Pittards plc Interim Results 2008

Our international focus is based on three key elements: innovation in products, processes and services; partnership with our customers and key suppliers; development of our brand and other intellectual property assets. All three are crucial to attracting and supporting the types of customers with whom we seek to do business.

Chairman's interim statement

I am pleased to report that the corrective action taken by the Company at the end of 2007 to address the effect of the weakness of the US dollar by reducing our UK cost base has yielded benefits.

In the first half of 2008 the Company achieved an operating profit of £0.095m, on an IFRS basis, which represents a considerable improvement over the £0.510m operating loss sustained in the first half of 2007, and also the £1.273m operating loss suffered in the second half of 2007. After bank interest of £0.140m (2007 - £0.300m), the loss on continuing operations before taxation was only £0.038m (2007 - £0.719m loss before taxation).

Income for the six months was £13.170m, less than the £15.945m achieved in the same period in 2007, but slightly ahead of £12.908m achieved in the second half of 2007. Export sales remained at 90% of income, similar to 2007.

Glove leather sales were only 6% lower than in the same period for the previous year but were 21% higher than the second half of 2007. Dress glove leathers and products for military/service applications in particular were stronger and continue to show steady demand.

Bovine leathers again represented 24% of the first half income and we are now starting to develop a new range of branded leathers suitable for leathergoods with a view to re-entering this market, which we had temporarily exited on the closure of the Leeds factory. Bovine leather production at our Taiwanese subcontracting partner has been quieter in this period, in line with the second half of 2007, as some of the major footwear brands have been ordering more cautiously in the light of the credit crunch in the USA.

Our strategy to transfer lower priced leathers to the tannery which we manage in Ethiopia, ETSC, is progressing well and much of our dress glove leather is now finished in Ethiopia at lower cost, with more products scheduled to be transferred later in the year. The improvements we have brought about at ETSC during the last three years have now restored that business to monthly profitability, which will add a profit share element to improve our consultancy revenue in due course. We continue to pursue other opportunities within the leather industry to exploit our expertise in both commercial and technical areas.

The retail shop, which we opened at Pittards premises in Yeovil earlier in the year, is now well established and has been expanded to include a hide and skin store open to the public. An area dedicated to quality leathercraft products will open shortly. We intend to start online selling via our website within the next couple of months.

Net assets at 30 June 2008 were £2.930m compared to £4.248m at 30 June 2007, which included assets held for sale of £2.610m. This represented an advance over the year end figure of £2.808m.

Net borrowings at 30 June were £3.617m, compared to £6.110m at the same point in 2007. This improvement is due in part to the repayment of the loan to the Trustees of the Pittards Pension Schemes following the sale and leaseback of the Yeovil factory in July 2007. The Company's bankers continue to be very supportive of the strategy being followed.

Our current order book is steady and our concentration on reducing costs and transferring production to lower cost manufacturing areas continues.

The dollar at last shows signs of strengthening which would be helpful to our profitability but the outlook for the remainder of 2008 will be dependent on the current recessionary climate.

Stephen Boyd Chairman
27 August 2008

Consolidated income statement (unaudited)

for the six months ended 30 June 2008

Year ended 31 December 2007 £'000		Note	**Six months ended 30 June 2008 £'000**	Six months ended 30 June 2007 £'000
28,853	**Revenue**		**13,170**	15,945
(26,439)	Cost of sales		**(11,251)**	(14,335)
2,414	**Gross profit**		**1,919**	1,610
(2,108)	Distribution costs		**(942)**	(1,047)
(2,753)	Administrative expenses		**(970)**	(1,346)
160	Gain (loss) on foreign currency translation		**(110)**	72
376	Other operating income		**185**	201
(1,911)	**Profit (loss) from trading activities**		**82**	(510)
428	Profit on sale of property, plant and equipment		**–**	–
(300)	(Provision) release of provision for fundamental reorganisation		**13**	–
(1,783)	**Profit (loss) from operations**		**95**	(510)
(466)	Finance costs		**(140)**	(300)
64	Gain on derivatives		**7**	91
(2,185)	**Loss on continuing operations before taxation**		**(38)**	(719)
–	Taxation		**(11)**	(6)
(2,185)	**Loss on continuing operations after taxation attributable to the equity shareholders of the parent**		**(49)**	(725)
(1.0)	Loss per share — Basic and diluted	*1*	**(0.02)**	(0.3)

Consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2008

31 December 2007 £'000		Note	**30 June 2008 £'000**	30 June 2007 £'000
4,973	Total equity at beginning of period		**2,808**	4,973
–	Currency translation differences		**76**	–
–	Fair value gains net of tax on financial instruments		**95**	–
–	Net gains (losses) recognised directly in equity		**171**	–
(2,185)	Loss for the period		**(49)**	(725)
(2,185)	Total recognised income and expense		**(49)**	(725)
20	Issue of warrants		**–**	–
2,808	Total equity at end of period attributable to the equity shareholders of the parent		**2,930**	4,248

Consolidated balance sheet (unaudited)

as at 30 June 2008

31 December 2007 £'000		Note	**30 June 2008 £'000**	30 June 2007 £'000
	ASSETS			
	Non-current assets			
2,481	Plant, property and equipment		**2,249**	2,787
367	Intangible assets		**343**	442
2,848	**Total non-current assets**		**2,592**	3,229
	Current assets			
5,654	Inventories		**4,795**	5,960
2,909	Trade and other receivables		**3,465**	4,360
13	Cash and cash equivalents		**46**	24
–	Derivative financial instruments		**51**	91
–	Assets held for sale		**–**	2,610
8,576	**Total current assets**		**8,357**	13,045
	LIABILITIES			
	Current liabilities			
(4,758)	Trade and other payables		**(4,393)**	(5,773)
(3,187)	Interest bearing loans and borrowings		**(3,505)**	(3,061)
(51)	Derivative financial instruments		**–**	–
(326)	Provisions		**(9)**	(143)
(8,322)	**Total current liabilities**		**(7,907)**	(8,977)
254	**Current assets less current liabilities**		**450**	4,068
3,102	**Total assets less current liabilities**		**3,042**	7,297
	Non-current liabilities			
(294)	Interest bearing loans and borrowings		**(112)**	(3,049)
2,808	**Net assets**		**2,930**	4,248

Consolidated balance sheet (unaudited) continued

as at 30 June 2008

31 December 2007 £'000		Note	**30 June 2008 £'000**	30 June 2007 £'000
	EQUITY			
2,233	Called up share capital		**2,233**	2,233
4,214	Share premium account		**4,214**	4,214
8,158	Capital redemption reserve		**8,158**	8,158
–	Revaluation reserve		**–**	2,324
6,475	Capital reserve		**6,475**	6,475
(17,777)	Retained earnings		**(17,655)**	(18,661)
(495)	Shares held by ESOP		**(495)**	(495)
2,808	**Total equity attributable to equity shareholders of the parent**		**2,930**	4,248

Consolidated cash flow statement (unaudited)

for the six months ended 30 June 2008

Year ended 31 December 2007 £'000		Note	**Six months ended 30 June 2008 £'000**	Six months ended 30 June 2007 £'000
	Cash flows from operating activities			
(1,187)	Cash used in operations	2	**(30)**	(1,291)
–	Tax paid		**(6)**	(4)
(466)	Interest paid		**(98)**	(168)
(1,653)	**Net cash used in operating activities**		**(134)**	(1,463)
	Cash flows from investing activities			
3,170	Proceeds on disposal of property, plant and equipment		**18**	344
(108)	Purchases of property, plant and equipment		**(19)**	(72)
3,062	**Net cash (used in) generated from investing activities**		**(1)**	272
	Cash flows from financing activities			
(251)	Repayments of bank loans		**(129)**	(123)
(2,875)	Repayment of Pension Trustees' loan		**–**	–
(195)	Repayments of obligations under finance leases and hire purchase arrangements		**(42)**	(149)
200	New loans		**–**	100
(3,121)	**Net cash used in financing activities**		**(171)**	(172)
(1,712)	**Decrease in cash and cash equivalents**		**(306)**	(1,363)
(705)	Cash and cash equivalents at beginning of period		**(2,326)**	(705)
91	Exchange gains on cash and cash equivalents		**32**	72
(2,326)	**Cash and cash equivalents at end of period**		**(2,600)**	(1,996)

Notes (unaudited)

1. Earnings (loss) per ordinary share

Year ended 31 December 2007 £'000		**Six months ended 30 June 2008 £'000**	Six months ended 30 June 2007 £'000
(2,185)	Loss on ordinary activities after taxation	**(49)**	(725)

Weighted average number of ordinary shares in issue
(excluding the shares owned by the Pittards employee share ownership trust)

Shares '000		**Shares '000**	Shares '000
222,294	Basic	**222,294**	222,294

The weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share is identical to that used for basic earnings per ordinary share. There is no dilution in 2008 or 2007.

2. Cash used in operations:

Year ended 31 December 2007 £'000		**Six months ended 30 June 2008 £'000**	Six months ended 30 June 2007 £'000
(2,185)	**Net loss before taxation**	**(38)**	(719)
	Adjustments for:		
775	Depreciation and amortisation	**289**	443
463	Foreign exchange (gain) loss	**(51)**	366
(64)	Loss (gain) on derivatives	**88**	(91)
466	Bank and other interest charges	**140**	300
20	Issue of warrants	**–**	–
(450)	Profit on sale of fixed assets	**(17)**	(43)
(194)	Provision movement	**(317)**	(377)
	Working capital		
432	Decrease in inventories	**859**	126
600	(Decrease) increase in trade and other receivables	**(571)**	(1,137)
(1,050)	Decrease in payables	**(412)**	(159)
(1,187)	**Cash used in operations**	**(30)**	(1,291)

Notes (unaudited) continued

3. 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 240 of the Companies Act 1985. The financial information for the full preceding year is extracted from the statutory accounts for the financial year ended 31 December 2007. Those accounts, upon which the auditor issued an unqualified opinion, have been delivered to the Registrar of Companies.

4. Pittards plc is a public limited company incorporated in the United Kingdom under the Companies Act 1985. The Company is domiciled in the United Kingdom and its ordinary shares are traded on the Alternative Investment Market ("AIM").

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.

5. 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. The address of the registered office is: Pittards plc, Sherborne Road, Yeovil, Somerset, BA21 5BA.

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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.

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