(Loss)/Earnings per share attributable to the owners of the parent			
Basic	11	(29.89p)	3.98p
Diluted	11	(28.91p)	3.88p

Consolidated statement of comprehensive income
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
(Loss)/Profit for the year after taxation		(4,146)	471
Other comprehensive income **Items that will not be reclassified to profit or loss**			
Revaluation of land and buildings	12	135	182
Revaluation of land and buildings – unrealised exchange gain		279	13
		414	195
Items that may be subsequently reclassified to profit or loss			
Unrealised exchange gain on translation of overseas subsidiaries		827	58
		827	58
Other comprehensive income		1,241	253
Total comprehensive (loss)/income for the year		(2,905)	724
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(2,905)	717
Non controlling interest		–	7

The accompanying notes on pages 20 to 43 form an integral part of the Financial Statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Retained earnings £'000	Translation reserve £'000	Shares held by ESOP £'000	Revaluation reserve £'000	Share based payment reserve £'000	Total equity attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2015		4,631	–	6,475	8,607	(2,750)	(495)	1,668	–	18,136	172	18,308
Comprehensive income for the year:												
Profit/(Loss) for the year after taxation		–	–	–	474	–	–	–	–	474	(3)	471
Other comprehensive income:												
Gain on the revaluation of buildings	*12*	–	–	–	–	–	–	172	–	172	10	182
Unrealised exchange gain on translation of foreign subsidiaries		–	–	–	–	58	–	13	–	71	–	71
Total other comprehensive income		–	–	–	–	58	–	185	–	243	10	253
Total comprehensive income for the year		–	–	–	474	58	–	185	–	717	7	724
Transactions with owners:												
Proceeds from shares issued		2,313	2,984	–	–	–	–	–	–	5,297	–	5,297
Total transactions with owners		2,313	2,984	–	–	–	–	–	–	5,297	–	5,297
At 1 January 2016		6,944	2,984	6,475	9,081	(2,692)	(495)	1,853	–	24,150	179	24,329
Comprehensive income for the year:												
Loss for the year after taxation		–	–	–	(4,146)	–	–	–	–	(4,146)	–	(4,146)
Other comprehensive income:												
Gain on the revaluation of buildings	*12*	–	–	–	–	–	–	135	–	135	–	135
Unrealised exchange gain on translation of foreign subsidiaries		–	–	–	–	827	–	279	–	1,106	–	1,106
Total other comprehensive income		–	–	–	–	827	–	414	–	1,241	–	1,241
Total comprehensive (expense)/income for the year		–	–	–	(4,146)	827	–	414	–	(2,905)	–	(2,905)
Share based payment expense	*8*	–	–	–	–	–	–	–	29	29	–	29
Purchase of non controlling interest		–	–	–	–	–	–	–	–	–	(179)	(179)
At 31 December 2016		**6,944**	**2,984**	**6,475**	**4,935**	**(1,865)**	**(495)**	**2,267**	**29**	**21,274**	**–**	**21,274**

Company statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Shares held by ESOP £'000	Share based payment reserve £'000	Total equity £'000
At 1 January 2015	4,631	–	9,946	(495)	–	14,082
Comprehensive income for the year:						
Retained profit for the year	–	–	509	–	–	509
Total comprehensive income for the year	–	–	509	–	–	509
Transactions with owners:						
Proceeds from shares issued	2,313	2,984	–	–	–	5,297
Total transactions with owners	2,313	2,984	–	–	–	5,297
At 1 January 2016	6,944	2,984	10,455	(495)	–	19,888
Comprehensive income for the year:						
Retained loss for the year	–	–	(919)	–	–	(919)
Total comprehensive expense for the year	–	–	(919)	–	–	(919)
Share based payment expense	–	–	–	–	29	29
At 31 December 2016	**6,944**	**2,984**	**9,536**	**(495)**	**29**	**18,998**

Balance sheets
as at 31 December 2016

		Group		Company	
	Note	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	*12*	**12,106**	10,679	**5,946**	5,511
Intangible assets	*13*	**243**	273	**243**	273
Investments in subsidiary undertakings	*27*	**–**	–	**378**	186
Deferred income tax asset	*20*	**1,800**	1,676	**1,800**	1,676
Total non-current assets		**14,149**	12,628	**8,367**	7,646
Current assets					
Inventories	*14*	**17,353**	18,872	**8,832**	8,774
Trade and other receivables	*15*	**4,388**	4,017	**10,406**	10,021
Cash and cash equivalents	*15*	**206**	485	**14**	31
Current income tax recoverable		**38**	26	**–**	–
Total current assets		**21,985**	23,400	**19,252**	18,826
Total assets		**36,134**	36,028	**27,619**	26,472
LIABILITIES					
Current liabilities					
Trade and other payables	*16*	**(4,362)**	(4,664)	**(2,879)**	(2,909)
Interest bearing loans, borrowings and overdrafts	*17*	**(6,781)**	(3,806)	**(3,871)**	(1,871)
Total current liabilities		**(11,143)**	(8,470)	**(6,750)**	(4,780)
Non-current liabilities					
Deferred income tax liability	*20*	**(183)**	(92)	**(59)**	(3)
Interest bearing loans, borrowings and overdrafts	*18*	**(3,534)**	(3,137)	**(1,812)**	(1,801)
Total non-current liabilities		**(3,717)**	(3,229)	**(1,871)**	(1,804)
Total liabilities		**(14,860)**	(11,699)	**(8,621)**	(6,584)
Net assets		**21,274**	24,329	**18,998**	19,888
EQUITY					
Share capital	*21*	**6,944**	6,944	**6,944**	6,944
Share premium	*21*	**2,984**	2,984	**2,984**	2,984
Capital reserve	*22*	**6,475**	6,475	**–**	–
Shares held by ESOP	*22*	**(495)**	(495)	**(495)**	(495)
Share based payment reserve	*22*	**29**	–	**29**	–
Translation reserve	*22*	**(1,865)**	(2,692)	**–**	–
Revaluation reserve	*22*	**2,267**	1,853	**–**	–
Retained earnings	*22*	**4,935**	9,081	**9,536**	10,455
Total equity attributable to owners of the parent		**21,274**	24,150	**18,998**	19,888
Non-controlling interest		**–**	179	**–**	–
TOTAL EQUITY		**21,274**	24,329	**18,998**	19,888

The financial statements on pages 15 to 43 were approved and authorised for issue by the board of directors on 20 March 2017 and signed on its behalf by:

M O'Rourke
Chief Financial Officer
Company Number 102384

Statement of cash flows

for the year ended 31 December 2016

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Cash flows from operating activities					
Cash (used in)/generated from operations	*23*	**(1,336)**	962	**(930)**	(265)
Tax paid		**(81)**	(183)	**–**	–
Interest paid		**(480)**	(447)	**(175)**	(116)
Net cash (used in)/generated from operating activities		**(1,897)**	332	**(1,105)**	(381)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(1,181)**	(4,350)	**(727)**	(4,113)
Purchases of intangible assets		**(5)**	(108)	**(5)**	(108)
Purchase of investments		**(192)**	–	**(192)**	–
Net cash used in investing activities		**(1,378)**	(4,458)	**(924)**	(4,221)
Cash flows from financing activities					
Proceeds from borrowings		**2,364**	3,651	**–**	2,100
Repayment of bank loans		**(1,658)**	(1,733)	**(210)**	(105)
New finance lease obligations		**374**	35	**374**	35
Repayment of obligations under finance leases and hire purchase obligations		**(88)**	(42)	**(88)**	(42)
Proceeds from share issue (net of costs)		**–**	5,297	**–**	5,297
Net cash generated from financing activities		**992**	7,208	**76**	7,285
(Decrease)/increase in cash and cash equivalents		**(2,283)**	3,082	**(1,953)**	2,683
Cash and cash equivalents at beginning of the year		**(1,474)**	(4,551)	**(1,610)**	(4,293)
Exchange gains/(losses) on cash and cash equivalents		**19**	(5)	**–**	–
Cash and cash equivalents at end of the year	*24*	**(3,738)**	(1,474)	**(3,563)**	(1,610)

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 5. The nature of the Group's operations and its principal activities are set out in the Strategic report on page 8.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS") and IFRS IC interpretations in issue at the balance sheet date.

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 land and buildings.

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

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

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

(b) Going concern

The Group and Company meet their day-to-day working capital requirements through their bank facilities. The Group and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that they should be able to operate within the level of its current facilities. The banking relationship with Lloyds Bank remains strong and facilities have been renewed at the same level for 2017. The bank has confirmed ongoing support into 2018. After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company 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 26.

(c) New and amended standards adopted by the Group

At the date of approval of these financial statements the following revised standards, amended standards and interpretations were in issue, but not yet effective and have not been early adopted in these financial statements:

- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial Instruments
- IFRS 16 Leases
- Amendment to IAS 7 Statement of Cash Flows
- Amendment to IAS 12 Income taxes

The presentational impact of the standards and interpretations outlined above is being assessed.

The adoption of IFRS 16 Leases requires a lease liability and right of use asset to be recognised for all leased assets, with the exception of short term contracts or low value items. This standard is expected to have a material presentational impact only.

The directors expect that the adoption of the other standards and interpretations will have no 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.

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 loss of £0.919m (2015: profit of £0.509m).

(e) 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.

(f) Finance income
Finance income comprises interest receivable in respect of overdue debtors.

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

(h) 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 5).

Notes to the consolidated accounts

1. Statement of accounting policies (continued)

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.

(i) Exceptional items
Items that are material in size, unusual and one-off 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.

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

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

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

(k) Property, plant and equipment
Property, plant and equipment (other than freehold land and buildings) are stated at cost less accumulated depreciation and any recognised impairment loss. Property, plant and equipment are initially recorded at cost of purchase or construction. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged 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 land and buildings. Buildings in Ethiopia were revalued at December 2016 and December 2015 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. No depreciation has been charged on the building being constructed by Pittards Global Sourcing Private Limited Company in Ethiopia as it remains under construction. The UK site acquired in 2015 has been revalued at December 2016, based on the fair value as determined by an independent RCIS Registered Valuer. Group policy is to perform a formal revaluation every 5 years, with director assessment in the intervening period.

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.

(l) 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.

(m) Inventories

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

Inventory held at 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.

The Board has conducted a detailed review of the stock holding and has decided to take a £4.3m provision reducing the year end stock to £17.4m. This takes into account: the impact of currency translation, slow moving stock and the potential strategic shift in the business moving towards a higher proportion of hide business. The provision predominantly relates to low end dress and sport glove leather, with a write down of £1.3m in the UK and £3.0m in Ethiopia.

(n) Current and deferred income tax

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

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

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

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

(o) Retirement benefit costs

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

(p) 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.

(q) Financial instruments

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

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.

Notes to the consolidated accounts

1. Statement of accounting policies (continued)

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.

(r) Share based payments

The Group applies the requirements of IFRS 2 Share-based Payment to all grants of equity instruments.

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. Share based payment schemes within the Group are detailed in Note 8.

(s) 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.

(t) 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.

(u) 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 on an ongoing basis. Variations in production levels will impact the value of direct costs not absorbed into inventory. Estimates are revised periodically through the year to ensure that absorption of labour and overheads is materially correct as at the end of the year.

The Group reviews its inventory on a regular basis and, where appropriate, makes provisions for slow moving and obsolete inventory based on estimates of future sales activity. In the current year, a commercial decision has been made by the Board to recognise a £4.3m provision in respect of predominantly low end dress and sport glove leather. This takes into account the impact of currency translation, slow moving stock and the potential strategic shift in the business. The estimates of the future sales activity will be based on both historical experience and expected outcomes based on knowledge of the markets in which the Group operates as well as strategic assessments of potential new markets. Market performance is reviewed periodically throughout the year and the impact on the provision assessed.

(b) 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, which is based on current forecasts. The rate at which the asset unwinds will vary with the profitability of the entity.

3. Business segments information

Management has determined the operating segments based on the reports reviewed by the board that are used to make strategic and operational decisions. Following the restructuring of the business during the year, the board now consider the business in terms of two divisions: UK and Ethiopia (2015: four divisions: UK leather, UK consumer, Ethiopian leather and Ethiopian consumer). We have restated 2015 to reflect the new structure. The consolidation adjustment information represents those adjustments required to prepare the group accounts. The segment information is shown below:

2016	UK Division £'000	Ethiopia Division £'000	Consolidation Adjustment £'000	Total £'000
Revenue	24,343	10,699	–	35,042
Inter-segmental trading	(1,774)	(6,259)	–	(8,033)
	22,569	4,440	–	27,009
Gross Profit/(Loss)[1]	3,618	(710)	–	2,908
Taxation	(36)	111	–	75
Assets	37,613	16,543	(18,022)	36,134
Liabilities	(17,829)	(10,481)	13,450	(14,860)

2015 (restated)	UK Division £'000	Ethiopia Division £'000	Consolidation Adjustment £'000	Total £'000
Revenue	27,697	10,460	–	38,157
Inter-segmental trading	(1,653)	(5,981)	–	(7,634)
	26,044	4,479	–	30,523
Gross Profit[1]	5,068	2,154	127	7,349
Taxation	146	38	–	184
Assets	34,362	16,956	(15,290)	36,028
Liabilities	(13,813)	(8,792)	10,906	(11,699)

1. Included in inter-segmental trading in the UK is a balance of £0.760m (2015: £0.728m) relating to group recharges, for which there is no cost of sale. Costs associated with this revenue are included within administration costs.

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

2016	UK Divison £'000	Ethiopia Divison £'000	Total £'000
UK	2,293	–	2,293
Europe	1,768	–	1,768
North America	916	2,696	3,612
Far East and Rest of the World	17,592	1,744	19,336
	22,569	**4,440**	**27,009**

2015 (restated)	UK Divison £'000	Ethiopia Divison £'000	Total £'000
UK	3,182	–	3,182
Europe	3,419	–	3,419
North America	1,459	2,444	3,903
Far East and Rest of the World	17,985	2,034	20,019
	26,045	**4,478**	**30,523**

Notes to the consolidated accounts

3. Business segments information (continued)

Revenues of approximately £5.319m (2015: £5.898m) within the UK segment are derived from one customer. Revenues of approximately £5.641m (2015: £6.016m) within the UK segment are derived from another customer. Both customers' revenues fall within the Far East and Rest of the World geographical segment.

4. Exceptional items

	2016 £'000	2015 £'000
Cost of sales – exceptional stock provision	**4,307**	–
Administrative expenses – exceptional restructuring costs	**–**	312
	4,307	312

The Board has conducted a detailed review of the stock holding and has decided to take a £4.307m provision reducing the year end stock to £17.353m. This takes into account: the impact of currency translation, slow moving stock and the potential strategic shift in the business moving towards a higher proportion of hide business. The provision relates to low end dress and sport glove leather, with a write down of £1.271m in the UK and £3.036m in Ethiopia.

5. (Loss)/Profit before taxation

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

	2016 £'000	2015 £'000
Depreciation of property, plant and equipment (Note 12)	**605**	456
Amortisation of intangible assets (Note 13)	**35**	22
Operating lease rentals recognised as an expense	**80**	163
Staff costs (Note 6)	**8,076**	7,952
Employee benefit expense (life and health insurances)	**112**	112
Research and development expenditure	**115**	101
Net gain on foreign currency translation	**(380)**	(178)

Auditors' remuneration

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

	2016 £'000	2015 £'000
Fees payable to the Company's auditors in respect of the audit of the parent company and consolidated accounts	**47**	46
Fees payable to the Company's auditors in respect of the audit of subsidiaries	**5**	5
Total audit fees	**52**	51

Non-audit fees of £12,000 were paid during the year for advice in relation to the new LTIP award (2015: £8,750).

6. Staff costs

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

	2016 No.	2015 No.
Production	**1,365**	1,636
Sales, distribution and administration	**277**	275
Directors	**6**	6
	1,648	1,917

Their aggregate remuneration comprised:	**£'000**	£'000
Wages and salaries	**7,346**	7,283
Social Security costs	**547**	526
Other pension costs	**183**	143
	8,076	7,952

7. Directors' remuneration

	Salary & fees £'000	Profit Related Bonus £'000	Benefits £'000	Pension Contributions £'000	**2016 Total £'000**	2015 Total £'000
Executive						
RH Hankey	200	–	4	20	**224**	236
M O'Rourke	66	–	1	3	**70**	–
J Williams[1]	113	–	3	6	**122**	128
Non-executive						
SD Boyd	24	–	–	–	**24**	65
LM Cretton	37	–	–	–	**37**	14
GP Davis	37	–	–	–	**37**	34
JG Holmstrom	–	–	–	–	**–**	32
S Yapp	82	–	–	13	**95**	34
	559	–	8	42	**609**	543

1. J Williams stepped down from her executive roles at the end of December 2016 and will be remunerated as a non executive board member from this date. See page 5 for further details.

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.

Details of options granted to Directors are provided in the Directors' report.

Notes to the consolidated accounts

7. Directors' remuneration (continued)

Key management compensation

Key management represents the directors of the internal Executive board, which has been restructured during the year. The compensation paid or payable to key management for employee services is shown below:

	2016 £'000	2015 £'000
Salaries, bonus and other short-term benefits	**535**	535
Pension contributions	**24**	18
Total	**559**	553

During the year, no options were granted to key managers. In 2015, 183,772 options were granted, of which 37,333 have lapsed during 2016, and the remaining are outstanding as at 31 December 2016.

8. Share options

2016 Long Term Incentive Plan (LTIP)

On 26 September 2016, a new 2016 Long Term Incentive Plan (LTIP) was granted to certain directors. The vesting period is four years and is dependent upon the attainment of a minimum specific share price at the exercise date. The directors are entitled to shares to the value of specific percentages granted, based on the excess value generated at the exercise date.

Details of the share based payment costs recognised during the year are as follows:

	2016 £'000	2015 £'000
At 1 January	**–**	–
Share based payment expense	**29**	–
At 31 December	**29**	–

This charge has been included within administration expenses.

The charge equates to the fair value of the award and has been calculated using the Monte-Carlo model. The assumptions used in the model have been detailed below:

	2016 LTIP
Grant date	**26/09/2016**
Share price at grant date	**94.5p**
Exercise price	**£1**
Vesting period	**3.8 years**
Expected volatility	**39.5%**
Risk-free rate	**0.1%**
Dividend yield	**–**

2015 Long Term Incentive Plan (LTIP)

Share options were granted to directors and key managers as part of the 2015 Long Term Incentive Plan (LTIP) established on 12 May 2015. The vesting period is three years and is dependent upon attainment of certain performance conditions, comprising achievement of Group revenue growth and EBIT growth.

Details of the share awards outstanding during the year are as follows:

	2016		2015	
	No. of options	**Weighted average exercise price pence**	No. of options	Weighted average exercise price pence
Outstanding at the beginning of the period	**471,519**	**–**	–	–
Granted during the period	**–**	**–**	471,519	–
Lapsed during the period	**(37,333)**	**–**	–	–
Outstanding at the end of the period	**434,186**	**–**	471,519	–

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 1.4 years (2015: 2.4 years) and have an average exercise price of nil. The weighted average fair value of options granted during the year was £nil (2015: nil).

On grant the options were valued using the share price less dividend model, a simplified version of the Black-Scholes model applicable to nil cost options. The assumptions used were nil dividend and a share price at grant date of £1.27.

As the performance conditions required are not expected to be achieved, the total charge for the year relating to the employee settled share-based payment plans was £nil (2015: £nil).

9. Finance costs and income

a) Finance costs	**2016 £'000**	2015 £'000
Interest on bank loans and overdrafts	**468**	475
Interest on obligations under finance leases and hire purchase contracts	**21**	9
Interest on historic foreign tax charge	**10**	–
	499	484
b) Finance income		
Interest on overdue debtors	**(19)**	(24)

10. Taxation

(a) Analysis of the charge in the year	**2016 £'000**	2015 £'000
The charge based on the profit for the year comprises:		
Corporation tax on profit for the year	**–**	2
Foreign tax on profit for the year	**32**	30
Foreign tax related to prior years	**91**	–
Total current tax	**123**	32
Deferred Tax		
Origination and reversal of temporary differences	**(169)**	(28)
Impact of change in UK tax rate	**121**	180
Total deferred taxation	**(48)**	152
Income tax charge	**75**	184

Notes to the consolidated accounts

10. Taxation (continued)

The Company's profits for the year are taxed at the standard rate of Corporation Tax of 20% (2015: 20.25%). The tax assessed in each year differs from the standard rate of corporation tax in the UK for the relevant year. The differences are explained below:

(b) Factors affecting the charge for the year	2016 £'000	2015 £'000
(Loss)/Profit on ordinary activities before tax	**(4,071)**	655
Tax calculated at domestic tax rates applicable to profits in the respective countries	**32**	128
Income not subject to tax	**–**	(20)
Foreign tax related to prior years[1]	**91**	–
Expenses not deductible for tax purposes[2]	**148**	174
Allowable tax deductions[3]	**(200)**	(199)
Losses generated	**(117)**	–
Foreign tax paid	**32**	30
Double tax relief	**(32)**	(24)
Utilisation of tax losses	**–**	(85)
Impact of change in UK tax rate	**121**	180
Total tax charge for the year (Note 10(a))	**75**	184

1. Foreign tax in prior years relates to a historic dividend tax charge imposed on Ethiopia Tannery Share Company.
2. Expenses not deductible for tax purposes largely relate to depreciation, for which capital allowances are received.
3. Allowable tax deductions relate to capital allowances received.

(c) Factors that may affect future tax charges

Resolutions passed by the UK parliament during October 2015 reduced the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. As part of the 2016 Budget, the government announced a further reduction to the main rate of corporation tax to 17% for the year starting 1 April 2020. These changes were substantially enacted on 15 September 2016 therefore all UK deferred tax assets have been measured using the rate in place at the time they expect to be realised or settled. As part of the 2017 Budget, no further reductions to the main rate of corporation tax were announced.

The Group has recognised a net deferred tax asset of £1.617m (2015: £1.584m) out of a total potential net deferred tax asset of £1.617m (2015: £1.584m).

11. (Loss)/Earnings per ordinary share

	2016 £'000	2015 £'000
Analysis of the (loss)/profit in the year:		
(Loss)/Profit for the year attributable to owners of the parent	**(4,146)**	474
Weighted average number of ordinary shares in issue (excluding the shares owned by the Pittards Employee Share Ownership Trust)	**'000s**	'000s
Basic	**13,870**	11,900
Diluted	**14,341**	12,201
Basic (loss)/earnings per ordinary 50p share	**(29.89p)**	3.98p
Diluted (loss)/earnings per ordinary 50p share	**(28.91p)**	3.88p

12. Property, plant and equipment

	Group			Company		
	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000	Land and buildings £'000	Plant, machinery and motor vehicles £'000	Total £'000
Cost or valuation						
At 1 January 2015	3,598	16,410	20,008	–	11,921	11,921
Exchange differences	32	40	72	–	–	–
Additions	3,832	517	4,349	3,826	287	4,113
Disposals	–	–	–	–	–	–
Revaluation of property	107	–	107	–	–	–
At 1 January 2016	7,569	16,967	24,536	3,826	12,208	16,034
Exchange differences	520	653	1,173	–	–	–
Additions	84	1,097	1,181	76	651	727
Disposals	–	(101)	(101)	–	–	–
Revaluation of property	48	–	48	–	–	–
At 31 December 2016	**8,221**	**18,616**	**26,837**	**3,902**	**12,859**	**16,761**
Accumulated depreciation						
At 1 January 2015	–	13,448	13,448	–	10,303	10,303
Exchange differences	–	28	28	–	–	–
Charge for year	90	366	456	15	205	220
Disposals	–	–	–	–	–	–
Release of depreciation on revaluation	(75)	–	(75)	–	–	–
At 1 January 2016	15	13,842	13,857	15	10,508	10,523
Exchange differences	–	456	456	–	–	–
Charge for year	136	469	605	48	244	292
Disposals	–	(100)	(100)	–	–	–
Release of depreciation on revaluation	(87)	–	(87)	–	–	–
At 31 December 2016	**64**	**14,667**	**14,731**	**63**	**10,752**	**10,815**
Net book value						
At 31 December 2016	**8,157**	**3,949**	**12,106**	**3,839**	**2,107**	**5,946**
At 31 December 2015	7,554	3,125	10,679	3,811	1,700	5,511
At 31 December 2014	3,598	2,962	6,560	–	1,618	1,618

Depreciation of £0.516m (2015: £0.382m) has been charged to cost of sales and £0.061m (2015: £0.062m) to administrative expenses and £0.028m (2015: £0.012m) 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 £0.446m (2015: £0.181m).

Freehold buildings includes an amount of £0.672m (2015: £0.582m) 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 in Ethiopia were revalued to fair value as at 31 December 2016. Fair value was determined by Getachew Tesfaye, licensed loss assessor, who is an independent valuer. The fair value of the UK site was assessed by Savills, independent RCIS Registered valuers.

If buildings across the Group were stated on historic cost basis the net book value would be £4.597m (2015: £4.583m).

Notes to the consolidated accounts

13. Intangible assets

	Group			Company		
	Website £'000	Computer software £'000	Total £'000	Website £'000	Computer software £'000	Total £'000
Cost						
At 1 January 2015	–	1,777	1,777	–	1,770	1,770
Additions	104	4	108	104	4	108
At 1 January 2016	104	1,781	1,885	104	1,774	1,878
Additions	5	–	5	5	–	5
At 31 December 2016	**109**	**1,781**	**1,890**	**109**	**1,774**	**1,883**
Accumulated amortisation						
At 1 January 2015	–	1,590	1,590	–	1,583	1,583
Charge for year	–	22	22	–	22	22
At 1 January 2016	–	1,612	1,612	–	1,605	1,605
Charge for year	15	20	35	15	20	35
At 31 December 2016	**15**	**1,632**	**1,647**	**15**	**1,625**	**1,640**
Net book value						
At 31 December 2016	**94**	**149**	**243**	**94**	**149**	**243**
At 31 December 2015	104	169	273	104	169	273
At 31 December 2014	–	187	187	–	187	187

14. Inventories

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Raw materials	**4,007**	6,965	**1,556**	2,310
Work in progress	**7,220**	3,385	**2,533**	1,111
Finished goods	**6,126**	8,522	**4,743**	5,353
	17,353	18,872	**8,832**	8,774

During the year £0.207m in respect of a stock provision was debited to the Income Statement (2015: £0.059m) as part of cost of sales and a further £4.307m as part of exceptional cost of sales. See note 4 for further details.

Inventory charged to the Income Statement during the year as part of cost of sales totalled £12.192m (2015: £15.737m). Raw materials includes £0.234m of goods in transit at year end (2015: £0.337m).

15. Current financial assets

Trade and other receivables	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**3,904**	3,673	**2,848**	3,246
Less provision for impairment of trade receivables	**(506)**	(402)	**(506)**	(402)
Trade receivables net	**3,398**	3,271	**2,342**	2,844
Other receivables	**772**	506	**81**	87
Prepayments and accrued income	**218**	240	**188**	206
Amounts owed by Group undertakings	**–**	–	**7,795**	6,884
	4,388	4,017	**10,406**	10,021
Movement on the provision for impairment of trade receivables was as follows:				
As at 1 January	**402**	259	**402**	259
Increase in provision for receivables impairment	**108**	145	**108**	145
Receivables written off during the year as uncollectable	**(4)**	(2)	**(4)**	(2)
As at 31 December	**506**	402	**506**	402

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

	Group		Company	
	2016 £'000	2015 restated £'000	**2016 £'000**	2015 restated £'000
Up to 60 days	**799**	461	**324**	449
60-90 days	**24**	119	**17**	97
More than 90 days	**475**	426	**230**	343
	1,298	1,006	**571**	889

There are £1.517m (2015: £1.795m) of trade receivables which are not due and not impaired as at 31 December 2016. There are no concerns in regards to the recoverability of these amounts.

As at 31 December the provision against trade receivables was £0.506m (2015: £0.402m) for the Group and £0.506m (2015: £0.402m) for the Company. The ageing of the receivables impaired against which part provisions have been made is as follows:

	Group		Company	
	2016 £'000	2015 restated £'000	**2016 £'000**	2015 restated £'000
Not overdue	**97**	–	**97**	–
Up to 60 days	**361**	217	**361**	217
60-90 days	**–**	6	**–**	6
More than 90 days	**125**	247	**125**	247
	583	470	**583**	470

Provisions against trade receivables not overdue represent credit note provisions. Part provisions have been made against some significantly overdue balances based on a recoverability assessment considering credit insurance held and ongoing discussions with customers. 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.

Notes to the consolidated accounts

15. Current financial assets (continued)

An analysis of the currencies in which trade receivables are held is shown in Note 26 (c).

	Group		Company	
Cash and cash equivalents	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Cash and cash equivalents	**206**	485	**14**	31

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. 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.

16. Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**3,218**	3,112	**1,638**	1,323
Other taxes and social security costs	**224**	116	**169**	53
Accruals and deferred income	**670**	948	**447**	735
Other payables	**250**	488	**75**	161
Amounts owed to Group undertakings	**–**	–	**550**	637
	4,362	4,664	**2,879**	2,909

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

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

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Unsecured:				
Loans	**320**	121	**–**	–
Secured:				
Overdrafts	**3,945**	1,959	**3,577**	1,642
Loans	**2,432**	1,707	**210**	210
Obligations under finance leases	**84**	19	**84**	19
	6,781	3,806	**3,871**	1,871

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

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Unsecured:				
Loans	**–**	–	**–**	–
Secured:				
Loans	**3,297**	3,121	**1,575**	1,785
Obligations under finance leases	**237**	16	**237**	16
	3,534	3,137	**1,812**	1,801
Repayable as follows:				
Between one and five years by instalments	**3,534**	3,137	**1,812**	1,801

During 2016 ETSC took out additional loans of £1.823m with the Commercial Bank of Ethiopia. All loans have been taken for a period of 3 years at an interest rate of 9.5% and are secured against assets of ETSC.

During 2015 the Company took out a loan for £2.100m with Lloyds Bank for a period of 3 years at an interest rate of 2.7% over LIBOR and is secured against the Company's Yeovil building. PPM also took out a five year loan for £0.629m with the Development Bank of Ethiopia at an interest rate of 8.5%, secured against the assets of PPM.

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.

19. 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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Not later than one year	**58**	58	**58**	58
After one year but not more than five years	**174**	233	**174**	233
	232	291	**232**	291

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Future minimum payments due:				
Not later than one year	**96**	24	**96**	24
After one year but not more than five years	**251**	16	**251**	16
	347	40	**347**	40
Less finance charges allocated to future periods	**(26)**	(5)	**(26)**	(5)
Present value of minimum lease payments	**321**	35	**321**	35

Notes to the consolidated accounts

19. Obligations under leases (continued)

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
The present value of minimum lease payments is analysed as follows:				
Not later than one year	**84**	18	**84**	18
After one year but not more than five years	**237**	17	**237**	17
	321	35	**321**	35

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

20. Deferred taxation

The Group has recognised 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 recognised a deferred tax asset of £1.617m in view of the Group's prospects and future profitability.

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Deferred tax asset	**1,800**	1,676	**1,800**	1,676
Deferred tax liability	**(183)**	(92)	**(59)**	(3)
Deferred tax assets (net)	**1,617**	1,584	**1,741**	1,673

Of the deferred tax asset balance, £0.089m (2015: £0.09m) is expected to be recovered within 12 months.

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

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
At 1 January	**1,584**	1,736	**1,673**	1,800
Income Statement credit/(charge)	**48**	(152)	**68**	(127)
Exchange differences	**(15)**	–	**–**	–
At 31 December	**1,617**	1,584	**1,741**	1,673

a) Deferred tax assets

The analysis of the deferred tax asset is as follows:

	Group			
Recognised	Tax losses £'000	ACA £'000	Other timing differences £'000	Total £'000
At 1 January 2015	1,713	87	–	1,800
Income Statement charge	(37)	(87)	–	(124)
At 1 January 2016	1,676	–	–	1,676
Income Statement credit	118	–	6	124
At 31 December 2016	**1,794**	**–**	**6**	**1,800**

	Company			
Recognised	Tax losses £'000	ACA £'000	Other timing differences £'000	Total £'000
At 1 January 2015	1,713	87	–	1,800
Income Statement charge	(37)	(87)	–	(124)
At 1 January 2016	1,676	–	–	1,676
Income Statement credit	118	–	6	124
At 31 December 2016	**1,794**	**–**	**6**	**1,800**

The Group and Company have no unrecognised deferred tax assets (2015: £nil).

b) Deferred tax liabilities

The Group deferred tax liability of £0.183m (2015: £0.092m) and Company deferred tax liability of £0.059m (2015: £0.003m) represent temporary timing differences.

21. Share capital

	2016 £'000	2015 £'000
Issued and fully paid		
At 1 January	**6,944**	4,631
Shares issued	**–**	2,313
At 31 December	**6,944**	6,944

	2016 Shares	2015 Shares
Number of ordinary shares of 50p each		
At 1 January	**13,888,690**	9,262,039
Shares issued	**–**	4,626,651
At 31 December	**13,888,690**	13,888,690

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

On 5 June 2015 4,626,651 new Pittards shares were issued as a result of a Placing and Open Offer, taking the total share capital of the Company to 13,888,690 shares. Proceeds of £5.297m were raised net of expenses giving an increase in share capital and share premium of £2.313m and £2.984m respectively.

22. Reserves

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

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

The 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 Ethiopia Tannery Share Company, Pittards Products Manufacturing and Pittards Global Sourcing Private Limited Company undertaken annually.

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.

Notes to the consolidated accounts

22. Reserves (continued)

There are no further awards in the scheme which could vest in the participants. At 31 December 2016, the trust held a total of 19,026 50p shares (2015: 19,026) with a market value at that date of £15,696 (2015: £15,601).

The share based payment reserve represents the fair value of the entitlement to shares awarded under the 2016 Long Term Incentive Plan. See note 8 for further details.

23. Cash (used in)/generated from operations

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
(Loss)/Profit before taxation	**(4,071)**	655	**(987)**	623
Adjustments for:				
Depreciation of property, plant and equipment	**605**	456	**292**	220
Amortisation	**35**	22	**35**	22
Bank and other interest charges	**480**	447	**175**	116
Share based payment expense	**29**	–	**29**	–
Other non-cash items in Income Statement	**(61)**	(47)	**(1)**	11
Operating cash flows before movement in working capital	**(2,983)**	1,533	**(457)**	992
Movements in working capital (excluding exchange differences on consolidation):				
Decrease/(increase) in inventories	**2,912**	(1,003)	**(58)**	796
(Increase)/decrease in receivables	**(194)**	911	**(385)**	(315)
(Decrease)/increase in payables	**(1,071)**	(479)	**(30)**	(1,738)
Cash (used in)/generated from operations	**(1,336)**	962	**(930)**	(265)

24. Analysis of the changes in cash and cash equivalents

Group	As at 1 January 2016 £'000	Cash flow £'000	Exchange movements £'000	**As at 31 December 2016 £'000**
Cash at bank and in hand	485	(342)	63	**206**
Bank overdraft	(1,959)	(1,941)	(44)	**(3,944)**
	(1,474)	(2,283)	19	**(3,738)**

Company	As at 1 January 2016 £'000	Cash flow £'000	Exchange movements £'000	**As at 31 December 2016 £'000**
Cash at bank and in hand	31	(17)	–	**14**
Bank overdraft	(1,642)	(1,935)	–	**(3,577)**
	(1,611)	(1,952)	–	**(3,563)**

25. Related party transactions

(a) Related party trading

Group

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

Transactions with related parties	Group 2016 £'000	Group 2015 £'000
Purchases from related parties	**17**	27
Sales to related parties	**–**	–

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.

Payments made to directors as part of their standard emoluments package are separately disclosed within the Directors' Remuneration note on page 27.

Year end balances arising from purchases	Group 2016 £'000	Group 2015 £'000
Payables to related parties	**9**	15
Receivables from related parties	**–**	2

Company

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

Transactions with subsidiaries	Company 2016 £'000	Company 2015 £'000
Purchases from subsidiaries	**6,259**	6,322
Sales to subsidiaries	**1,014**	917

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.

Amounts due from subsidiaries	*Note*	Company 2016 £'000	Company 2015 £'000
Pittard Garnar Services Limited		**6,226**	5,520
Ethiopia Tannery Share Company		**482**	245
Pittards Global Sourcing Private Limited Company		**2**	2
Pittards Products Manufacturing		**1,085**	1,117
	15	**7,795**	6,884
Amounts due to subsidiaries			
Pittards Group Limited		**(30)**	(30)
Ethiopia Tannery Share Company		**(496)**	(602)
Pittards Global Sourcing Private Limited Company		**(24)**	(5)
	16	**(550)**	(637)

(b) Transactions with directors

Disclosures required under IAS24 regarding remuneration of key management personnel are covered by the Directors' remuneration disclosure in Note 7 and interests in shares are disclosed in the Directors' Report.

Notes to the consolidated accounts

25. Related party transactions (continued)

In February 2016, R H Hankey received a loan from the Company of £0.040m (2015: £nil) in relation to pension contributions. The balance outstanding as at 31 December 2016 was £0.020m (2015: £nil), will be repaid within one year and is interest-free.

26. 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 92% (2015: 90%) of the Group's revenue is from sales outside the UK, with some 78% (2015: 73%) in US dollars. US dollar based raw material purchases amounted to 22% in 2016 (2015: 22%).

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.

(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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
US Dollar	**2,748**	2,106	**(329)**	(234)	**(1,649)**	(1,786)
Euro	**160**	419	**(298)**	(177)	**(720)**	595
Ethiopian Birr	**1,250**	171	**(5,755)**	(5,024)	**(243)**	137
Other	**33**	–	**(1)**	–	**15**	13
	4,191	2,696	**(6,383)**	(5,435)	**(2,597)**	(1,041)
GBP	**459**	575	**(3,681)**	(4,224)	**(1,141)**	(433)
Total	**4,650**	3,271	**(10,064)**	(9,659)	**(3,738)**	(1,474)

(d) Foreign currency sensitivity
As 78% (2015: 73%) 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	**2016 £'000**	2015 £'000
Loss (i)	**(1,822)**	(1,836)

(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 2016 or 2015.

(f) Liquidity and interest rate risk
i) Interest rate risk management
The Group is exposed to interest rate risk as it borrows funds at both fixed and variable interest rates. The risk is managed by borrowing where appropriate on fixed interest rates.

ii) Interest rate sensitivity
The sensitivity analysis has been determined on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the 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 £0.050m (2015: £0.034m). This is attributable to the Group's exposure to interest rates on its variable borrowings.

iii) Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board 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 risk tables
The interest rate profile of the non-derivative financial liabilities of the Group and its contractual maturity as at 31 December 2016 and at 31 December 2015 are as follows:

Notes to the consolidated accounts

26. Financial instruments (continued)

As at 31 December 2016

Group

Fixed rate	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
Obligations under finance leases	–	–	15	306	–	321
Variable rate						
Bank overdrafts and loans	5,426	453	614	3,500	–	9,993
Trade and other payables	3,468	–	–	–	–	3,468

As at 31 December 2015

Group

Fixed rate	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
Obligations under finance leases	–	8	–	27	–	35
Variable rate						
Bank overdrafts and loans	2,480	–	963	3,465	–	6,908
Trade and other payables	3,600	–	–	–	–	3,600

The Group has the following undrawn borrowing facilities:

Group

Variable rate	**2016 £'000**	2015 £'000
Expiring within one year	**2,654**	4,980
Expiring beyond one year	**53**	–
	2,707	4,980

The facilities expiring within one year are subject to review at various dates in 2017 however Lloyds have confirmed their commitment to the business and renewal of the facilities for 2018.

(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 2016, the Group's strategy was to maintain the gearing ratio at an acceptable level, which is considered to be below 50%. The gearing ratios at 31 December 2016 and 2015 were as follows:

Group	2016 £'000	2015 £'000
Total borrowings	**10,315**	6,943
Less cash at bank and in hand	**(206)**	(485)
Net debt	**10,109**	6,458
Total equity	**21,274**	24,329
Gearing ratio	**47.5%**	26.5%

27. Investments

Company	2016 £'000	2015 £'000
At 1 January	**186**	186
Additions	**192**	–
At 31 December	**378**	186

During the year, Pittards plc purchased the remaining 33% of Pittards Global Sourcing Private Limited Company.

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

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

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

Pittards plc holds directly or indirectly all the issued ordinary share capital and voting rights of its principal trading subsidiary undertakings.

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

Five year review

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	27,009	30,523	34,729	35,813	37,029
Percentage sold outside UK	92%	90%	91%	91%	93%
(Loss)/Profit from operations before finance costs	(3,591)	1,115	1,971	2,004	574
(Loss)/Profit on ordinary activities before taxation	(4,071)	655	1,589	1,712	300
(Loss)/Profit on ordinary activities after taxation	(4,146)	471	1,110	1,447	270
Ordinary dividends	–	–	–	–	–
Equity attributable to owners of the parent	21,274	24,150	18,136	16,738	15,607
(Loss)/Earnings per 50p ordinary share (restated from 1p share)	(29.89p)	3.98p	12.06p	15.68p	3.05p
Dividends per ordinary share	–	–	–	–	–

Financial calendar

Annual General Meeting	16 May 2017
Announcement of half year results for 2017	September 2017
Announcement of 2017 results	March 2018

Notice of meeting

Notice is hereby given that the 108th Annual General Meeting of Pittards plc will be held at the registered office at 12 noon on 16 May 2017 for the following purposes:

Ordinary resolutions

1 To receive the annual statement of accounts for the year ended 31 December 2016 and the directors' and auditor's reports thereon.

2 To re-elect the following directors retiring by rotation:
Mr G P Davis
Mr R H Hankey
and to elect the following director appointed since the last meeting:
Mr M O'Rourke

3 To ratify a loan from the company to Mr R H Hankey in February 2016 of £40,000, which was authorised by the Remuneration Committee. The loan is interest free and must be repaid in full by 31 December 2017. Mr R H Hankey has been making monthly repayments since April 2016. The balance of the loan as at 28 February 2017 is £17,190.04.

4 To re-appoint the auditors, PricewaterhouseCoopers LLP, and to authorise the directors to determine their remuneration.

5 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 £694,434 (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 2018 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

6 To consider and, if thought fit, resolve that in accordance with Article 17 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 1,388,869 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.

7 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 2018 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 £694,434 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
M O'Rourke
Secretary
Yeovil, Somerset
Date: 20 March 2017

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.

Notes

Designed and produced by Robson Dowry (www.robsondowry.co.uk). Printed in England by Taylor Brothers.

Ethiopia
MODJO TANNERY

Factory area	67 acres
Entire site area	160 acres

Ethiopia
ADDIS ABABA

We operate out of four factories in Addis Ababa

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