WORLD CLASS LEATHER

ANNUAL REPORT 2020

Company number: 102384

Adam Scott wears market leading FootJoy gloves and footwear made with Pittards performance leather. Golf has emerged as a post-pandemic growth sector as an outdoor activity that allows for social distancing.

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We continue to invest in capital equipment where an improvement in production efficiency, energy and water is apparent. In 2020, we initiated the purchase of: a new vacuum drier, three dye drum vessels, a whole hide splitting machine and two shaving machines.

Principal activities

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

Strategic Objectives

- Manufacture and supply of niche performance leathers and finished products, standing out for their superior performance in sport, automotive, aviation, interior, fashion, gloves, workwear, apparel and leather goods.
- Diversify our sales in a range of newly entered markets, developing market share in these new sectors.
- Optimise our use of production facilities in Ethiopia by diversifying our business operations to utilise our lower operating costs along with our established expertise in Ethiopia.
- Grow our people, place and market position, supporting our staff, customers and shareholders so that we have a sustainable model that attracts and retains the best talents.
- Leading technical competence and best practice through our investment in R&D, approach to the environment, our people, our customers and wider community through which we attract and retain customers.
- Work responsibly, respecting the environment, employee welfare and quality to the customer to deliver a world class leather and brand.

Chairman's statement
for the year ended 31 December 2020

A dominant feature of 2020 has been the COVID-19 pandemic, testing businesses both in terms of their underlying strength at the outset and their adaptability in responding to challenges as the year progressed.

I can report that Pittards has acquitted itself robustly against both these parameters, endorsing both the soundness of the strategies that we already had in place for developing our Group as the year began, and the honing of the business that we implemented as the year progressed.

We validated our strategic objectives by developing our relationships in the interiors market with regular orders from automotive and further established ourselves as a shoe manufacturer in Ethiopia, despite COVID-19 disruptions.

We mitigated some of our first half operating cash losses through inventory reduction, by optimising operations. This is testament to our heightened cost focus, whilst delivering transformational improvements due to the continued dedication of all Pittards employees, to whom I would like to express my gratitude in these challenging times.

The resilience of the Group was evidenced by a return to positive EBITDA during the second half of 2020 and our cash flow improved significantly during that period. Our re-shaped business is more agile and set for growth and the creation of longer-term value.

There were no changes to the Board during the year. The Board is confident in the business strategy and committed to its future success, with each Board member increasing their investment in Pittards by buying shares during the year. The Board's collective holding rose to 6.4% at the end of 2020 (2019: 3.2%).

In November 2020 we undertook a share buyback purchasing 0.9m shares into treasury.

Outlook

Aligned with our strategic priorities, we are delivering a broader range of products to more markets and creating a more balanced portfolio. We continue to invest in new technology, and we have planned increased capital investment compared to the previous year.

Dividend payments are considered an important future step and will be paid when covered by free cash flows.

We have entered 2021 stronger, with a more diverse and flexible business, ready to take full advantage of opportunities in our markets. It remains too early to judge how strong the recovery will be, but on balance, we see more reason to be positive that we can make further progress to build on the momentum of the second half of last year, starting the year with stronger demand from customers.

Stephen Yapp
Chairman
23 March 2021

Chief Executive Officer's report

Key performance indicators 2020

	Second half			Full year	
	2020	2019	Change	**2020**	2019
	£m	£m	£m	**£m**	£m
Revenue	**8.6**	10.2	(1.6)	**15.2**	22.3
Gross profit	**2.1**	3.3	(1.2)	**3.2**	6.9
Gross margin	**24%**	32%	-8%	**21%**	31%
Profit/(Loss) before tax	**(0.0)**	0.4	0.4	**(2.3)**	0.6
EBITDA	**0.3**	0.9	(0.6)	**(1.1)**	2.0
Net assets	**13.9**	17.5	(3.6)	**13.9**	17.5
Inventory	**15.0**	17.3	(2.3)	**15.0**	17.3
Net debt	**10.1**	9.6	(0.5)	**10.1**	9.6
Net debt adjusted for treasury shares held	**9.7**	9.6	(0.1)	**9.7**	9.6
Gearing	**73.0%**	54.7%	-18%	**73.0%**	55.0%
Staff numbers				**1,096**	1,224
Basic (loss)/earnings per share (in pence)				**(17.7)**	2.9
Net assets per share (in pence)				**107.0**	126.3

Highlights

- Order book opened 2021 stronger than the start of the previous 2 years
- Underlying margins improved on 2019
- Second half of 2020 break even and positive EBITDA
- Inventory reduced by £2.3m in 2020
- Repeat orders from both interiors and big shoe markets
- Reduced cost base by £2m, changed operating model
- Re-engineered production and extended our manufacturing capabilities in Ethiopia.

COVID-19 response

During the first quarter of 2020, alongside many other businesses, we were challenged with the sudden impact of COVID-19. As a global pandemic unfolded, this unusual situation affected our people, our customers and supply chains.

We implemented a new business plan that enabled a responsive approach to the challenges we faced and reviewed this on a weekly basis. The key pillars of this plan were focused on:-

- Safety of people - Implemented best practice in line with government advice as it evolved
- Customer support - Continued to supply and kept close dialogue
- Cash management – strict daily control
- Cost control – realignment of all costs

2020 saw the development and launch of a new advanced anti-microbial leather technology. PittardsTri Protex® ; combines its own Microspike™ and Microdefence® together with Micro-Fresh™ to create a protective environment throughout the leather structure. Pittards Tri Protex® conforms to AATCC100, achieving 99.9% elimination of bacteria.

Performance review

Continued weak global demand for leather and related goods was a feature in the first half, with full year revenue at £15.2m (2019: £22.3). The impact of the first half was challenging operationally, given the sudden change in demand related to COVID-19.

During this challenging time our first priority was the safety of our employees. We quickly implemented changes in working practice in line with up to date government guidance throughout the year. We are fortunate to have quite large factories which enables us to implement socially distanced working practices.

Sales demand has become more fragmented but broader in the markets we reach. The changing shape of the business is aligned with the strategic priorities to achieve a more balanced customer portfolio, specifically the inroads made in Ethiopia in shoe production and sales, along with UK interiors and key shoe accounts. These remain priority development markets for the Group. Sales to these markets grew to 22% of sales, up from 18% of sales in 2019 on a like for like basis.

Cost management was a key focus for the year, in which extra disciplines were introduced and there was a targeted headcount reduction which further reduced the cost base. This has left us leaner, but in a scalable position with the appropriate expertise to meet specific customer needs. We have expanded our design and production management functions, despite overall headcount reduction. Our key objective was to establish a much more resilient business, at lower levels of activity and this was achieved.

Our reported gross margins include labour and fixed production costs, however our underlying margins comprised of sales less underlying variable material cost. Our underlying margins have continued to improve during 2020. Our reported gross margin was 21% (2019: 31%) and EBITDA fell to negative £1.1m (2019: positive £2.0m) and PBT to a loss of £2.3m (2019: £0.6m profit), although we returned to a profitable model during the second half of 2020, resulting in positive EBITDA for the second half as a whole.

Inventories reduced to £15.0m (2019: £17.3m), as our change in mix of business and operational improvements facilitated a more consistent and predictable pattern for managing down inventory. Our counter measures for operational costs continued to gather pace with headcount reducing to 1,096 (2019: 1,224). Raw material prices have broadly stabilised, and we have recalibrated our procurement accordingly.

Net debt at 31 December was £10.1m (2019: £9.7m). The shape of the business necessitated increased debtor days, whilst at the same time supporting our customers who took longer to pay. Despite this, we have actively sought to improve payment to suppliers and therefore we actually paid them 1 day faster on average than 2019.

Currency moved slightly against us for 2020, although average exchange rates were broadly unchanged on 2019. The Group aims to hedge between 40% to 60% of requirements, with an average rate of $1.34 to June 2022. The average rate in 2020 for the Group was $1.31, broadly unchanged on 2019. As a guide 10% change in US$ against GBP could impact profitability by £0.3m either positively or adversly. This risk is less pronounced than previous years, illustrating the diminished impact currency had on operating profits compared to recent years.

Over the past three years we have invested £1.2m in machinery to improve our efficiency and expand our capability, particularly in Ethiopia for shoe manufacturing, although we are not yet fully utilising this capacity. We are planning further capital investment of c£0.9m over the next twelve months, as we look to improve margins and operating efficiency, whilst anticipating growth in new markets.

In Ethiopia, we have demonstrated our broader manufacturing capability in the production of footwear as well as, leather for the Vivobarefoot and Soul of Africa brands. Further development of finished product manufacturing in Ethiopia continues to be an important strategic goal.

As a result of COVID-19, our retail venues were forced to close and we decided not to renew our lease at Clarks Village, Somerset, and to focus more on digital channels which achieved increased sales this year.

Market view

Numerous global factors continued to impact the demand for leather, principally COVID-19 lockdowns, China/US tariffs and general economic weakness. Brexit has had little impact on the Group, by and large, and we don't anticipate this changing in the near term.

The trend of global demand over the past few years has been downward for both finished hides and skins. However, given the increase in consumer appetite for outdoor pursuits, including golf and endurance, it is likely we will see recovery in demand in our market segments when social restrictions ease.

Some of our market segments have been harder hit by the pandemic, most notably the aviation and automotive industry, where global sales are down dramatically on 2019, although we continued to sell to them. Notwithstanding the challenges faced by these industries, we have been focused on innovation to deliver better technical performance and create sustainable products across a broader range of markets, including big shoe, interiors, military and equestrian.

Operations

During the year we responded to the lower levels of volume by challenging how we work. The supply chain has been supportive in realigning costs which has led to a lowering of the Group's operating costs, whilst providing a better fit to support operations. A key change to production was the recalibration of supply of performance leathers, with processing split between Ethiopia and the UK, to make full use of the technical strengths of both divisions.

We remain committed to the growth opportunities of the interiors markets and are actively in dialogue with automotive and aviation prospective customers. We have also launched a new fire retardant technology for the mass transit market. Our new **Explorer Firebloc™** leather incorporates this technology and is aimed at the rail sector.

In Ethiopia, we have demonstrated our broader manufacturing capability in finished product and have increased sales in footwear, alongside the production of shoe leather for Vivobarefoot and Soul of Africa, marking an important milestone. Further developing our finished product manufacturing in Ethiopia continues to be an important strategic goal for us.

Investing in the next generation of our team is an important part of our business. With this in mind, we have been approved for the UK Government's Kickstart scheme for 16-24 year olds. So far, we have recruited 13 kick start team members and we plan more.

Technical

Jon Loxston has taken on the role of Chief Technical Officer (CTO) to lead our solution driven approach to current and future customer needs.

Pittards HQ in Somerset is the intellectual hub of the Group. Research and development is carried out to create innovative technologies, processes and performance products. By way of example, in 2020 this led to the release of two new products:

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

Pittards Explorer **Firebloc™** leather has been designed specifically for the management of heat and fire resistance where the highest performance upholstery leather is required on rail transport. Using advanced chemistry and innovative manufacturing techniques. Pittards has imparted high performance heat management, smoke, toxic emission control/suppression and fire resistance to upholstery leather which conforms to EN45545-2 2018, the European railway standard for fire safety.

The grounds of our tannery in Ethiopia support our own crops of mangoes, avocados and coffee together with being home to 45 bee-hives. Committed to on-going improvements of our environment we added to the trees planted in celebration of the Ethiopian Millennium in 2007 with a further 7,500 in 2019 as part of a government reforestation initiative.

We continue to invest in capital equipment which is targeted at improving production efficiency or reduces energy and water use. In 2020 we initiated the purchase of: a new vacuum drier, three dye drum vessels, a whole hide splitting machine and two shaving machines. Alongside this, our technical team routinely review our factory processes to improve overall efficiency in line with our sustainable approach to operations in general.

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

Pittards is ISO 14001:2015, major brand audited and REACH compliant. We are also ISO 9001:2015 compliant and Leather Working Group (LWG) Bronze Medal rated in the UK. We have long experience with customer Restricted Substance Lists (RSL) and Material Restricted Substance Lists (MRSL) and working within the ZDHC framework. We work with chemical partners that take a strategic approach to environmental impact.

Sustainability highlights

- In response to COVID-19, Pittards manufactured and donated scrubs bags to NHS workers and manufactured reusable face masks for distribution to employees and general sale
- Several capital investment projects were committed to reduce process water and energy usage
- 100% of packaging now recyclable
- Kickstart program adopted to provide opportunity for local 16-24 year olds at risk of long-term unemployment
- Tax award won for recognition of our tax integrity and governance in Ethiopia for the second year running

Sustainability

Pittards can trace its history back to 1826 and is looking forward to its bi-centenary in 2026. One of our consumer brands, Daines and Hathaway, was founded in 1922 and will commemorate its centenary next year. Pittards Ethiopia Tannery Share Company has been under Pittards control since 2005, but was established in 1974 and therefore is looking forward to its 50 year anniversary in 2024. Our finished product manufacturing facitities in Addis Ababa are also over 10 years old.

With this depth of heritage and history the core values of sustainability are embedded deeply into the business and the way we work. People are at the core of everything we do, not only as our team members, but also within the communities that surround us, our customers and our supply chains.

The Group is proud to have a history of long serving employees with many having served more than 25 years, often alongside family members and with links back to previous generations. Our companies have long been established in their communities, both in the UK and Ethiopia, and our committment to these communities is long term in nature.

2020 has been a year of consolidation and recalibration, but we believe we have improved the resilience of our business. During this time we have focussed on our customers, our team members and innovation. We evaluate our processes and operations in keeping with our continuous improvement philosophy. Our primary emphasis is to reduce our enviromental impact through reduced energy and water consumption, together with increased recycling and repurposing of our waste. We also recognise investment in our team members and local communities is critical. This has been developed into our sustainability objectives.

Community is important. Together with our in-house clinic for employees and their families we support the local school in Ethiopia through the construction of new classrooms.

Sustainability objectives

- Carbon decrease of 10% by 2025
- Waste generation and water consumption decreases by 20% by 2025
- Gearing below 60% by 2024
- Continue with our apprenticeship programme
- Continue building more classrooms in Ethiopia
- Continue planting trees, building on the 12,000 already planted
- Establish self-generated renewable energy
- Develop a Repurposed Leather range of leather goods
- Develop a leather goods repair facility

As a key supplier to many first response services, it was important to support those customers and so we remained open throughout 2020. Photo credit W&R

Stakeholder engagement shaping our decisions in 2020 (Section 172)

Background

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

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

The main Board met more frequently via remote virtual meetings in 2020, particularly during the first lockdown, meeting every week during the initial phase of the pandemic.

Our shareholders were unable to attend the AGM in 2020 due to COVID-19 restrictions. To help communication we chose to provide a trading update in July 2020 and again in February 2021. Our dialogue with key shareholders helped shape our decision making and we have updated our plans to accommodate an alignment in mutual goals.

We actively sought to communicate more regularly with suppliers and paid more frequently in 2020 improving our average days to pay. The dialogue and decision making tries to balance the competing pressures, so we are fair to suppliers, customers and shareholders. We improved payments to suppliers to paying on average 58 days from invoice date (2019: 59 days).

We took a positive approach to initiatives, particularly the UK government DWP schemes to protect jobs and get business starting back stronger. Two such initiatives were Furlough and Kickstart; we sought to embrace the spirit of those schemes. We believe they have both been positive initiatives in strengthening our long-term prospects.

Continue to operate throughout pandemic

We are proud to have supported business through the pandemic to deliver vital support to the response services and indeed balance the fiscal challenges with keeping staff safe, customers satisfied and operating in a balanced way. It was clear from some customers that they needed us to continue to supply throughout the pandemic, in order to preserve the supply chain to front line services.

We decided on a strong early response to COVID-19 with a three-week closure of principal production to overcome the risk of the first wave and the many unknowns at that time. Once through this phase, we sought to bring staff back as quickly as we could, mindful of safety, staff mental well-being and the needs of our customers whilst also minimising the claim on the government. We also made masks during the pandemic and donated scrub bags to NHS services.

Furlough of staff

During the first lockdown we furloughed 127 staff out of 168 UK staff. By the summer this had fallen to less than 50 staff on furlough and we were furlough free by November 2020. The decision to take drastic action early to protect staff and the business, resulted in jobs being saved. This action ensured we could balance our finances to continue to pay suppliers weekly, improve cash and start 2021 in a stronger position.

Since November 2020 we have not sought significant furlough support; however, we do anticipate for 2021 a small number of staff on Furlough for health reasons, with Furlough being employee led. We do not anticipate these claims being material and hope all staff can resume full duties when it is safe to do so.

Long term funding

Engaging with Lloyds Bank as early as February 2020, with a proposal to bolster our finances, demonstrated our commitment to tackle issues quickly. The successful bid for a CBILS 6 year £1m term loan, enabled our planned changes to achieve a more sustainable business and was key to both enhancing our finances and strengthening our relationship with Lloyds Bank. We have outperformed on our forecast to them and delivered on our promise to reform our cost base.

The creation of an in-house design and development resource for footwear allows for fast-tracking of innovation and broader capability to support manufacturing partnerships.

Stakeholder engagement shaping our decisions in 2020 (Section 172) (continued)

Headcount restructuring

We needed a more sustainable solution to manage costs against lower volumes, some staff moved voluntarily to reduced hours working contracts. These changes especially address back office functions and management roles so we could minimise fixed costs. We have sought to automate and use technology to accelerate developments in our back office functions to succeed in sustaining these changes whilst improving the quality of the output.

Innovation and insourcing design team

The motivation for this was to improve the balance in the team and address our growing customer needs, by creating new jobs displacing work previously carried out abroad by third parties, with the added benefit of cost reduction. We were successful in developing, **Tri Protex ™** our anti bacteria technology along with developing in house capacity in the UK for new shoe ranges.

Pay cuts during 2020

Directors and senior staff took a pay cut from April through to November to support the business during exceptional circumstances. This decision was designed to balance stakeholder interest, including shareholders, bank, and staff (job protection). We would like to express our gratitude to staff for this financial support and commitment.

Shares buy back

The Board utilised the strong cashflow in Q4 to complete a substantial share buyback of 934,210 shares. In arriving at this decision, the Board considered the financial performance of Q4 and shareholder views. The Board, Directors and staff were consulted and participated in individual share purchases at the same time.

Kickstart scheme

In order to facilitate improved development of production process and access higher volumes with customers, the Group signed up to the DWP's Kickstart scheme. We anticipate around 30 production staff to join on the kickstart scheme to help improve production, skills and efficiency in 2021. We aim to offer participants long term opportunities whilst also optimising our production efficiency.

Closure of Clarks Village retail site

We took the decision to close our Clarks Village retail site. There was a break clause within our lease allowing us to exit in 2020, and regrettably this led to 3 staff redundancies. Our Street retail venue was incidental to the Group's activities but did offer the group a meaningful annual cost saving of circa £0.1m. We were able to redeploy some staff towards our web offering, which has performed well in 2020 and enhances our existing remaining retail venue at our UK site in Yeovil.

Pittards Explorer **Firebloc™** leather has been designed specifically for the management of heat and fire resistance where the highest performance upholstery leather is required on rail transport

Outlook for 2021

The global pandemic has had a big impact upon our business. Our resilience has enabled us to come through one of the most serious set of circumstances we are likely to face, and we have emerged a stronger business today than we were in 2019.

Looking forward to 2021, we have started the year with a better order book. Whilst some of this may have been from the need to refill the supply chains there are also signs of a general recovery in demand. In addition to our traditional markets, we are also well placed to respond to our new strategic market sectors of interiors (automotive, aviation and rail), larger shoe brands and shoe production in Ethiopia.

With a more efficient cost base we will be able to respond more positively to recovering demand in the global marketplace, and new capital projects being delivered will allow us to grow more capacity in a more efficient way.

Our commitment to our sustainable and responsible supply chains is well established and we will continue to build upon our continuous improvement culture.

The successful development of **Explorer Firebloc™** for the mass transit market and **Tri Protex®** antimicrobial technology, demonstrates our market led innovation, with more developments to come.

Our employees have come through many challenges during 2020. By working together and evolving our working practices we will continue to develop our flexible approach allowing agile responses to our customer’s needs.

Although there are still some unpredictable macro-economic factors, and some inflationary cost pressures our confidence is growing as we build a more balanced business with a broader range of customers.

Cash management will remain a key focus and we believe opportunities currently still outweigh risks to build on our 2020 second half performance.

Reg Hankey
Chief Executive Officer
23 March 2021

Pittards leather is used in the UK production of Dr Martens iconic boots. It is a partnership that underlines the strength of heritage and manufacturing expertise that runs through both businesses, together with the growing importance of UK-made footwear.

Photo credit: Dr Martens

Chief Financial Officer’s report

Financial review

Reduced revenue at £15.2m (2019: £22.3m), arising from the periods of substantial disruption earlier in the year, inevitably led to Group gross profit falling to £3.2m (2019: £6.9m). This obscured the better mix of business and lower raw material cost, which bodes well for underlying margins. We expect to resume the improving trend of gross margins from 2019, underpinned by the low-cost facility in Ethiopia, improved operational efficiency and broader product range.

Cost savings were a key feature of 2020, with annual cost savings heading into 2021 compared to 2019 of £2m. 2021 will benefit from our newly aligned cost base, whilst 2020 benefitted from furlough support of £0.6m. Furlough support had minimal impact on the second half of 2020 at £0.1m, as there were no furlough claims in November or December and no material further claims for support are planned for 2021. We are not reliant on any form of cash deferment or subsidy at this time.

We are addressing inventory control, through lowering capacity and adapting our processing model with Ethiopia, broadening the portfolio into 2020 and improving quality control. Our slow-moving inventory fell to £2.8m (£3.2m:2019), and we have addressed capacity and new channels to aid a reduction of core skin inventory.

Overall inventory levels have fallen to £15.0m (2019: £17.3m), and we are confident we will build on this progress in 2021, as our newly aligned capacity plan and business model should facilitate further de-stocking in 2021.

Apart from inventory, working capital has been adversely affected by the changing shape of the business. Credit terms to new markets and customer mix has resulted in a modest increase in debtor days. We have supported the supply chain with faster payment in 2020 compared to 2019.

We were encouraged to achieve net debt at £10.1m (£9.6m: 2019), after the peak earlier in the year of £11.5m, considering that we have also funded treasury shares worth £0.4m, with our share buyback during Q4-2020. This was a robust cash performance, with a £1.6m improvement in net debt since the half of 2020 on a like for like basis, and to preserve debt within £0.1m of 2019 allowing for treasury shares.

One of the Group’s key financial measures is gearing. Our gearing rose to 73% in 2020 but we remain committed to manage down gearing to sustainably below 70%.

During the year, Return on Capital Employed (ROCE) was negative, decreasing from 4.2% positive in 2019. On an ongoing basis, our Return On Investment (ROI) is recovering positively and we are targeting to deliver our near term objective of returns above our Weighted Average Cost of Capital (WACC) which fell to 3.8% in 2020 (2019: 4.9%).

End of year position

Net assets have decreased from £17.5m to £13.9m, mainly due to the loss in the first half of the year and the devaluation of Ethiopian BIRR.

The Group is actively seeking to mitigate foreign exchange risk as far as practical. Due to economic uncertainty, we eased the hedging strategy in 2020 by lowering cover to 40% and extending cover to June 2022. Sales proportionally in GBP increased during 2020 assisting in lowering currency risk to £0.3m annual impact on PBT, for every 10% move in US$.

Total net debt (including lease obligations and overdrafts) increased to £10.1m as of 31 December 2020. Our headroom on Group facilities improved however to £3.3m (£2.6m: 2019). Allowing for own share purchases into treasury of £0.4m, our like for like debt was £9.7m net debt as at 31 December 2020 (2019: £9.6m net debt) when we did not have treasury shares. The UK business achieved positive free cashflow (excluding CAPEX) for the year, helped by falling inventory and improving EBITDA, marking a significant change in operating performance.

Over the last two years we have invested £1.2m in capital programmes to enhance operating capability and efficiency. We plan increased capital spend in 2021, of circa £0.9m across the Group after a pause during 2020, but these spends will be carefully targeted with short payback, operational efficiencies and growth prospects.

Business environment

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

The Group operates in the UK, where it sources most of its hides, and in Ethiopia, where it sources local hair sheep skins, goat skins and hides. The Group exports on average 79% of its production into over 44 countries and four continents.

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

Anti-Bribery and Corruption

Pittards is committed to conducting its business affairs to ensure that it does not engage in or facilitate any form of bribery or corruption in any parts of its supply chain or in interaction with other stakeholders regardless of geographical location. Expected standards of behaviour are outlined in the anti-bribery and corruption policy, which also provides guidance on the giving and receiving of gifts and hospitality.

Principal risks and uncertainties

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

Coronavirus (COVID-19)

The safety of our staff, customers and wider community remains our key priority, and we will observe government guidance. It is too early to judge if things can sustainably improve. The uncertainty of a lock down appears more predictable now, whilst there remains considerable uncertainty both domestically and internationally. Following a further lockdown enforced in January 2021, it has not so far materially impeded our progress. We have learnt a great deal about operating the business through periods of disruption, and we maintain contingency both in resources and available funding should further unforeseen disruption arise.

Currency

The Group is subject to the current volatility in the currency markets, particularly US dollar, Ethiopian Birr and Euro. The Group manages its exposure by maintaining a natural hedge where possible, for US dollar and Euro. In 2020, the Group entered foreign forward currency contracts to hedge against movements in the US dollar, adopting a new cash flow hedging strategy, in response to the anticipated continued volatile currency markets. The Group has moderate forward cover of 40% through to June 2022 and will continue to review strategy in this area in the light of certainty of future sales, mix of business, customer sentiment and order flow.

Political

Globally the political environment has been variable during 2020, we view this as short term in nature, and it has not impeded business operations. In the UK, we now have more certainty regarding the country's future relationship with the European Union. The Group's exposure to Europe is largely supply driven, with some of its key purchases derived from Europe. The global situation has a more optimistic tone at the start of 2021 and in the meantime, we look to diversify as far as practical.

Supply

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

Energy and waste management

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

Working Capital

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

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

Bank facilities

As disclosed in **Note 1b** of the financial statements, our banking facilities have been renewed on similar terms until March 2022. Headroom on our facilities at year end was £3.3m, up £0.7m on 2019, due mostly to being supported with a new Coronavirus Business Interruption Loan (CBILS), which has a 6 year term remaining, being repaid in full in 2026. New overdraft facilities are renewed on the same basis as 2020.

Share buybacks

During the year, the company purchased 934,201 of its own ordinary shares, representing 7.98% of the issued share capital, for £355,000.

Richard Briere
Chief Financial Officer
23 March 2021

Directors, officers, and advisers

Non-Executive directors

S Yapp FCMA MBA, Chairman, non-executive [B C]
Stephen Yapp (63) joined the Group in June 2015 and was appointed as Chairman in May 2016. Stephen has more than 25 years' experience as a Director of public and private companies over the course of his career. He is also a former director of Downing Strategic Micro-Cap Investment Trust Plc, as well as several private companies, having held similar roles in other listed companies over recent years. Stephen is also a Fellow Chartered Management Accountant and holds an MBA.

G P Davis FCA, non-executive [A B]
Godfrey Davis (72) joined the Group in February 2014. He is non-executive Chairman of Mulberry Group plc. He also holds several other directorships, including Hestercombe Gardens Ltd and King's Schools (Taunton) Ltd. Godfrey is an experienced leader of private and publicly owned entities and has a strong understanding of the UK AIM market. He has a deep knowledge of the leather goods sector accumulated over many years' experience.

L M Cretton BA (Hons), non-executive [A B]
Louise Cretton (63) rejoined the Group in August 2015 having previously served for twelve years until 2013 and was subsequently appointed as Audit Committee Chair. Serves as a non-executive director and vice chair of Croydon Health Services, where she chairs people and place committee and remuneration committee. Louise has extensive experience in international quantitative and qualitative research, brand engineering, strategic development, and planning. Trustee of Surrey Club for Young People.

Executive directors

R H Hankey BSc, FSLTC, LCGI, FCGI, FCMI, CDipAF, Chief Executive Officer [C]
Reg Hankey (65) was appointed to the Board in January 1998 having joined the Group as Technical Director of the Yeovil Division in 1990. He was appointed Chief Executive on 19 July 2007. He is also a Director and past President of Leather UK and chaired LIAC for the University of Northampton for over 20 years.

R Briere ACMA, CGMA, Chief Financial Officer, Company Secretary
Richard Briere (47) joined the Group as Chief Financial Officer and Company Secretary on 19 March 2019. Richard has broad experience across the manufacturing and distribution industries, including JCB, A-GAS and Knorr Bremse.

Associate Directors

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

Jon (52), a leather industry professional for over 30 years, started his career with Pittards in Yeovil as a leather technician, achieved Leather Technology qualifications and progressed through the business. Jon has a degree in International Business, he is a director and pension trustee of Leather UK, holds a position on the Leather Working Group (LWG) Executive Committee and additionally chairs the LWG Technical Subgroup.

T Mekbib – BSc, MBA, Divisional Managing Director

Tsedenia (43) has both a degree in Chemistry and an MBA from the University of Leicester. Having worked for GlaxoSmithKline, Tsedenia joined Pittards in 2011. In 2017, she was appointed Managing Director of Pittards Ethiopia with responsibility for operations at the tannery in Ejersa and the product manufacturing factories in Addis Ababa.

Key for directors

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

Registered Office and principal place of business

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

Advisers

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

Associate Directors

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

Pittards leathers that combine grip performance and perspiration resistance are a key branded component in Franklin baseball batting gloves. It is this ability to create custom technologies for our customers that creates partnerships for the long term.

Statement of Corporate Governance

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

The Group is led and controlled by the Board who are responsible for approving Group policy and strategy for the benefit of its shareholders in accordance with their fiduciary and statutory duties. The Board comprises of two executive members and three non-executive directors whose biographies are on **pages 26 and 27,** and further includes 2 executive associated directors as key senior directors in the business, responsible for technical and the running of the Ethiopian business. These show the range of business, technical and financial experience on which the Board can call.

Chairman and Chief Executive

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

Non-Executives

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

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

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

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

Communication with Shareholders

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

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

Committees

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

Audit Committee

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

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

The audit committee agreed an interim review by PKF Francis Clark of our six months results (unaudited) for a fee to strengthen the review of results ahead of full year results.

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

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

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

Remuneration Committee

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

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

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

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

Nominations Committee

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

Internal Controls

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

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

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

Internal Audit

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

Risk management

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

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

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

Significant risk areas

The significant areas of risk and judgement in relation to the Group's financial statements for the year ended 31 December 2020, as discussed at the Audit Committee, are as follows:

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

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

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

Board attendance and activities

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

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

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

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

During 2020 the Board's activities included

- Informal meetings weekly during much of 2020, to agree recovery plan and key actions re, COVID-19
- Consider and approve a share buyback
- Agree parameters for the future parameters for dividend payments
- Approval of the Annual Accounts and Reports 2019
- Set the Group's 2020 budget and business plan and endorse the plan to reduce headcount by 128 staff
- Received detailed reports on the Group's operating and financial performance and safety performance
- Received updates on progress against strategic programmes and tested the overall strategy against the delivery of shareholders' long-term objectives
- Frequently considered the evolving economic, political and market conditions relative to Brexit
- Considered competitor behaviour, including the impact of failing contractors and the resulting impact on the industry as a whole
- Considered and agreed in principle a set of targets for the acceptable level of resilience, liquidity, and headroom

- Reviewed the Group's forecast funding requirements, debt capacity and potential financing options that would enable achievement of the desired resilience targets
- Agree new debt facility (CBILS), government backed, also new grant funding (Kickstart) which starts Feb-2021
- Reviewed cash forecasts and cash management key risks, together with the adequacy of mitigation controls
- Approved the building of more classrooms near the Ethiopian Tannery site
- Received regular reports from the Chairs of the Audit, Remuneration and Sustainability Committees on activities and recommendations of the Committees
- Considered the continued personal development of the Executive Committee
- Implemented senior management incentive arrangements ensuring alignment with shareholders and approving an amendment to the Growth share scheme which was introduced in 2019.
- Evaluated the short and long-term trends in sustainability that would help to inform the wider business strategy and the Group's long-term planning process.

Board performance

The Company undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports. Responsibility for assessing and monitoring the performance of the Executive Directors lies with the independent Non-Executive Directors. Key performance indicators are detailed on **page 7.**

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

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

Corporate culture

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

Stephen Yapp
Chairman
23 March 2021

Directors' report
for the year ended 31 December 2020

The directors submit their report together with the audited consolidated financial statements of the Group and the Company for the year ended 31 December 2020.

Dividends

No interim dividend was paid in respect of 2020 (2019: £nil) and the directors are not recommending the payment of a final dividend (2019: £nil).

Going concern

Whilst the pandemic created an initial shock for the business, the trading environment during the pandemic is such that whilst it remains and indeed when it is resolved, we do not see any reason to expect the business model to be unduly affected. Our assumptions for going concern include no further government support, no further accessible cost reductions, and the risk of a downturn in activity. We retain adequate facilities to weather a range of outcomes, leading the Board to believe there are no doubts on the Group being able to continue as a going concern.

The Group and Company meet their day to day working capital requirements through their bank facilities. The banking relationship with Lloyds Bank has remained strong during 2020, with consistent delivery against internal forecasts and improving cashflow. Since the year end our expiring banking facilities have been subject to discussions on their revision and renewal; agreement has been reached and formalised, renewing facilities until March 2022.The bank has formally waived our covenant breach to 31 December 2021. Further information on going concern can be found in **Note 1(b)** of the accounts.

Brexit

There has been no material impact to date and the Group does not envisage any going forward.

Research and development

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

Treasury policies

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

Overall, some 79% of Group revenue is in US dollars, 14% in Sterling, 2% in Ethiopian Birr, 3% in Euros and 2% other. Where possible, a natural hedge is maintained against the Group's currency exposure. During 2020, a review of the Group's foreign currency risk management policy has been performed, resulting in the adoption of a cash flow hedging strategy with the use of forward foreign currency contracts for US dollars.

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

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

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

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

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

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

Creditor payment policy

The Group does not follow a particular code for the payment of suppliers. It is the Group's policy in respect of major suppliers to settle terms of payment when the terms of each transaction are agreed, to ensure the supplier is made aware of the terms of payment and to abide by the terms of payment. Our policy is to attract and retain the best supply chain that can offer comparable terms to customers being 60-day payment terms. Trade payables at the year-end represented 58 days' purchases (2019: 59 days).

Equal Opportunities

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

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

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

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

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

Employee consultation and involvement

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

Stakeholder engagement is covered in the s172 statement on pages 17 to 19.

Carbon Reporting

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

We have followed the UK Government Environmental Reporting Guidelines (March 2019) including streamlined energy and carbon reporting guidance published by the UK's Department for Business, Energy & Industrial Strategy (BEIS). Emission factors were sourced from the UK Government's GHG Conversion Factors for Company Reporting 2020. Gas and electricity are considered the principal energy sources and usage figures were obtained from our current provider.

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

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

GHG emissions and energy use data for the period 1st January 2020 to 31st December 2020

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

Substantial interests

In addition to those disclosed under directors' interests, the Company has been notified of the interests under section 793 Companies Act 2006 as of 12 February 2021 shown in the table below. No significant movements impacting the profile of the key shareholders have been noted since 31 December 2020.

Shareholders	Holding 50p share	% holding
Mr John A Rendell	2,775,000	21.42%
Downing Corporate Finance	1,811,107	13.98%
Artemis Investments	1,033,122	7.98%
Ruffer	1,131,250	8.73%
Pension Protection Fund	790,747	6.10%
Rath Dhu	550,000	4.25%
Hargreaves Lansdown Asset Management	476,514	3.68%
Armstrong Investments Limited	475,000	3.67%
Denton Pension Mgt	433,333	3.35%
Total held by above group of shareholders	**9,476,073**	**73.1%**

PLC Board share-holding and treasury shares held	Holding 50p share	% holding
Treasury shares held (non-voting rights)	934,210	7.21%
Pittards PLC Board members (aggregate) carrying voting rights	870,182	6.72%
Total holding by PLC board and held in treasury	**1,804,392**	**13.93%**

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 below. And does not include holdings by associate directors.

Directors' interests	Fully paid 50p shares	At end of year Share Options	Fully paid 50p shares	At end of year Share Options
R Briere	**100,000**	**-**	20,000	-
L M Cretton	**27,353**	**-**	14,203	-
G P Davis	**153,882**	**-**	87,567	-
R H Hankey	**342,822**	**-**	247,333	-
S Yapp	**207,759**	**-**	112,517	-
Total held PLC board (excludes associate directors)	**831,816**	**-**	481,620	

Directors

The persons named on pages 29 and 30 are the directors during the year and up to the date of approval of the Annual Report. S Yapp and L Cretton retire by rotation and offer themselves for re-election at the forthcoming AGM.

Directors' interests

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

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

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

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

	% entitlement
Richard Briere	20%
LM Cretton	5%
GP Davis	5%
RH Hankey	40%
S Yapp	30%

Annual General Meeting

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

The authority for all the above resolutions expires on the date falling 15 months after the passing of the resolutions or the conclusion of the Annual General Meeting in 2022 (whichever is earlier).

Independent auditors

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

This report was approved by the Board on **23 March 2021** and signed on its behalf by:

Richard Briere
Chief Financial Officer

Statement of Directors' responsibilities in respect of the financial statements

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

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

- Select suitable accounting policies and then apply them consistently.
- State whether applicable IFRSs as adopted by the 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 comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

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

Each of the directors, whose names and functions are listed in the Directors' and officers' section on **pages 29 and 30** 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, financial position, and loss 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 Annual Report includes a fair review of the development and performance of the business and the position of the Group and parent Company, together with a description of the principal risks and uncertainties that it faces.

Technical leathers offer real in-wear benefits for the consumer electronics sector. The luxury Focal for Bentley Radiance headphones feature premium Pittards leather on the ear pads and headband.

Statement of Directors’ responsibilities in respect of the financial statements (continued)

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

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

On behalf of the Board:

Reg Hankey
Chief Executive Officer
23 March 2021

Pittards Automotive leathers meet the exacting technical standards of the sector without compromising the natural handle and aesthetic qualities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PITTARDS PLC

OPINION

We have audited the financial statements of Pittards plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, group and company balance sheets, group and company statements of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group and parent company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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

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

OUR APPLICATION OF MATERIALITY

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

MATERIALITY MEASURE	GROUP	PARENT COMPANY
Overall materiality	£215,000 (2019: £221,000)	£193,000 (2019: £220,000)
Performance materiality	75% of financial statement materiality	75% of financial statement materiality
Basis for determination	Composite approach between gross assets and turnover (2019: 1% of revenue)	Composite approach between gross assets and turnover (2019: 1% of revenue)
Misstatements reported to the audit committee	£6,600 (2019: £6,600)	£6,000 (2019: £6,600)

The range of materiality at the four significant components subject to full scope audits: £6,500 - £45,000.

Rationale for the benchmark applied: Based on key metrics used in the annual report and our assessment of the group and parent company operating in a low margin industry, revenue is a primary measure used by the shareholders in assessing the performance of the group. It is also a generally accepted benchmark for determining materiality and was the basis adopted in previous years. However, having taken into account the advent of COVID in 2020 and the disproportionate impact it had on the profit and loss account compared to gross assets, we decided it would be more appropriate to adopt a hybrid approach this year. We therefore determined materiality using a composite of 1% of turnover and 1% of gross assets.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

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

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

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

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been
- received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on **pages 39 and 40**, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

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

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial experience, through discussion with the directors and other management (as required by auditing standards).

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

Firstly, there are laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and Coronavirus Job Retention Scheme (CJRS) legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Our CJRS work included a review of managements calculations and supporting paperwork

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

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

We also evaluated the risk of misstatement of profit/loss, including management bias in accounting estimates.as part of our audit which included substantive procedures around stock and debtor provisioning, property valuations and furlough claims.
Through our procedures, which included inspection of regulatory and legal correspondence, we did not become aware of any material non-compliance at the balance sheet date.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statement. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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

Glenn Nicol
(Senior Statutory Auditor)

PKF Francis Clark
Statutory Auditor
Centenary House
Peninsula Park
Rydon Lane
Exeter
EX2 7XE

23th March 2021

Consolidated Income Statement
For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Continuing operations			
Revenue	3	**15,233**	22,301
Cost of sales		**(12,059)**	(15,404)
Gross profit		**3,174**	6,897
Distribution costs		**(1,632)**	(2,264)
Currency (losses)/gains expensed		**(48)**	250
Administrative expenses		**(3,268)**	(3,706)
(Loss)/profit before operations and finance costs		**(1,774)**	1,177
Finance costs	8	**(508)**	(598)
(Loss)/profit before taxation	4	**(2,282)**	579
Taxation	9	**(144)**	(173)
(Loss)/profit after taxation		**(2,426)**	406
Earnings per share			
Basic	10	**(17.67)p**	2.93p
Diluted	10	**(17.67)p**	2.90p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	**2020** **£'000**	2019 £'000
(Loss)/profit for the year after taxation		**(2,426)**	406
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings - net of deferred tax	11	**508**	139
Retranslation of land and buildings – unrealised exchange (loss)		**(575)**	(406)
		(67)	(267)
Items that may subsequently be reclassified to profit or loss			
Unrealised exchange (loss) on translation of overseas subsidiaries		**(860)**	(931)
Fair value gain on foreign currency cash flow hedges		**6**	339
		(854)	(592)
Other comprehensive (loss)		**(921)**	(859)
Total comprehensive (loss) for the year		**(3,347)**	(453)

Balance sheets
As at 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Assets					
Non-current assets					
Property, plant, and equipment	11	**9,599**	10,240	**5,530**	5,507
Intangible assets	12	**75**	114	**75**	114
Investment in Subsidiary undertakings	27	**-**	-	**378**	378
Loans receivable	25	**-**	-	**1,765**	1,872
Deferred income tax asset	19	**100**	100	**100**	100
Total non-current assets		**9,774**	10,454	**7,848**	7,971
Current assets					
Inventories	13	**15,021**	17,341	**10,916**	11,600
Trade and other receivables	14	**2,848**	3,462	**5,995**	6,288
Cash and cash equivalents		**85**	180	**8**	11
Total current assets		**17,954**	20,983	**16,919**	17,899
Total assets		**27,728**	31,437	**24,767**	25,870
Liabilities					
Current liabilities					
Trade and other payables	15	**2,863**	3,430	**2,730**	2,626
Interest bearing loans, borrowings, and overdrafts	16	**6,909**	9,381	**4,881**	6,871
Total current liabilities		**9,772**	12,811	**7,611**	9,497
Non-current liabilities					
Deferred income tax liability	19	**804**	730	**-**	-
Interest bearing loans, borrowings, and overdrafts	17	**3,294**	376	**2,391**	18
Total non-current liabilities		**4,098**	1,106	**2,391**	18
Total liabilities		**13,870**	13,917	**10,002**	9,515
Net assets		**13,858**	17,520	**14,765**	16,355
Equity					
Share capital	20	**6,944**	6,944	**6,944**	6,944
Share premium	21	**2,984**	2,984	**2,984**	2,984
Capital reserve	21	**6,475**	6,475	**-**	-
Own shares reserve	21	**(850)**	(495)	**(850)**	(495)
Share based payment reserve	21	**47**	295	**47**	295
Cash flow hedge reserve	21	**293**	287	**293**	287
Translation reserve	21	**(4,922)**	(4,062)	**-**	-
Revaluation reserve	21	**1,099**	1,166	**179**	-
Retained earnings	21	**1,788**	3,926	**5,168**	6,340
Total equity		**13,858**	17,520	**14,765**	16,355

In accordance with the exemptions given by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income or Income Statement. The Company made a loss of £1.5m (2019: loss of £0.3m).
*The financial statements on **pages 48 to 77** were approved and authorised for issue by the Board of directors **on 23 March 2021** and signed on its behalf by:*

Richard Briere - Chief Financial Officer

Company Number - 0102384

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Capital reserve £'000	Own share reserve £'000	Share based payment reserve £'000	Cash flow hedge reserve £'000	Translation reserve £'000	Revaluation reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 1 January 2019		6,944	2,984	6,475	(495)	203	(52)	(3,131)	1,433	3,520	17,881
Comprehensive income/(loss) for the year:											
Profit for the year after taxation		-	-	-	-	-	-	-	-	406	406
Other comprehensive income/(loss):											
Gain on the revaluation of buildings		-	-	-	-	-	-	-	139	-	139
Unrealised exchange gain/(loss) on translation of foreign subsidiaries		-	-	-	-	-	-	(931)	(406)	-	(1,337)
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	339	-	-	-	339
Total other comprehensive income/(loss)		-	-	-	-	-	339	(931)	(267)	-	(859)
Total comprehensive income/(loss) for the year		-	-	-	-	-	339	(931)	(267)	406	(453)
Share-based payment expense		-	-	-	-	92	-	-	-	-	92
As at 1 January 2020		**6,944**	**2,984**	**6,475**	**(495)**	**295**	**287**	**(4,062)**	**1,166**	**3,926**	**17,520**
Comprehensive income/(loss) for the year:											
Loss for the year after taxation		-	-	-	-	-	-	-	-	(2,426)	(2,426)
Other comprehensive income/(loss):											
Gain on the revaluation of buildings		-	-	-	-	-	-	-	508	-	508
Unrealised exchange gain/(loss) on translation of foreign subsidiaries		-	-	-	-	-	-	(860)	(575)	-	(1,435)
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	6	-	-	-	6
Total other comprehensive income/(loss)		-	-	-	-	-	6	(860)	(67)	-	(921)
Total comprehensive income/(loss) for the year		-	-	-	-	-	6	(860)	(67)	(2,426)	(3,347)
Share-based payment expense		-	-	-	-	40	-	-	-	-	40
Purchase of own ordinary shares	20	-	-	-	(355)	-	-	-	-	-	(355)
LTIP lapsed transferred to reserves		-	-	-	-	(288)	-	-	-	288	-
As at 31 December 2020		**6,944**	**2,984**	**6,475**	**(850)**	**47**	**293**	**(4,922)**	**1,099**	**1,788**	**13,858**

Company Statement of Changes in Equity
For the year ended 31 December 2020

	Note	Share capital	Share premium	Capital reserve	Own share reserve	Share based payment reserve	Cash flow hedge reserve	Translation reserve	Revaluation reserve	Retained Earnings	Total Equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2019		6,944	2,984	-	(495)	203	(52)	-	-	6,651	16,235
Comprehensive income/(loss) for the year:											
Loss for the year after taxation		-	-	-	-	-	-	-	-	(311)	(311)
Other comprehensive income/(loss):											
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	339	-	-	-	339
Total other comprehensive income/(loss)		-	-	-	-	-	339	-	-	-	339
Total comprehensive income/(loss) for the year		-	-	-	-	-	339	-	-	(311)	28
Share-based payment expense		-	-	-	-	92	-	-	-	-	92
As at 1 January 2020		6,944	2,984	-	(495)	295	287	-	-	6,340	16,355
Comprehensive income/(loss) for the year:											
Loss for the year after taxation		-	-	-	-	-	-	-	-	(1,460)	(1,460)
Other comprehensive income:											
Gain on the revaluation of buildings		-	-	-	-	-	-	-	179	-	179
Fair value losses on foreign currency cash flow hedges		-	-	-	-	-	6	-	-	-	6
Total other comprehensive income		-	-	-	-	-	6	-	179	-	185
Total comprehensive (loss) /income for the year		**-**	**-**	**-**	**-**	**-**	**6**	**-**	**179**	**(1,460)**	**(1,275)**
Share-based payment expense		-	-	-	-	40	-	-	-	-	40
Purchase of own ordinary shares	20	-	-	-	(355)	-	-	-	-	-	(355)
LTIP lapsed transferred to reserves		-	-	-	-	(288)	-	-	-	288	-
As at 31 December 2020		**6,944**	**2,984**	**-**	**(850)**	**47**	**293**	**-**	**179**	**5,168**	**14,765**

Statement of cashflows
For the year ended 31 December 2020

	Note	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash flows from operating activities					
Cash generated from operations	22	**549**	(492)	**218**	(1,001)
Tax paid		**16**	(466)	**-**	-
Interest paid		**(489)**	(566)	**(159)**	(218)
Net cash generated/(used in) from operating activities		**76**	(1,524)	**59**	(1,219)
Cash flows from investing activities					
Purchases of property, plant, and equipment		**(252)**	(635)	**(191)**	(242)
Purchases of intangible assets		**(12)**	(30)	**(12)**	(30)
Net cash (used) in investing activities		**(264)**	(665)	**(203)**	(272)
Cash flows from financing activities					
Proceeds from borrowings		**3,334**	804	**2,750**	-
Repayment of bank loans		**(1,951)**	(1,061)	**(1,209)**	(210)
New finance lease obligations		**-**	200	**-**	114
Repayment of obligations under finance leases		**(71)**	(171)	**(71)**	(147)
Purchase of own ordinary shares	20	**(355)**	-	**(355)**	-
Net cash generated/(used) in financing activities		**957**	(228)	**1,115**	(243)
Increase/(decrease) in cash and cash equivalents		**769**	(2,417)	**971**	(1,734)
Cash and cash equivalents at beginning of year		**(6,131)**	(3,695)	**(5,563)**	(3,829)
Exchange gains/(losses) on cash and cash equivalents		**285**	(19)	**6**	-
Cash and cash equivalents at end of year		**(5,077)**	(6,131)	**(4,586)**	(5,563)

1. Statement of accounting policies

General information

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS") and IFRS Interpretations Committee ("IFRS IC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under accounting standards as adopted for use in the EU. The consolidated financial statements for the years ended 31 December 2020 and 31 December 2019 have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

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

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

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

(b) Going concern

The Group and Company meet their day to day working capital requirements through their bank facilities. The banking relationship with Lloyds Bank remains strong. Since the year end our expiring banking facilities have been subject to discussions on their revision and renewal; agreement has been reached and formalised, renewing facilities until March 2022. In light of the ongoing COVID-19 challenges the Board has sensitised its forecasts and projections for the next 12 months to take account of possible changes in trading performance in order to determine when and to what extent, additional measures may be necessary. Sensitivity analysis has been performed to reflect a further reduction in sales from 2020 levels of 20% with no associated cost savings.

The sensitivity analysis shows that there is adequate cash headroom in bank facilities for the foreseeable future and at least the next 12 months, and in light of a satisfactory start to the year, there are no material doubts on going concern irrespective of the length of the restrictions and pandemic. The Board acknowledges, should it be necessary, we will revaluate this if conditions change.

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

(c) New and amended standards

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

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

(d) Basis of consolidation

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

1. Statement of accounting policies (continued)

(e) Revenue recognition

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

- Sales of goods
Revenue from the sale of skins, hides and retail leather goods is recognised when the performance obligations have been met and the amount of revenue can be measured reliably, usually on despatch.

- Sales of services
Where services are provided, revenue is recognised on an accrual basis in the accounting period in which the service is rendered.

(f) Finance income

Finance income comprises interest receivable in respect of overdue debtors.

(g) Finance expenses

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

(h) Foreign currency translation

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

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

Foreign exchange gains and losses that relate to borrowings, and cash and cash equivalents are presented on the face of the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the Group's translation reserve **(pages 51 and 53).**

(i) Intangible assets

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

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

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

(j) Property, plant, and equipment

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

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

1. Statement of accounting policies (continued)

The Group revaluation policy is to perform a formal revaluation every 5 years, with director assessment in the intervening period, except where a material movement in property valuations is expected. In the UK, the Board instructed an independent RICS Registered Valuer, who concluded that the valuation for the Yeovil site was £3.86m (a rise of £0.18m on net book value). Accordingly, the gain was recognised through the statement of comprehensive income, and assets stated at fair value as at 31 December 2020. In order to arrive at the Fair value, the valuer applied a rate of £30.00psf overall, reflecting a value of £3,860,000, looking at comparable local property sales.

Buildings in Ethiopia were revalued at December 2020 and December 2019 based on the fair value (their depreciated replacement cost) as determined by an independent licensed loss assessor qualified to value buildings in Ethiopia. The increase in value has also been reflected via a revaluation of land and buildings in other comprehensive income. No depreciation has been charged on the building being constructed by Pittards Global Sourcing Limited in Ethiopia as it remains under construction.

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

(k) Inventories

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

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

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

(l) Leases

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is presented within Interest bearing loans, borrowings, and overdrafts in the consolidated Balance Sheet.

The right-of-use assets are presented within Property, plant and equipment in the consolidated Balance sheet and separately disclosed in **note 11.**

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

(m) Government grants

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

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

1. Statement of accounting policies (continued)

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

(n) Current and deferred income tax

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

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

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

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

(o) Retirement benefit costs

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

(p) Financial instruments

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

-Trade and other receivables

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

- Trade payables

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

- Cash and cash equivalents

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

- Bank borrowings

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

- Derivative financial instruments and hedging activities

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

- Holiday pay accrual
The Group accrues for all underutilised holiday at the end of the financial year where a liability to employees exists. In prior years, there was no accrual for holiday pay, as this was not considered material. For the 2020 year an accrual was introduced in the light of a material underutilisation of holidays by staff during the pandemic. This amounted to £0.1m and is included in staff costs for the year.

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

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

(r) Employee share ownership trust (ESOT)

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

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

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

2. Critical judgements and estimation uncertainty

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

(a) Inventory valuation

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

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

(b) Property valuations

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

3. Business segments information

2020	**UK Division £'000**	**Ethiopia Division £'000**	**Consolidation adj £'000**	**Total Total £'000**
Revenue from customers	**13,622**	**4,062**	**(2,451)**	**15,233**
Inter-segmental trading	**(171)**	**(2,280)**	**2,451**	**-**
	13,451	**1,782**	**-**	**15,233**
Gross profit (a)	**3,023**	**413**	**(262)**	**3,174**
(Loss) before tax	**(955)**	**(1,327)**	**-**	**(2,282)**
Assets	**31,506**	**9,219**	**(12,997)**	**27,728**
Total non-current assets included in assets	**7,748**	**3,686**	**(103)**	**11,331**
Liabilities	**(14,894)**	**(6,703)**	**7,727**	**(13,870)**
Net assets	**16,612**	**2,516**	**(5,270)**	**13,858**

All revenue from contracts with customers is recognised at the point in time that the invoice is raised. Rental income is recognised over the period in which the service is performed.

2019	UK Division £'000	Ethiopia Division £'000	Consolidation adj £'000	Total Total £'000
Revenue from customers	20,689	10,080	-	30,769
Income from other sources	46	-	-	46
Inter-segmental trading	(885)	(7,628)		(8,513)
	19,850	2,452	-	22,302
Gross profit (a)	4,731	2,733	(567)	6,897
Profit before tax	344	235	-	579
Assets	30,524	12,533	(11,620)	31,437
Total non-current assets included in assets	7,971	2,545	(62)	10,454
Liabilities	(12,798)	(7,766)	6,647	(13,917)

3. Business segments information (continued)

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

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

2019	UK Division £'000	Ethiopia Division £'000	Total Total £'000
UK	1,842	295	2,137
Europe	1,879	-	1,879
North America	165	989	1,154
Far East and Rest of World	15,964	1,167	17,131
	19,850	2,451	22,301

4. Profit before taxation

	Group	
	2020	2019
	£'000	£'000
Depreciation of property, plant, and equipment (note 11)	**616**	780
Amortisation of intangible assets (note 12)	**51**	63
Low value asset lease expense	**16**	24
Staff costs (note 5)	**6,390**	7,798
Employee benefits expense (life and health insurances)	**72**	137
Research and development expenditure	**63**	57

	Group	
	2020	2019
Auditors' remuneration	**£'000**	£'000
The analysis of fees payable to the Company's auditors is as follows:- Fees payable to the Company's auditors in respect of the audit of the parent company and consolidated financial statements (PKF Francis Clark)	**50**	49
Fees payable to the Company's auditors in respect of the audit of subsidiaries (HST) in Ethiopia	**3**	3
Fees payable to the Company's auditors in respect of assistance review of unaudited interims	**4**	-
Total fees payable to the Company's auditors	**57**	52

5. Staff costs

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

	Group		Company	
	2020	2019	**2020**	2019
	No.	No.	**No.**	No.
Production	**848**	987	**105**	134
Sales, distribution, and administration	**243**	232	**58**	33
Directors	**5**	5	**5**	5
	1,096	1,224	**168**	172

Their aggregate remuneration comprised:

Wages and salaries	**5,656**	6,914	**4,607**	5,449
Social security costs	**455**	513	**455**	513
Other pension costs	**279**	294	**157**	153
Compensation for loss of office	**-**	77	**-**	-
	6,390	7,798	**5,219**	6,115

During the year, the Company took advantage of the UK Government's COVID-19 furlough scheme. The amount of grant received was £0.652m which has been offset against the Wages and salaries costs shown above.

6. Directors' remuneration

	Salary & fees	Profit related pay	Benefits	Pension contributions	**2020**	2019
	£'000	£'000	£'000	£'000	**£'000**	£'000
Executive						
RH Hankey	**196**	**-**	**2**	**10**	**208**	220
R Briere	**119**	**-**	**-**	**6**	**125**	99
Non-Executive	**-**					
LM Cretton	**36**	**-**	**-**	**-**	**36**	39
GP Davis	**36**	**-**	**-**	**-**	**36**	39
S Yapp	**65**	**-**	**-**	**-**	**65**	83
	452	**-**	**2**	**16**	**470**	480

Key management compensation

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

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

	2020	2019
	£'000	£'000
Salaries, bonus, and other short-term benefits	**210**	274
Pension contributions	**11**	28
	221	302

Nil options (2019: 5,487), remain outstanding for key management personnel in relation to the 2017 Save As You Earn scheme which ceased 30 June 2020. The company no longer operates a SAYE scheme.

7. Share options

2017 Save As You Earn Scheme (SAYE)

On 16 May 2017, a Save As You Earn (SAYE) share option scheme was granted to employees. The options under the SAYE scheme lapsed on 1 July 2020. No new SAYE scheme has been opened due to the uncertainty surrounding COVID-19, this will be reassessed later in the year.

Details of the share-based payment cost recognised during the year are:	**2020**	2019
	£'000	£'000
At 1 January	**45**	30
Share-based payment expense	**2**	15
At 31 December	**47**	45
Assumptions		
Grant date	**16/5/17**	16/5/17
Share price at grant date	**86**	86
Exercise price	**65.6**	65.6
Vesting period	**3.0 years**	3.0 years
Expected volatility	**0.31**	0.31
Risk-free rate	**0.2%**	0.2%
Dividend yield	**0.0%**	0.0%

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

	2020		2019	
	No of options	**Exercise price**	No of options	Exercise price
Outstanding at the beginning of the year	**131,249**	**65.6**	154,571	65.6
Lapsed during the year	**(131,249)**	**65.6**	(23,322)	65.6
Outstanding at the end of the year	**-**	**65.6**	**131,249**	**65.6**

2016 Long term Incentive Plan (LTIP)

On 26 September 2016, a Long Term Incentive Plan (LTIP) was granted to certain members of the Board. During 2019 a new Growth share scheme was put in place to replace the existing scheme rules, preserving the same basis of the scheme that was established on 26th September 2016. The LTIP growth share scheme was modified in December 2020, due to the impact of COVID-19, when the excise period was extended to April 2023, formerly August 2022, and the excise price reduced to 70p, capping awards at not more than 10% of issued capital for achieving a share price above 100p. The annual profit and loss expense for this LTIP is £20k. Further details are shown below.

Details of the share-based payment costs recognised during the year are:-	**£'000**	£'000
	2020	2019
At 1 January	**250**	173
Share-based payment expense	**40**	77
LTIP lapsed transferred to reserves	**(290)**	0
At 31 December	**-**	**250**
Assumptions		
Grant date	**14/12/2020**	26/09/2016
Share price at grant date	**47.5**	94.5
Exercise price	**70.00**	120.0
Vesting period	**2.5 years**	5.5 years
Expected volatility	**0.454**	0.395
Risk-free rate	**0.1%**	0.1%
Dividend yield	**0.0%**	0.0%

8. Finance costs

	2020 £'000	2019 £'000
Interest on bank loans and overdrafts	**500**	566
Interest on obligations under finance lease and hire purchase contracts	**8**	17
Other finance costs	**-**	15
	508	**598**

During the year, the Company took out a loan under the Coronavirus Business Interruption Loan Scheme (CBILS). Interest for the first year of the loan is paid direct to the bank by the Government. The amount of interest due on the loan for the year ended 31 December 2020 but not borne by the Company was £18k.

9. Taxation

	2020 £'000	2019 £'000
(a) Analysis of the credit)/charge in the year		
The (credit)/charge based on the (loss)/profit for the year comprises:		
Corporation tax on (loss)/profit for the year	**-**	200
Foreign tax on profit for the year	**79**	41
Foreign tax related to prior years	**65**	144
Total current tax	**144**	385
Deferred tax		
Origination and reversal of temporary differences	**-**	(212)
Total deferred tax	**-**	(212)
Income tax (credit)/charge	**144**	173

The Company's (losses)/profits for the year are taxed at the standard rate of corporation tax in the UK of 19% (2019: 19%) and Ethiopia of 30% (2019: 30%). The tax assessed in each year differs from the standard rate of corporation tax for the relevant year. The Group expects a more normalised split of profits between the UK and Ethiopia in 2021 and retains taxable losses in the UK of £13.4m to utilise in future periods. The differences are explained below:

9. Taxation (continued)

	2020 £'000	2019 £'000
(b) Factors affecting the tax charge for the year		
(Loss)/profit on ordinary activities before tax	**(2,282)**	579
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(579)**	137
Taxable losses not recognised	**575**	-
Deferred tax impact on property valuation		-
Foreign tax related to prior years1	**64**	159
Expenses not deductible for tax purposes2	**102**	283
Allowable tax deductions3	**(81)**	(183)
Profits/(losses) generated	**-**	(107)
Deferred tax impact on property valuation	**(10)**	-
Foreign tax paid	**88**	45
Double tax relief	**(15)**	(19)
Utilisation of losses	**-**	(142)
Total tax charge for the year (Note 9(a))	**144**	**173**

1 Foreign tax in prior years relates to a historic tax charge imposed on ETSC.

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

3 Allowable tax deductions relate to capital allowances received.

(c) Factors that may affect future tax charges

The Finance Act 2016 which was enacted on 15 September 2016 included legislation to reduce the main rate of corporation tax to 17% from 1 April 2020. This change has since been cancelled and the main rate of corporation tax remains at 19%. All UK deferred tax assets have been measured using the rate in place at the time they expect to be realised or settled.

10. Earnings per share

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

Earnings per share			**2020**	2019
Weighted average number of ordinary shares in issue	Basic	**000s**	**13,733**	13,870
Weighted average number of ordinary shares in issue	Diluted	**000s**	**13,789**	14,001
Basic (loss)/earnings per ordinary 50p share		**pence**	**(17.67)p**	2.93p
Diluted (loss)/earnings per ordinary 50p share		**pence**	**(17.67)p**	2.90p
Reconciliation of shares used as denominator for earnings per share				
Shares in issue all year			**13,870**	13,870
Less weighted average own shares held in treasury for 2 of the 12 months of 2020			**(137)**	-
Average number of shares used to calculate earnings per share			**13,733**	13,870

11. Property, plant, and equipment

	Group				Company			
	Land and Buildings	Plant Machinery & motor vehicles	Assets under construction	Total	Land and Buildings	Plant Machinery & motor vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 January 2019	6,924	18,351	685	25,960	3,903	13,045	126	17,074
Exchange differences	(436)	(742)	(80)	(1,258)	-	-	-	-
Additions	198	437	-	635	112	130	-	242
Disposals	-	(8)	-	(8)	-	-	-	-
Transfers	-	126	(126)	-	-	126	(126)	-
Revaluation	62	-	-	62	-	-	-	-
At 1 January 2020	6,748	18,164	479	25,391	4,015	13,301	-	17,316
Exchange differences	(585)	(942)	(57)	(1,584)	-	-	-	-
Additions	-	249	3	252	-	191	-	191
Transfers	(14)	14	-	-	(14)	14	-	-
Disposals	(152)	(3)	-	(155)	(152)	-	-	(152)
Revaluation	500	-	44	544	11	-	-	11
At 31 December 2020	**6,497**	**17,482**	**469**	**24,448**	**3,860**	**13,506**	**-**	**17,366**
Accumulated depreciation								
At 1 January 2019	168	14,786	-	14,954	167	11,285	-	11,452
Exchange differences	-	(498)	-	(498)	-	-	-	-
Charge for the year	198	582	-	780	93	264	-	357
Disposals	-	(8)	-	(8)	-	-	-	-
Revaluation	(77)	-	-	(77)	-	-	-	-
At 1 January 2020	289	14,862	-	15,151	260	11,549	-	11,809
Exchange differences	(2)	(588)	-	(590)	-	-	-	-
Charge for the year	97	519	-	616	79	262	-	341
Disposals	(153)	-	-	(153)	(146)	-	-	(146)
Transfers	(9)	9	-	-	(7)	7	-	-
Revaluation	(175)	-	-	(175)	(168)	-	-	(168)
At 31 December 2020	**47**	**14,802**	**-**	**14,849**	**18**	**11,818**	**-**	**11,836**
Net book value								
At 31 December 2019	6,459	3,302	479	10,240	3,755	1,752	-	5,507
At 31 December 2020	**6,450**	**2,680**	**469**	**9,599**	**3,842**	**1,688**	**-**	**5,530**

11. Property, plant, and equipment (continued)

Depreciation of £0.52m (2019: £0.68m) has been charged to cost of sales, £0.05m (2019: £0.07m) to administrative expenses and £0.05m (2019: £0.03m) to distribution expenses in the Income Statement. Land and buildings include an amount of £0.1m (2019: £0.1m) 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 2020. Fair value was determined by Getachew Tesfaye, licensed loss assessor, who is an independent valuer. If buildings across the Group were stated on historic cost basis the net book value would be £4.1m (2019: £4.1m). A new independent RICS valuation, prepared by GTH, for the Yeovil site was completed November 2020, which concluded the book value of the Yeovil site was below fair market value by £0.18m. This upward revelation has been recognised within Other comprehensive income. The Yeovil site is subject to a mortgage with first charge over title in favour of Lloyds bank PLC.

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

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Right of use assets plant and equipment as at 1 January	**578**	389	**520**	331
Depreciation charged	**(121)**	(61)	**(89)**	(51)
Asset no longer subject to lease	**(340)**		**(340)**	
Disposal of right of use assets	**-**	-	**-**	-
Additions to right of use assets	**-**	250	**-**	240
Right of use assets as at 31 December	**117**	578	**91**	520

Leases for certain right of use assets expired during the year with the group retaining ownership of the assets. Leases for certain right of use assets expired during the year within the group and company. The group and company retaining retained ownership of the assets and they are included still in plant, machinery and motor vehicles.

12. Intangibles

	Group			Company		
		Computer			Computer	
	Website	Software	Total	Website	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2019	111	1,781	1,892	111	1,774	1,885
Additions	30	-	30	30	-	30
At 1 January 2020	141	1,781	1,922	141	1,774	1,915
Additions	12	-	12	11	-	11
At 31 December 2020	**153**	**1,781**	**1,934**	**152**	**1,774**	**1,926**
Accumulated amortisation						
At 1 January 2019	47	1,698	1,745	47	1,691	1,738
Charge for the year	16	47	63	16	47	63
At 1 January 2020	63	1,745	1,808	63	1,738	1,801
Charge for the year	16	35	51	16	34	50
At 31 December 2020	**79**	**1,780**	**1,859**	**79**	**1,772**	**1,851**
Net book value						
At 31 December 2019	78	36	114	78	36	114
At 31 December 2020	**74**	**1**	**75**	**73**	**2**	**75**

13. Inventories

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Raw Materials	**5,342**	6,326	**4,234**	4,681
Work in progress	**3,803**	4,769	**1,489**	1,683
Finished Goods	**5,876**	6,246	**5,193**	5,236
	15,021	17,341	**10,916**	11,600

The movement in provision was as follows:	**Group £'000**	**Company £'000**
As at 1 January 2020 (restated)	1,845	1,650
(Utilisation)	**(30)**	**(17)**
Charge	**270**	**250**
As at 31 December 2020	**2,085**	**1,883**

Inventory charged to the income statement during the year as part of cost of sales totalled £15.7m (2019: £16.7m) excluding consolidation adjustments. Raw materials include £0.1m of goods in transit (£0.3m: 2019). Inventory provisions at 1 January 2020 have been corrected compared in the above disclosure as previously reported into the 2019 annual report financial statements. Amounts previously disclosed excluded certain provisions. There has been no overall impact to the carrying value of inventory previously reported.

14. Current Financial Assets

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade receivables	**2,644**	3,296	**2,178**	2,879
Less provision for impairment of trade receivables	**(279)**	(540)	**(277)**	(536)
Trade receivables net	**2,365**	2,756	**1,901**	2,343
Other receivables	**125**	323	**42**	195
Prepayments and accrued income	**263**	270	**251**	89
Financial derivatives	**95**	113	**95**	-
Amounts owed by Group undertakings	**-**	-	**3,706**	3,661
	2,848	3,462	**5,995**	6,288

14. Current Financial Assets (continued)

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

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Up to 60 days	**259**	952	**253**	934
60-90 days	**27**	156	**27**	157
More than 90 days	**452**	85	**311**	82
	738	1,193	**591**	1,173

There are £0.7m (2019: £1.2m) trade receivables which are past due and not impaired as at 31 December 2020. The directors consider there to be no concerns regarding the recoverability of these amounts. Due to COVID-19 related disruption the group and company granted customers extended credit terms, with 73% covered by insurance at the end of 2020.

As at 31 December the provision against trade receivables was £0.3m (2019: £0.5m) for the Group and £0.3m (£0.5m: 2019: £0.5m) for the Company. The ageing of the receivables impaired against which part provisions have been made is as follows:-

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Not overdue	**106**	398	**106**	398
Up to 60 days	**32**	-	**32**	-
60-90 days	**4**	-	**4**	-
More than 90 days	**211**	306	**211**	299
	353	704	**353**	697

Provisions against trade receivables not overdue and up to 90 days represent credit note provisions. Part provisions have been made against some significantly overdue balances based on a recoverability assessment considering credit insurance held and ongoing discussions with customers. An analysis of the currencies in which trade receivables are held is shown in **Note 26(c)**.The expected loss rate used in calculating the provision against trade receivables, excluding the specific credit note provisions, was 4.6% (2019: 4.1%).

15. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**1,969**	2,514	**1,463**	1,712
Corporation tax payable	**-**	159	**-**	-
Other taxes and social security costs	**170**	174	**136**	133
Accruals and deferred income	**669**	352	**530**	384
Other payables	**55**	231	**27**	41
Amounts owed to Group undertakings	**-**	-	**574**	356
	2,863	3,430	**2,730**	2,626

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

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Secured:				
Overdrafts	**5,162**	6,313	**4,594**	5,574
Loans	**1,698**	2,897	**275**	1,155
Obligations under finance leases	**49**	171	**12**	142
	6,909	9,381	**4,881**	6,871

The Company's overdraft and loan facilities are provided by Lloyds Bank. During the year, the mortgage facility of £1.1m was replaced with a new facility of £1.75m, with annual repayments of £0.2m and full repayment in May 2025. In addition, a 6-year Coronavirus business interruption loan for £1m was put in place with repayment not due for full repayment until 2026, with the first year interest free.

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

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Secured:				
Loans	**3,288**	326	**2,388**	-
Obligations under finance leases	**6**	50	**3**	18
	3,294	376	**2,391**	18
Repayable as follows:-				
1-5 Years	**3,194**	376	**2,291**	18
After more than 5 years	**100**	-	**100**	-
	3,294	376	**2,391**	18

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

18. Obligations under leases

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Future minimum lease payments under lease obligations				
Not later than one year	**43**	182	**12**	148
After one year but not more than five years	**6**	49	**3**	15
	49	231	**15**	163
Less finance charges allocated to future periods	**(3)**	(10)	**-**	**(3)**
Present value of minimum lease payments	**46**	221	**15**	160
Present value of minimum lease payments is analysed as follows:				
Not later than one year	**41**	171	**12**	142
After one year but not more than five years	**6**	50	**3**	18
	47	221	**15**	160

19. Deferred taxation

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Deferred tax asset	**100**	100	**100**	100
Deferred tax liability	**(804)**	(730)	**-**	-
Deferred tax liability (net)	**(704)**	(630)	**100**	100

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

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 January	**(630)**	(810)	**100**	(112)
Income Statement/Statement of Comprehensive Income (debit)/credit	**(227)**	180	**-**	212
Exchange differences	**153**	-	**-**	-
At 31 December	**(704)**	**(630)**	**100**	**100**

The Group's deferred tax liability of £0.7m (2019: £0.6m) and the Company's deferred tax asset of £0.1m (2019: £0.1m) represent temporary timing differences.

20. Share capital

	2020	2019
	£'000	£'000
Issued fully paid		
At 31 December	**6,944**	6,944

	2020	2019
	Shares	Shares
Number of ordinary shares of 50p each		
Opening number of shares fully paid and in issue	**13,888,690**	13,888,690
Purchase of own shares into treasury	**934,210**	-
At 31 December	**12,954,480**	13,888,690

The company has one class of ordinary shares which carry no right to fixed income. The company holds 934,210 of own shares in treasury which were acquired during November 2020 and which it intends to hold to satisfy existing LTIP schemes when they vest in 2022.

21. Reserves

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

The Pittards' Employee Share Ownership trust holds Pittards' plc ordinary shares to meet potential obligations under the restricted share plan scheme. Shares are held in trust until such time as they may be transferred to employees in accordance with the terms of the scheme. There are no further awards in the scheme which could vest in the participants. At 31 December 2020, the trust held **19,026**, 50p shares (2019 19,026) with a market value at that date of **£8,942** (2019: £13,604).

Own shares reserve comprises	**Group**		Company	
	2020	2019	**2020**	2020
	£'000	£'000	**£'000**	£'000
ESOP	**495**	495	**495**	495
Ordinary own shares held in treasury	**355**	-	**355**	-
	850	495	**850**	495

During November 2020, £355,000 of own ordinary shares (AIM:PTD) at 38p were acquired into treasury and are held under own share reserve.

The share-based payment reserve represents the fair value of the entitlement to shares awarded under the 2017 SAYE scheme and the 2016 Long Term Incentive Plan. See note 7 for further details.

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

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

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

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

22. Cash generated from / (used in) operations

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
(Loss)/ profit before taxation	**(2,282)**	579	**(1,460)**	(311)
Adjustments for:				
Depreciation of property, plant, and equipment	**616**	780	**341**	357
Amortisation of intangibles	**51**	63	**51**	63
Bank and other interest charges	**489**	596	**174**	227
Share based payment expense	**40**	92	**40**	92
Other non-cash items in Income Statement	**1,302**	(275)	**370**	26
Operating cash flows before movement in working capital	**216**	1,835	**(484)**	454
Movements in working capital (excluding exchange differences on consolidation):		-		-
Decrease / (Increase) in inventories	**513**	(1,980)	**451**	(1,739)
Decrease / (Increase) in receivables	**501**	(383)	**293**	234
(Decrease) / Increase in payables	**(681)**	36	**(42)**	50
Cash generated /(used in) from operations	**549**	(492)	**218**	(1,001)

23 Analysis of the changes in cash and cash equivalents

Group	As at 1 Jan	Cashflow	Exchange movements	As at 31 December
	2020	**2020**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	180	**(95)**	**-**	**85**
Bank overdraft	(6,312)	**865**	**285**	**(5,162)**
	(6,132)	**770**	**285**	**(5,077)**

Company	As at 1 Jan	Cashflow	Exchange movements	As at 31 December
	2020	**2020**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	11	**(3)**	**-**	**8**
Bank overdraft	(5,574)	**980**	**-**	**(4,594)**
	(5,563)	**977**	**-**	**(4,586)**

24. Analysis of the changes in liabilities from financing activities

	As at 1 Jan	Loan re-payments	New Loans	Reclassify-action of Loans	Exchange movements	As at 31 December 2020
	£'000	£'000	£'000	£'000	£'000	**£'000**
Group						
Long term borrowings	326	-	2,802	204	(44)	**3,288**
Short term borrowings	2,897	(946)	348	(204)	(397)	**1,698**
Lease liabilities	221	(161)	-	-	(5)	**55**
	3,444	(1,107)	3,150	-	(446)	**5,041**
Company						
Long term borrowings	-	-	1,648	740	-	**2,388**
Short term borrowings	1,155	(140)	-	(740)	-	**275**
Lease liabilities	160	(145)	-	-	-	**15**
	1,315	(285)	1,648	-	-	**2,678**

25. Related party transactions

(a) Related party trading

Group

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

	Group	
	2020	2019
Transactions with related parties	**£'000**	£'000
Purchases from related parties	**27**	26

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

Group

Year end balances arising from purchases	2020 £'000	2019 £'000
Payables to related parties	**5**	18

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

	Company	
Transactions with subsidiaries	**2020 £'000**	2019 £'000
Purchases from subsidiaries	**2,278**	7,628
Sales to subsidiaries	**366**	**318**

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

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

	Company	
	2020	2019
Amounts due from Subsidiaries - current	**£'000**	£'000
Pittards Garnar Services Limited	**3,230**	3,266
Ethiopia Tannery Share Company	**242**	296
Pittards Global Sourcing Private Limited Company	**2**	2
Pittards Products Manufacturing Share Company	**232**	97
	3,706	3,661
Amounts due from Subsidiaries - non-current		
Ethiopia Tannery Share Company	**1,378**	1,489
Pittards Products Manufacturing Share Company	**387**	383
	1,765	1,872
Amounts due to Subsidiaries		
Pittards Group Limited	**(30)**	(30)
Ethiopia Tannery Share Company	**(528)**	(290)
Pittards Global Sourcing Private Limited Company	**-**	(19)
Pittards Products Manufacturing Share Company	**(16)**	(17)
	(574)	**(356)**

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

26. Financial instruments

(a) Financial risk factors

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

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

- Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar, Euro and Ethiopian Birr. Approximately 79% (2019: 89%) of the Group's revenue is from sales outside the UK, with some 77% (2019: 84%) in US dollars. US dollar based raw material purchases amounted to 28% in 2020 (2019: 32%).

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Where possible, a natural hedge is maintained against the Group's currency exposure. During 2020, forward2020, forward exchange contracts have additionally also been entered into to manage the US dollar foreign exchange risk. Hedge accounting has been applied to these contracts. See the Treasury policy in the Directors' report on page 23 to 26 for further details.

- Price risk

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

- Interest rate risk

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

- Liquidity risk

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

- Credit risk

The group utilises credit insurance policies to mitigate its risk from its trading exposure or seeks secure terms or payment in advance and reports default to the credit insurer to ensure insurance will respond. The group has residual exposure to credit risk where customers are not insured, it would define those as "doubtful debts", and make a provision against them, unless recovery was certain or debt settled after the end of the financial year, or we had asset security to cover the debt. Customers who present credit risk uninsured, we would supply on a cash basis to limit exposure, which we would define as "proforma sale". In determining doubtful debts, we reflect on our loss experience which remains low and the prospects for the customer in the light of current trading environment. In the event we have instigated any recovery proceedings through formal channels, debts are immediately provided in full, or in the event the customer ceases to trade. Once recovery is deemed not possible, or the customers legal status has extinguished, debts are written off.

(b) Significant accounting policies

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

26. Financial instruments (continued)

(c) Foreign currency risk management

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

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

	Assets		Liabilities		Cash	
	2020	2019 restated*	**2020**	2019 restated*	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
US Dollar	**1,679**	2,164	**(211)**	(160)	**(1,220)**	(3,653)
Euro	**144**	233	**(513)**	(6)	**(109)**	(466)
Ethiopian Birr	**247**	646	**(3,235)**	(4,055)	**(516)**	(430)
Other	**23**	23	**-**	-	**(53)**	(81)
	2,093	3,066	**(3,959)**	(4,221)	**(1,898)**	(4,630)
GBP	**551**	230	**(3,221)**	(2,091)	**(3,179)**	(1,503)
Total	**2,644**	3,296	**(7,180)**	(6,312)	**(5,077)**	(6,133)

(d) Foreign currency sensitivity

As 79% (2019: 84%) of the Group's revenue is in US dollars, the sensitivity analysis is only on the US dollar impact. The following table details the Group's sensitivity to a strengthening of sterling against the US dollar. 10 US cents is considered to be a reasonable movement and also enables the users of the accounts to calculate other percentage movements.

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

As the Group hedges between 50% and 80% of currency effects and utilises some natural hedging due to its purchase of material in US dollars, it estimates that currency effects are reduced by approximately 65%. For this reason, a 10c change in US$ has the following effect assuming the Group is unable to pass on any of the currency impact to customers (in 2019, our exposure was £2m, compared to £0.3m in 2020).

*Restated - in the comparative period annual report the GBP liability relating to trade creditors of £1.7m was omitted.

	Group	
	2020	2019
	£'000	£'000
Loss1	**(338)**	(497)

[1] This is mainly attributable to the exposure to revenue in US dollars not hedged during the year for the Group, allowing for costs in dollars and hedging contracts.

(e) Forward foreign exchange contracts

It is the policy of the Group to sell surplus US dollars and to enter into forward foreign exchange contracts to manage the risk associated with anticipated foreign currency sales and purchase transactions, where this is felt appropriate. In 2020, the Group has entered into forward foreign currency contracts to manage the US dollar foreign exchange risk, hedging against forecast cash flows to the extent that those cash flows are deemed highly probable. The Group currently holds contracts to cover the next 18 months and maintains cover on a rolling 12 to 18 months depending on conditions. The aim is to cover between 40% and 60% of the anticipated risk.

Hedging contracts in place at year end comprised financial derivatives only comprising:-	Note	**Carrying amount £'000**	**Nominal value $m**
US dollar sell to GBP per month for between $300k to $500k from Jan 2021 to Dec 2021		**63**	**4.50**
US dollar sell to GBP per month for between $300k to $375k from Jan 2022 to Jun 2022		**32**	**2.25**
	14	**95**	**6.75**

26. Financial instruments (continued)

(f) Liquidity and interest rate risk:

i) Interest rate risk management

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

ii) Interest rate sensitivity

The sensitivity analysis has been determined on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout. Given a 1% increase in interest rate on £10m debt, an increase in cost of £0.1m would result. This is attributable to the Group's exposure to interest rates on its variable borrowings.

iii) Liquidity risk management

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

iv) Liquidity and interest risk tables

The interest rate profile of the non-derivative financial liabilities of the Group and its contractual maturity as at 31 December 2020 and at 31 December 2019 are as follows:

	Group					
	Less than 3 months	**3 months to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
As at 31 December 2020	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed rate:						
Lease obligations	**12**	**37**	**6**	**-**	**-**	**55**
Variable rate:						
Bank overdrafts and loans	**6,427**	**433**	**621**	**2,567**	**100**	**10,148**
Trade and other payables	**1,969**	**-**	**-**	**-**	**-**	**1,969**
At 31 December 2019						
Fixed rate:						
Lease obligations	-	111	21	89	-	221
Variable rate:						
Bank overdrafts and loans	8,148	1,508	375	345	-	10,376
Trade and other payables	2,514	-	-	-	-	2,514

The Group has the following undrawn borrowing facilities:	**Group**	
	2020	2019
	£'000	£'000
Variable rate:		
Expiring within one year	**3,282**	2,645
	3,282	2,645

The facilities expiring within one year are subject to review at various dates in 2021. However, Lloyds have confirmed their commitment to the business and renewal of the facilities through to 2022 and although a formal agreement has yet to be signed, Lloyds have written to confirm the facility has been agreed with credit committee and will be in place until the end of March 2022.

26. Financial instruments (continued)

(g) Capital risk management

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

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

During 2020, the Group's strategy was to maintain the gearing ratio at an acceptable level, which is considered to be between 50% and 70%. The gearing ratios at 31 December 2020 and 2019 were as follows:

	Group	
	2020	2019
	£'000	£'000
Total borrowings	**10,203**	9,757
Less cash at bank and in hand	**(85)**	(180)
Net debt	**10,118**	9,577
Total equity	**13,858**	17,520
Gearing ratio	**73.0%**	54.7%

27. Investments

	Company	
	2020	2019
	£'000	£'000
At 1 January and 31 December	**378**	378

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

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

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

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

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

Summary Financials - 6 Year Review

	2020	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	**15,233**	22,301	28,469	30,287	27,009	30,523
Percentage sold outside UK	**86%**	90%	90%	91%	92%	90%
(Loss)/profit from operations before finance costs	**(1,774)**	1,177	992	934	(3,591)	1,115
(Loss)/profit on ordinary activities before taxation	**(2,282)**	579	354	413	(4,071)	655
(Loss)/profit on ordinary activities after taxation	**(2,426)**	406	(1,929)	497	(4,146)	471
Net assets	**13,858**	17,520	17,881	19,764	21,274	24,150
Inventory	**15,021**	17,341	16,306	15,332	17,353	18,872
Inventory days of sale	**455**	411	279	241	308	288
Net debt	**10,118**	9,577	7,724	7,990	10,109	6,458
Gearing	**73.0%**	54.7%	43.2%	40.0%	48.0%	27.0%
(Loss)/earnings per 50p ordinary share	**(17.67)**	2.93	(13.91)	3.58	(29.89)	3.98
Dividends per ordinary share	**-**	-	-	-	-	-

Financial calendar

Annual General Meeting (Planned at Yeovil site, subject to COVID-19 and government restrictions permitting)	**12 May 2021**
Announcement of half year results for 2021	**30 September 2021**
Announcement of 2021 results	**23 March 2022**

Notice of Annual General Meeting

Notice is hereby given that the 112th Annual General Meeting ("AGM") of Pittards Plc (the "Company") will be held at the Company's registered office situated at Sherborne Road, Yeovil, Somerset, BA21 5BA at 12 noon on 12 May 2021 to consider and, if thought fit, pass the resolutions set out in this Notice.

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

Ordinary Resolutions

1. To receive the annual statement of accounts of the Company for the year ended 31 December 2020, and the directors' and auditors' reports thereon.
2. To re-elect Stephen Yapp as a director of the Company, who is retiring by rotation.
3. To re-elect Louise Cretton as a director of the Company, who is retiring by rotation.
4. To re-appoint PKF Francis Clark LLP as the Company's auditors and to authorise the directors to determine their remuneration.
5. **Revised Resolution 5 - Share buybacks - amended**

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

   (a) the maximum number of Ordinary Shares which may be purchased is 2,083,303;

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

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

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

By order of the Board

Richard Briere
CFO and Company Secretary
Pittards Plc
Sherborne Road
Yeovil, **Somerset**
BA21 5BA
Date: 23 March 2021

Notes

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

2. A member entitled to attend and vote at the AGM may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the AGM. However, noting the current UK government restrictions on non-essential travel and public gatherings, we strongly encourage shareholders to appoint a proxy in accordance with the procedures set out below in order to vote in advance of the AGM. A proxy need not be a member of the Company, however, if you appoint the Chair of the AGM as your proxy, this will ensure that your votes are cast in accordance with your wishes given that, as a result of the current UK government restrictions, any other person appointed as your proxy will not be able to attend the meeting to vote in your place . A proxy shall, unless directed otherwise by the appointing member, vote, or abstain from voting as the proxy sees fit at the AGM . should this be permitted under applicable COVID-19 restrictions

3. We strongly encourage you to appoint the Chair of the AGM as your proxy To be effective, the proxy vote must be submitted at **www.signalshares.com** so as to have been received by the Company's Registrars, Link Asset Services, not less than 48 hours before the time appointed for the AGM, or any adjournment thereof (excluding weekends and public holidays). To register, members will need their Investor Code. Alternatively, a member may request a Form of Proxy in paper form from the Company's Registrars, **Link Asset Services, on 0871 664 0300** (calls cost 12p per minute plus your operator's network access charge). If you are outside the United Kingdom, please call +44 371 664 0300 (calls will be charged at the applicable international rate). Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales.

4. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended), only those members entered on the Company's register of members at close of business on 10 May 2021 ("the "Specified Time") (or, if the AGM is adjourned to a time more than 48 hours after the Specified Time, at close of business on the business day which is two days' prior to the time of the adjourned meeting) shall be entitled to attend and vote or to appoint one or more proxies to vote on their behalf at the AGM in respect of the number of ordinary shares registered in their name at that time. If the AGM is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.

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

6. Any power of attorney (duly certified) or other authority under which a Form of Proxy is submitted, and any Form of Proxy completed in paper form, must be returned to the Company's Registrars, Link Asset Services, by post to PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, so as to arrive not less than 48 hours before the time appointed for the AGM or any adjournment thereof (excluding weekends and public holidays).

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

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

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

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

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

12. A member wishing to revoke his or her proxy appointment should do so by sending a notice to that effect to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF or electronically by means of the facilities described in Notes 3 and 9 above. The revocation notice must be received by the Company's Registrars, Link Asset Services, by the time limit set out in Note 3. Any revocation notice received after this time will not have effect.

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

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

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

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

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www.pittards.com
www.dainesandhathaway.com