

Company Registration No. 03610819 (England and Wales)

CREST LEATHERS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021

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CREST LEATHERS LIMITED

COMPANY INFORMATION

Director	C Patel
Company number	03610819
Registered office	Ground Floor Meridian House Suite A 202-204 Finchley Road London NW3 6BX
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

CREST LEATHERS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents the strategic report for the year ended 31 December 2021.

Business review

During 2021 the group's turnover increased following a decrease in 2020 in the wake of Covid-19. However, the group has seen decreased profit margins as hide prices rose, while energy and freight costs increased in the latter half of the year.

The capital base of the group remains strong at \$23m (2020 - \$27m).

As the group's sales are reliant on the availability of hides and skins from slaughtered animals in various parts of the world, its main risks and uncertainty is the availability of supply being affected by natural disasters and the prices charged by suppliers as a result.

The group continues to encourage its suppliers to conduct their operations in environmentally friendly conditions.

Key performance indicators

The table below shows 5 years of the combined turnover, profit before tax (PBT), and net assets of the group without adjustment for minority interest. These key performance indicators, as selected by the group's director, together give an indication of the trading performance and financial position of the group.

	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000
Turnover	119,700	120,988	105,972	84,467	117,641
PBT	1,354	6,450	8,120	10,294	8,600
Net Assets	17,986	22,883	18,907	27,189	22,141

Financial risk management

The group uses various financial instruments including loans and instruments arising from operations including cash, debtors and trade creditors.

The existence of these financial instruments exposes the group to a number of financial risks which are described in more detail below.

All Euro sales are being invoiced directly out of Crest Leather Italia. The majority of the group's physical transactions are conducted outside of the UK which has put the group in a good position to deal with the effects of Brexit.

Currency risk

The group maintains the majority of its bank accounts in four currencies, namely US Dollars, Euros, Sterling and Brazilian Real and reports in US Dollars. Following the transition to invoice Euro customers from Crest Leather Italia, the group has a natural hedge in its foreign exchange exposure, and rarely required the use of foreign exchange derivatives to manage risk.

Liquidity and credit risk

The group seeks to manage financial risk by ensuring that sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably.

The principal credit risk arises from its trade debtors and the group utilises a debtor finance facility to provide liquidity on outstanding debtors of the group.

Credit limits are regularly reviewed by the directors having regard to the trading and payment history of the respective debtor. The group insures the majority of its trade debtors against non-payment.

Details of borrowings are set out in note 22 to the financial statements.

CREST LEATHERS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Interest rate risks

The group finances its operations through a mixture of retained profits and group borrowings under a joint facility. The group's exposure to interest rate fluctuations on its borrowings is reviewed regularly by the director.

Future developments

The group will be facing challenging market conditions going forward. There will be a continued focus of vertical integration to improve operational efficiency, with further investment in new facilities in Brazil and Italy. Management will continue to consider all key stakeholders set out in the Section 172 Statement below when making any decisions regarding the group's future strategy.

Section 172 Statement

The Crest Leathers Limited group is made up of the UK head office, the UK and US warehouses, a joint venture in Brazil and an associate in Thailand. Central decision making, including consideration of stakeholder needs, occurs at the group board level.

The group made a decision to pay a dividend to its parent company during the year. This decision was made by the director of the UK group.

The interests of the above key stakeholders are not always totally compatible and may even be mutually exclusive at time, therefore, the group has to constantly weigh up the needs and requirements of all key stakeholders and attempt to find the right balance where decisions may affect more than one stakeholder. At all times the group remains ethical in its dealings with key stakeholders and attempts to keep all key stakeholders informed of relevant business decisions.

In making long term decisions about the future of the group, at all times we have the requirements of our key stakeholders in mind. The board take our responsibility to ESG (Economic Social and Corporate Governance) extremely seriously and the likely consequences of all our long term decision making is part of our ongoing risk management process.

The culture of the group is one of support and inclusiveness with the aim of ensuring our business is sustainable in the long run. We aim to be an equal opportunities employer at all times and deal fairly and ethically with all stakeholders. Robust procedures are in place for conflict resolution.

CREST LEATHERS LIMITED

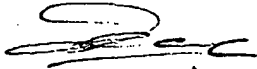
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Business relationships

We engage with our customers and suppliers about changing needs within the supply chain and changing demands within our marketplace. The group continues to monitor feedback from customers and alters its sales channels to meet their needs, be that changes in geographical reach, delivery method, pricing or service levels.

On behalf of the board



.....
C Patel
Director

Date: 09.06.22
.....

CREST LEATHERS LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The director presents his annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company and group continued to be the conversion of raw hides into finished leather, and its sale and distribution to manufacturers.

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends of \$10,950k were paid in the year (2020 - \$nil)

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

C Patel

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon reporting

As the parent company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

As none of the subsidiary undertakings of the group meet the SECR requirements on an individual entity basis, the group is not required to include the energy and carbon reporting information of these entities in its consolidated financial statements.

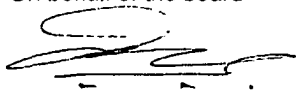
Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments and financial risk management objectives and policies.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



C Patel
Director

Date: 09.06.22

CREST LEATHERS LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The director is responsible for preparing the Strategic Report and the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREST LEATHERS LIMITED

Opinion

We have audited the financial statements of Crest Leathers Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 and parent company 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, 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 director's assessment of the group and the parent company's ability to continue to adopt the going concern basis of accounting included review of forecasts and sensitivities.

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's or the 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 director with respect to going concern are described in the relevant sections of this report.

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 director is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREST LEATHERS LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's 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 director

As explained more fully in the director's responsibilities statement set out on page 5, the director is 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 director determines 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 director is 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 director either intends to liquidate the group or the parent company or to cease operations, or has 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREST LEATHERS LIMITED (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal tax advisors.

The audit engagement team identified the risks of management override of controls and risk of cut-off in revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business. In relation to revenue recognition, the audit procedures included testing whether revenue recognition was in line with relevant accounting principles.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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 members, 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 members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Daniel Varley (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Central Square

5th Floor

29 Wellington Street

Leeds

LS1 4DL

9 June 2022

CREST LEATHERS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$	2020 \$
Turnover	3	117,640,907	84,467,034
Cost of sales		(100,367,326)	(66,285,312)
Gross profit		17,273,581	18,181,722
Administrative expenses		(7,626,926)	(7,955,318)
Other operating income	6	-	56,260
Share of (loss)/profit in associated undertakings		(112,681)	830,654
Operating profit	6	9,533,974	11,113,318
Interest receivable and similar income	8	161,855	225,549
Interest payable and similar expenses	9	(1,095,860)	(1,045,184)
Profit before taxation		8,599,969	10,293,683
Tax on profit	10	(2,057,704)	(1,615,963)
Profit for the financial year		6,542,265	8,677,720
Other comprehensive income net of taxation			
Currency translation differences		(75,537)	111,106
Total comprehensive income for the year		6,466,728	8,788,826
Profit for the financial year is attributable to:			
- Owners of the parent company		5,977,775	8,171,113
- Non-controlling interests		564,490	506,607
		6,542,265	8,677,720
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		5,902,238	8,282,219
- Non-controlling interests		564,490	506,607
		6,466,728	8,788,826

CREST LEATHERS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

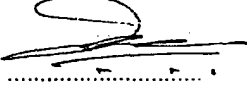
	Notes	2021 \$	\$	2020 \$	\$
Fixed assets					
Negative goodwill	12	(3,987,134)		(4,082,066)	
Other intangible assets	12	211,491		281,988	
Total intangible assets		(3,775,643)		(3,800,078)	
Tangible assets	13	1,837,910		1,992,270	
Investments	14	15,430,570		15,520,244	
		13,492,837		13,712,436	
Current assets					
Stocks	18	52,208,910	41,103,728		
Debtors	19	35,104,571	34,599,187		
Cash at bank and in hand		3,326,595	1,748,044		
		90,640,076	77,450,959		
Creditors: amounts falling due within one year	20	(56,635,036)	(53,605,048)		
Net current assets		34,005,040		23,845,911	
Total assets less current liabilities		47,497,877		37,558,347	
Creditors: amounts falling due after more than one year	21	(25,264,633)	(10,277,720)		
Provisions for liabilities	23	(91,908)	(91,529)		
Net assets		22,141,336		27,189,098	
Capital and reserves					
Called up share capital	25	722,934	722,934		
Foreign exchange translation reserve	26	(1,200,875)	(1,049,801)		
Profit and loss reserves	26	22,573,371	27,470,059		
Equity attributable to owners of the parent company		22,095,430	27,143,192		
Non-controlling interests		45,906	45,906		
		22,141,336	27,189,098		

CREST LEATHERS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved and signed by the director and authorised for issue on 09.06.22



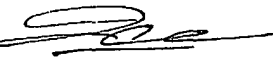
C Patel
Director

CREST LEATHERS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	2021 \$	\$	2020 \$	\$
Fixed assets					
Intangible assets	12	211,491		281,988	
Tangible assets	13	453,987		586,976	
Investments	14	7,644,592		7,644,592	
		<u>8,310,070</u>		<u>8,513,556</u>	
Current assets					
Stocks	18	36,187,655		26,052,014	
Debtors	19	36,291,638		38,458,441	
Cash at bank and in hand		3,236,948		1,555,354	
		<u>75,716,241</u>		<u>66,065,809</u>	
Creditors: amounts falling due within one year	20	(46,691,903)		(45,235,247)	
Net current assets		<u>29,024,338</u>		<u>20,830,562</u>	
Total assets less current liabilities		<u>37,334,408</u>		<u>29,344,118</u>	
Creditors: amounts falling due after more than one year	21	(20,953,632)		(8,445,632)	
Provisions for liabilities	23	(110,975)		(110,596)	
Net assets		<u>16,269,801</u>		<u>20,787,890</u>	
Capital and reserves					
Called up share capital	25	722,930		722,930	
Profit and loss reserves	26	15,546,871		20,064,960	
Total equity		<u>16,269,801</u>		<u>20,787,890</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was \$6,431,911 (2020 - \$6,747,252).

The financial statements were approved and signed by the director and authorised for issue on 09.06.22



C Patel
Director

CREST LEATHERS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital	Foreign exchange translation reserve	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 January 2020		722,934	(1,160,907)	19,298,946	18,860,973	45,906	18,906,879
Year ended 31 December 2020:							
Profit for the year		-	-	8,171,113	8,171,113	506,607	8,677,720
Other comprehensive income net of taxation:							
Currency translation differences		-	111,106	-	111,106	-	111,106
Total comprehensive income for the year		-	111,106	8,171,113	8,282,219	506,607	8,788,826
Dividends	11	-	-	-	-	(506,607)	(506,607)
Balance at 31 December 2020		722,934	(1,049,801)	27,470,059	27,143,192	45,906	27,189,098
Year ended 31 December 2021:							
Profit for the year		-	-	5,977,775	5,977,775	564,490	6,542,265
Other comprehensive income net of taxation:							
Currency translation differences		-	(75,537)	-	(75,537)	-	(75,537)
Total comprehensive income for the year		-	(75,537)	5,977,775	5,902,238	564,490	6,466,728
Dividends	11	-	-	(10,950,000)	(10,950,000)	(564,490)	(11,514,490)
Balance at 31 December 2021		722,934	(1,125,338)	22,497,834	22,095,430	45,906	22,141,336

CREST LEATHERS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital \$	Profit and loss reserves \$	Total \$
Balance at 1 January 2020		722,930	13,317,708	14,040,638
Year ended 31 December 2020:				
Profit for the year		-	6,747,252	6,747,252
Balance at 31 December 2020		722,930	20,064,960	20,787,890
Year ended 31 December 2021:				
Profit for the year		-	6,431,911	6,431,911
Dividends	11	-	(10,950,000)	(10,950,000)
Balance at 31 December 2021		722,930	15,546,871	16,269,801

CREST LEATHERS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 \$	\$	2020 \$	\$
Cash flows from operating activities					
Cash generated from operations	27	124,304		7,511,539	
Interest received		161,855		225,549	
Income taxes paid		(2,124,280)		(2,041,230)	
Net cash (outflow)/inflow from operating activities		(1,838,121)		5,695,858	
Investing activities					
Purchase of tangible fixed assets		(22,605)		(276,458)	
Proceeds on disposal of tangible fixed assets		1,786		52,612	
Dividends received		36,561		96,325	
Net cash generated from/(used in) investing activities		15,742		(127,521)	
Financing activities					
Net proceeds/(repayment) of borrowings		16,011,280		(8,306,843)	
Interest paid		(1,095,860)		(1,045,184)	
Payment of finance leases obligations		-		(51,586)	
Dividends paid to equity shareholders		(10,950,000)		-	
Dividends paid to non-controlling interests		(564,490)		(506,607)	
Net cash generated from/(used in) financing activities		3,400,930		(9,910,220)	
Net increase/(decrease) in cash and cash equivalents		1,578,551		(4,341,883)	
Cash and cash equivalents at beginning of year		1,748,044		6,089,927	
Cash and cash equivalents at end of year		3,326,595		1,748,044	

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Crest Leathers Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Ground Floor, Meridian House Suite A, 202-204 Finchley Road, London, NW3 6BX.

The group consists of Crest Leathers Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Director's Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Crest Leathers Limited and its subsidiary undertakings, Crest JMT Leather Limited, Crest Leather LLC and Beachtone Trading Limited using the acquisition method of accounting. The results of the subsidiary undertakings acquired are included from the effective date of acquisition. The results of the investments in associates and jointly controlled entities have been consolidated using the equity method of accounting.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

The director continues to closely review planning and operations. The review continues to show that the group has substantial surplus availability in its banking facilities and equity reserves to sustain the business throughout the next 12 months under all scenarios. The director is continually reviewing developments and taking appropriate action to maintain the group.

Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, estimated to be 5 years.

Negative goodwill is amortised over the life of monetary assets acquired, estimated to be 50 years.

Intangible fixed assets other than goodwill

Intangible fixed assets relate to software development costs. These are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	25% reducing balance
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Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold property	20% - 25% reducing balance or not depreciated
Plant and equipment	15% - 25% reducing balance
Fixtures and fittings	25% reducing balance
Motor vehicles	25% reducing balance

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Included within freehold property is a property is deemed to have a residual value equal to its cost. As such no depreciation is charged.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Undertakings in which the group has significant influence (i.e. the power to participate in the financial and operating policy decisions but not control or joint control over those policies) are classified as associates. The group's share of the results, other comprehensive income and equity of associates are accounted for using the equity method based on the associate's financial statements to 31 December.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities and are accounted for using the equity method, as described above for associates.

Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate or jointly controlled entity on acquisition is recognised as goodwill.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, using the weighted average method of accounting. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash at bank and in hand.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, accrued income, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, accruals, amounts owed to group undertakings, the debtor financing facility and the stock financing facility, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Included within other operating income shown in the statement of comprehensive income are amounts received from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS).

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

There are no critical judgements which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Carrying value of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 19 for the net carrying amount of the debtors and associated impairment provision.

Stock provision

The company makes an estimate of the realisable value of stock. When assessing the impairment of stock, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods. See note 18 for the net carrying amount of the stock and associated provision.

3 Turnover and other revenue

In the opinion of the director, disclosure of the geographical analysis of turnover and the analysis of turnover by class of business would be seriously prejudicial to the interests of the group. For this reason, the director has taken advantage of the exemption available under the Companies Act 2006 and has not disclosed this information.

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Distribution	17	13	-	-
Administration	25	28	12	7
Total	42	41	12	7

Their aggregate remuneration comprised:

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Wages and salaries	5,084,590	4,039,888	2,606,982	1,858,660
Social security costs	323,047	300,449	189,755	186,625
Pension costs	80,554	72,486	25,568	16,200
	5,488,191	4,412,823	2,822,305	2,061,485

5 Director's remuneration

	2021 \$	2020 \$
Remuneration for qualifying services	2,041,109	643,549

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 \$	2020 \$
Remuneration for qualifying services	2,041,109	643,549

The number of directors accruing pension contributions to defined contribution schemes was nil (2020 - nil).

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Operating profit

	2021	2020
	\$	\$
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(1,061,212)	660,503
Government grants	-	(56,260)
Depreciation of owned tangible fixed assets	164,842	387,298
Loss/(profit) on disposal of tangible fixed assets	29,821	(2,692)
Amortisation of intangible assets	70,497	93,996
Amortisation of negative goodwill	(94,932)	(94,932)
Operating lease charges	303,300	422,653

During the year the company received Government grant funding in respect of the Coronavirus Job Retention Scheme. The grant applications have been submitted on a monthly basis and grants recognised as received. The total grant claimed and received during the year amounted to £nil (2020 - £56,260) and this amount has been disclosed within other operating income.

7 Auditor's remuneration

	2021	2020
	\$	\$
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	106,566	98,947
For other services		
Taxation compliance services	13,750	12,767
All other non-audit services	13,750	12,767
	27,500	25,534

8 Interest receivable and similar income

	2021	2020
	\$	\$
Interest income		
Interest receivable from group companies	161,855	225,549

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

9 Interest payable and similar expenses

	2021	2020
	\$	\$
Interest on bank facilities	614,752	921,146
Interest on invoice finance arrangements	294,213	107,105
Interest payable to group undertakings	63,140	15,689
Interest on finance leases and hire purchase contracts	-	1,244
Other interest	123,755	-
Total finance costs	1,095,860	1,045,184

10 Taxation

	2021	2020
	\$	\$
Current tax		
UK corporation tax on profits for the current period	1,656,476	1,735,437
Adjustments in respect of prior periods	13,130	(668,237)
Total UK current tax	1,669,606	1,067,200
Foreign current tax on profits for the current period	459,928	409,452
Foreign current tax in respect of associated undertakings	(66,912)	141,317
Total current tax	2,062,622	1,617,969
Deferred tax		
Origination and reversal of timing differences	(9,181)	23,703
Changes in tax rates	(451)	-
Adjustment in respect of prior periods	4,714	(25,709)
Total deferred tax	(4,918)	(2,006)
Total tax charge	2,057,704	1,615,963

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2021 \$	2020 \$
Profit before taxation	8,599,969	10,293,683
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,633,994	1,955,800
Tax effect of expenses that are not deductible in determining taxable profit	434,653	362,483
Adjustments in respect of prior years	17,844	(693,946)
Effect of change in corporation tax rate	-	8,313
Effect of overseas tax rates	-	(13,560)
Foreign exchange differences	(9,697)	-
Remeasurement of deferred tax	(19,090)	-
Deferred tax not recognised	-	(3,127)
Taxation charge	2,057,704	1,615,963

In the March 2021 Budget it was announced that the standard rate of corporation tax would remain at 19%, increasing to 25% from 1 April 2023.

11 Dividends

	2021 Per share \$	2020 Per share \$	2021 Total \$	2020 Total \$
Recognised as distributions to equity holders:				
Ordinary shares				
Interim paid	21.90	-	10,950,000	-

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Intangible fixed assets

Group	Goodwill	Negative goodwill	Software	Total
	\$	\$	\$	\$
Cost				
At 1 January 2021 and 31 December 2021	1,209,020	(4,746,592)	391,815	(3,145,757)
Amortisation and impairment				
At 1 January 2021	1,209,020	(664,526)	109,827	654,321
Amortisation charged for the year	-	(94,932)	70,497	(24,435)
At 31 December 2021	1,209,020	(759,458)	180,324	629,886
Carrying amount				
At 31 December 2021	-	(3,987,134)	211,491	(3,775,643)
At 31 December 2020	-	(4,082,066)	281,988	(3,800,078)
Company			Software	
			\$	
Cost				
At 1 January 2021 and 31 December 2021			391,815	
Amortisation and impairment				
At 1 January 2021			109,827	
Amortisation charged for the year			70,497	
At 31 December 2021			180,324	
Carrying amount				
At 31 December 2021			211,491	
At 31 December 2020			281,988	

The amortisation charge for all intangible assets is included within administrative expenses.

There are no contractual commitments to acquire intangible assets (2020 - \$nil).

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Tangible fixed assets

Group	Freehold property \$	Plant and equipment \$	Fixtures and fittings \$	Motor vehicles \$	Total \$
Cost					
At 1 January 2021	1,673,826	1,271,214	322,359	263,978	3,531,377
Additions	-	1,899	20,706	-	22,605
Disposals	-	-	(21,886)	-	(21,886)
Exchange adjustments	(12,732)	(643)	(270)	(448)	(14,093)
At 31 December 2021	1,661,094	1,272,470	320,909	263,530	3,518,003
Depreciation and impairment					
At 1 January 2021	239,795	975,077	282,664	41,571	1,539,107
Depreciation charged in the year	16,120	61,345	31,383	55,994	164,842
Eliminated in respect of disposals	-	-	(22,700)	-	(22,700)
Exchange adjustments	-	(495)	(235)	(426)	(1,156)
At 31 December 2021	255,915	1,035,927	291,112	97,139	1,680,093
Carrying amount					
At 31 December 2021	1,405,179	236,543	29,797	166,391	1,837,910
At 31 December 2020	1,434,031	296,137	39,695	222,407	1,992,270
Company					
	Freehold property \$	Plant and equipment \$	Fixtures and fittings \$	Motor vehicles \$	Total \$
Cost					
At 1 January 2021	179,483	1,134,754	95,055	215,902	1,625,194
Additions	-	1,899	-	-	1,899
At 31 December 2021	179,483	1,136,653	95,055	215,902	1,627,093
Depreciation and impairment					
At 1 January 2021	111,764	864,737	61,717	-	1,038,218
Depreciation charged in the year	16,120	56,813	8,336	53,619	134,888
At 31 December 2021	127,884	921,550	70,053	53,619	1,173,106
Carrying amount					
At 31 December 2021	51,599	215,103	25,002	162,283	453,987
At 31 December 2020	67,719	270,017	33,338	215,902	586,976

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Fixed asset investments

	Notes	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Investments in subsidiaries	15	-	-	7,595,703	7,595,703
Investments in associates	16	15,430,570	15,520,244	48,889	48,889
		<u>15,430,570</u>	<u>15,520,244</u>	<u>7,644,592</u>	<u>7,644,592</u>

Movements in fixed asset investments Group

	Shares in participating interests \$
Cost	
At 1 January 2021	15,520,244
Share of results of associates	(53,113)
Dividends	(36,561)
At 31 December 2021	<u>15,430,570</u>
Carrying amount	
At 31 December 2021	<u>15,430,570</u>
At 31 December 2020	<u>15,520,244</u>

Movements in fixed asset investments Company

	Shares in group undertakings and participating interests \$
Cost	
At 1 January 2021 and 31 December 2021	<u>7,644,592</u>
Carrying amount	
At 31 December 2021	<u>7,644,592</u>
At 31 December 2020	<u>7,644,592</u>

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Crest JMT Leather Limited	1	Finished leather distribution	Ordinary	98.75
Crest Leather LLC	2	Finished leather distribution	Ordinary	100.00
Beachtone Trading Limited	1	Holding Company	Ordinary	100.00

Registered office addresses (all UK unless otherwise indicated):

- 1 Ground Floor, Meridian House, Suite A, 202-204 Finchley Road, London, NW3 6BX
2 408 Gallimore Dairy Road, Greensboro, NC 27409 9541, United States of America

The remaining 1.25% shareholding in Crest JMT Leather Limited relates to holders of D Ordinary and E Ordinary shares, which carry no voting rights and no right to any distribution of assets on winding up.

The subsidiary company, Crest JMT Leather Limited, has taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirement in the Act for its individual accounts to be audited. In order for Crest JMT Leather Limited to take the audit exemption in accordance with the act, Crest Leathers Limited has guaranteed all of its outstanding liabilities at 31 December 2021 until those liabilities are satisfied in full.

16 Associates

Details of associates at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Crest Lux Co Limited	25 South Sathon Road, 10120 Sathon, Bangkok, Thailand	Finished leather distribution	Ordinary	49

17 Joint ventures

Details of joint ventures at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Interest held	% Held Direct Indirect
Industria e Comercio de Couros International Ltda	Rolandia/Campinho, KM 04, Zona Rural, Rolandia-PR, 86600000, Brazil	Production	Ordinary	- 50.00

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18 Stocks

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Raw materials and consumables	35,651,127	25,738,917	35,651,127	25,738,917
Finished goods and goods for resale	16,557,783	15,364,811	536,528	313,097
	<u>52,208,910</u>	<u>41,103,728</u>	<u>36,187,655</u>	<u>26,052,014</u>

19 Debtors

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Amounts falling due within one year:				
Trade debtors	9,883,500	11,688,727	5,467,255	7,053,712
Amounts owed by group undertakings	18,313,724	22,109,139	24,460,043	31,047,964
Other debtors	6,536,104	532,776	6,047,124	256,638
Prepayments and accrued income	364,624	267,134	317,216	100,127
	<u>35,097,952</u>	<u>34,597,776</u>	<u>36,291,638</u>	<u>38,458,441</u>
Deferred tax asset (note 23)	6,619	1,411	-	-
	<u>35,104,571</u>	<u>34,599,187</u>	<u>36,291,638</u>	<u>38,458,441</u>

During the year, an impairment loss of \$568,049 (2020 - \$368,141) was recognised in respect of trade debtors due from customers who are known to be in financial difficulty and from whom payment was uncertain.

20 Creditors: amounts falling due within one year

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Trade creditors	3,029,546	5,377,319	2,873,355	5,131,504
Amounts owed to group undertakings	39,743,256	28,454,675	37,021,659	26,785,157
Corporation tax payable	319,589	381,336	451,665	271,893
Other taxation and social security	621,837	632,366	59,277	61,157
Debtor financing facility	4,552,735	3,528,368	-	-
Stock financing facility	5,400,000	5,400,000	4,478,577	4,437,406
Other creditors	1,319,395	4,810,943	158,692	3,528,089
Accruals and deferred income	1,648,678	5,020,041	1,648,678	5,020,041
	<u>56,635,036</u>	<u>53,605,048</u>	<u>46,691,903</u>	<u>45,235,247</u>

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

21 Creditors: amounts falling due after more than one year

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Stock financing facility	25,264,633	10,277,720	20,953,632	8,445,632

22 Borrowings

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Debtor financing facility	4,552,735	3,528,368	-	-
Stock financing facility	30,664,633	15,677,720	25,432,209	12,883,038
Payable within one year	9,952,735	8,928,368	4,478,577	4,437,406
Payable after one year	25,264,633	10,277,720	20,953,632	8,445,632

The group has a facility agreement with Investec Bank Plc. The facility sits with Crest Leathers Limited, with an adjustment at the year end to reflect the payment made by Crest Leathers Limited on behalf of Crest JMT Limited. The two companies have been provided with a facility to make advances of 80% of approved receivables, 60% of inventory and further amounts at the discretion of Investec Bank Plc up to \$44.5 million. Interest charged is at the rate of 3.25% over 3 month LIBOR. The facility is secured on all assets of the two companies and is guaranteed by the parent company and ultimate shareholders.

Crest Leather LLC has a revolving line of credit that allows for borrowings of the lesser of \$8 million or the collateral loan value, as defined. The facility matures on 20 November 2022. At 31 December 2021, the outstanding balance was \$4,552,735 (2020 - \$3,528,368). Borrowings under this facility bear interest at 1.75% over monthly LIBOR. Borrowings under this agreement are subject to certain covenants and restrictions. The company is in compliance with these requirements.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

	Liabilities 2021 \$	Liabilities 2020 \$	Assets 2021 \$	Assets 2020 \$
Group				
Accelerated capital allowances	113,384	112,426	(3,196)	(3,500)
Short term timing difference	(21,476)	(20,897)	9,815	4,911
	91,908	91,529	6,619	1,411

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Deferred taxation (Continued)

	Liabilities 2021 \$	Liabilities 2020 \$	Assets 2021 \$	Assets 2020 \$
Company				
Accelerated capital allowances	113,385	112,427	-	-
Short term timing difference	(2,410)	(1,831)	-	-
	<u>110,975</u>	<u>110,596</u>	<u>-</u>	<u>-</u>
			Group 2021 \$	Company 2021 \$
Movements in the year:				
Liability at 1 January 2021			90,118	110,596
(Credit)/charge to profit or loss			(4,829)	379
Liability at 31 December 2021			<u>85,289</u>	<u>110,975</u>

24 Retirement benefit schemes

	2021 \$	2020 \$
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>80,554</u>	<u>72,486</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. There was no outstanding balance at the year end (2020 - \$nil).

25 Share capital

	2021 Number	2020 Number	2021 \$	2020 \$
Ordinary share capital issued and fully paid				
Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>	<u>722,930</u>	<u>722,930</u>

26 Reserves

Foreign exchange translation reserve

Foreign exchange gains and losses on the retranslation of the results and net assets of the company's foreign subsidiaries.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

27 Cash generated from group operations

	2021 \$	2020 \$
Profit for the year after tax	6,542,265	8,677,720
Adjustments for:		
Taxation charged	2,057,704	1,615,963
Finance costs	1,095,860	1,045,184
Investment income	(161,855)	(225,549)
Gain on disposal of tangible fixed assets	(2,600)	(2,692)
Amortisation and impairment of intangible assets	(24,435)	(936)
Depreciation and impairment of tangible fixed assets	164,842	387,298
Foreign exchange losses	(62,600)	70,605
Share of profit of associated undertakings	53,113	(673,820)
Movements in working capital:		
Increase in stocks	(11,105,182)	(10,045,996)
Increase in debtors	(500,176)	(4,924,855)
Increase in creditors	2,067,368	11,588,617
Cash generated from operations	124,304	7,511,539

28 Analysis of changes in net debt - group

	1 January 2021 \$	Cash flows \$	Exchange rate movements \$	31 December 2021 \$
Cash at bank and in hand	1,748,044	1,515,951	62,600	3,326,595
Debtor financing facility	(3,528,368)	(1,024,367)	-	(4,552,735)
Stock financing facility	(15,677,720)	(14,986,913)	-	(30,664,633)
	(17,458,044)	(14,495,329)	62,600	(31,890,773)

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

29 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Within one year	216,963	307,251	43,997	120,924
Between one and five years	507,004	630,685	-	44,411
In over five years	-	94,015	-	-
	<u>723,967</u>	<u>1,031,951</u>	<u>43,997</u>	<u>165,335</u>

30 Related party transactions

During the year the group and company undertook transactions with related parties as follows:

Relationship	Transaction type	Group 2021 \$	2020 \$	Company 2021 \$	2020 \$
Subsidiaries (excluding those wholly owned)	Sales	-	-	23,960,609	5,765,220
	Purchases	-	-	152,315	1,199
	Recharges	-	-	-	130,523
Associates	Sales	3,942,210	1,295,943	3,942,210	1,295,943
	Purchases	22,933,193	-	22,933,193	-
Under common control	Sales	42,778,395	-	41,656,322	-
	Purchases	60,238,679	-	48,300,009	-

CREST LEATHERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

30 Related party transactions (Continued)

At the year end, the group held balances with the following related parties:

Relationship	Transaction type	Amounts (owed to)/due from related parties			
		Group 2021	2020	Company 2021	2020
		\$	\$	\$	\$
Subsidiaries (excluding those wholly owned)	Trading balance	-	-	9,402,966	-
	Loan	-	-	(4,248,694)	8,324,090
Associates	Trading balance	5,551,292	28,502	5,531,735	5,860
	Loan	-	(3,187,732)	-	(3,187,732)
Directors	Loan	(86,201)	(78,774)	(86,201)	(78,774)

The above balances are unsecured, interest free and repayable on demand.

31 Ultimate parent company

The immediate and ultimate parent undertaking is Crest International KFT, a company incorporated in Hungary, with a registered office of 1138 Budapest, Népfürdő utca 22. B. ép. 13. em, Hungary.