

**Andrew Muirhead & Son Limited**

**Annual Report and Financial Statements**

**Registered number SC047567**

**31 March 2021**



## **Contents**

Strategic Report	1
Directors' Report	3
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements	4
Independent Auditor's Report to the Members of Andrew Muirhead & Son Limited	5
Profit and Loss Account	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of Other Comprehensive Income	11
Notes	12

## Strategic Report

The directors present their Strategic Report for the year ended 31 March 2021.

### Principal activity and business review

The principal activity of the company continued to be leather processing, however, on 30 November 2020, the directors took the decision to cease trading following the transfer of the trade and assets of the company to Scottish Leather Group Operations Limited. As the directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

Prior to the business ceasing to trade on 30 November 2020, the key areas of development and performance of the business included:

- **Health and Safety:** the company retained a strong focus on its primary objective of ensuring that a safe and healthy working environment was maintained and continuously improved for the benefit of all stakeholders. Regular safety climate surveys were conducted through which the company benchmarked itself against a wide range of other manufacturing businesses.
- **Wellbeing:** the company embarked on a range of initiatives to promote employee wellbeing with the purpose of enabling all our people to reach their maximum potential through healthy living. The company supported the Healthy Working Lives Award Programme promoted by NHS Scotland and the Scottish Government.
- **Manufacturing:** new products continued to be developed for both existing and developing markets; production efficiencies had been gained and new initiatives for process and efficiency improvements were constantly being developed.
- **Sustainability:** the company constantly sought new and innovative ways to deliver industry leading economic, environmental and social responsibility. A Sustainability Report is prepared and published annually on the Scottish Leather Group website and is distributed directly to all shareholders and other key stakeholders.

Key financial performance indicators include monitoring the management of profitability and working capital.

	2021	2020	Measure
<b>Financial</b>			
Return on capital	(73%)	9.3%	(Loss)/profit before tax/net assets
Current ratio	7:1	5.1:1	Current assets: current liabilities
Stock turnover	-	6.6	Turnover/stock

### Section 172 Statement

Stakeholder Engagement - Business success depends on developing long term relationships with the employees, communities and other organisations that have an interest in the company and may be impacted by its decisions. These stakeholders are central to the business's strategic direction, purpose, priorities, values and culture. The business strives to provide mutually beneficial outcomes for our employees, customers, shareholders, suppliers, communities, environment, government and non-governmental organisations (NGOs). The company identifies its key stakeholders through its strategic planning process which is focused on delivering long-term sustainable value.

The business engages with these important stakeholders in a variety of ways from direct discussions to surveys and participating in community, industry and government forums. This provides valuable insights that inform the Board's deliberations. These active engagements support the principles of Section 172 of the Companies Act which sets out that directors should have regard to stakeholder interests when discharging their duty to promote the success of the company. Principal engagement with key stakeholder groups is undertaken at a group level. This supports both group and subsidiary companies and includes engagement and input from the directors of the company. Engagement with key stakeholder groups to promote the long-term interests of the business is achieved as follows:

Employees:

- All-employee survey • Regular MD Newsletters • Share ownership scheme • Healthy Working Lives • Commitment to building an inclusive culture • Ongoing engagement with Health & Safety Initiatives, including behavioural safety.

## **Strategic Report** *(continued)*

### **Section 172 Statement** *(continued)*

Customers:

• Key account management • Technology partnerships • Trusted long-term partnerships • Investment in research and development • Sustainability strategy.

Suppliers:

• Clearly defined supplier quality policy • Supplier visits • Strong safety culture • Trusted partnerships.

Communities & Environment:

• Supporting employment and apprenticeship schemes • Jobs and investment • Good neighbours, operating safely and ethically • Active support to local communities • Reducing environmental impact • Developing and executing our sustainability strategy.

Government & NGOs:

• Direct engagement with national and local politicians and officials • Membership of industry bodies • Supporting NGO efforts to improve STEM.

### **Financing**

The company's business activities and current financial position are set out within this annual report and the notes to the financial statements.

By order of the board



**Dugald MacTaggart**  
*Director*

273-289 Dunn Street, Glasgow G40 3EA  
7 June 2021

## **Directors' Report**

The directors present their report and audited financial statements for the year ended 31 March 2021.

### **Directors**

The directors who held office during the year were as follows:

A C Browning (resigned 21 October 2020)  
J D Dow (resigned 22 October 2020)  
W J C Lang (resigned 31 March 2020)  
A Livingstone (resigned 21 October 2020)  
D MacTaggart  
I F McFadyen  
N R Muirhead (resigned 28 October 2020)

In compliance with their duties under Section 172 of the Companies Act 2006, the Directors have described how the business develops relationships with suppliers, customers and others, and the effect of that on principal decisions taken, in the Strategic Report.

### **Dividend**

Dividends totalling to £13,110,026 were paid during the year (2020: £400,000).

### **Donations**

The company did not make any political contributions or incur any political expenditure during the year.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

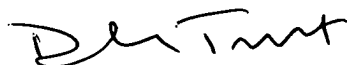
### **Auditor**

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

### **Financial instruments**

The company does not make use of complex financial instruments. However, as noted on page 1, the company has a policy of hedging against major currency exposures. This is achieved through a combination of forward currency contracts being taken out and/or the creation of a currency overdraft in respect of certain forecast sales transactions. This policy is monitored regularly by the board.

By order of the board



**Dugald MacTaggart**  
Director

273-289 Dunn Street, Glasgow G40 3EA  
7 June 2021

## **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern and disclose any relevant issues;
- as explained in note 1 of the notes the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Independent Auditor's Report to the Members of Andrew Muirhead & Son Limited

### Opinion

We have audited the financial statements of Andrew Muirhead & Son Limited ("the company") for the year ended 31 March 2021 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Other Comprehensive Income and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Emphasis of matter – non going concern basis of preparation

We draw attention to note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management as to the company's high-level policies and procedures to prevent and detect fraud and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Operational Executive meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that company management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenues consist of routine, non-complex transactions that are subject to systematic processing.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other

management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, and certain aspects of company legislation recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related



## **Independent Auditor's Report to the Members of Andrew Muirhead & Son Limited** (continued)

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



Lyn Nicolls (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS  
9 June 2021

**Profit and Loss Account**  
*for the year ended 31 March 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
<b>Turnover</b>	<b>2</b>	<b>7,196</b>	19,173
Cost of sales		<b>(4,339)</b>	(12,689)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>2,857</b>	6,484
Distribution costs		<b>(476)</b>	(1,633)
Administrative expenses		<b>(2,274)</b>	(3,659)
Other operating expenses	<b>3</b>	<b>-</b>	(2)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>107</b>	1,190
Other interest receivable and similar income	<b>7</b>	<b>-</b>	31
Other interest payable and similar charges	<b>8</b>	<b>(155)</b>	-
		<hr/>	<hr/>
<b>(Loss)/profit before taxation</b>		<b>(48)</b>	1,221
Tax on (loss)/profit	<b>9</b>	<b>(26)</b>	(258)
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>		<b>(74)</b>	963
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to discontinued operations.

The notes on pages 11 to 24 form part of the financial statements.

**Balance Sheet**  
**at 31 March 2021**

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible assets	10		-		2,872
<b>Current assets</b>					
Stocks	11	-		2,718	
Debtors	12	18		3,147	
Cash at bank and in hand	13	59		6,768	
		77		12,633	
<b>Creditors: amounts falling due within one year</b>	14	<b>(11)</b>		<b>(2,437)</b>	
<b>Net current assets</b>			<b>66</b>		<b>10,196</b>
<b>Total assets less current liabilities</b>			<b>66</b>		<b>13,068</b>
<b>Net assets</b>			<b>66</b>		<b>13,068</b>
<b>Capital and reserves</b>					
Called up share capital	18	-			53
Cash flow hedge reserve		-			(182)
Profit and loss account		66			13,197
<b>Shareholders' funds</b>			<b>66</b>		<b>13,068</b>

The notes on pages 11 to 24 form part of the financial statements.

These financial statements were approved by the board of directors on 7 June 2021 and were signed on its behalf by:



**Dugald MacTaggart**  
*Director*



**Iain F McFadyen**  
*Director*

Company registered number: SC047567

## Statement of Changes in Equity

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	53	-	12,634	12,687
Profit for the financial year	-	-	963	963
Other comprehensive income for the year	-	(182)	-	(182)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(182)</b>	<b>963</b>	<b>781</b>
Transactions with owners, recorded directly in equity				
Dividends	-	-	(400)	(400)
Total contributions by and distributions to owners	-	-	(400)	(400)
<b>Balance at 31 March 2020</b>	<b>53</b>	<b>(182)</b>	<b>13,197</b>	<b>13,068</b>
	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2020	53	(182)	13,197	13,068
Loss for the financial year	-	-	(74)	(74)
Other comprehensive income for the year	-	182	-	182
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>182</b>	<b>(74)</b>	<b>108</b>
Capital reduction	(53)	-	53	-
Transactions with owners, recorded directly in equity				
Dividends	-	-	(13,110)	(13,110)
Total contributions by and distributions to owners	(53)	-	(13,110)	(13,110)
<b>Balance at 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>66</b>

**Statement of Other Comprehensive Income**  
*for the year ended 31 March 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
<b>(Loss)/profit for the financial year</b>		<b>(74)</b>	963
		<hr/>	<hr/>
<b>Other comprehensive income</b>			
Cash flow hedging	<i>16</i>	<b>225</b>	(225)
Deferred tax on hedging instruments	<i>9</i>	<b>(43)</b>	43
		<hr/>	<hr/>
<b>Other comprehensive income for the year net of tax</b>		<b>182</b>	(182)
		<hr/>	<hr/>
<b>Total comprehensive income for the financial year</b>		<b>108</b>	781
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Andrew Muirhead & Son Limited (the “company”) is a private company incorporated, domiciled and registered in Scotland, United Kingdom. The registered number is SC047567 and the registered office is 273-289 Dunn Street, Glasgow G40 3EA.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company’s ultimate parent undertaking, Scottish Leather Group Limited includes the company in its consolidated financial statements. The consolidated financial statements of Scottish Leather Group Limited are prepared in accordance with UK Generally Accepted Accounting Practice, are available to the public and may be obtained from Locher House, Kilbarchan Road, Bridge of Weir, Renfrewshire, PA11 3RN. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Scottish Leather Group Limited include the equivalent disclosures, the company has also taken the exemptions available under FRS 102 in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 for *Share Based Payments*; and,
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are detailed in note 24.

#### 1.1 Measurement convention

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policy below.

#### 1.2 Going concern

In previous years the financial statements have been prepared on a going concern basis. However, on 30 November 2020 the directors took the decision to cease trading following the transfer of the company's trade and assets to Scottish Leather Group Operations Limited. Accordingly, the directors have not prepared the financial statements on a going concern basis.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the company’s functional currency at the foreign exchange rate ruling at the date of the transaction or at an average rate where that rate approximates the actual rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued which are recognised in other comprehensive income.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Turnover

Turnover represents sales invoiced on despatch of goods to external customers and excludes value added tax.

#### 1.5 Basic financial instruments

##### *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### 1.6 Other financial instruments

##### *Financial instruments not considered to be basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

##### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as below.

##### *Fair value hedges*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Other financial instruments (continued)

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

#### 1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, such as land and buildings, they are accounted for as separate items of tangible fixed assets.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 2% - 10%
- plant and equipment 6.67% - 33.33%
- motor vehicles 25%

Depreciation methods, useful lives and residual values are reviewed if there are indications of significant changes since the last annual reporting date in the pattern by which the company expects to consume the future economic benefit of assets.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out method and includes expenditure incurred on acquiring the stocks, production, conversion and other costs in bringing them to their existing condition and location. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 1.9 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit plans*

##### *Group plans*

The company is a participating employer with members in two group defined benefit pension schemes. Contributions payable are calculated based on the overall funding requirements of the schemes with the company recognising a cost equal to the contributions payable for each accounting period.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Scottish Leather Group Limited.

##### *Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

##### *Share-based payment transactions*

Eligible members of staff participate in the Scottish Leather Group Limited Approved Share Option Scheme which allows eligible employees to acquire shares in Scottish Leather Group Limited. The fair value of options granted is recognised as an employee expense. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an options pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Disclosure in respect of approved share option schemes in which the company's employees participate is made in the consolidated financial statements of the parent entity, Scottish Leather Group Limited. No expense is accounted for in the financial statements of the company as the charge is immaterial.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges includes interest payable, finance charges on shares classified as liabilities, finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the related tax is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### 1.13 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units (CGU), that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.14 Classification of financial instruments issued by the company**

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **1.15 Job Retention Scheme**

Receipts from the HM Revenue & Customs Job Retention Scheme are netted off against payroll costs within Cost of Sales or Administration expenses, depending on employees' payroll allocation. There were no unfulfilled conditions.

### **2 Turnover**

Turnover and profit before taxation were derived substantially from leather manufacturing. The geographical analysis of turnover is not provided as the directors consider that this would be seriously prejudicial to the company's interests.

### **3 Other operating expenses**

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
Sundry expenses	-	6
Gain on sale of fixed assets	-	(4)
	<u>          </u>	<u>          </u>

### **4 Expenses and auditor's remuneration**

*Included in profit are the following:*

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
Job Retention Scheme income (see note 1.15)	<b>554</b>	-
	<u>          </u>	<u>          </u>

	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	<b>10</b>	11
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	-	3
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Production	61	97
Sales	10	15
Administration	7	10
	<u>78</u>	<u>122</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	1,978	3,741
Social security costs	236	374
Contributions to defined contribution plans	192	294
	<u>2,406</u>	<u>4,409</u>

### 6 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	264	427
Company contributions to defined contribution pension plans	48	87
	<u>312</u>	<u>514</u>

The aggregate of remuneration amounts receivable under long term incentive schemes and compensation for loss of office of the highest paid director was £82,772 (2020: £148,136). The director is a deferred member of a defined benefit pension scheme under which the accrued pension at the year end was £8,078 (2020: £7,422) and company pension contributions of £10,842 (2020: £16,359) were made to a defined contribution pension plan.

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution plans	4	4
The number of directors who exercised share options was	-	-
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	4	4

## Notes (continued)

### 7 Other interest receivable and similar income

	2021 £000	2020 £000
Net foreign exchange gain	-	31
Total interest receivable and similar income	-	31

### 8 Other interest payable and similar charges

	2021 £000	2020 £000
Net foreign exchange loss	155	-
Total interest payable and similar charges	155	-

### 9 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2020 £000
<i>Current tax</i>		
UK corporation tax on income for the period	-	248
Adjustments in respect of prior periods	(18)	14
Total current tax	(18)	262
<i>Deferred tax (see note 15)</i>		
Origination and reversal of timing differences	44	(1)
Adjustments in respect of prior periods	-	(3)
Cash flow hedging instruments	43	(43)
Total deferred tax	87	(47)
Total tax	69	215

	Current tax £000	2021 Deferred tax £000	Total tax £000	Current tax £000	2020 Deferred tax £000	Total tax £000
Recognised in profit and loss account	(18)	44	26	262	(4)	258
Recognised in other comprehensive income	-	43	43	-	(43)	(43)
Total tax	(18)	87	69	262	(47)	215

## Notes (continued)

### 9 Taxation (continued)

	2021 £000	2020 £000
Reconciliation of effective tax rate		
(Loss)/profit for the year	(74)	963
Total tax expense	26	258
	<hr/>	<hr/>
(Loss)/profit excluding taxation	(48)	1,221
Tax using the UK corporation tax rate of 19% (2020: 19%)	(9)	232
Non-deductible expenses	(1)	4
Ineligible depreciation	6	10
Fixed asset adjustments	58	-
(Under)/over provided in prior years	(18)	11
Group relief surrendered	(10)	-
Other items	-	1
	<hr/>	<hr/>
Total tax expense included in profit or loss	26	258
	<hr/>	<hr/>

A UK corporation rate of 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%.

### 10 Tangible fixed assets

	Freehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 April 2020	1,610	9,584	27	11,221
Additions	-	84	-	84
Disposals	(1,610)	(9,668)	(27)	(11,305)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>				
Balance at 1 April 2020	529	7,818	2	8,349
Depreciation charge for the year	37	340	4	381
Disposals	(566)	(8,158)	(6)	(8,730)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
<b>At 31 March 2021</b>	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2020	1,081	1,766	25	2,872
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 11 Stocks

	2021 £000	2020 £000
Raw materials and consumables	-	912
Work in progress	-	905
Finished goods	-	901
	<hr/>	<hr/>
	-	2,718
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £1,462,884 (2020: £7,275,924).

### 12 Debtors

	2021 £000	2020 £000
Amounts falling due within one year		
Trade debtors	-	2,570
Amounts owed by group undertakings	-	57
Corporation tax	18	153
Other debtors	-	135
Deferred tax assets (note 15)	-	87
Prepayments and accrued income	-	145
	<hr/>	<hr/>
	18	3,147
	<hr/>	<hr/>

### 13 Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	59	6,768
	<hr/>	<hr/>

### 14 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	-	699
Amounts owed to parent	-	121
Amounts owed to group undertakings	11	637
Taxation and social security	-	105
Other creditors	-	135
Accruals and deferred income	-	515
Other financial liabilities (note 16)	-	225
	<hr/>	<hr/>
	11	2,437
	<hr/>	<hr/>



## Notes (continued)

### 15 Deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	2021 £000	2020 £000
Depreciation in excess of capital allowances	-	25
Financial instruments	-	43
Other timing differences	-	19
	<hr/>	<hr/>
Deferred tax assets	-	87
	<hr/>	<hr/>

### 16 Financial Instruments

#### Carrying amounts of financial instruments

	2021 £000	2020 £000
Liabilities measured at fair value – amount falling due within one year	-	225
	<hr/>	<hr/>

#### *Financial instruments measured at fair value*

##### *Derivative financial instruments*

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

##### *Hedge accounting*

The group enters into contracts for the forward purchase and sale of foreign currency based on the balance between forecasts for future foreign currency requirements to settle obligations due to suppliers and receipts from customers.

The change in the fair value, before adjustment for tax, of the foreign currency contracts recognised in other comprehensive income was a gain of £225,000 (2020: loss of £225,000).

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments and related profit effect are expected to occur as required by FRS 102.29(a).

	2021				2020			
	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	Carrying Amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000
<b>Forward exchange contracts:</b>								
Liabilities	-	-	-	-	225	4,109	4,109	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 17 Employee benefits

The company participates in two defined benefit pension schemes, the Scottish Leather Group Retirement Benefits Scheme and the Scottish Leather Group 1979 Retirement Benefits Scheme for Directors operated by the group. The assets of each scheme are held in separate trustee administered funds. Following consultation with the members accruals to both defined benefit schemes ceased with effect from 31 March 2016.

It has not been possible to readily determine, on a consistent and reasonable basis, the assets and liabilities attributable to the company. As permitted by FRS 102 the schemes have been accounted for, in these financial statements, as if the schemes were defined contribution schemes.

As at 31 March 2021 the two pension schemes had a gross liability of £nil (2020: £nil) on an FRS 102 basis and further disclosures are included within the financial statements of the parent entity, Scottish Leather Group Limited. The charge in relation to the defined benefits schemes in these financial statements is £nil (2020: £nil).

#### Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £192,000 (2020: £294,000).

Contributions amounting to £nil (2020: £nil) were payable to the plans and are included in creditors.

### 18 Capital and reserves

#### Share capital

	£000
<i>Allotted, called up and fully paid</i>	
53,000 ordinary shares of £1 each at beginning of year	53
Capital reduction of 52,999 ordinary shares of £1 each	(53)
	<hr/>
1 ordinary share of £1 at end of year	-
	<hr/> <hr/>

As part of group restructuring, the share capital of Andrew Muirhead & Son Ltd was reduced via a capital reduction to £1.00 each, with the amounts transferred to retained earnings in Scottish Leather Group Ltd.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### 19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	-	3
Between one and five years	-	3
	<hr/>	<hr/>
	-	6
	<hr/> <hr/>	<hr/> <hr/>

During the year £nil was recognised as an expense in the profit and loss account in respect of operating leases (2020: £3,000).

## **Notes (continued)**

### **20 Commitments**

#### *Capital commitments*

Contracts placed but not provided for in the financial statements £nil (2020: £32,000).

### **21 Contingencies**

The company has provided a cross guarantee, covering the bank borrowings on overdraft of Scottish Leather Group Limited and its subsidiary undertakings. The aggregate bank borrowings on overdraft of Scottish Leather Group Limited and its subsidiary undertakings at the end of the year were £nil (2020: £nil).

### **22 Ultimate parent company and parent company of larger group**

The Company is a subsidiary undertaking of Scottish Leather Group Limited. The ultimate controlling party is Scottish Leather Group Limited.

The largest group in which the results of the Company are consolidated is that headed by Scottish Leather Group Limited, United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of the group are available to the public at the company's registered office at Locher House, Kilbarchan Road, Bridge of Weir, Renfrewshire, PA11 3RN, Scotland.

### **23 Subsequent events**

There have been no events after the financial year end date that would materially affect the amounts presented in the financial statements.

### **24 Accounting estimates and judgements**

The business ceased trading on 30 November 2020 and the trade and assets of the business were transferred to Scottish Leather Group Operations Limited. As such the Directors are satisfied that there are no material accounting estimates and judgements at the period ending 31 March 2021.