



LEEDS

GROUP PLC

Annual Report and Accounts 2015

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Financial Highlights

- Leeds Group profit before tax was £1,571,000 (2014 £1,611,000)
- Aggregate sales volumes of our two business sectors increased by 9% to 15.8 million metres (2014 14.5 million metres)
- Leeds Group sales revenue increased by 1.9% to £34,859,000 (2014 £34,210,000) with greater growth in subsidiaries' revenue disguised by sterling translation rates significantly stronger than 2014
- Hemmers sales were £31,151,000 (2014 £31,378,000) and pre-tax profit was £1,443,000 (2014 £1,478,000)
- Hemmers results in Euros were: sales up 8.7% to €40,735,000 (2014 €37,475,000) and PBT up 5.7% to €1,871,000 (2014 €1,770,000)
- ChinohTex external sales were £3,708,000 (2014 £2,832,000) and pre-tax profit was £305,000 (2014 £129,000)
- 50% interest acquired in December 2014 in textile retailer Stoff-Ideen-KMR GmbH at a cost of £575,000, including additional share capital of £192,000 invested in May 2015.
- Leeds Group finished the year with cash net of bank debt of £596,000 (2014 £915,000)
- Leeds Group net asset value per share (excluding treasury shares) was 50.2 pence (2014 50.7 pence)
- Earnings per Leeds Group share were 3.8 pence (2014 3.9 p)
- In view of the investment in KMR and the planned expansion of the Nordhorn facility, as last year the Directors do not propose a dividend

Directors

Jan G Holmstrom (Non-Executive Chairman)

Born 1953, Jan has worked in the financial services sector during his entire career, and has a wealth of experience of working internationally e.g. in the UK, Hong Kong and Sweden. Jan is Chairman of Densitron Technologies plc and of Johnson & Starley Limited. Jan is also a non-executive director of Browallia Holdings Limited, an investment company owned by Peter Gyllenhammar. Jan joined the Board of Leeds Group in November 2011 and was appointed Chairman in October 2014.

Jörg Hemmers (Executive Director)

Born 1967, Jörg has worked his whole life in the wholesale and retail textile business. He was one of the first in the trade to realise the potential of sourcing products from China. Leeds Group acquired the Hemmers wholesale operation in 1999 and appointed Jörg as Managing Director. Jörg retained a financial interest in the retail operation until 2010, but focused entirely on profitable growth of the wholesale business. Amongst his achievements is the successful integration in 2003 of the Leeds Group Itex business, based in Holland, to create Hemmers/Itex GmbH and the successful start-up in 2007 of ChinohTex, a subsidiary based in Shanghai. Jörg joined the Board of Leeds Group in March 2015.

Johan Claesson (Non-Executive Director)

Born 1951, Johan has been a major shareholder in Leeds Group since 1999, and has extensive business interests, both private and in the public arena. Johan is Chairman of Claesson & Anderzén, a private property company. Johan is also a non-executive director of K3 Business Technology Group plc (specialising in business software) and NightHawk Energy plc (an oil exploration company). Johan joined the Board of Leeds Group in September 2004.

David Cooper (Independent Non-Executive Director)

Born 1958, David is a chartered accountant and member of the Institute of Chartered Accountants of Scotland. Previously David was Group Finance Director and Company Secretary of AIM-listed Dawson International PLC, gaining over 25 years' experience in the global textiles industry. He now operates his own financial consultancy business. David joined the Board of Leeds Group in October 2014.

Group Information and Advisers

Principal Trading Subsidiary Company

Hemmers-Itex Textil Import Export GmbH

Twentestrasse 1
48527 Nordhorn
Germany

Director during the year

Jörg Hemmers

Principal activity

Import, sale & distribution of fabric
Incorporated in Germany

Subsidiary company of Hemmers-Itex Textil Import Export GmbH

Chinoh-Tex Ltd (*incorporated in China*)

Group Advisers

Solicitors

Walker Morris
Kings Court
12 Kings Street
Leeds
LS1 2HL

Tel 0113 283 2500

**Financial Advisers
And Brokers**

Cairn Financial Advisers LLP
61 Cheapside
London
EC2V 6AX

Tel 020 7148 7900

Auditors

BDO LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

Tel 0113 244 3839

Solicitors

DLA Piper UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Tel 08700 111111

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel 0871 664 0300*

Principal Bankers

Bank of Scotland
116 Wellington Street
Leeds
LS1 4LT

Tel 0113 388 3200

* Calls to the Capita shareholder helpline cost 10p a minute plus network extras. Lines are open 8.30am-5.30pm Mon-Fri

Chairman's Statement

I am pleased to present the results for the year ended 31 May 2015

Results

In the year ended 31 May 2015 Leeds Group made a profit after tax of £1,053,000 (2014 £1,079,000) Pre-tax profit fell by 2.5% to £1,571,000 (2014 £1,611,000), and was heavily influenced by the weakness of the Euro

Net asset value per share at 31 May 2015 was 50.2p (2014 50.7p), and earnings per share for the year were 3.8p (2014 3.9p) The Group closed the year with net cash of £596,000 (2014 £915,000)

Hemmers-Itex Textil Import Export GmbH ("Hemmers")

Total fabric sales in the year by Hemmers, Leeds Group's principal trading company, increased by 6.6% to 13.633 million linear metres (2014 12.785 million) Revenue and pre-tax profit in Euro terms increased by 8.7% and 5.7% respectively, but during the year the Euro weakened considerably, masking the improved performance of Hemmers when translated to sterling In sterling terms, revenue was £31,151,000 (2014 £31,378,000) and pre-tax profit was £1,443,000 (£1,478,000)

The weakness of the Euro was a challenge throughout the year, as it leads to an increasing Euro cost of stock purchases invoiced in US dollars We have sought to mitigate this by the use of forward exchange contracts Our strategy continues to be to maintain margins by a combination of sales price increases and considerable effort to uncover cheaper sources of supply that do not compromise quality

In December 2014 Hemmers acquired a 50% interest in Stoff-Ideen-KMR GmbH ("KMR"), a chain of retail fabric and haberdashery stores, at a cost of £383,000, and subsequently injected additional share capital of £192,000 in May 2015 Our ambition is, together with our joint venture partner, to exploit this growth opportunity

ChinohTex, the Hemmers subsidiary based in Shanghai, made impressive progress in the year External sales volumes increased by 29.0% to 2.191 million linear metres (2014 1.699 million) External sales revenue was £3,708,000 (2014 £2,832,000) and pre-tax profit was £305,000 (2014 £129,000) In the main this growth was achieved by large volume deliveries to customers in the EU although significant progress was also made in Australia from a relatively low base ChinohTex continues to provide valuable assistance to its European parent in terms of purchasing, quality inspection and bulk shipping of material bought in China

The launch of online sales systems in both Germany and China is imminent, and plans are well advanced for an expansion of the facility in Nordhorn, Germany which, if approved, will be completed by this time next year

Dividend

In view of the investment in KMR and the planned expansion of the Nordhorn facility, as last year the Directors do not propose a dividend The Board is of the view that this maximises the long-term value of the Group to the benefit of all shareholders

Employees

On behalf of shareholders, I thank the management and staff of Hemmers and ChinohTex for their continued hard work and commitment that has produced such a highly satisfactory result

Outlook

In the current year we believe potential growth opportunities exist for Hemmers in their traditional wholesale business, and we shall be looking to add our expertise to that of our joint venture partner to develop our more recent interest in retail An initial project which is already at the detailed planning stage is to invest in modern IT systems enabling improved stock control among other benefits

Sales in the first two months of the current financial year have been in line with the expectations of the Board

Board composition

I was delighted to welcome to the board both David Cooper on his appointment as an independent non-executive director in October 2014, and Jörg Hemmers who was appointed as an executive director in March 2015



Jan G Holmstrom

Chairman

30 July 2015

Strategic Report

Business review

The Companies Act 2006 requires the directors to set out in this report a fair review of the business of the Group during the year ended 31 May 2015, including an analysis of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group. This information includes a discussion of the Key Performance Indicators used by the directors to monitor the business which are

- revenue
- gross profit margin
- fabric sales volumes, measured in linear metres
- operating overheads and central costs
- profit before tax
- profit after tax
- earnings per share
- working capital levels
- debt profile
- net assets per share

Group result

Group revenue in the year was £34,859,000 (2014 £34,210,000), and pre-tax profit was £1,571,000 (2014 £1,611,000). Both sales and profits were heavily influenced by the continuing depreciation of the Euro. A weaker Euro increases the Euro cost of stock invoiced in US Dollars but this transaction effect was not significant, margins were preserved close to their usual level by the combined effects of the stockholding period, forward exchange contracts and sales price increases. The sales and pre-tax profits reported in sterling were respectively £1,565,000 and £68,000 lower than would have been the case if translated from Euros at last year's rates, but the most significant profit effect was felt in the parent company which incurred an unrealised exchange loss of £253,000 on its Group loan to Hemmers. The movement of exchange rates also gave rise to the negative translation difference on opening net assets of £1,215,000 disclosed in other comprehensive income.

The tax charge in the year was £518,000 of which £35,000 was deferred tax relating to temporary differences on goodwill and financial derivatives. Earnings per share were 3.8p (2014 3.9p).

Hemmers Europe

This German-based business is engaged in the import, warehousing and wholesaling of fabrics.

Sales volumes increased in the year by 6.6% to 13,633 million linear metres (2014 12,785 million) and this growth was achieved predominantly in the German home market. In local currency, sales revenue and pre-tax profit increased by 8.7% and 5.7% respectively.

As mentioned above, despite the weakness of the Euro gross margins were little changed at 22.2% (2014 23.0%). As we have come to expect, our German management team maintained close control of overhead expenditure that, in local currency, increased by 4.1% as a result of the sales volume increases and modest cost inflation.

In December 2014 Hemmers acquired a 50% interest in Stoff-Ideen-KMR GmbH ("KMR"), a chain of retail fabric and haberdashery stores, at a cost of €500,000 (£383,000). KMR will be operated as a joint venture and in May 2015 each of the two joint venture partners subscribed for additional capital of €250,000 (£192,000) bringing the total investment by Hemmers to €750,000 (£575,000). Additional information regarding KMR can be found in note 14 to the consolidated financial statements.

Largely as a result of the KMR investment bank debt increased in the year to £1,077,000 (2014 £446,000).

Hemmers China

Chinoh-Tex is a textile trading company based in Shanghai and has been trading for seven years. It purchases fabric from Chinese suppliers and in 2015 sold to customers in 26 countries. External sales increased in the year by 29.0% to 2,191 million linear metres (2014 1,699 million). 60% of sales were made to EU countries, where Germany, UK and Spain proved to be the biggest growth markets.

With the overwhelming majority of its sales invoiced in US Dollars, against which the Chinese Yuan is effectively pegged, the performance of Chinoh-Tex did not suffer any adverse currency effects.

Activity was again greater in the first half of the financial year than in the second, although not to the same marked degree as 2014. External sales revenue grew by 31% to £3,708,000 (2014 £2,832,000) and gross margin improved to 22% (2014 19%) chiefly owing to a changed market mix. The improved volumes and margin drove pre-tax profits up handsomely to £305,000 (2014 £129,000).

Strategic Report (continued)

Hemmers China (continued)

Importantly, ChinohTex continues to give valuable assistance to its European parent with the purchasing, inspection and shipping of material

Holding Companies' Costs

Costs of the holding companies in the year, net of interest receivable, amounted to £295,000 (2014 £102,000) as follows

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Holding companies' costs net of interest receivable	42	61
Unrealised exchange loss on Group loan	253	41
Total holding companies' costs	295	102

Fixed Assets

Capital additions in the year amounted to £298,000 (2014 221,000) and included expenditure on the Group's on-line sales platform which is about to go live. The net book amount of tangible fixed assets in the Consolidated Statement of Financial Position is £1,760,000 (2014 £1,900,000)

Working Capital

Working capital comprises inventories, trade and other receivables, and trade and other payables and increased in the year by £555,000 reflecting greater activity levels and the increased cost of imports priced in US Dollars. The directors anticipate that working capital will now rise to its annual peak over the next few months.

Net Asset Value

Net assets decreased in the year by £206,000 as follows

	Net assets £000	Per share pence
At 31 May 2014	14,028	50.7
Profit after tax	1,053	3.8
Purchase of own shares for treasury (cost)	(44)	(0.1)
Purchase of own shares for treasury (reduced denominator)	-	0.2
Translation differences	(1,215)	(4.4)
At 31 May 2015	13,822	50.2

Debt Profile

The funding policy of the Group continues to be to match its funding requirement in trading subsidiaries in a cost-effective fashion with an appropriate combination of short and longer-term debt. The warehouse constructed in 2008 in Germany is financed by a 20-year loan at a fixed interest rate of 4.07%. Working capital finance, when required, is via short term loans of three months currently attracting interest at approximately 1.25%.

Bank debt in the subsidiaries is secured by charges on inventories, receivables and property and is without recourse to the Parent Company.

Principal risks and uncertainties

As referred to in the Group result section above, foreign exchange risk arises when a member of the Group enters into transactions denominated in a currency other than its functional currency. It is Group policy that exposures should, wherever appropriate, be commercially hedged locally by entering into forward exchange contracts with reputable banks.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Fire risk is mitigated by insurance, including consequential loss insurance to cover the loss of business opportunity while replacement stocks are obtained. There is an adequate disaster recovery programme in place with regard to essential computer systems. The commercial risks of operating in the highly competitive European fabric market are limited by the fact that Hemmers has a wide range of suppliers, and no customer accounts for more than 5% of revenues. The Directors therefore consider the principal operating risks of operating in this market to be the financial risks identified in note 3 to the financial statements.



Jan G Holmstrom
30 July 2015
Chairman

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 May 2015

Results and dividend

The results of the Group are set out in detail in the Strategic Report. The directors do not recommend the payment of a dividend.

Principal activities

The principal activity of the Parent Company is that of an investment holding Company and the provision of management services to subsidiaries. The principal activities of Group undertakings are set out in the Strategic Report and in note 13 to the financial statements.

Directors and directors' interests

The Directors who held office during the year were Ms Kathryn Davenport, Mr Johan Claesson, Mr David Cooper, Mr Jörg Hemmers and Mr Jan G Holmstrom and their remuneration for the year is set out in note 5 to the financial statements.

As she announced in her chairman's statement in the last annual report, Kathryn Davenport resigned after the Annual General Meeting on 21 October 2014. The Director retiring by rotation is Jan G Holmstrom who, being eligible, offers himself for re-appointment at the forthcoming Annual General Meeting. David Cooper and Jörg Hemmers, having been appointed in the year, will retire and offer themselves for re-appointment at the forthcoming Annual General Meeting.

The directors who held office at the end of the year had the following interests in the ordinary shares of the Company:

	Number of shares			
	Interest at end of year		Interest at beginning of year	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Johan Claesson	7,978,050	-	7,978,050	-
David Cooper	-	-	-	-
Jörg Hemmers	-	-	-	-
Jan Holmstrom	-	-	-	-

There are no outstanding share options granted to directors or employees of the Company.

No changes in directors' share interests or share options have taken place between the end of the year and 30 July 2015.

Major shareholdings

The Company is aware of the following shareholders having 3% or more of the issued share capital at 30 July 2015:

	% of issued share capital	% of issued share capital excluding shares held in treasury
Mr Johan Claesson and associates	25.25	28.83
Mr Peter Gyllenhammar and associates	21.31	24.33
Sunningdale Investments Ltd	7.09	8.13

Directors' and officers' liability insurance

The Group maintains directors' and officers' liability insurance that gives appropriate cover for any legal actions brought against its directors or senior managers. This policy remained in force on the date on which the financial statements of the Group were approved by the board.

Directors' Report (continued)

Leeds Group plc Ordinary shares of 12 pence each

The market value of Leeds Group shares between 1 June 2014 and 31 May 2015 ranged between 30 5p and 41 5p. The average market value for the year was 35 4p, and at 31 May 2015 the market value was 35 5p (31 May 2014 30 5p)

Political and charitable contributions

The Group made no political contributions, nor any donations to UK charities in the years ended 31 May 2015 and 31 May 2014

Creditor payment policy

It is Group policy to agree the terms of payment with suppliers when agreeing each transaction and to abide by the terms of payment. At 31 May 2015, the amount of trade creditors shown in the consolidated statement of financial position represents 26 days (2014 23 days). There are no trade creditors shown in the Company statement of financial position (2014 nil)

Going concern

After making enquiries, and notwithstanding the present uncertainties in the global economy, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements

Treasury shares

The Company bought back 125,999 of its own Ordinary Shares for treasury in the year at a cost of £44,000. The directors intend to continue to buy back any shares which are available for purchase in the future. The terms on which the Company may purchase its own shares for treasury are detailed in Resolution 6 of the Notice of Annual General Meeting. In buying back the Company's ordinary shares, the Board is returning capital to those shareholders who wish to sell their shares whilst improving the net asset value per share of the remaining shareholders

Corporate Governance

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Corporate Governance Code does not apply to companies admitted to trading on AIM and there is no formal alternative for AIM companies

The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the "QCA Code"). The Directors comply with the QCA Code, to the extent they consider appropriate, having regard to the size and resources of the Company

The Board

The Board meets regularly to consider strategy, performance, corporate governance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information, and any briefing papers are distributed to all Directors in advance of the Board meetings

Procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense

The Audit Committee

The audit committee currently comprises the non-executive Directors, and meets not less than twice a year. The audit committee receives and reviews reports from the Company's auditor relating to the annual accounts and to the internal control procedures in use throughout the Group. It is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules for Companies

Directors' Report (continued)

Corporate Governance (continued)

The Remuneration Committee

The remuneration committee comprises the non-executive Directors of the Company and meets not less than once a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) of executive directors and officers of the Company.

Share Dealing Code

The Directors comply with Rule 21 of the AIM Rules relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, the Company has adopted the Share Dealing Code for directors and applicable employees and the Company takes all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

The City Code on Takeovers and Mergers

The Company is subject to The City Code on Takeovers and Mergers.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the annual 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 the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 Company will continue in business.

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 requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

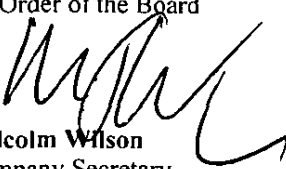
Directors' Report (continued)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with Section 489 of the Companies Act 2006, Resolution 3 is to be proposed at the forthcoming Annual General Meeting for the re-appointment of BDO LLP as auditors of the Company, to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company at which the accounts are laid.

By Order of the Board


Malcolm Wilson
Company Secretary
30 July 2015

Old Mills
Whitehall Grove
Drighlington
Bradford, BD11 1BY

Independent Auditor's Report to the Shareholders of Leeds Group plc

We have audited the financial statements of Leeds Group plc for the year ended 31 May 2015, which comprise the Consolidated Statement of Financial Position and Company Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 May 2015 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Shareholders of Leeds Group plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

BDO LLP

Linda Cooper (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
Leeds

30 July 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Statement of Comprehensive Income
for the year ended 31 May 2015

	Note	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Revenue	6	34,859	34,210
Cost of sales		(27,066)	(26,440)
Gross profit		7,793	7,770
Distribution costs		(2,316)	(2,303)
Administrative expenses		(3,855)	(3,785)
Profit from operations	4	1,622	1,682
Finance expense	7	(71)	(81)
Finance income	7	7	10
Share of post-tax profit of joint venture	14	13	-
Profit before tax		1,571	1,611
Tax expense	8	(518)	(532)
Profit for the year attributable to the equity holders of the Parent Company		1,053	1,079
Other comprehensive income			
Translation differences on foreign operations		(1,215)	(631)
Other comprehensive income for the year		(1,215)	(631)
Total comprehensive income for the year attributable to the equity holders of the Parent Company		(162)	448

The results shown in the consolidated statement of comprehensive income derive wholly from continuing operations. There is no tax effect relating to other comprehensive income for the year.

Amounts included in other comprehensive income will not be reclassified subsequently as profit or loss.

Earnings per share attributable to the equity holders of the Company

	Note	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Basic and diluted earnings per share (pence)	9	3.8p	3.9p

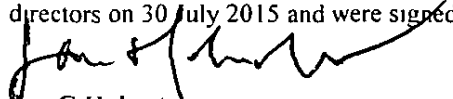
The notes on pages 18 to 41 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 May 2015

Company number 00067863	Note	31 May 2015 £000	31 May 2014 £000
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	11	1,760	1,900
Goodwill	12	802	908
Investment in joint venture	14	553	-
Total non-current assets		3,115	2,808
<i>Current assets</i>			
Inventories	15	7,258	7,050
Trade and other receivables	16	6,000	6,097
Derivative financial asset	17	59	-
Cash and cash equivalents	18	2,027	1,772
Total current assets		15,344	14,919
Total assets		18,459	17,727
Liabilities			
<i>Non-current liabilities</i>			
Loans and borrowings	20	(665)	(813)
Deferred tax	8	(244)	(239)
Total non-current liabilities		(909)	(1,052)
<i>Current liabilities</i>			
Trade and other payables	19	(2,666)	(2,062)
Loans and borrowings	20	(766)	(44)
Corporation tax liability		(296)	(541)
Total current liabilities		(3,728)	(2,647)
Total liabilities		(4,637)	(3,699)
TOTAL NET ASSETS		13,822	14,028
Capital and reserves attributable to equity holders of the Company			
Share capital	21	3,792	3,792
Capital redemption reserve	21	600	600
Treasury share reserve	21	(725)	(681)
Foreign exchange reserve		(51)	1,164
Retained earnings		10,206	9,153
TOTAL EQUITY		13,822	14,028

The financial statements on pages 14 to 41 were approved and authorised for issue by the board of directors on 30 July 2015 and were signed on behalf of the board by -


Ian G Holmstrom
 Chairman

The notes on pages 18 to 41 form part of these financial statements

Consolidated Cash Flow Statement

for the year ended 31 May 2015

	Note	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Cash flows from operating activities			
Profit for the year		1,053	1,079
<i>Adjustments for:</i>			
Depreciation	11	226	223
Finance expense	7	71	81
Finance income	7	(7)	(10)
Movement in derivative financial asset	17	(63)	-
Loss/(profit) on sale of property, plant and equipment		2	(1)
Share of post-tax profit of joint venture	14	(13)	-
Income tax expense	8	518	532
Cash flows from operating activities before changes in working capital and provisions		1,787	1,904
Increase in inventories	15	(1,063)	(849)
(Increase)/decrease in trade and other receivables	16	(495)	453
Increase in trade and other payables	19	1,003	256
Cash generated from operating activities		1,232	1,764
Income taxes paid	8	(679)	(199)
Net cash flows from operating activities		553	1,565
Investing activities			
Purchase of property, plant and equipment	11	(298)	(221)
Sale of property, plant and equipment	11	-	3
Investment in joint venture	14	(575)	-
Bank interest received	7	7	10
Net cash used in investing activities		(866)	(208)
Financing activities			
Purchase of treasury shares	21	(44)	-
Bank borrowings drawn down/(repaid)	20	717	(1,786)
Bank interest paid	7	(71)	(81)
Net cash generated/(used) in financing activities		602	(1,867)
Net increase/(decrease) in cash and cash equivalents		289	(510)
Translation loss on cash and cash equivalents		(34)	(52)
Cash and cash equivalents at the beginning of the year	18	1,772	2,334
Cash and cash equivalents at the end of the year	18	2,027	1,772

The notes on pages 18 to 41 form part of these financial statements

Consolidated Statement of Changes in Equity
for the year ended 31 May 2015

	Share capital £000	Capital redemption reserve £000	Treasury share reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total equity £000
At 31 May 2013	3,792	600	(681)	1,795	8,074	13,580
Profit for the year	-	-	-	-	1,079	1,079
Other comprehensive income*	-	-	-	(631)	-	(631)
At 31 May 2014	3,792	600	(681)	1,164	9,153	14,028
Profit for the year	-	-	-	-	1,053	1,053
Other comprehensive income*	-	-	-	(1,215)	-	(1,215)
<i>Transaction with Shareholders</i>						
Purchase of treasury shares	-	-	(44)	-	-	(44)
At 31 May 2015	3,792	600	(725)	(51)	10,206	13,822

* The components of other comprehensive income are disclosed as part of the consolidated statement of comprehensive income

The following describes the nature and purpose of each reserve within equity

Reserve	Description and purpose
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares
Treasury share reserve	Cost of own shares held in treasury
Foreign exchange reserve	Gains/losses arising on retranslation of the net assets of overseas operations into sterling
Retained earnings	Cumulative net gains/losses recognised in the consolidated statement of comprehensive income after deducting the cost of cancelled treasury shares

The notes on pages 18 to 41 form part of these financial statements

Notes

forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements have been prepared under the historical cost convention subject to fair valuing of financial instruments.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRS") and with the Companies Act 2006 applicable to companies reporting under IFRS.

Changes in accounting policies

In the current year the following new and revised Standards and Interpretations have been adopted:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

In the current year the following new and revised Standards and Interpretations have been adopted which have not resulted in any significant impact on the results or net assets of the Group:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Group has decided against early adoption of the following new and amended IFRS, IAS and IFRIC interpretations which are mandatory for future accounting periods and which are potentially relevant to the Group:

Annual Improvements to IFRSs (2010-2012 Cycle) (effective 1 February 2015)

Annual Improvements to IFRSs (2011-2013 Cycle) (effective 1 January 2015)

The following new and amended IFRS, IAS and IFRIC interpretations are mandatory for future accounting periods and are not expected at this stage to be relevant to the Group or have any anticipated significant impact on the results or net assets of the Group:

IFRIC 21 Levies (effective 17 June 2014)

Defined Benefit Plans Employee Contributions (Amendments to IAS 19) (effective 1 February 2015)

The following IFRS, IAS and IFRIC interpretations, which are potentially relevant to the Group, are not currently endorsed for use in the EU but are expected to be mandatory for future accounting periods

IFRS 14 Regulatory Deferral Accounts

Accounting for Acquisitions of Interests in Joint Operations Amendments to IFRS 11

Clarification of Acceptable Methods of Depreciation and Amortisation Amendments to IAS 16 and IAS 38

Amendments to IAS 16 and IAS 41 Agriculture Bearer Plants

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRSs (2012-2014 Cycle)

Disclosure Initiative Amendments to IAS 1

Investment Entities Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

Where future new and amended standards have been identified as potentially relevant management are assessing their future impact.

Notes

forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies (continued)

Revenue

Revenue is shown in the consolidated statement of comprehensive income net of VAT and returns, and is based on the fair value of consideration receivable by the Group in the ordinary course of its business for the sale of fabric. Revenue on sale of goods is recognised in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred, which is typically upon despatch of goods to the customer.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquired entity's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets acquired, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Segment reporting

The board considers that the Group's business comprises two operating segments, namely Hemmers Europe and Hemmers China. The remainder of Group activities comprise holding companies.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is identified as the Board of Directors, which is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the end of the financial period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest Group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Notes

forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies (continued)

Impairment charges are included in the administrative expenses line item in the consolidated statement of comprehensive income, except to the extent they reverse gains previously recognised in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currency

The consolidated financial statements are presented in sterling, which is the functional currency of the Parent Company and the presentational currency of the Group.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the date of the statement of financial position. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the date of the statement of financial position. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve").

Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial assets

The Group classifies its financial assets into one of the three categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

The Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss. This category comprises only in-the-money derivatives (see financial liabilities section for out-of-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the cost of sales line. Other than these derivative financial instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(ii) Loans and receivables: Group loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counter-party or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are

Notes

forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies (continued)

(ii) Loans and receivables (continued)

reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate.

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Cash and cash equivalents have maturities of three months or less. Bank overdrafts are shown within loans and borrowings in current liabilities in the statement of financial position.

The Group does not engage in hedge accounting.

Financial liabilities

The Group classifies its financial liabilities into one of the two categories below, depending on the purpose for which the liability was incurred. The Group's accounting policy for each category is as follows:

- (i) Fair value through profit or loss:* This category comprises only out-of-the-money derivatives (see financial assets for in-the-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the cost of sales line. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.
- (ii) Other financial liabilities:* Other financial liabilities include the following items, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method:
 - Bank borrowings
 - Trade payables
 - Bill discounting facilities

Interest payable on bank borrowings is accounted for using the effective interest method.

Share capital

The Group's ordinary shares are classified as equity instruments.

Retirement benefits

The Group operates no defined benefit pension schemes. The Group operates a defined contribution pension scheme for its UK employees, and contributions are charged to the consolidated statement of comprehensive income in the period to which they relate. The Group does not operate pension schemes in either Germany or Holland where pension arrangements are provided by the state.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Taxation

The charge for taxation is based on the results for the year, and takes into account deferred taxation.

Notes

forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies (continued)

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on

- the initial recognition of goodwill,
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered)

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either

- the same taxable Group company, or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

Dividends

Interim dividends are recognised when paid and final dividends are recognised when approved by the shareholders at the AGM

Property, plant and equipment

Other than freehold land, all items of property, plant and equipment are carried at depreciated cost. Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment is to write off the carrying value of items on a straight line basis over their expected useful economic lives as follows

Land and buildings	8 - 33 years
Plant and machinery	5 – 15 years

Treasury shares

Consideration paid/(received) for the purchase/(sale) of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate component of equity (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to the share premium account.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

Notes

forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies (continued)

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability

Where the buyer has the right to return the goods the Group estimates the return rate based on past experience with similar sales and recognises revenue on this transaction with a corresponding provision against revenue for estimated returns

Joint arrangements

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries

The group classifies its interests in joint arrangements as either

- *Joint ventures* where the group has rights to only the net assets of the joint arrangement
- *Joint operations* where the group has both the rights to assets and obligations for the liabilities of the joint arrangement

In assessing the classification of interests in joint arrangements, the Group considers

- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements)

The Group accounts for its interests in joint ventures using the equity method. Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

(i) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary

(ii) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods

Notes

forming part of the financial statements for the year ended 31 May 2015

2 Critical accounting estimates and judgements (continued)

(iii) Impairment of trade receivables

The management team of Hemmers-Itex manages the credit risk in its customer base by taking credit references before dealing with new customers, by closely monitoring customer payments against agreed terms, and by taking credit risk insurance wherever possible. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of the Hemmers-Itex managing director. The main board directors review the Hemmers-Itex debtor profile on a quarterly basis.

(iv) Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends.

(v) Classification of joint arrangements

For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances

Upon consideration of these factors, the directors have determined that the joint arrangement in respect of Stoff-Ideen-KMR GmbH is structured through a separate vehicle giving the Group rights to the net assets, and is therefore classified as a joint venture.

3 Financial instruments - risk management

The Group is exposed through its operations to the following financial risks

- **Credit risk**
- **Market risk** in the form of -
 - Fair value or cash flow interest rate risk
 - Foreign exchange risk
 - Other market price risk
- **Liquidity risk**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The following describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

Notes

forming part of the financial statements for the year ended 31 May 2015

3 Financial instruments - risk management (continued)

Principal financial instruments

The principal financial instruments used by the Group, giving rise to financial instrument risk, are as follows

- Trade receivables
- Cash at bank
- Bank overdrafts
- Investments in quoted and unquoted securities (UK or overseas)
- Trade and other payables
- Fixed rate bank loans
- Forward currency contracts

General objectives, policies and processes

The directors have overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Hemmers-Itex management team and, to the limited extent that risk arises in the UK, to the company secretary. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

A credit policy has been established under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from senior management. These limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The directors monitor the utilisation of the credit limits regularly and at the reporting date do not expect losses from non-performance by the counterparties to exceed amounts that have been provided. Details of the provisions held against trade receivables are given in note 16 to the financial statements.

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(i) Cash flow interest rate risk

The Group manages its cash flow interest rate risk by borrowing at fixed interest rates wherever possible. Working capital is financed by short or medium term bank debt at fixed rates, leaving a small residual overdraft at variable rates.

Notes

forming part of the financial statements for the year ended 31 May 2015

3 Financial instruments - risk management (continued)

(i) Cash flow interest rate risk (continued)

The borrowings of overseas subsidiaries are denominated in Euros, their functional currency, in order to avoid those subsidiaries being exposed to unnecessary foreign exchange risk. Bank borrowings or cash deposits of the Parent Company are denominated in Sterling.

(ii) Foreign exchange risk

The Group has operations located in Germany and China whose functional currencies are, respectively, the Euro and the RMB. Foreign exchange risk arises when these entities enter into transactions denominated in a currency other than their functional currency, which almost invariably involves sales or purchases denominated in US Dollars. It is Group policy that Euro / US Dollar exposures should be commercially hedged locally by entering into forward contracts with reputable banks wherever appropriate. Exposure and risk relating to RMB / US Dollar transactions is small and is not hedged.

At the date of the consolidated statement of financial position, a 10% strengthening of Sterling against the Euro and the RMB, all other variables held constant, would have resulted in an estimated decrease of £989,000 in the reported net asset value of the Group. A 10% weakening of Sterling against the Euro and the RMB at the date of the statement of financial position, on the same basis, would have resulted in an estimated increase of £1,207,000 in the reported net asset value of the Group.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The board monitors and manages the Group's net indebtedness by reference to cash flow forecasts prepared in their functional currencies by subsidiary companies. These forecasts are regularly updated, allowing the board to ensure that the Group will always be able to meet its liabilities when they become due by maintaining adequate cash balances and committed loan facilities. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings. This is further discussed in the 'interest rate risk' section above.

Capital policy

The Group's capital comprises equity as shown in the consolidated statement of financial position plus net debt, which is set out in note 20 to the financial statements. The board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain a capital structure that optimises the cost of capital. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or reduce debts.

Notes

forming part of the financial statements for the year ended 31 May 2015

4 Profit from operations

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Profit from operations is stated after charging/(crediting):		
Auditors' fees		
<i>Statutory audit services</i>		
- Audit of the Parent Company and the consolidated accounts	16	16
- Audit of subsidiary companies	28	30
<i>Non-audit related services</i>		
- Tax compliance	4	4
Total auditor's fees	48	50
Staff costs	4,201	4,097
Depreciation of property, plant and equipment	226	223
Operating lease expense		
- Plant and machinery	116	106
- Property	207	239
Loss/(profit) on disposal of property, plant and equipment	2	(1)

5 Staff costs

The average number of persons employed in the year by the Group (including directors) was as follows

	Management	Sales and customer service	Warehousing	Administration	Group total
2015	9	50	71	27	157
2014	9	47	64	27	147

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Staff costs, including directors, comprise		
Wages, salaries and directors' fees	3,484	3,366
Defined contribution pension cost	4	4
Employer's national insurance contributions and similar taxes	713	727
Total staff costs	4,201	4,097

Included in employer's national insurance contributions and similar taxes are the amounts paid by Hemmers-Itex Textil Import / Export GmbH to fund employees' pension entitlements provided by the German state

	Salary & Fees £000	Pension £000	Benefit in kind £000	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Executive director					
Jörg Hemmers (appointed 30 Mar 2015)	27	1	1	29	-
Non-executive directors					
Johan Claesson	15	-	-	15	15
David Cooper (appointed 21 Oct 2014)	10	-	-	10	-
Kathryn Davenport (resigned 21 Oct 2014)	10	-	-	10	25
Jan G Holmstrom	21	-	-	21	15
	83	1	1	85	55

Notes

forming part of the financial statements for the year ended 31 May 2015

5 Staff costs (continued)

Jorg Hemmers is managing director of Hemmers-Itex Textil Import / Export GmbH, a wholly owned subsidiary of Leeds Group based in Germany. No recharge of his salary is made to the parent company.

The fees relating to Johan Claesson and Jan G Holmstrom are paid, respectively, to Johan & Marianne Claesson Aktiebolag and Peter Gyllenhammar Aktiebolag who invoice the Company for the services of these directors.

Outstanding share options granted to employees or directors at 31 May 2015 were nil (2014 nil)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, and comprise the directors of the Group listed on page 2

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Salary and fees	224	273
Bonuses	47	14
Employer's national insurance contributions and similar taxes	9	12
Total remuneration of key management personnel	280	299

6 Segmental information

The Group's trading businesses are Hemmers-Itex Textil Import Export GmbH, and its subsidiary Chinoh-Tex Limited. Hemmers is incorporated in Germany and is engaged in the import and distribution of fabric from its principal place of business in Nordhorn, Germany. ChinohTex is incorporated in China and based in Shanghai, buying fabric from Chinese manufacturers to be sold internationally.

The chief operating decision maker is the Board, which considers that the Hemmers business comprises two operating segments, namely Hemmers Europe and Hemmers China. These two segments report to the board under local GAAP, and the adjustments required to permit the Group to report under IFRS are made centrally.

The following tables set out a segmental analysis of the Group's operations. The Holding Companies are not in themselves operating segments, but their net costs are shown in order that the segmental information presented to the Board can be reconciled to the Consolidated Statement of Comprehensive Income.

Analysis of revenue by category

	Year ended 31 May 2015			Year ended 31 May 2014		
	Hemmers Europe £000	Hemmers China £000	Group Total £000	Hemmers Europe £000	Hemmers China £000	Group Total £000
Sale of goods	31,151	3,708	34,859	31,378	2,832	34,210
Total revenue	31,151	3,708	34,859	31,378	2,832	34,210

Since sales to no customer amount to more than 5% of total revenue, the directors hold the opinion that the Group is not reliant upon trade with any major customer.

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6 Segmental information (continued)

Year ended 31 May 2015	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	Total Hemmers £000	Holding companies £000	IFRS adjustments		Group total £000
						Financial derivatives £000	Goodwill £000	
External revenue	31,151	3,708	-	34,859	-	-	-	34,859
Inter-segmental revenue	68	924	(992)	-	-	-	-	-
Cost of sales	(24,303)	(3,815)	989	(27,129)	-	63	-	(27,066)
Gross profit	6,916	817	(3)	7,730	-	63	-	7,793
Distribution costs	(2,082)	(234)	-	(2,316)	-	-	-	(2,316)
Admin expenses	(3,177)	(278)	-	(3,455)	(458)	-	58	(3,855)
Profit from operations	1,657	305	(3)	1,959	(458)	63	58	1,622
Finance expense	(71)	-	-	(71)	-	-	-	(71)
Finance income	-	-	-	-	7	-	-	7
Internal interest	(156)	-	-	(156)	156	-	-	-
Share of JV profit	13	-	-	13	-	-	-	13
Profit before tax	1,443	305	(3)	1,745	(295)	63	58	1,571

At 31 May 2015	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	Total Hemmers £000	Holding companies £000	IFRS adjustments		Group total £000
						Financial derivatives £000	Goodwill £000	
Property, plant & equipment	1,678	82	-	1,760	-	-	-	1,760
Goodwill	-	-	-	-	-	-	802	802
Investment in JV	553	-	-	553	-	-	-	553
Inventories	7,107	184	(33)	7,258	-	-	-	7,258
Trade receivables	4,522	238	-	4,760	-	-	-	4,760
Other receivables	742	480	-	1,222	18	-	-	1,240
Derivative financial asset	-	-	-	-	-	59	-	59
Cash & equivalents	354	595	-	949	1,078	-	-	2,027
Total assets	14,956	1,579	(33)	16,502	1,096	59	802	18,459
Group loans & current accounts	(1,629)	(204)	-	(1,833)	1,833	-	-	-
Non-current liabilities	(665)	-	-	(665)	-	(17)	(227)	(909)
Trade payables	(1,364)	(418)	-	(1,782)	(3)	-	-	(1,785)
Other payables	(705)	(132)	-	(837)	(44)	-	-	(881)
Corporation tax	(269)	(15)	-	(284)	(12)	-	-	(296)
Current loans & borrowings	(766)	-	-	(766)	-	-	-	(766)
Total liabilities	(5,398)	(769)	-	(6,167)	1,774	(17)	(227)	(4,637)
Net assets	9,558	810	(33)	10,335	2,870	42	575	13,822

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6 Segmental information (continued)

Year ended 31 May 2014	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	Total Hemmers £000	Holding companies £000	IFRS adjustment Goodwill £000	Group total £000
External revenue	31,378	2,832	-	34,210	-	-	34,210
Inter-segmental revenue	-	904	(904)	-	-	-	-
Cost of sales	(24,142)	(3,194)	896	(26,440)	-	-	(26,440)
Gross profit	7,236	542	(8)	7,770	-	-	7,770
Distribution costs	(2,130)	(173)	-	(2,303)	-	-	(2,303)
Admin expenses	(3,390)	(240)	-	(3,630)	(269)	114	(3,785)
Profit from operations	1,716	129	(8)	1,837	(269)	114	1,682
Finance expense	(81)	-	-	(81)	-	-	(81)
Finance income	-	-	-	-	10	-	10
Internal interest	(157)	-	-	(157)	157	-	-
Profit before tax	1,478	129	(8)	1,599	(102)	114	1,611

At 31 May 2014	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	Total Hemmers £000	Holding companies £000	IFRS adjustment Goodwill £000	Group total £000
Property, plant & equipment	1,822	78	-	1,900	-	-	1,900
Goodwill	62	-	-	62	-	846	908
Inventories	6,945	139	(34)	7,050	-	-	7,050
Trade receivables	4,709	245	-	4,954	1	-	4,955
Other receivables	705	421	-	1,126	16	-	1,142
Cash & equivalents	411	178	-	589	1,183	-	1,772
Total assets	14,654	1,061	(34)	15,681	1,200	846	17,727
Group loans & current accounts	(1,895)	(179)	-	(2,074)	2,074	-	-
Non-current liabilities	(813)	-	-	(813)	-	(239)	(1,052)
Trade payables	(1,045)	(239)	-	(1,284)	-	-	(1,284)
Other payables	(599)	(128)	-	(727)	(51)	-	(778)
Corporation tax	(528)	-	-	(528)	(13)	-	(541)
Current loans & borrowings	(44)	-	-	(44)	-	-	(44)
Total liabilities	(4,924)	(546)	-	(5,470)	2,010	(239)	(3,699)
Net assets	9,730	515	(34)	10,211	3,210	607	14,028

Inter-segment sales are priced on an arms-length basis, and this policy has been applied consistently throughout the years ended 31 May 2015 and 31 May 2014

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6 Segmental information (continued) - Analysis of revenue by destination

	Year ended 31 May 2015			Year ended 31 May 2014		
	Hemmers Europe £000	Hemmers China £000	Group total £000	Hemmers Europe £000	Hemmers China £000	Group total £000
UK	1,087	324	1,411	1,343	163	1,506
Germany	20,205	822	21,027	19,228	328	19,556
Rest of EU	8,215	1,059	9,274	8,976	1,034	10,010
Total EU	29,507	2,205	31,712	29,547	1,525	31,072
Rest of Europe	1,070	157	1,227	1,278	-	1,278
Total Europe	30,577	2,362	32,939	30,825	1,525	32,350
North America	251	669	920	164	762	926
Asia	102	295	397	193	369	562
Oceania	106	350	456	110	165	275
South America	113	11	124	80	7	87
Africa	2	21	23	6	4	10
Total revenue	31,151	3,708	34,859	31,378	2,832	34,210

Other information

	Year ended 31 May 2015			Year ended 31 May 2014		
	Hemmers Europe £000	Hemmers China £000	Group total £000	Hemmers Europe £000	Hemmers China £000	Group total £000
Additions to property, plant & equipment	284	14	298	141	80	221
Depreciation	208	18	226	216	7	223

7 Finance income and expense

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Finance income		
Interest received on bank deposits	7	10
Finance expense		
Interest paid on bank overdrafts and loans	(71)	(81)
Net finance expense recognised in comprehensive income	(64)	(71)

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8 Tax expense

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	483	498
Adjustments for under provision in prior years	-	2
Total current tax expense	483	500
Deferred tax expense for the year	35	32
Total tax expense	518	532

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to the profit for the year are as follows

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Profit before taxation	1,571	1,611
Expected tax charge based on the standard rate of corporation tax in the UK of 20.83% (2014 22.67%)	327	365
Expenses not deductible for tax purposes	19	27
Unrelieved losses	61	39
Current tax underprovided in previous years	-	2
Different tax rates applied in overseas jurisdictions	111	99
Total tax expense (see above)	518	532

The Group has UK capital losses carried forward of £13,085,000 and unrelieved UK trading losses of £1,461,000. No recognition has been made of deferred tax assets in respect of these losses carried forward as the directors believe it unlikely that there will be suitable profits to reverse these temporary differences in the foreseeable future.

The deferred tax liability relates to the IFRS adjustment to eliminate goodwill amortisation recorded in the accounts of Hemmers under German GAAP, and the movement in the year is analysed as follows

	Deferred tax £000
Liability at 31 May 2014	239
Charged in the year	35
Effect of movements in foreign exchange rates	(30)
Liability at 31 May 2015	244

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9 Earnings per share

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Since there are no outstanding share options, there is no difference between basic and diluted earnings per share		
Numerator		
Profit for the year from continuing operations, being the earnings used in earnings per share	£1,053,000	£1,079,000
Denominator		
Weighted average number of shares used in earnings per share (excluding treasury shares)	27,583,006	27,674,342
Basic and diluted earnings per share	3.8p	3.9p

10 Dividend

The directors have not proposed a dividend in respect of the year ended 31 May 2015 nor for the year ended 31 May 2014

11 Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 31 May 2013	1,995	1,417	3,412
Additions	13	208	221
Disposals	-	(45)	(45)
Effect of movements in foreign exchange rates	(97)	(78)	(175)
Balance at 31 May 2014	1,911	1,502	3,413
Additions	95	203	298
Disposals	(2)	(54)	(56)
Effect of movements in foreign exchange rates	(228)	(156)	(384)
Balance at 31 May 2015	1,776	1,495	3,271
	Land and buildings £000	Plant and machinery £000	Total £000
Accumulated depreciation			
Balance at 31 May 2013	435	973	1,408
Depreciation charge for the year	71	152	223
Disposals	-	(43)	(43)
Effect of movements in foreign exchange rates	(23)	(52)	(75)
Balance at 31 May 2014	483	1,030	1,513
Depreciation charge for the year	63	163	226
Disposals	(2)	(52)	(54)
Effect of movements in foreign exchange rates	(60)	(114)	(174)
Balance at 31 May 2015	484	1,027	1,511

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11 Property, plant and equipment (continued)

	Land and buildings £000	Plant and machinery £000	Total £000
Net book amount			
At 31 May 2013	1,560	444	2,004
At 31 May 2014	1,428	472	1,900
At 31 May 2015	1,292	468	1,760

12 Goodwill

	£000
Balance at 31 May 2013	955
Effect of movements in foreign exchange rates	(47)
Balance at 31 May 2014	908
Effect of movements in foreign exchange rates	(106)
Balance at 31 May 2015	802

Goodwill arose in 1999 on the acquisition of the cash-generating unit Hemmers-Itex Textil Import Export GmbH, whose recoverable amount has been determined from value-in-use calculations based on expected cash flows. Principal assumptions underlying this calculation are the achievement of profit in 2016 broadly in line with that actually achieved in 2015, and thereafter into perpetuity an annual growth rate of 4% in revenue and profits, and 2% in working capital. Forecasted operating margins and expenses are based on past experience and future expectations that reflect anticipated economic and market conditions, and a pre-tax discount rate of 14% has been applied to anticipated cash flows. On this basis, the recoverable amount of the cash-generating unit exceeds its carrying value with considerable headroom and in view of this excess, the Directors do not consider the impairment calculation to be unduly sensitive to changes to the above assumptions, and are of the opinion that no provision for impairment is required.

13 Subsidiaries

The subsidiaries of Leeds Group plc, all of which were wholly owned in both 2015 and 2014, and which have been included in these consolidated statements, are as follows:

Name	Country of incorporation	Nature of business
*† CLG Holding B V	Holland	Holding company
* Hemmers-Itex Textil Import Export GmbH	Germany	Import, sale, and distribution of textiles
** Chinoh-Tex Ltd	China	Textile trading

* Wholly owned subsidiaries of Leeds Group plc

† At 31 May 2015 CLG Holding B V was in the process of voluntary liquidation

** Wholly owned subsidiary of Hemmers-Itex Textil Import Export GmbH

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14 Investment in joint venture

	31 May 2015 £000	31 May 2014 £000
Investment in shares in KMR at cost (December 2014)	383	-
Additional shares purchased (May 2015)	192	-
Share of post-tax profit of 5 months ended 31 May 2015	13	-
Effect of movements in foreign exchange rates	(35)	-
At 31 May 2015	553	-

On 31 December 2014 the Group's subsidiary Hemmers-Itex Textil Import/Export GmbH ("Hemmers") completed its purchase of 50% of the issued share capital of Stoff-Ideen-KMR GmbH ("KMR") at a cost of £383,000. Completion documentation included revised articles of KMR providing for its two partners to share joint control of the company, its assets and its operations. Leeds Group accounts for this joint venture under the equity method.

KMR is a retailer of fabric and haberdashery, operating a total of fourteen leased shops distributed throughout five German states. Following the investment by Hemmers, KMR has changed its accounting year to 31 May, and in May 2015 the joint venture partners subscribed equally to an increase in share capital of £383,000 in total.

KMR has long been a customer of Hemmers, and this relationship continues on an arm's length basis. In the five months ended 31 May 2015 Hemmers sales to KMR amounted to £528,000. For the purposes of reporting the Group's share of the profit of the joint venture, the profit after tax reported by KMR is adjusted for the movement in the period of the unrealised profit within KMR inventories purchased from Hemmers.

The unaudited accounts of KMR are summarised as follows:

	5 months ended 31 May 2015 £000	Year ended 31 Dec 2014 £000
Sales	2,346	5,518
Cost of sales	(1,068)	(2,493)
Gross margin	1,278	3,025
Overheads	(1,173)	(2,708)
Interest	(4)	(19)
Tax	(31)	(123)
Profit after tax	70	175

	5 months ended 31 May 2015 £000	Year ended 31 Dec 2014 £000
Property, plant and equipment	118	91
Current assets	1,953	1,665
Current liabilities	(788)	(897)
Net assets	1,283	859

15 Inventories

	31 May 2015 £000	31 May 2014 £000
Finished goods and goods for resale	7,258	7,050

The amount of inventories recognised as an expense during the year was £24,439,000 (2014: £23,831,000).

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16 Trade and other receivables

	31 May 2015 £000	31 May 2014 £000
Trade receivables	5,397	5,634
Less provision for impairment of trade receivables	(637)	(679)
Net trade receivables	4,760	4,955
Other receivables	1,159	1,051
Prepayments	81	91
Total trade and other receivables	6,000	6,097

	31 May 2015 £000	31 May 2014 £000
Net trade receivables	4,760	4,955
Other receivables	1,159	1,051
Cash and cash equivalents (note 18)	2,027	1,772
Total financial assets classified as loans and receivables	7,946	7,778

In the opinion of the directors, the book value of assets classified as loans and receivables approximates to their fair value

Management monitors trade receivable accounts, and provisions for bad and doubtful debts are raised where it is deemed appropriate

As at 31 May 2015 trade receivables of £3,968,000 were not due for payment (2014 £3,872,000)

As at 31 May 2015 trade receivables of £753,000 were past due but not impaired (2014 £1,018,000) They relate to customers that have not been able to pay to agreed terms in what are difficult trading conditions but that the directors regard as good for their debts. The ageing analysis of these receivables is as follows

	31 May 2015 £000	31 May 2014 £000
Up to 3 months overdue	669	953
Overdue by 3 to 6 months	30	55
Overdue by 6 to 12 months	54	10
Total trade receivables past due but not impaired	753	1,018

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated and, due to this, the directors believe there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables set out above

As at 31 May 2015 trade receivables of £676,000 were past due and impaired (2014 £744,000) The amount of the provision was £637,000 (2014 £679,000) These receivables relate to customers who have not been able to pay to agreed terms in what are difficult trading conditions. In determining the amount of the impairment, the directors have taken into account their knowledge of the customer base, the extent to which receivables relate to goods delivered on terms that include retention of title, and the extent to which credit insurance is in place. The ageing of these receivables is as follows

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16 Trade and other receivables (continued)

	31 May 2015 £000	31 May 2014 £000
Overdue by 3 to 6 months	46	4
Overdue by 6 to 12 months	37	41
Overdue by more than 12 months	593	699
Total trade receivables past due and impaired	676	744

Movements on the Group provision for impairment of trade receivables are as follows

	31 May 2015 £000	31 May 2014 £000
At 1 June	679	696
Provided during the year	127	118
Receivables written off during the year	(92)	(102)
Effect of movements in foreign exchange rates	(77)	(33)
At 31 May	637	679

The movement on the provision for impaired receivables has been included in the administrative expenses line in the consolidated statement of comprehensive income

Other classes of financial assets included within trade and other receivables do not contain impaired assets

The carrying values of the Group's trade and other receivables are denominated in the following currencies

	31 May 2015 £000	31 May 2014 £000
Euro	5,153	5,274
Chinese Yuan	486	307
US Dollar	307	88
Sterling	54	428
Total trade and other receivables	6,000	6,097

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above

17 Derivative financial instruments

Cash flow forward exchange contracts at fair value through profit and loss

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, the operation makes use of currency derivatives in order to provide an economic hedge over future transactions and cash flows.

At 31 May 2015 the maximum notional principal amount of outstanding forward exchange contracts was £3,453,000, and all these contracts reach maturity no later than 30 December 2015 (2014: no outstanding contracts). These forward contracts, when marked to market as at 31 May 2015, gave rise to a financial derivatives asset of €82,000 which, when translated into sterling at the average rate for the year, equates to £63,000 for the purposes of the Consolidated Statement of Comprehensive Income and the Consolidated Cash Flow Statement. For the purposes of the Consolidated Statement of Financial Position the financial derivatives asset is translated at closing rate, and equates to £59,000 which, in the opinion of the Directors, is the fair value of the derivative financial instruments.

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18 Cash and cash equivalents

	31 May 2015 £000	31 May 2014 £000
Cash on demand or on short-term deposit	2,027	1,772

Cash and cash equivalents is held predominantly by the Parent Company and is deposited with Bank of Scotland, earning interest at variable rates. In the opinion of the directors, the carrying value of cash and cash equivalents approximates to its fair value.

19 Trade and other payables

	31 May 2015 £000	31 May 2014 £000
Trade payables	1,785	1,284
Other tax and social security taxes	48	48
Accruals	344	348
Other payables	489	382
Total trade and other payables	2,666	2,062

Trade payables, other payables and accruals are non-interest bearing and principally comprise amounts outstanding for trade purchases and continuing overhead expense. The average credit period taken is 26 days (2014 23 days). The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

20 Loans and borrowings

The book value of loans and borrowings are as follows	31 May 2015 £000	31 May 2014 £000
Current		
Secured bank loans and bill discounting facilities	766	44
Non - current		
Secured bank loans	665	813
Total loans and borrowings	1,431	857

Since all short-term loans have less than three months to maturity, and the fixed interest rate attaching to long-term loans is in line with market rates, it is the opinion of the directors that the fair value of loans and borrowings approximates to their book values.

The Group's loans and borrowings are exclusively within the accounts of Hemmers-Itex Textil Import Export GmbH (Hemmers). They are denominated in Euros, and their principal terms are as follows:

Current loans and borrowings

At 31 May 2015 current loans and borrowings were €1,065,000 (2014 €54,000) and comprise discounted bills amounting to €65,000 (2014 €54,000) and short-term loans of €1,000,000 (2014 €nil). The interest rates agreed for the discounted bills are 1.4% (2014 1.75%) and 1.25% for the short-term loans. Current loans and borrowings are secured on the inventories and trade receivables of Hemmers-Itex Textil Import Export GmbH.

The current loans and borrowings of €1,065,000 are drawn down by Hemmers-Itex Textil Import Export GmbH against short term borrowing facilities of €7,500,000. Neither the Parent Company nor any of its subsidiaries other than Hemmers have borrowing facilities. Following the recent review of bank facilities the directors have a reasonable expectation that these facilities will remain available for the foreseeable future.

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20 Loans and borrowings (continued)

Non-current loans and borrowings

Non-current loans of €1,250,000 were drawn down in 2007 from each of Commerzbank and Kreissparkasse to finance the warehouse extension in Nordhorn that was completed in 2008

The Commerzbank loan was repaid early and in full during the year ended 31 May 2014

The Kreissparkasse loan attracted payments of interest only until January 2011 when the first of 204 monthly repayments of principal and interest was made. Interest is fixed at 4.07% except for the last 24 months of the term, in which Hemmers may continue to pay at this fixed rate but also has the option to repay outstanding principal early, or move to variable rates if advantageous to do so. The final repayment falls due in December 2027.

Non-current bank loans are secured on the inventories, trade receivables and freehold land and buildings of Hemmers-Itex Textil Import Export GmbH

The carrying values of assets that the Group has pledged as collateral for liabilities or contingent liabilities are as follows	31 May 2015 £000	31 May 2014 £000
Inventories	7,107	6,945
Trade receivables	4,522	4,709
Freehold land and buildings	1,264	1,392
Total carrying value of assets pledged as collateral	12,893	13,046

The maturity profile of anticipated cash flows, including interest, in respect of loans and borrowings is as follows	31 May 2015 £000	31 May 2014 £000
Not later than 1 year	846	136
Later than one year and not later than five years	294	342
Later than five years	464	605
	1,604	1,083
Less interest included in the above	(173)	(226)
Total loans and borrowings	1,431	857

Reconciliation of movements in net debt	31 May 2015 £000	31 May 2014 £000
Increase/(decrease) in cash and cash equivalents in the year	289	(510)
Translation loss on cash and cash equivalents	(34)	(52)
(Increase)/decrease in loans	(717)	1,786
Translation gain on loans	143	81
(Increase)/decrease in net debt	(319)	1,305
Net cash/(debt) at the beginning of the year	915	(390)
Net cash at the end of the year	596	915

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20 Loans and borrowings (continued)

Classification of financial liabilities	31 May 2015 £000	31 May 2014 £000
Trade payables	1,785	1,284
Accruals	344	348
Other payables	489	382
Loans and borrowings	1,431	857
Total of financial liabilities at amortised cost	4,049	2,871

21 Share capital

Issued and fully paid	2015 Number	2015 £000	2014 Number	2014 £000
At beginning and end of the year	31,600,000	3,792	31,600,000	3,792

At 31 May 2015, no options over ordinary shares of the Company were outstanding (2014 nil)

The Group has made purchases of its own ordinary shares of 12 pence each to be held in treasury as follows -

	Number of shares	Cost £000
Shares purchased in year ended 30 September 2005	450,000	61
Shares purchased in year ended 30 September 2006	1,390,000	289
Shares purchased in year ended 30 September 2007	3,325,618	735
Shares purchased in year ended 30 September 2008	1,633,643	300
Shares purchased in year ended 30 September 2009	550,000	78
Shares purchased in year ended 30 September 2010	340,000	49
Shares purchased in eight months ended 31 May 2011	250,000	47
Shares purchased in year ended 31 May 2012	865,000	148
Shares purchased in year ended 31 May 2013	120,000	23
Shares purchased in year ended 31 May 2015	125,999	44
Total shares purchased	9,050,260	1,774
Shares cancelled in year ended 30 September 2007	(1,698,603)	(319)
Shares cancelled in year ended 30 September 2008	(1,800,000)	(399)
Shares cancelled in year ended 30 September 2009	(625,000)	(140)
Shares cancelled in year ended 30 September 2010	(375,000)	(82)
Shares cancelled in eight months ended 31 May 2011	(500,000)	(109)
Total shares cancelled	(4,998,603)	(1,049)
Shares held in treasury at 31 May 2015	4,051,657	725
Shares held in treasury at 31 May 2014	3,925,658	681

The cost of cancelled shares has been calculated on a "first in, first out" basis, and the nominal value of cancelled shares is shown in the consolidated statement of financial position as the capital redemption reserve, a component of equity. The cost of shares held in treasury is shown in the consolidated statement of financial position as the treasury share reserve, again as a component of equity.

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22 Leases

The Group holds no assets under finance leases

The Group owns the freehold title to the warehouse completed in 2008 at Nordhorn, Germany, and occupies leased properties in Germany and China. The lease on the German property runs until April 2020, and the lease on the Chinese property falls due for renewal in January 2017. The Group holds operating leases in respect of plant and machinery used in Germany.

The total future values of minimum lease payments in respect of all operating leases are due as follows

	31 May 2015 £000	31 May 2014 £000
Not later than one year	273	340
Later than one year and not later than five years	719	209
Total future values of minimum lease payments	992	549

23 Pension Scheme

The Group operates a defined contribution pension scheme for its employees in the UK, to which the Group contributed as follows

	31 May 2015 £000	31 May 2014 £000
UK defined contribution scheme	4	4
Total pension charge for the year	4	4

At 31 May 2015 there were employer's pension contributions outstanding of £nil (2014 £nil)

Pension provision in Germany is by state schemes and the contributions made by Hemmers to those state schemes are included in the amount disclosed in note 5 to the accounts as employer's national insurance contributions and similar taxes.

24 Commitments

The Group had no capital commitments at 31 May 2015 or 31 May 2014

25 Related party transactions

Mr Jorg Hemmers is an executive director of Leeds Group plc and managing director of Hemmers-Itex Textil Import Export GmbH ("Hemmers GmbH"), and is considered to be part of the key management of the Group. During the year ended 31 May 2015 Hemmers GmbH paid rental of €230,000 (2014 €230,000) in respect of a warehouse to a company in which Mr Hemmers has a financial interest.

In December 2014 Hemmers GmbH acquired a 50% interest in Stoff-Ideen-KMR GmbH ("KMR"), a chain of retail shops which sources its product in part from Hemmers GmbH. Details of this investment and of sales made by Hemmers GmbH to KMR are disclosed in note 14 to the consolidated accounts.


The directors consider that all the above transactions have been made on an arm's length basis.

Company Balance Sheet at 31 May 2015 (prepared under UK GAAP)

Company number 00067863

	Note	31 May 2015 £000	31 May 2014 £000
<i>Fixed assets</i>			
Investments	4	3,367	3,407
Total fixed assets		3,367	3,407
<i>Current assets</i>			
Debtors	5	1,851	2,091
Cash at bank and in hand		1,051	1,111
		2,902	3,202
Creditors – amounts falling due within one year	6	(46)	(47)
Net current assets		2,856	3,155
NET ASSETS		6,223	6,562
<i>Capital and reserves</i>			
Called up equity share capital	7	3,792	3,792
Capital redemption reserve	8	600	600
Treasury share reserve	9	(725)	(681)
Profit & loss account	10	2,556	2,851
CAPITAL AND RESERVES	11	6,223	6,562

The financial statements on pages 42 to 46 were approved and authorised for issue by the board of directors on 30 July 2015 and were signed on behalf of the board by -


Ian G Holmstrom
Chairman

The notes on pages 43 to 46 form part of these financial statements

Notes

forming part of the financial statements of the Company for the year ended 31 May 2015

1 Accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding period.

Investments

Investments in subsidiary undertakings and investments in other entities are stated at cost less any impairment for permanent diminution in value.

Leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Dividends

Dividends are recognised when they become legally payable.

2 Profit after tax

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The loss after tax recognised in the profit and loss account for the Company was £295,000 (2014 profit £404,000). Included in the profit after tax for the year ended 31 May 2014 was a partial release of the provision against the Company's investment in its subsidiary CLG Holding BV amounting to £575,000. This profit was eliminated on consolidation and did not form part of the profit of the Group.

The Company audit fee for the year ended 31 May 2015 amounted to £16,000 (2014 £16,000).

3 Staff costs

The average number of persons employed in the year by the Company (including directors) was 4 (2014 4).

Staff costs, including directors, comprise	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Wages and salaries	96	96
Defined contribution pension cost	4	4
Employer's national insurance contributions and similar taxes	4	6
Total staff costs	104	106

The remuneration of the directors is disclosed in note 5 to the consolidated accounts.

Outstanding share options granted to employees or directors at 31 May 2015 were nil (2014 nil).

Notes

forming part of the financial statements of the Company for the year ended 31 May 2015

4 Investments

	31 May 2015 £000	31 May 2014 £000
Investments in subsidiary undertakings	3,367	3,407
Total investments	3,367	3,407

	31 May 2015 £000	31 May 2014 £000
Investments in subsidiary undertakings		
Cost	4,599	4,639
Provision	(1,232)	(1,232)
Net book amount	3,367	3,407

Details of subsidiary undertakings are given in the Group Information section on page 3 and in note 13 to the consolidated financial statements

During the year ended 31 May 2014, the voluntary liquidation of the Company's subsidiary CLG Holding BV ("CLG") was begun. In the year ended 31 May 2015, CLG repaid capital to the Company of £40,000, (2014 £1,102,000). Once the final liability to Dutch tax is agreed the liquidation can be completed and it is anticipated that a further repayment of capital of approximately £14,000 will be made, which is the carrying value of the investment in the Company's books at 31 May 2015.

5 Debtors

	31 May 2015 £000	31 May 2014 £000
Other debtors	2	1
Prepayments and accrued income	16	16
Amounts receivable from subsidiary undertakings	1,833	2,074
Total debtors	1,851	2,091

6 Creditors

	31 May 2015 £000	31 May 2014 £000
Accruals and deferred income	46	47
Total creditors	46	47

Notes

forming part of the financial statements of the Company for the year ended 31 May 2015

7 Share capital

Issued and fully paid	2015 Number	2015 £000	2014 Number	2014 £000
At beginning and end of the year	31,600,000	3,792	31,600,000	3,792

At 31 May 2015, no options over ordinary shares of the Company were outstanding (2014 nil)

Details of the shares held in treasury are disclosed in note 21 to the consolidated accounts

8 Capital redemption reserve (CRR)

	31 May 2015 £000	31 May 2014 £000
The CRR is the nominal value of shares bought for treasury and subsequently cancelled		
At the beginning and the end of the year	600	600

9 Treasury share reserve

	2015 £000	2014 £000
At 31 May 2014 / 2013	681	681
Purchase of own shares for treasury	44	-
At 31 May 2014 / 2013	725	681

10 Retained earnings

	2015 £000	2014 £000
At 31 May 2014 / 2013	2,170	1,766
(Loss)/profit for the year	(295)	404
Purchase of own shares for treasury	(44)	-
At 31 May 2014 / 2013	1,831	2,170

11 Reconciliation of movements in shareholders' funds

	31 May 2015 £000	31 May 2014 £000
(Loss)/profit for the year	(295)	404
Other net recognised gains and losses - purchase of own shares	(44)	-
Net reduction in shareholders' funds	(339)	404
Opening shareholders' funds	6,562	6,158
Closing shareholders' funds	6,223	6,562

Notes

forming part of the financial statements of the Company for the year ended 31 May 2015

11 Commitments

The Company holds no assets under finance leases

The Company leases the property it occupies in Drighlington at an inclusive rent of £9,000 per annum. The lease may be terminated by either party following three months' notice in writing.

The annual lease commitments in respect of non-cancellable operating leases for land and buildings, based on date of expiry, are as follows:

	31 May 2015 £000	31 May 2014 £000
Within one year	2	2
	2	2

There were no contracted capital commitments for the Company in either period.

12 Related party transactions

The Company has taken advantage of the exemption permitted under FRS8 not to disclose transactions with wholly-owned subsidiaries.

Five Year Summary of Results and Capital Employed

	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000	Year ended 31 May 2013 £000	Year ended 31 May 2012 £000	8 months ended 31 May 2011 £000
Results					
Revenue	34,859	34,210	31,140	28,364	19,019
Cost of sales	(27,066)	(26,440)	(24,350)	(22,080)	(14,430)
Gross profit	7,793	7,770	6,790	6,284	4,589
Operating expenses	(6,171)	(6,088)	(5,267)	(5,108)	(3,685)
Profit from operations (excluding impairment charges)	1,622	1,682	1,523	1,176	904
Impairment of available-for-sale investments	-	-	(745)	(236)	-
Net finance expense	(64)	(71)	(83)	(122)	(95)
Share of post-tax profit of joint venture	13	-	-	-	-
Profit before tax	1,571	1,611	695	818	809
Tax expense	(518)	(532)	(412)	(315)	(326)
Profit after tax	1,053	1,079	283	503	483
Assets employed					
Non-current assets	3,115	2,808	2,959	3,531	4,278
Current assets	15,344	14,919	15,805	15,072	15,907
Total assets	18,459	17,727	18,764	18,603	20,185
Non-current liabilities	(909)	(1,052)	(2,048)	(2,011)	(2,245)
Current liabilities	(3,728)	(2,647)	(3,136)	(3,970)	(4,716)
Total liabilities	(4,637)	(3,699)	(5,184)	(5,981)	(6,961)
Net assets	13,822	14,028	13,580	12,622	13,224
Financed by					
Equity	13,822	14,028	13,580	12,622	13,224
Key Statistics					
Basic and diluted earnings per share	3 8p	3 9p	1 0p	1 8p	1 7p
Net assets per share	50.2p	50 7p	49 1p	45 4p	46 1p

Notice of Annual General Meeting

The one hundred and fifteenth annual general meeting of the Leeds Group plc ("the Company") will be held at 12 noon on Tuesday 13 October 2015 at the offices of BDO LLP at 1 Bridgewater Place, Water Lane, Leeds, LS11 5RU for the following purposes

Ordinary business

To consider, and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions

- 1 To receive the report of the directors, the financial statements for the year ended 31 May 2015 and the report of the auditors thereon
- 2 To re-appoint Mr Jan G Holmstrom as a director
- 3 To re-appoint Mr David Cooper as a director
- 4 To re-appoint Mr Jörg Hemmers as a director
- 5 To re-appoint BDO LLP as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which the financial statements are laid before the Company and to authorise the directors to fix their remuneration

Special business

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution and resolutions 6 and 8 will be proposed as special resolutions

- 6 That in accordance with Article 21.1 of the Articles of Association of the Company and Part 18 of the Companies Act 2006 ("the Act") the Company be and is hereby granted general and unconditional authority (pursuant to section 701 of the Act) to make one or more market purchases (as defined in section 693(4) of the Act) of any of its own ordinary shares of 12 pence each on such terms and in such manner as the board of directors of the Company may from time to time determine provided that
 - 6.1 the maximum number of ordinary shares authorised to be purchased by this resolution is 860,000 being 2.72 per cent of the issued ordinary share capital at the date of this notice,
 - 6.2 the maximum price that may be paid for such an ordinary share (exclusive of expenses) is an amount equal to but not more than the higher of
 - 6.2.1 105 per cent of the average middle market quotations for an ordinary share in the Company taken from the AIM appendix to The London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase, and
 - 6.2.2 the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange for an ordinary share in the Company at the time the purchase is carried out,
 - 6.3 the minimum price that may be paid for such an ordinary share (exclusive of expenses) is 5 pence per share, and
 - 6.4 unless previously revoked or varied, the authority conferred by this resolution shall expire on the conclusion of the next annual general meeting of the Company held after the passing of this resolution or the date which falls 15 months from the date of passing of this resolution (whichever shall first occur) except that the Company may, before such expiry, enter into a contract for the purchase of its own ordinary shares which may be completed by or executed wholly or partly after the expiration of this authority and may purchase ordinary shares in pursuance of any such contract as if the authority conferred by this resolution had not expired

Notice of Annual General Meeting (continued)

Special business (continued)

- 7 That the directors be and hereby are generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £1,100,000. The authority conferred by this resolution shall expire on the conclusion of the next annual general meeting of the Company held after the passing of this resolution or the date which falls 15 months from the date of passing of this resolution (whichever shall first occur), except that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry, and the directors may allot shares and grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all previous authorities granted to the directors to allot shares and grant Rights, but without prejudice to the allotment or grant of Rights already made or to be made pursuant to such authorities.
- 8 That, subject to the passing of resolution 7 above, the directors be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities
- 8.1 in connection with an offer of such securities by way of a rights issue, open offer or other pre-emptive issue or offer to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any recognised regulatory body or stock exchange in any territory or any other matter whatever, and
- 8.2 otherwise than pursuant to sub-paragraph 6.1 above up to an aggregate nominal amount of £189,000

The authority conferred by this resolution shall expire on the conclusion of the next annual general meeting of the Company held after the passing of this resolution or the date which falls 15 months from the date of passing of this resolution (whichever shall first occur), except that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

By Order of the Board



Malcolm Wilson

Company Secretary

Old Mills
Whitehall Grove
Drighlington
Bradford
BD11 1BY

30 July 2015

Notice of Annual General Meeting (continued)

Notes

- 1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and section 360B of the Companies Act 2006 (the Act”), only those shareholders registered in the register of members of the Company at 6 00 pm on 11 October 2015 as holders of ordinary shares of 12p each in the capital of the Company shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members of the Company after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 2 A member entitled to attend and vote may appoint a proxy to attend, speak and to vote in his or her stead. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. A form of proxy has been inserted into this annual report and accounts and contains notes for its completion.
- 3 To be valid, the form of proxy and any power of attorney or the authority under which it is signed (or a notarially certified copy of it) must be completed and lodged at the Registrars of the Company, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not later than 12 00 noon on 11 October 2015.
- 4 Completion and return of a form of proxy does not preclude a member from subsequently attending and voting at the meeting. If a member appoints a proxy or proxies and then decides to attend the annual general meeting in person and vote using his poll card, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding, then all proxy votes will be disregarded. If, however, the member votes at the meeting in respect of less than the member's entire holding, then if the member indicates on his polling card that all proxies are to be disregarded, that shall be the case, but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding. If you do not have a proxy form and/or believe that you should have one or if you require additional forms, please contact the Company at its registered office.
- 5 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see note 3 above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

- 6 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Asset Services at PXS, 34 Beckenham Road, Beckenham, BR3 4TU no later than 12 noon on 11 October 2015. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 4 above, your proxy appointment will remain valid.
- 7 Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours until the date of the annual general meeting and on that day, at the place of the meeting from at least 15 minutes prior to the meeting until its conclusion:
 - a Directors' letters of appointment
 - b Current articles of association

Notice of Annual General Meeting (continued)

Notes (continued)

8 As at 28 July 2015 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consisted of 31,600,000 ordinary shares of 12 pence each, with one voting right per share. There are 4,051,657 shares held in treasury, representing approximately 12.71 per cent of the total issued share capital. Therefore the total voting rights in the Company as at 28 July 2015 are 27,548,343.

9 If a corporation is a member of the Company, it may by resolution of its directors or other governing body authorise one or more persons to act as its representative or representatives at the Meeting and any such representative or representatives shall be entitled to exercise on behalf of the corporation all the powers that the corporation could exercise if it were an individual member of the Company.

Corporate representatives should bring with them either an original or certified copy of the appropriate board resolution or an original letter confirming the appointment, provided it is on the corporation's letterhead and is signed by an authorised signatory and accompanied by evidence of the signatory's authority.

10 A member may not use any electronic address (within the meaning of section 333(4) of the Act) provided in this notice of meeting (or in any related or accompanying document, including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

11 Section 311A of the Act requires a traded company to make available on its website

- a notice of its Annual General Meeting
- b details of its issued share capital and of its members' voting rights
- c members' statements, members' resolutions and members' matters of business received by the company after the date on which notice of its meeting was first given

Although the Company, as an AIM quoted company, is not required to comply with the requirements of Section 311A of the Act, it has nevertheless elected to do so. The Annual Report and Accounts, including the notice of the Company's AGM, can be found at the Company's website www.leedsgroupplc.uk. The necessary details of its issued share capital and of its members' voting rights are shown in note 8 above. Upon receipt of any of the items detailed in c. above, the Company will promptly make them available on the Documentation and Notifications page of its website.

Explanation of resolutions

Resolution number 1

The directors must present to shareholders the report of the directors and the accounts for the Company for the year ended 31 May 2015. That report and those accounts, and the report of the Company's auditors on those accounts, are set out on pages 8 to 47 of this document.

Resolution number 2

At each annual general meeting, one third of the directors of the Company for the time being (other than those appointed since the last annual general meeting) are required to retire. If the number of relevant directors is not a multiple of three, the number nearest to but not less than one third of the directors are required to retire. Any retiring director is eligible for re-appointment. At this annual general meeting, Mr Jan G Holmstrom is the only director subject to retirement by rotation. Resolution number 2 proposes the re-appointment of Mr Holmstrom.

Resolution number 3

Mr David Cooper was appointed as a director during the year and, in accordance with the articles of association, is required to retire and offer himself for re-appointment if he so wishes. Resolution number 3 proposes the re-appointment of Mr Cooper.

Resolution number 4

Mr Jörg Hemmers was appointed as a director during the year and, in accordance with the articles of association, is required to retire and offer himself for re-appointment if he so wishes. Resolution number 4 proposes the re-appointment of Mr Hemmers.

Resolution number 5

The auditors of the Company must be re-appointed at each meeting at which accounts are presented. Resolution 5 proposes the re-appointment of BDO LLP, who have indicated their willingness to be so re-appointed. The resolution also follows past practice in giving the directors authority to agree the remuneration to be paid to the auditors.

Resolution number 6

The directors are seeking authority to enable the Company to purchase ordinary shares in the capital of the Company by utilising some of the Company's available distributable profits. The directors would only consider effecting purchases under this authority, if granted, where to do so would improve the Company's earnings per share and would be in the best interests of shareholders generally. The authority would allow purchases of up to 860,000 ordinary shares, being approximately 2.72 per cent of the Company's ordinary share capital in issue as at the date of this notice, at a minimum price per ordinary share of 5 pence and a maximum price per ordinary share of the higher of 5 per cent above the average of the middle market quotations for an ordinary share as derived from the AIM appendix of the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which any purchases are made and the higher of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out. This authority expires at the conclusion of the next annual general meeting of the Company or 15 months from the date of passing of the resolution, whichever is the earlier.

Companies are permitted to retain any of their own shares that they have purchased as treasury stock, as an alternative to cancelling them. Shares held in treasury may be subsequently cancelled, sold for cash or used to satisfy share options and share awards under employee share schemes and provide the Company with additional flexibility in the management of its capital base. Accordingly, if the directors exercise the authority granted by resolution 4 to purchase ordinary shares, the Company will consider exercising the option of holding those ordinary shares in treasury.

Resolution number 7

The directors are seeking authority to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £1,100,000 being an amount representing approximately 33 per cent of the Company's current issued share capital (excluding treasury shares). It is not the directors' current intention to allot shares or to grant Rights pursuant to this resolution. This authority expires at the conclusion of the next annual general meeting of the Company or 15 months from the date of passing of the resolution, whichever is the earlier.

Explanation of resolutions (continued)

Resolution number 8

This resolution disapplies the statutory pre-emption rights which would otherwise apply on an issue of shares for cash and is limited to allotments in connection with a rights issue or other pre-emptive offer where the securities attributable to the interests of all shareholders are proportionate (as nearly as may be) to the number of shares held and otherwise up to a further nominal amount of £189,000, being approximately 5 per cent of the Company's current issued share capital (including treasury shares). This disapplication of the statutory pre-emption rights expires at the conclusion of the next annual general meeting of the Company or 15 months from the date of passing of the resolution, whichever is the earlier. This authority also covers the sale of treasury shares for cash.

It is the Company's intention to adhere to the provisions in the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a three year rolling period where the principles provide that usage in excess of 7.5 per cent should not take place without prior consultation with shareholders.



LEEDS

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