PITTARDS PLC INTERIM RESULTS 2013

PITTARDS IS A GLOBAL BRAND SUPPLYING PREMIUM LEATHER AND LEATHER PRODUCTS, WORKING WITH LEADING INTERNATIONAL BRANDS, RETAILERS AND MANUFACTURERS. OUR FUTURE STRATEGY IS FOUNDED UPON PRODUCT INNOVATION, TARGETED MARKETING AND EFFICIENT LOGISTICS, TOGETHER WITH THE DEVELOPMENT OF NEW RAW MATERIAL SOURCES.

Chairman's interim statement

In my 2012 statement last March I described 2012 as a year of transition following major structural changes in the business. I am pleased to report that these changes have yielded benefits in the first half of 2013 with a return to more normal levels of profitability.

Turnover in the period of £18.4m was only marginally ahead of 2012 (£18.3m) but produced a profit from operations before finance costs of £1.1m compared to £0.1m in 2012. This was due in part to a better mix of products sold with a lower concentration of more commodity style leathers and partly due to some easing in skin prices in Ethiopia which remained at the level experienced in the second half of 2012. We also benefitted from a stronger dollar compared to 2012 as a whole.

Distribution and administrative expenses were in line with the prior year and there were no further restructuring costs in 2013. Net finance costs were also very similar in the period. EBITDA for the period thus improved to £1.455m from £0.525m in 2012.

The improved dollar rate led to an increase in the birr/sterling rate at 30 June compared to December 2012 therefore there was an unrealised exchange gain on translation of £0.327m in Other Comprehensive Income.

The revenue of £18.4m included an increased proportion of finished goods as our glove making factory (Pittards Products Manufacturing or PPM) in Ethiopia became more experienced and efficient. Dress glove making is growing alongside the industrial glove production and we have plans to expand this further in 2013 and beyond.

Our new aviation product offering was well received at the Aircraft Interiors Expo in Hamburg in April and we now have in place most of the capital equipment required to take this to bulk production in the next few months.

Net assets strengthened to £17.1m in the period with higher inventories and debtors as all the production units had a busy June period. Net debt accordingly rose from £5.7m to £6.7m in line with the usual seasonal pattern but gearing remained at a creditable 39% (2012:40%), well within our target range.

The change of banking relationship from RBS to Lloyds TSB went smoothly and the increased facilities provided useful flexibility within the business.

We noted in our last Statement that the Companies Court had approved the proposed balance sheet restructuring back in February and our balance sheet now reflects this change with a positive Retained earnings figure of £6.93m (2012: negative £7.68m).

We are now looking into carrying out a share consolidation of the c 463million shares in issue in order to make payment of dividends more practically achievable. We intend to complete this before the current year end with a view to paying a dividend within the next twelve months if the recovery continues and in the absence of unforeseen circumstances.

"Made in Britain" continues to gain momentum and alongside new UK customer relationships we have launched both the Daines & Hathaway luggage range and a premium Pittards England leather clothing range to showcase our increasing capability in UK design and manufacture.

Global uncertainty is still a concern for many businesses but there are signs of recovery in some sectors and geographical areas of the world. We remain committed to our core strategy of investing in and building on our brand in both leather and finished products and our enthusiasm for growing the business and seizing any new opportunities which present themselves remains undimmed.

Stephen Boyd Chairman
23 August 2013

Consolidated income statement (unaudited)

for the six months ended 30 June 2013

Year ended 31 December 2012 £'000		Note	**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
37,029	**Revenue**		**18,431**	18,276
(30,590)	Cost of sales		**(14,600)**	(15,218)
6,439	**Gross profit**		**3,831**	3,058
(2,389)	Distribution costs		**(1,227)**	(1,191)
(3,152)	Administrative expenses		**(1,505)**	(1,526)
(324)	Administrative expenses – restructuring costs	1	**–**	(192)
574	**Profit from operations before finance costs**		**1,099**	149
(335)	Finance costs		**(165)**	(137)
61	Finance income		**20**	–
300	**Profit before taxation**		**954**	12
(30)	Taxation charge	3	**(19)**	(11)
270	**Profit for the period after taxation**		**935**	1
	Profit attributable to:			
270	Owners of the parent		**935**	1
–	Non-controlling interest		**–**	–
	Earnings per share attributable to equity shareholders of the parent	2		
0.06p	– basic		**0.20p**	–
0.06p	– diluted		**0.20p**	–

Consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2013

Year ended 31 December 2012 £'000		**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
270	**Profit for the period after taxation**	**935**	1
	Other comprehensive income		
(776)	Unrealised exchange (loss) gain on translation of overseas subsidiaries	**327**	(332)
266	Revaluation of land and buildings	**–**	–
(510)	**Other comprehensive income**	**327**	(331)
(240)	**Total comprehensive income for the period**	**1,262**	(331)
	Total comprehensive income attributable to:		
(215)	Owners of the parent	**1,254**	(322)
(25)	Non-controlling interest	**8**	(9)

Consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2013

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Retained earnings £'000	Translation reserve £'000	Shares held by ESOP £'000	Revaluation reserve £'000	Share options reserve £'000	Total attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2012 – restated	4,410	5,250	8,158	6,475	(7,683)	(1,773)	(495)	1,211	48	15,601	213	15,814
Comprehensive income for the period												
Retained profit for the period	–	–	–	–	1	–	–	–	–	1	–	1
Other comprehensive income												
Unrealised exchange loss on translation of foreign subsidiaries	–	–	–	–	–	(276)	–	(47)	–	(323)	(9)	(332)
Total comprehensive income for the period	–	–	–	–	1	(276)	–	(47)	–	(322)	(9)	(331)
Transactions with owners												
Proceeds from shares issued	–	–	–	–	–	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	–	–	–	–	–	–	–
At 30 June 2012	**4,410**	**5,250**	**8,158**	**6,475**	**(7,682)**	**(2,049)**	**(495)**	**1,164**	**48**	**15,279**	**204**	**15,483**
Comprehensive income for the period												
Retained profit for the period	–	–	–	–	269	–	–	–	–	269	–	269
Other comprehensive income												
Unrealised exchange loss on translation of foreign subsidiaries	–	–	–	–	–	(368)	–	(56)	–	(424)	(20)	(444)
Gain on the revaluation of buildings	–	–	–	–	–	–	–	262	–	262	4	266
Total comprehensive income for the period	–	–	–	–	269	(368)	–	206	–	107	(16)	91
Transactions with owners												
Proceeds from shares issued	221	–	–	–	–	–	–	–	–	221	–	221
Total transactions with owners	221	–	–	–	–	–	–	–	–	221	–	221
At 31 December 2012	**4,631**	**5,250**	**8,158**	**6,475**	**(7,413)**	**(2,417)**	**(495)**	**1,370**	**48**	**15,607**	**188**	**15,795**
Comprehensive income for the period												
Retained profit for the period	–	–	–	–	935	–	–	–	–	935	–	935
Other comprehensive income												
Unrealised exchange loss on translation of foreign subsidiaries	–	–	–	–	–	258	–	61	–	319	8	327
Gain on the revaluation of buildings	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	935	258	–	61	–	1,254	8	1,262
Transactions with owners												
Proceeds from shares issued	–	–	–	–	–	–	–	–	–	–	–	–
Reserves transfer	–	(5,250)	(8,158)	–	13,408	–	–	–	–	–	–	–
Total transactions with owners	–	(5,250)	(8,158)	–	13,408	–	–	–	–	–	–	–
At 30 June 2013	**4,631**	**–**	**–**	**6,475**	**6,930**	**(2,159)**	**(495)**	**1,431**	**48**	**16,861**	**196**	**17,057**

Consolidated balance sheet (unaudited)

as at 30 June 2013

31 December 2012 £'000		Note	**30 June 2013 £'000**	30 June 2012 restated £'000
	ASSETS			
	Non-current assets			
6,165	Property, plant and equipment		**6,246**	6,187
112	Intangible assets		**135**	92
1,602	Deferred income tax asset	*4*	**1,567**	2,005
5	Available for sale financial instruments		**2**	16
7,884	**Total non-current assets**		**7,950**	8,300
	Current assets			
14,287	Inventories		**15,597**	15,242
4,534	Trade and other receivables		**6,497**	5,000
817	Cash and cash equivalents		**675**	353
30	Current income tax recoverable		**75**	–
403	Deferred income tax asset	*4*	**433**	–
20,071	**Total current assets**		**23,277**	20,595
27,955	**Total assets**		**31,227**	28,895
	LIABILITIES			
	Current liabilities			
(5,681)	Trade and other payables		**(6,829)**	(6,833)
–	Current income tax liability		**–**	–
(5,373)	Interest bearing loans, borrowings and overdrafts		**(6,478)**	(6,554)
(11,054)	**Total current liabilities**		**(13,307)**	(13,387)
	Non-current liabilities			
(1,106)	Interest bearing loans, borrowings and overdrafts		**(863)**	(25)
(1,106)	**Total non-current liabilities**		**(863)**	(25)
(12,160)	**Total liabilities**		**(14,170)**	(13,412)
15,795	**Net assets**		**17,057**	15,483
	EQUITY			
4,631	Share capital		**4,631**	4,410
5,250	Share premium account		**–**	5,250
8,158	Capital redemption reserve		**–**	8,158
6,475	Capital reserve		**6,475**	6,475
(495)	Shares held by ESOP		**(495)**	(495)
(7,413)	Retained earnings		**6,930**	(7,682)
(2,417)	Translation reserve		**(2,159)**	(2,049)
1,370	Revaluation reserve		**1,431**	1,164
48	Share options reserve		**48**	48
15,607	**Total equity attributable to owners of the parent**		**16,861**	15,279
188	Non-controlling interest		**196**	204
15,795	**Total equity**		**17,057**	15,483

Company Number 102384

Statement of cash flows (unaudited)

for the six months ended 30 June 2013

Year ended 31 December 2012 £'000		Note	**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
	Cash flows from operating activities			
170	Cash generated from (used in) operations	*5*	**(449)**	(853)
(69)	Tax paid		**(64)**	(22)
(343)	Interest paid		**(133)**	(84)
(242)	**Net cash used in operating activities**		**(646)**	(959)
	Cash flows from investing activities			
(639)	Purchases of property, plant and equipment		**(225)**	(301)
(103)	Purchases of intangible assets		**(26)**	(80)
(742)	**Net cash used in investing activities**		**(251)**	(381)
	Cash flows from financing activities			
1,580	Loan financing		**–**	–
(609)	Repayment of bank loans		**(710)**	(448)
58	New finance lease obligations		**68**	42
–	Repayment of obligations under finance leases		**(13)**	(3)
221	Share issue		**–**	–
1,250	**Net cash generated from (used in) financing activities**		**(655)**	(409)
266	**Increase (decrease) in cash and cash equivalents**		**(1,552)**	(1,749)
(3,412)	Cash and cash equivalents at beginning of period		**(3,105)**	(3,412)
41	Exchange gains (losses) on cash and cash equivalents		**(12)**	14
(3,105)	**Cash and cash equivalents at end of period**		**(4,669)**	(5,147)

Notes (unaudited)

1. Administrative expenses – restructuring costs

The imposition of the crust tariff in December 2011 necessitated a redundancy exercise in early 2012, the cost of which totalled £0.192m at June 2012 and £0.324m at December 2012. This exercise was completed in 2012.

2. Earnings per share attributable to equity shareholders of the parent

In the period to 30 June 2013 options over nil (June 2012: nil) shares were exercised by certain directors and managers under the Matching Share Option Plan established in December 2009. All options expired in February 2013.

(a) Basic

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.

Year ended 31 December 2012 £'000		**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
270	Profit attributable to equity holders of the company	**935**	1
Shares '000		**Shares '000**	Shares '000
442,031	Weighted average number of ordinary shares in issue	**462,151**	440,098

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by the shares issued under the Matching Share Option scheme. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Year ended 31 December 2012 £'000		**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
270	Profit used to determine diluted earnings per share	**935**	2
Shares '000		**Shares '000**	Shares '000
444,188	Weighted average number of ordinary shares in issue	**462,151**	442,716

Notes (unaudited) continued

3. Taxation

Year ended 31 December 2012 £'000		**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
	Analysis of the charge in the period		
	The charge based on the profit for the year comprises:		
–	Corporation tax on profit for the year	–	–
30	Foreign tax	**19**	11
30	**Total current tax**	**19**	11
	Deferred tax		
(90)	Origination and reversal of temporary differences	**–**	(33)
90	Impact of change in UK tax rate	**–**	33
–	**Total deferred tax**	**–**	–
30	**Income tax charge**	**19**	11

4. Deferred taxation

The Group has recognised and unrecognised deferred tax assets in respect of temporary differences and losses. In accordance with the requirements of IAS12 the directors considered the potential utilisation of the deferred tax asset and have decided to recognise £0.257m (2012:£0.176m) of the deferred tax asset in the current period in view of the Group's continued profitability.

The analysis of the deferred tax assets is as follows:

Year ended 31 December 2012 £'000		**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
2,005	Recognised	**2,000**	2,005
696	Unrecognised	**444**	937
2,701	Total	**2,444**	2,942

Notes (unaudited) continued

5. Cash generated from (used in) operations

Year ended 31 December 2012 £'000		**Six months ended 30 June 2013 £'000**	Six months ended 30 June 2012 £'000
300	**Profit before taxation**	**954**	12
	Adjustments for:		
730	Depreciation of property plant and equipment	**353**	373
6	Amortisation	**3**	3
104	Other non-cash items in Income Statement	**3**	(7)
343	Bank and other interest charges	**133**	84
1,483	**Operating cash flows before movement in working capital**	**1,446**	465
	Movements in working capital (excluding exchange differences on consolidation)		
(440)	Increase in inventories	**(1,021)**	(1,088)
(1,039)	Increase in trade and other receivables	**(1,822)**	(1,292)
166	Increase in trade and other payables	**948**	1,062
170	**Cash generated from (used in) operations**	**(449)**	(853)

6. Basis of preparation

The financial information contained in this interim statement has not been audited or reviewed by the Company's auditor and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The directors approved and authorised this interim statement for issue on 23 August 2013. The financial information for the full preceding year is extracted from the statutory accounts for the financial year ended 31 December 2012. Those accounts, upon which the auditor issued an unqualified opinion, have been delivered to the Registrar of Companies. The auditor's report did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

As reported in Note 1(x) of the statutory accounts for the year ended 31 December 2012 there was a correction in respect of consignment stocks which restated the brought forward balances for both inventory and retained earnings. That restatement has been reflected in this interim statement.

Pittards plc is a public limited company incorporated and domiciled under the Companies Act 2006 in England. It is quoted on the Alternative Investment Market ("AIM").

These financial statements are presented in sterling as that is considered to be the functional currency of the primary economic environment in which the Group operates.

As permitted this interim report has been prepared in accordance with UK AIM listing rules and not in accordance with IAS 34 "Interim Financial Reporting" therefore it is not fully in compliance with IFRS.

The report containing the interim financial information is to be sent direct to shareholders. Copies of the report are available to the public from the registered office of Pittards plc and on its website (www.pittardsleather.com). The address of the registered office is: Pittards plc, Sherborne Road, Yeovil, Somerset, BA21 5BA.

Designed and produced by Robson Dowry. Printed in England by Taylor Brothers.
In keeping with Pittards' environmental policy this report has been printed on an environmentally responsible paper that has been manufactured using environmentally friendly technologies and follows strict European environmental legislation. The paper is made from Elemental Chlorine Free (ECF) pulp obtained from sustainable wood forests.

Pittards plc
Sherborne Road, Yeovil, Somerset, BA21 5BA United Kingdom
Tel:+44 (0)1935 474321
Fax: +44 (0)1935 427145
E: pittardsenquire@pittards.com
www.pittardsleather.com