LEEDS

GROUP PLC

Annual Report and Accounts 2018

Contents

Leeds Group plc (''Leeds Group'')
Financial Highlights
12 months ended 31 May 2018

- Leeds Group profit before tax £885,000 *(2017: £1,448,000).*

- Leeds Group sales revenue increased by 1% to £41,538,000 *(2017: £41,053,000).*

- Leeds Group finished the financial year with bank debt net of cash £4,485,000 *(2017: £5,520,000).*

- Leeds Group net asset value per share (excluding treasury shares) 69.4p *(2017: 66.9p).*

- Earnings per Leeds Group share 2.0p *(2017: 4.1p).*

- The Directors do not propose a dividend in 2018 *(2017: nil).*

Directors

Jan G Holmstrom (Non-Executive Chairman)

Jan has worked in the financial services sector during his entire career and has a wealth of experience working internationally e.g. in the UK, Hong Kong and Sweden. Jan is Non-Executive Chairman of Johnson and Starley Limited, Combat Heating Solutions Limited and a Non-Executive Director of International Fibres Group (Holdings) Limited. Jan joined the Board of Leeds Group in November 2011 and was appointed Chairman in October 2014.

Jörg Hemmers (Executive Director)

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. Amongst his achievements is the successful integration in 2003 of Leeds Group's Itex business, based in Holland, to create Hemmers-Itex Textil Import Export GmbH and the successful start-up in 2007 of Chinoh-Tex Ltd, a subsidiary based in Shanghai. Jörg joined the Board of Leeds Group in March 2015.

Johan Claesson (Non-Executive Director)

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). Johan joined the Board of Leeds Group in September 2004.

David Cooper (Independent Non-Executive Director)

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

Subsidiary Companies

Hemmers-Itex Textil Import Export GmbH
Twentestrasse 1
48527 Nordhorn
Germany

Director during the year
Jörg Hemmers

Principal activity
Import, sale & distribution of fabric

Leeds Property GmbH
Twentestrasse 1
48527 Nordhorn
Germany

Director during the year
Jörg Hemmers

Principal activity
Vehicle to hold the Group's German property assets.

Chinoh-Tex Ltd
F2, Building1, 111 Shennan Road
Xinzhuang Industry Area
201108 Shanghai
China

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

Principal activity
Textile trading

Group Advisers

Solicitors	**Financial Advisers**	**Auditors**
Walker Morris	Cairn Financial Advisers LLP	BDO LLP
Kings Court	62-63 Cheapside	Central Square
12 Kings Street	London	29 Wellington Street
Leeds	EC2V 6AX	Leeds
LS1 2HL		LS1 4DL
Tel: 0113 283 2500	Tel: 020 7213 0880	Tel: 0113 244 3839
Solicitors	**Registrars**	**Principal Bankers**
DLA Piper UK LLP	Link Asset Services	Bank of Scotland
Princes Exchange	The Registry	116 Wellington Street
Princes Square	34 Beckenham Road	Leeds
Leeds	Beckenham	LS1 4LT
LS1 4BY	Kent	
	BR3 4TU	
Tel: 08700 111111	Tel: 0871 664 0300*	Tel: 0113 388 3200

** Calls to the Link shareholder helpline cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.*

Chairman's Statement

I am pleased to present the results for the year ended 31 May 2018.

Results
The Group achieved sales for the year of £41,538,000 (*2017: £41,053,000*). Trading conditions have been difficult with increased competition and pressure on margins and although sales are slightly higher than last year the Group made a reduced profit after tax of £545,000 *(2017: £1,114,000)*. Last year the Euro denominated Parent Company loan to its subsidiary resulted in a currency gain of £310,000 whereas this year there was a £49,000 currency loss.

Net assets at 31 May 2018 increased by £686,000 to £18,988,000 *(2017: £18,302,000)* and thus the value per share increased slightly to 69.4p *(2017: 66.9p)*. Net bank debt decreased by £1,035,000 to £4,485,000 *(2017: £5,520,000).*

Hemmers-Itex Textil Import Export GmbH ("Hemmers")
Fabric sales for the year at Hemmers, Leeds Group's principal trading company, are in Euro terms slightly lower than last year at €43,342,000 *(2017: €44,182,000).* In sterling terms, the revenue increased slightly to £38,299,000 *(2017: £37,544,000)* as a result of the weakening of sterling. The pre-tax profit in the current year of £1,123,000 *(2017: £1,012,000)* was higher than last year. Trading conditions continued to be challenging and so a strategic review coupled with a comprehensive cost review was undertaken during the year to ensure increased profitability for Hemmers in the coming year.

Chinoh Tex Ltd ("Chinoh-Tex")
Chinoh-Tex, the Hemmers subsidiary based in Shanghai, achieved external sales revenue of £3,239,000 *(2017: £3,499,000)*. However, due to reduced gross margins, there was a pre-tax loss of £86,000 for the year *(2017: profit £47,000).* Steps have been taken to reduce infrastructure and administrative costs to ensure profitability in the future. Chinoh-Tex continues to provide valuable assistance to its European parent in terms of purchasing, quality inspection and bulk shipping of fabrics bought in China.

Stoff-Ideen-KMR GmbH ("KMR")
KMR's operating performance has been unsatisfactory which resulted in Hemmers incorporating a loss for its 50% shareholding in KMR of £107,000 (2017: profit £33,000). On the 5 July 2018, Leeds Group announced that it had reached an agreement to terminate the joint venture arrangement with KMR acquiring and cancelling the 50% shareholding of our partner. Hemmers will retain its shareholding in KMR and thus become the sole owner. The directors of Leeds Group believe that it is in the best interest of the Group to take full control of KMR going forward.

Dividend
The Directors do not propose a dividend considering the reduced trading result.

Employees
On behalf of shareholders, I want to thank the management and staff of Hemmers, Chinoh-Tex and KMR.

Outlook
The Board considers there are still potential growth opportunities for Hemmers, Chinoh-Tex and KMR despite a competitive environment and given the steps taken to improve efficiencies, the directors believe that we are well placed to return to previous profit levels for the Group.

At this early point in the current financial year, sales and profit are in line with the expectations of the Board.

Jan G Holmstrom
Chairman
9 August 2018

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 2018, 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:

- Sales volumes and revenue
- gross profit margin
- operating overheads and central costs
- profit before tax
- earnings per share
- working capital levels

Group result

Group revenue in the year was £41,538,000 *(2017: £41,053,000)*, and pre-tax profit was £885,000 *(2017: £1,448,000).* The trading profit for Hemmers improved this year, however, there were trading losses in Chinoh-Tex and KMR. The main reason for the reduction in profit this year compared to last year is due to the differences arising from retranslation of the intercompany loan between Hemmers and the Parent Company. The Parent Company has previously granted a loan denominated in Euros to its German subsidiary Hemmers and, as sterling has weakened during the financial year, an unrealised loss has arisen in the Parent Company and the Group accounts of £49,000 *(2017: gain £310,000).*

The tax charge in the year was £340,000 *(2017: £334,000).* Earnings per share were 2.0p *(2017: 4.1p*) as detailed in note 9 to the financial statements.

Hemmers Europe

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

Fabric sales for the year at Hemmers, Leeds Group's principal trading company, in Euro terms are slightly lower than last year at €43,342,000 *(2017: €44,182,000).* In sterling terms, however, the revenue increased slightly to £38,299,000 *(2017: £37,544,000)* as a result of the weakening of sterling. The pre-tax profit increased in the year to £1,123,000 *(2017: £1,078,000).* This was due to an increase in gross margins to 22.1% *(2017: 20.8%).* Overhead expenditure in local currency increased by 3.1% as a result of increased wages and administration costs. A strategic review coupled with a comprehensive cost review was undertaken during the year to ensure the cost base for Hemmers is aligned to the business activity thus producing increased profitability for Hemmers in the coming year.

In 2014, Hemmers acquired a 50% interest in KMR, a chain of retail fabric and haberdashery stores, at a cost of £383,000. In 2015 and 2017 each of the two joint venture partners subscribed for additional capital, this is detailed further in note 15 to the financial statements. KMR is operated as a joint venture. Since the investment, KMR has operated profitability, however, this year the Group's share of the post-tax loss of KMR in the year was £107,000 *(2017: profit £33,000).* As detailed in the Chairman's statement and note 27 to the financial statements, since the year end KMR has become a wholly owned subsidiary within the Group.

Hemmers bank debt, net of cash, decreased in the year to £4,963,000 *(2017: £6,619,000).* This bank debt is secured on the assets of Hemmers.

Hemmers is working to focus on growing its business domestically and internationally in both its wholesale and retail markets. The strategic review together with increased synergies with KMR is expected to increase profitability for Hemmers and KMR in the coming year.

Strategic Report (continued)

Hemmers China
Chinoh-Tex is a textile trading subsidiary of Hemmers. It is based in Shanghai and has been trading for ten years. It purchases fabric from Chinese suppliers and in 2018 sold to customers in 26 countries. 43% of sales were made to EU countries *(2017: 31%)*.

External sales revenue was slightly lower this year £3,239,000 *(2017: £3,499,000*), with a small fall in volumes, however gross margins were reduced to 15% *(2017: 18%)*. Whilst overhead spending remained at similar levels to last year £650,000 *(2017: £662,000)* due to the reduced gross profit margins, Chinoh-Tex's result for the year was a pre-tax loss of £86,000 *(2017: profit £47,000*). A review has been undertaken to ensure the cost base is appropriate for the level of business activity and therefore a return to profitability is expected in the current financial year.

Chinoh-Tex provides valuable assistance to its European parent with the purchasing, inspection and shipping of material. Internal sales revenue, based on arms-length prices, amounted to £557,000 *(2017: £511,000)*. This relationship will be developed and improve profitability for both businesses.

Parent Company's Costs
The Parent Company's net cost in the year was as follows:

	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000
Parent Company's costs net of interest receivable	**17**	(10)
Exchange (loss)/gain on Group loan	**(49)**	310
Net Parent Company's (cost)/income	**(32)**	300

The Parent Company has previously granted a loan denominated in Euros to its subsidiary Hemmers and, as sterling has weakened during the financial year, an unrealised loss has arisen in the Parent Company and the Group accounts of £49,000 *(2017: gain £310,000)*. Other costs increased as a result of the Parent Company de-registering for UK VAT.

Fixed Assets
Capital additions in the year amounted to £400,000 *(2017: £2,280,000)*. The net book amount of tangible fixed assets in the Consolidated Statement of Financial Position is £8,319,000 *(2017: £8,452,000)*.

During the financial year 2017, a subsidiary of the Group acquired a property which was presented within property, plant and equipment in the Consolidated Statement of Financial Position. Although part of the property is occupied by the subsidiary company, part of the property is rented out externally. Under International Financial Reporting Standards, it is therefore more appropriate to present part of the value of this property as investment property. A prior year adjustment has been made to reclassify £565,000 within non-current assets from property, plant and equipment to investment property. Investment property is accounted for using the depreciated cost method, as such this adjustment has no effect on profit, net assets, net debt or EPS in the prior year.

Working Capital
Working capital which comprises inventories, trade and other receivables, and trade and other payables decreased in the year by £345,000 *(2017: increased £1,007,000)*. There were no major changes to the working capital requirements for the Group during the year.

Net Asset Value
Net assets increased in the year by £686,000 as follows:

	Net assets £000	**Per share pence**
At 31 May 2017	**18,302**	**66.9**
Profit after tax	**545**	**2.0**
Translation differences	**141**	**0.5**
At 31 May 2018	**18,988**	**69.4**

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. Property investments have been financed partly by long term loans of fixed interest rates between 1.5% and 4.07% as detailed in note 21 to the financial statements. Working capital finance, when required, is via short term loans of three months currently attracting interest at approximately 2.5%.

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
Following the UK referendum result in favour of leaving the European Union ("EU"), the economic environment has become much more uncertain. However, the business of Leeds Group is conducted entirely by subsidiaries incorporated in Germany or China, and their exports to the UK account for approximately 3% of Group revenue. For this reason, the Directors do not believe that a material risk to Leeds Group will arise from the terms on which the UK will, in the future, have access to EU markets, and vice versa. Leeds Group has loans denominated in euros which do carry a currency risk and may be affected by Brexit, however, the directors do not believe the impact would have a material effect on the Group's results as the subsidiary trades in Euros and the directors consider this provides a natural hedge.

Of greater risk is the possibility of reduced demand owing to falling consumer confidence, although the business has proved robust in earlier recessions with some evidence that reduced consumer spending on ready-made apparel or furnishings generates increased demand for Hemmers fabrics that customers use to make equivalent goods in the home.

The currency markets in particular dislike the current air of uncertainty surrounding the current negotiations with regard to the UK leaving the EU and sterling has continued to weaken since the UK announced it was leaving the UK. This benefits Leeds Group since, as the pound weakens, the value of the revenues, profits and net assets of foreign subsidiaries are increased in sterling terms. This effect has been seen in both this year's and last year's trading and Statement of Financial Position.

Most fabric purchased by Hemmers is paid for in US dollars, while the Euro is the principal currency in which Hemmers sells its product. Thus the Euro/dollar rate is of greater significance to Leeds Group than the strength of sterling. We shall continue to manage this transactional currency risk by a combination of forward exchange contracts with reputable banks and sales price increases where necessary.

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.

Jan G Holmstrom
Chairman
9 August 2018

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 May 2018.

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 in 2018 *(2017: £nil).*

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

The directors retiring by rotation are Johan Claesson and Jan Holmstrom who, being eligible, 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 9 August 2018.

Major shareholdings
The Company is aware of the following shareholders having 3% or more of the issued share capital at 9 August 2018:

	% of issued share capital	*% of issued share capital excluding shares held in treasury*
Mr Johan Claesson and associates	25.25	29.17
Mr Peter Gyllenhammar and associates	21.31	24.62
Sunningdale Investments Ltd	8.91	10.30

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.

Leeds Group plc Ordinary shares of 12 pence each
The market value of Leeds Group shares between 1 June 2017 and 31 May 2018 ranged between 27.0p and 41.0p. The average market value for the year was 35.1p, and at 31 May 2018 the market value was 28.5p *(31 May 2017: 36.0p).*

Political and charitable contributions
The Group made no political contributions, nor any donations to UK charities in the years ended 31 May 2018 and 31 May 2017.

Directors' Report (continued)

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 2018, the amount of trade creditors shown in the consolidated statement of financial position represents 28 days *(2017: 32 days)*. There are no trade creditors shown in the Company statement of financial position *(2017: 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 directors intend to buy back 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 5 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
Leeds Group plc is a UK registered company and is quoted on AIM, the London Stock Exchange market for smaller companies. It is regulated by UK and EU legislation and by the AIM rules for Companies. AIM companies are not required to comply with the UK Corporate Governance Code. Leeds Group has instead chosen to adopt the principles of the Corporate Governance Code for Small and Medium Sized Companies issued by the Quoted Companies Alliance ("the QCA Code") and will adhere to the AIM requirements effective 28 September 2018.

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance which is appropriate to the size of the Company and the interests of its Shareholders. Below we set out the measures in place to ensure that this is achieved.

The Board

Director	**Position**	**Board Meetings Attended**	**Independent**
Jan Holmstrom	Non-Executive Chairman	4/4	No
Johan Claesson	Non-Executive Director	4/4	No
David Cooper	Non-Executive Director	4/4	Yes
Jörg Hemmers	Executive Director	4/4	No

Biographical details of each director are set out on page 2 of this annual report.

The Board meets formally at least three times a year. In addition, telephone Board meetings are convened throughout the year as required to address any particular issues arising and to approve significant items of expenditure. There were seven telephone Board meetings held during the year.

To enable the Board to discharge its duties, all directors receive appropriate and timely information including monthly financial reporting packs and Board briefing packs which are issued in advance of all Board meetings.

Each director has access to the advice of the Company Secretary who is responsible for ensuring that all Board procedures are complied with and that the directors are kept aware of regulatory compliance developments. Directors may also take independent legal or financial advice at the expense of the Company if this is necessary for the proper performance of their duties. No such advice was sought during the year.

The Board is responsible for setting the overall strategy of the Group; reviewing and approving the annual revenue and capital budgets; monitoring performance against budget and ensuring action is taken to mitigate any adverse performance; establishing appropriate frameworks for Corporate Governance and internal controls. Certain functions are delegated to Board committees which report back to the full Board.

Directors' Report (continued)

The Board (continued)

Audit Committee

The audit committee comprises the three Non-Executive Directors of the Company, and is chaired by the Group's independent Non-Executive Director, Mr David Cooper. The audit committee meets not less than twice a year, and receives and reviews reports from the Company's auditors 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.

Remuneration Committee

The remuneration committee comprises the three Non-Executive Directors of the Company. It meets not less than once a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) of the senior management of the trading subsidiary, Hemmers.

Financial control and non-financial risk assessment

The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against misstatement or loss. Due to the size of the Group it is not deemed necessary or cost effective to have an internal audit function. The Board obtains assurance of internal financial control by establishing and reviewing key policies and detailed monthly review of financial results compared with approved budgets.

The identification and management of the principal operating risks facing Leeds Group are dealt with in note 3 to the financial statements.

The Company maintains appropriate insurance cover in respect of the operations of the Group and the actions of its directors and officers.

Director Independence and Shareholder Communication

The Board considers that there is sufficient independence and expertise on the Board given the size and complexity of the Group.

The principal forum for shareholder dialogue is the Annual General Meeting. Details of this year's meeting and business to be conducted there are set out on pages 54 to 58 of this report. Shareholders are encouraged to attend the meeting and question the Board on any matters of interest or concern regarding the results and prospects of the Group. In addition, shareholders may contact the Chairman or the Independent Non-Executive Director during the course of the year to raise any questions they have which require more immediate attention. Contact details may be obtained from the Company Secretary at the Company's registered office. The Chairman and Independent Non-Executive Director are responsible for bringing any such matters raised to the attention of the Board.

Directors' conflicts of interest and share dealings

The Board has effective procedures in place to identify, record and deal with conflicts of interest. Each director is made aware of his responsibility to bring any potential conflict of interest to the attention of the Board.

The directors comply with Rule 21 of the AIM Rules for Companies and the EU Directive on Market Abuse Regulation which came into effect on 3 July 2016 relating to directors' and applicable employees' dealings in the Company's securities.

Auditor Independence

The external auditors, BDO LLP ("BDO") were first appointed in 2006. The Company is satisfied that there are adequate safeguards in place to ensure that BDO maintain their objectivity and independence. Proposals for any non-audit work must be approved by the audit committee. Periodic rotation of audit partners has now become standard practise within the auditing profession.

Fees paid to BDO in respect of audit and non-audit services are set out in note 4 to the financial statements.

Directors' Report (continued)

Compliance with QCA Code Principles
The Board considers that it follows the principles of the QCA code except as follows:

- The Company has only one independent Non-Executive Director rather than two as recommended by the Code. The Board considers that this is appropriate given the current size and complexity of the Group and is kept under review.

- The Company does not have a formal Board evaluation process.

- There is no Nominations Committee. The Board considers that a Nominations Committee is unnecessary as the composition of the Board, succession planning for Board members and Board vacancies are considered to be a matter for the Board as a whole.

- The Company does not have a Chief Executive Officer. The Board considers that this is appropriate given the current size and complexity of the Group. The Managing Director of the principal trading subsidiary is a member of the Board and the sole executive director. The Chairman does not act as Chief Executive Officer.

- The Company does not publish a Corporate Social Responsibility Statement. The Board considers that it complies with or exceeds all applicable legal, environmental and employment requirements in all jurisdictions where it operates.

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. The Company financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors’ Report (continued)

Directors’ responsibilities (continued)
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.

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 4 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

Dawn Henderson
Company Secretary
9 August 2018

Old Mills
Whitehall Grove
Drighlington
Bradford, BD11 1BY

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

Opinion

We have audited the financial statements of Leeds Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

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 the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2018 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 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertanties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories As detailed in note 16 of the consolidated financial statements, the Group has £9.6m *(2017: £10.1m)* of inventories at the year end. Given the nature of the business, these inventories comprise a wide variety of different product types, some of which may be held in stock for a significant period before being sold. This creates a risk that certain items of inventory may be old and therefore not sell at prices above cost. As detailed in note 2 of the Group financial statements, management therefore makes an assessment of the estimated provision required to write down inventory. Given the significant value of inventories on the Group statement of financial position, and the estimation in valuation, we identified this as a key audit matter.	We obtained an understanding of the provisioning policy implemented by management and determined that both the approach and provisioning rates were consistent with those applied in previous years. We considered accuracy of management's provisioning policy in the prior year by comparing the loss arising from negative margin sales in the current year with the inventory provision at the prior year end. Based on our knowledge of the business and discussions with management we considered whether there were any changes to the nature of the business that would render the provisioning policy no longer appropriate but did not identify any such factors. We confirmed the numerical accuracy of the formulae used in management's provisioning calculation. We identified slower-moving stock lines and confirmed the adequacy of the provision in respect of these, in the context of negative margins observed in the current year. For a sample of stock items, we reviewed the post year end sales prices achieved to assess the net realisable value of the inventory and the adequacy of the provision estimated by management. Based on the procedures performed we found management's inventory provision assumptions and application thereof to be appropriate.

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effects on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £210,000 *(2017: £470,000).* This was determined with reference to a benchmark of revenue, of which this represents 0.5% *(2017: 1.25%),* which we consider to be one of the principal considerations in assessing the financial performance of the business.

The materiality for the Parent Company financial statements was set at £98,000. This was determined with reference to a benchmark of 1.5% of total assets.

Component materiality for the subsidiary considered a significant component was set at £195,000 *(2017: £485,000).* This was determined on a consistent basis with Group materiality, representing 0.5% of revenue *(2017: 1.25%).*

Performance materiality has been set at 75% (2017: 75%) of the above materiality figures. This has been assessed on criteria such as historic adjustment levels, complexity and controls of the Group.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £8,400 *(2017: £9,400).* We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements at the Group level. This includes certain risks that arise in subsidiaries but have a potentially material impact at Group level.

There are four components within the Group, including the Parent Company. Financial information relating to the Parent Company and one significant component was subject to a full scope audit by the Group audit team. Financial information relating to one component, based in Germany, was subject to a full scope audit by a BDO member firm acting as component auditor. The work of the component auditor was subject to review by the Group audit team.

For the remaining non-significant component, we performed analytical review procedures applying the Group materiality level.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Linda Cooper (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom
9 August 2018

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 2018

	Note	**Year ended 31 May 2018 £000**	Year ended 31 May 2017 £000
Revenue	6	**41,538**	41,053
Cost of sales		**(32,526)**	(32,468)
Gross profit		**9,012**	8,585
Distribution costs		**(2,722)**	(2,610)
Administrative expenses		**(5,188)**	(4,398)
Other income	4	**50**	-
Profit from operations	4	**1,152**	1,577
Finance expense	7	**(160)**	(163)
Finance income	7	**-**	1
Share of post-tax (loss)/profit of joint venture	15	**(107)**	33
Profit before tax		**885**	1,448
Tax expense	8	**(340)**	(334)
Profit for the year attributable to the equity holders of the Parent Company		**545**	1,114
Other comprehensive income			
Translation differences on foreign operations		**141**	1,707
Other comprehensive income for the year		**141**	1,707
Total comprehensive income for the year attributable to the equity holders of the Parent Company		**686**	2,821

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 may be reclassified subsequently as profit or loss.

Earnings per share attributable to the equity holders of the Company

	Note	**Year ended 31 May 2018**	Year ended 31 May 2017
Basic and diluted earnings per share (pence)	9	**2.0p**	4.1p

The notes on pages 22 to 47 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 May 2018

Company number 00067863	Note	31 May 2018 £000	Restated (note 26) 31 May 2017 £000
Assets			
Non-current assets			
Property, plant and equipment	11	**7,755**	7,872
Investment property	12	**564**	580
Intangible assets	13	**1,057**	1,055
Investment in joint venture	15	**734**	832
Total non-current assets		**10,110**	10,339
Current assets			
Inventories	16	**9,621**	10,123
Trade and other receivables	17	**6,252**	6,753
Corporation tax recoverable		**386**	313
Cash and cash equivalents	19	**572**	1,567
Total current assets		**16,831**	18,756
Total assets		**26,941**	29,095
Liabilities			
Non-current liabilities			
Loans and borrowings	21	**(3,708)**	(3,984)
Deferred tax	8	**(277)**	(275)
Total non-current liabilities		**(3,985)**	(4,259)
Current liabilities			
Trade and other payables	20	**(2,619)**	(3,383)
Loans and borrowings	21	**(1,349)**	(3,103)
Derivative financial liability	18	**-**	(48)
Total current liabilities		**(3,968)**	(6,534)
Total liabilities		**(7,953)**	(10,793)
TOTAL NET ASSETS		**18,988**	18,302
Capital and reserves attributable to equity holders of the Company			
Share capital	22	**3,792**	3,792
Capital redemption reserve	22	**600**	600
Treasury share reserve	22	**(798)**	(798)
Foreign exchange reserve		**2,490**	2,349
Retained earnings		**12,904**	12,359
TOTAL EQUITY		**18,988**	18,302

The financial statements on pages 18 to 47 were approved and authorised for issue by the Board of Directors on 9 August 2018 and were signed on behalf of the Board by:-

Jan G Holmstrom
Chairman

The notes on pages 22 to 47 form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 May 2018

	Note	**Year ended 31 May 2018 £000**	Year ended 31 May 2017 £000
Cash flows from operating activities			
Profit for the year		**545**	**1,114**
Adjustments for:			
Depreciation of property, plant and equipment	11	**586**	531
Depreciation of investment property	11	**19**	-
Amortisation of intangible assets	13	**6**	4
Finance expense	7	**160**	163
Finance income	7	**-**	(1)
Movement in fair value of derivatives	18	**(48)**	4
Loss on sale of property, plant and equipment		**-**	3
Share of post-tax loss/(profit) of joint venture	15	**107**	(33)
Income tax expense	8	**340**	334
Cash flows from operating activities before changes in working capital and provisions		**1,715**	2,119
Decrease/(increase) in inventories	16	**597**	(1,271)
Decrease/(increase) in trade and other receivables	17	**583**	(211)
(Decrease)/increase in trade and other payables	20	**(835)**	475
Cash generated from operating activities		**2,060**	1,112
Income taxes paid	8	**(411)**	(838)
Net cash flows from operating activities		**1,649**	274
Investing activities			
Purchase of property, plant and equipment	11	**(400)**	(1,715)
Purchase of investment property	12	**-**	(565)
Purchase of intangible assets	13	**-**	(83)
Increase in joint venture investment	15	**-**	(68)
Bank interest received	7	**-**	1
Net cash used in investing activities		**(400)**	(2,430)
Financing activities			
Purchase of treasury shares	22	**-**	(31)
Bank borrowings drawn down	21	**-**	2,191
Bank borrowings repaid	21	**(2,102)**	-
Bank interest paid	7	**(160)**	(163)
Net cash (used)/generated in financing activities		**(2,262)**	1,997
Net decrease in cash and cash equivalents		**(1,013)**	(159)
Translation gain on cash and cash equivalents		**18**	114
Cash and cash equivalents at the beginning of the year	19	**1,567**	1,612
Cash and cash equivalents at the end of the year	19	**572**	1,567

The notes on pages 22 to 47 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 May 2018

	Share capital £000	Capital redemption reserve £000	Treasury share reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total equity £000
At 31 May 2016	**3,792**	**600**	**(767)**	**642**	**11,245**	**15,512**
Profit for the year	-	-	-	-	1,114	**1,114**
Other comprehensive income	-	-	-	1,707	-	**1,707**
Total comprehensive income	-	-	-	*1,707*	*1,114*	***2,821***
Transaction with Shareholders:						
Purchase of treasury shares	-	-	(31)	-	-	**(31)**
At 31 May 2017	**3,792**	**600**	**(798)**	**2,349**	**12,359**	**18,302**
Profit for the year	-	-	-	-	545	**545**
Other comprehensive income	-	-	-	141	-	**141**
Total comprehensive income	-	-	-	*141*	*545*	***686***
At 31 May 2018	**3,792**	**600**	**(798)**	**2,490**	**12,904**	**18,988**

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

Reserve	**Description and purpose**
Share capital	The nominal value of issued ordinary shares in the Company.
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 22 to 47 form part of these financial statements.

Notes
forming part of the financial statements for the year ended 31 May 2018

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 the European Union ("adopted IFRS"), and with the Companies Act 2006 applicable to companies reporting under IFRS.

Changes in accounting policies
As of the date of these financial statements, the following standards were in issue but not yet effective. The Group has not applied these standards in the preparation of these financial statements and has not adopted any new or amended standards early.

IFRS 15, 'Revenues from Contracts with Customers' is effective for periods beginning on or after 1 January 2018. IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group has completed an assessment of IFRS 15 and it is expected that adoption of the standard will not have any impact on the Group's revenues, as the Group's revenues relates to the sale of fabric directly to retail stores and wholesale customers and thus revenue is recognised at the point of sale.

IFRS 9 'Financial instruments' replaces IAS 39 'Financial instruments: Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018. The standard covers three elements:

- Classification and measurement:
  Changes to a more principle based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss, dependent on the business model and cash flow characteristics of the financial asset;

- Impairment:
  Moves to an impairment model based on expected credit losses based on a three stage approach; and

- Hedge accounting:
  The IFRS 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the Group's underlying risk management. A new International Accounting Standards Board (IASB) project is in progress to develop an approach to better reflect dynamic risk management in entities' financial statements.

The group will adopt IFRS 9 – Financial Instruments for the financial year starting 1 June 2018. The group does not hold complex financial instruments and therefore the majority of changes to the standard do not change the existing accounting for assets or liabilities held. However, the directors have concluded that the measurement of the impairment of trade receivables will change with the use of the expected loss model assessment - the directors are in the process of quantifying the financial impact but do not expect the effect to be material. The group intends to quantify the potential impact of IFRS 9, finalise its approach to transition and the use of practical expedients where available prior to the preparation of the interim report for the period ended 30 November 2018.

1 Accounting policies (continued)

Changes in accounting policies (continued)

IFRS 16, 'Leases' is effective for periods beginning on or after 1 January 2019. The impact of the new standard will bring operating lease arrangements on the balance sheet, with the right of use and corresponding financial liability recognised on transition. Within the income statement rent expenses will be replaced by depreciation and interest expenses. This will result in a decrease in operating expenses and an increase in finance costs.

The full impact of this IFRS has not yet been reviewed, and as a result it is not practical to quantify the effect of the standard at this stage.

Revenue

Revenue is shown in the consolidated statement of comprehensive income net of VAT, rebates 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 delivery of goods to the customer. With regards to rebates these costs are calculated to reflect the expected amount of customer claims in respect of these items. The statement of financial position includes an accrual for claims yet to be received for rebates.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. 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. Intercompany transactions and balances between Group companies are therefore eliminated in full.

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. They are deconsolidated from the date on which control ceases.

Goodwill

Goodwill represents the excess of the consideration transferred for the business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

Trademarks

The cost of any trademarks purchased is capitalised as an intangible asset. Amortisation is provided on all trademarks to write off the carrying value of items on a straight line basis over their expected useful economic lives which equates to 20 years.

1 Accounting policies (continued)

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 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.

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.

1 Accounting policies (continued)

Financial assets
The Group classifies its financial assets into one of the two 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 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.

1 Accounting policies (continued)

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

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 Germany or China 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.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals receivable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Taxation

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

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).

1 Accounting policies (continued)

Deferred taxation(continued)
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.

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

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 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 equipment	5 - 15 years

Investment property
The Group applies the cost model to investment property. Investment property comprises property held by the Group not occupied by the its trading subsidiaries for the purpose of earning rental income to cover costs. Investment property is stated at depreciated cost. Depreciation is provided on the property to write off the carrying value on a straight line basis over the expected useful life of 33 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and on short term deposit, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

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.

1 Accounting policies (continued)

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.

(iii) Impairment of trade receivables

The management team of Hemmers 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 Managing Director. Where there is objective evidence that a customer may fail to pay in full an amount that is owed, an impairment charge is made based on the difference between the amount of the doubtful receivable and the estimated amount (if any) that may prove collectible. The main Board directors review the Hemmers debtor profile on a quarterly basis. A 1% increase in the bad debt provision would equate to £7,000. Further information is shown in note 17 to the financial statements.

2 Critical accounting estimates and judgements (continued)

(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. A 1% increase in the inventory provision would equate to £6,000.

(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 KMR is structured through a separate vehicle giving the Group rights to the net assets, and is therefore classified as a joint venture.

Post year end, the Group acquired the remaining 50% of KMR as disclosed more fully in note 27 to the financial statements. The consideration transferred was below the book value of the investment held by the Group at 31 May 2018. Following this, the directors have considered the book value of the assets acquired, and the expected future trading profits of the entity. They have performed a discounted cash flow calculation, on a similar basis to that performed in respect of the goodwill relating to the Hemmers subsidiary, and consider there is no impairment of the JV investment at the balance sheet date.

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.

During the year the Group's current bank debt decreased from £3,103,000 to £1,349,000 and the non-current bank debt decreased from £3,984,000 to £3,708,000. Other than that, 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.

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
- Trade payables
- Fixed rate bank loans
- Forward currency contracts

All financial assets are categorised as loans and receivables. All financial liabilities are measured at amortised cost.

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 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 polices 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 into contracts.

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 17 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 of 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.

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.

3 Financial instruments - risk management (continued)

(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 £1,353,000 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 £1,651,000 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 21 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.

4 Profit from operations

Profit from operations is stated after charging:	**Year ended 31 May 2018 £000**	Year ended 31 May 2017 £000
Auditor's fees		
Statutory audit services		
- Audit of the Parent Company and the consolidated accounts	**21**	17
- Audit of subsidiary companies	**34**	33
Non-audit related services		
- Tax compliance	**7**	5
Total auditor's fees	**62**	55
Staff costs	**6,496**	5,761
Depreciation		
- Property, plant and equipment	**586**	531
- Investment property	**19**	-
Operating lease expense		
- Plant and machinery	**168**	134
- Property	**94**	87
Operating lease income		
- Property	**50**	-
Loss on disposal of property, plant and equipment	**-**	3
Loss/(gain) on foreign currency	**49**	(310)

5 Staff costs

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

	Management	Sales and customer service	Warehousing	Administration	Group total
2018	**8**	**65**	**78**	**38**	**189**
2017	9	56	74	32	171

Staff costs, including directors, comprise	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000
Wages, salaries and directors' fees	**5,447**	4,800
Defined contribution pension cost	**1**	3
Employer's national insurance contributions and similar taxes	**1,048**	958
Total staff costs	**6,496**	5,761

Included in employer's national insurance contributions and similar taxes are the amounts paid by Hemmers to fund employees' pension entitlements provided by the German state.

	Salary & Fees £000	Bonus £000	Taxes £000	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000
Executive director					
Jörg Hemmers	218	8	13	**239**	249
Non -executive directors					
Johan Claesson	16	-	-	**16**	15
David Cooper	15	-	-	**15**	15
Jan G Holmstrom	27	-	-	**27**	25
	276	8	13	**297**	304

Jörg Hemmers is Managing Director of Hemmers, a wholly owned subsidiary of Leeds Group, and based in Germany. No recharge of his salary is made to the Parent Company. The fees relating to Johan Claesson and Jan Holmstrom are paid, respectively, to Johan & Marianne Claesson Aktiebolag and Somerset Aktiebolag who invoice the Company for the services of these directors.

Outstanding share options granted to employees or directors at 31 May 2018 were nil *(2017: 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 2018 £000	Year ended 31 May 2017 £000
Salary and fees	**276**	261
Bonuses	**8**	30
Employer's national insurance contributions and similar taxes	**13**	13
Total remuneration of key management personnel	**297**	304

6 Segmental information

The Group's trading businesses are Hemmers, and its subsidiary Chinoh-Tex. Hemmers is incorporated in Germany and is engaged in the import and distribution of fabric from its principal place of business in Nordhorn, Germany. Chinoh-Tex 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 Parent Company is not in itself an operating segment, but its 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 2018			Year ended 31 May 2017		
	Hemmers Europe £000	**Hemmers China £000**	**Total Group £000**	Hemmers Europe £000	Hemmers China £000	Total Group £000
Sale of goods	**38,299**	**3,239**	**41,538**	37,554	3,499	41,053
Total revenue	**38,299**	**3,239**	**41,538**	37,554	3,499	41,053

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.

Year ended 31 May 2018	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Parent Company £000	IFRS adjustments: Financial derivatives £000	IFRS adjustments: Goodwill £000	**Total Group £000**
External revenue	38,299	3,239	-	**41,538**	-	-	-	**41,538**
Inter-segmental revenue	1	556	(557)	**-**	-	-	-	**-**
Cost of sales	(29,839)	(3,231)	544	**(32,526)**	-	-	-	**(32,526)**
Gross profit/(loss)	**8,461**	**564**	**(13)**	**9,012**	**-**	**-**	**-**	**9,012**
Distribution costs	(2,460)	(262)	-	**(2,722)**	-	-	-	**(2,722)**
Admin expenses	(4,530)	(388)	-	**(4,918)**	(270)	-	-	**(5,188)**
Other income	50	-	-	**50**	-	-	-	**50**
Profit from operations	**1,521**	**(86)**	**(13)**	**1,422**	**(270)**	**-**	**-**	**1,152**
Finance expense	(160)	-	-	**(160)**	-	-	-	**(160)**
Internal interest	(238)	-	-	**(238)**	238	-	-	**-**
Share of JV loss	(107)	-	-	**(107)**	-	-	-	**(107)**
Profit/(loss) before tax	**1,016**	**(86)**	**(13)**	**917**	**(32)**	**-**	**-**	**885**

Notes

forming part of the financial statements for the year ended 31 May 2018

6 Segmental information (continued)

At 31 May 2018	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Parent Company £000	IFRS adjustments: Financial derivatives £000	IFRS adjustments: Goodwill £000	**Total Group £000**
Total assets	24,386	1,463	(37)	**25,812**	149	-	980	**26,941**
Total liabilities	(10,189)	(414)	-	**(10,603)**	2,927	-	(277)	**(7,953)**
Total net assets	**14,197**	**1,049**	**(37)**	**15,209**	**3,076**	**-**	**703**	**18,988**

Year ended 31 May 2017	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Parent Company £000	IFRS adjustments: Financial derivatives £000	IFRS adjustments: Goodwill £000	**Total Group £000**
External revenue	37,554	3,499	-	**41,053**	-	-	-	**41,053**
Inter-segmental revenue	5	511	(516)	**-**	-	-	-	**-**
Cost of sales	(29,739)	(3,301)	528	**(32,512)**	-	44	-	**(32,468)**
Gross profit	**7,820**	**709**	**12**	**8,541**	**-**	**44**	**-**	**8,585**
Distribution costs	(2,309)	(301)	-	**(2,610)**	-	-	-	**(2,610)**
Admin expenses	(4,123)	(361)	-	**(4,484)**	86	-	-	**(4,398)**
Profit from operations	**1,388**	**47**	**12**	**1,447**	**86**	**44**	**-**	**1,577**
Finance expense	(163)	-	-	**(163)**	-	-	-	**(163)**
Finance income	-	-	-	**-**	1	-	-	**1**
Internal interest	(213)	-	-	**(213)**	213	-	-	**-**
Share of JV profit	33	-	-	**33**	-	-	-	**33**
Profit before tax	**1,045**	**47**	**12**	**1,104**	**300**	**44**	**-**	**1,448**

At 31 May 2017	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Parent Company £000	IFRS adjustments: Financial derivatives £000	IFRS adjustments: Goodwill £000	**Total Group £000**
Total assets	26,137	1,727	(24)	**27,840**	283	-	972	**29,095**
Total liabilities	(12,722)	(621)	-	**(13,343)**	2,825	-	(275)	**(10,793)**
Total net assets	**13,415**	**1,106**	**(24)**	**14,497**	**3,108**	**-**	**697**	**18,302**

6 Segmental information (continued)

Analysis of revenue by destination

	Year ended 31 May 2018			Year ended 31 May 2017		
	Hemmers Europe £000	**Hemmers China £000**	**Total Group £000**	Hemmers Europe £000	Hemmers China £000	Total Group £000
UK	**1,250**	**115**	**1,365**	1,071	162	1,233
Germany	**22,555**	**855**	**23,410**	23,816	42	23,858
Rest of EU	**11,486**	**413**	**11,899**	10,119	867	10,986
Total EU	**35,291**	**1,383**	**36,674**	35,006	1,071	36,077
Rest of Europe	**2,182**	**416**	**2,598**	2,005	257	2,262
Total Europe	**37,473**	**1,799**	**39,272**	37,011	1,328	38,339
North America	**272**	**440**	**712**	225	235	460
Asia	**91**	**272**	**363**	100	1,480	1,580
Oceania	**339**	**617**	**956**	118	239	357
South America	**123**	**109**	**232**	99	183	282
Africa	**1**	**2**	**3**	1	34	35
Total revenue	**38,299**	**3,239**	**41,538**	37,544	3,499	41,053

Other information

	Year ended 31 May 2018			Year ended 31 May 2017		
	Hemmers Europe £000	**Hemmers China £000**	**Group total £000**	Hemmers Europe £000	Hemmers China £000	Group total £000
Additions						
Property, plant & equipment	**398**	**2**	**400**	1,694	21	1,715
Investment property	**-**	**-**	**-**	565	-	565
Depreciation						
Property, plant & equipment	**557**	**29**	**586**	507	24	531
Investment property	**19**	**-**	**19**	-	-	-

7 Finance income and expense

	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000
Finance income		
Interest received on bank deposits	**-**	1
Finance expense		
Interest paid on bank overdrafts and loans	**(160)**	(163)
Net finance expense recognised in comprehensive income	**(160)**	(162)

8 Tax expense

	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	**340**	331
Adjustments for over provision in prior years	**-**	(10)
Total current tax expense	**340**	321
Deferred tax expense for the year	**-**	13
Total tax expense	**340**	334

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 2018 £000	Year ended 31 May 2017 £000
Profit before taxation	**885**	1,448
Expected tax charge based on the standard rate of corporation tax in the UK of 19% *(2017:20%)*	**168**	290
Expenses not deductible for tax purposes	**20**	3
Income not subject to taxation	**-**	(7)
Unrelieved losses	**43**	2
Utilisation of past losses	**-**	(60)
Current tax over provision in previous years	**-**	(10)
Different tax rates applied in overseas jurisdictions	**109**	116
Total tax expense (see above)	**340**	334

The Group has UK capital losses carried forward of £13,140,000 and unrelieved UK trading losses of £1,129,000. 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 sufficient profits to reverse these temporary differences in the foreseeable future.

The deferred tax liability relates to a timing difference arising as a result of a difference in accounting under German GAAP, and the movement in the year is analysed as follows:

	Deferred tax £000
Liability at 31 May 2017	275
Effect of movements in foreign exchange rates	2
Liability at 31 May 2018	**277**

9 Earnings per share and Net asset per share

Earnings per share	**Year ended 31 May 2018**	Year ended 31 May 2017
Numerator		
Profit for the year from continuing operations, being the earnings used in earnings per share	**£545,000**	£1,114,000
Denominator		
Weighted average number of shares used in earnings per share (excluding treasury shares)	**27,350,843**	27,422,227
Basic and diluted earnings per share	**2.0p**	4.1p

Since there are no outstanding share options, there is no difference between basic and diluted earnings per share.

Net assets per share	**Year ended 31 May 2018**	Year ended 31 May 2017
Numerator		
Net assets	**£18,988,000**	£18,302,000
Denominator		
Number of shares (excluding treasury shares)	**27,350,843**	27,350,843
Net assets per share	**69.4p**	66.9p

10 Dividend

The directors have not proposed a dividend in respect of the year ended 31 May 2018 nor for the year ended 31 May 2017.

11 Property, plant and equipment

	Restated (note 26) Freehold land and buildings £000	**Restated (note 26) Plant and equipment £000**	**Restated (note 26) Total £000**
Cost			
Balance at 31 May 2016	**5,721**	**2,019**	**7,740**
Additions	1,402	313	1,715
Disposals	-	(32)	(32)
Effect of movements in foreign exchange rates	820	273	1,093
Balance at 31 May 2017	**7,943**	**2,573**	**10,516**
Additions	13	387	400
Effect of movements in foreign exchange rates	66	23	89
Balance at 31 May 2018	**8,022**	**2,983**	**11,005**

11 Property, plant and equipment (continued)

	Restated (note 26) Freehold land and buildings £000	Restated (note 26) Plant and equipment £000	Restated (note 26) Total £000
Accumulated depreciation			
Balance at 31 May 2016	**592**	**1,284**	**1,876**
Depreciation charge for the year	241	290	531
Disposals	-	(26)	(26)
Effect of movements in foreign exchange rates	89	174	263
Balance at 31 May 2017	**922**	**1,722**	**2,644**
Depreciation charge for the year	261	325	586
Effect of movements in foreign exchange rates	5	15	20
Balance at 31 May 2018	**1,188**	**2,062**	**3,250**
Net book amount			
At 31 May 2016	5,129	735	5,864
At 31 May 2017	7,021	851	7,872
At 31 May 2018	**6,834**	**921**	**7,755**

12 Investment property

	Restated (note26) Freehold land and buildings £000
Cost	
Balance at 31 May 2016	**-**
Additions	565
Effect of movements in foreign exchange rates	15
Balance at 31 May 2017	**580**
Effect of movements in foreign exchange rates	3
Balance at 31 May 2018	**583**
Accumulated depreciation	
Balance at 31 May 2017	-
Depreciation charge for the year	19
Effect of movements in foreign exchange rates	-
Balance at 31 May 2018	**19**
Net book amount	
At 31 May 2016	-
At 31 May 2017	580
At 31 May 2018	**564**

13 Intangible assets

	Goodwill £000	Trademarks £000	Total £000
Balance at 31 May 2016	**855**	**-**	**855**
Additions	-	83	83
Amortisation	-	(4)	(4)
Effect of movements in foreign exchange rates	117	4	121
Balance at 31 May 2017	**972**	**83**	**1,055**
Amortisation	-	(6)	(6)
Effect of movements in foreign exchange rates	8	-	8
Balance at 31 May 2018	**980**	**77**	**1,057**

Goodwill arose in 1999 on the acquisition of the cash-generating unit Hemmers, whose recoverable amount has been determined from value-in-use calculations based on budgeted cash flows. Principal assumptions underlying this calculation are the achievement of improved profit in 2019 reflecting planned volume growth and the cost savings flowing from capital expenditure in previous years, and thereafter an annual growth rate into perpetuity of 2% in revenue, profits and working capital reflecting the expected long term growth rate of the sector. 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 13% 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.

14 Subsidiaries

The subsidiaries of Leeds Group plc, all of which were wholly owned in both 2018 and 2017, and which have been included in these consolidated statements, are as follows:

Name	Country of incorporation	Nature of business
* Hemmers-Itex Textil Import Export GmbH.	Germany	Import, sale, and distribution of textiles
* Leeds Property GmbH.	Germany	Property investment
** Chinoh-Tex Ltd.	China	Textile trading

* *Wholly owned subsidiaries of Leeds Group plc.*
** *Wholly owned subsidiary of Hemmers-Itex Textil Import Export GmbH.*

The registered addresses of these subsidiaries are shown on page 3.

15 Investment in joint venture

	£000
Balance at 31 May 2016	**640**
Share of post-tax profit	33
Additional capital investment	68
Effect of movements in foreign exchange rates	91
Balance at 31 May 2017	**832**
Share of post-tax loss	(107)
Effect of movements in foreign exchange rates	9
Balance at 31 May 2018	**734**

The Group's subsidiary Hemmers owns 50% of the issued share capital of KMR, at an investment cost of £643,000. 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 leased shops in various German cities. KMR has long been a customer of Hemmers, and this relationship continues on an arm's length basis. In the year ended 31 May 2018, Hemmers sales to KMR amounted to £1,226,000 *(2017 £1,673,000)*. For the purposes of reporting the Group's share of the profit/(loss) of the joint venture, the profit/(loss) after tax reported by KMR is adjusted for the movement in the period of the unrealised profit within KMR inventories purchased from Hemmers.

Summarised accounts of KMR: All values translated at closing rates.	**Unaudited Year ended 31 May 2018 £000**	Unaudited Year ended 31 May 2017 £000
Revenue	**9,287**	9,451
Cost of sales	**(6,712)**	(6,763)
Gross profit	**2,575**	2,668
Distribution costs	**(1,282)**	(1,210)
Administrative expenses	**(1,458)**	(1,347)
Interest	**(44)**	(35)
Tax	**(1)**	(31)
(Loss)/profit after tax	**(210)**	65

	31 May 2018 £000	31 May 2017 £000
Non-current assets	**1,541**	1,594
Inventories	**2,992**	3,102
Trade and other receivables	**54**	78
Cash and cash equivalents	**186**	236
Corporation tax	**126**	88
Total assets	**4,899**	5,098
Non-current loans and borrowings	**(1,310)**	(1,938)
Trade and other payables	**(1,274)**	(1,265)
Current loans and borrowings	**(615)**	-
Total liabilities	**(3,199)**	(3,203)
Total net assets	**1,700**	1,895

16 Inventories

	31 May 2018 **£000**	31 May 2017 £000
Finished goods and goods for resale	**9,621**	10,123

The amount of inventories recognised as an expense during the year was £25,918,000 *(2017: £28,025,000).*

17 Trade and other receivables

	31 May 2018 **£000**	31 May 2017 £000
Trade receivables	**5,825**	6,353
Less provision for impairment of trade receivables	**(708)**	(975)
Net trade receivables	**5,117**	5,378
Other receivables	**989**	1,211
Prepayments	**146**	164
Total trade and other receivables	**6,252**	6,753

	31 May 2018 **£000**	31 May 2017 £000
Net trade receivables	**5,117**	5,378
Cash and cash equivalents (note 19)	**572**	1,567
Total financial assets classified as loans and receivables	**5,689**	6,945

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 2018 trade receivables of £4,243,000 were not due for payment *(2017: £4,841,000).*

As at 31 May 2018 trade receivables of £753,000 were past due but not impaired *(2017: £556,000)*. 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 2018 **£000**	31 May 2017 £000
Up to 3 months overdue	**609**	445
Overdue by 3 to 6 months	**56**	48
Overdue by 6 to 12 months	**43**	1
Overdue more than 12 months	**45**	62
Total trade receivables past due but not impaired	**753**	556

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.

17 Trade and other receivables (continued)

As at 31 May 2018 trade receivables of £829,000 were past due and impaired *(2017: £956,000)*. The amount of the provision was £708,000 *(2017: £975,000*). 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:

	31 May 2018 £000	31 May 2017 £000
Overdue by 3 to 6 months	**72**	-
Overdue by 6 to 12 months	**117**	-
Overdue by more than 12 months	**640**	956
Total trade receivables past due and impaired	**829**	956

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

	31 May 2018 £000	31 May 2017 £000
At 1 June	**975**	921
Provided during the year	**(38)**	44
Receivables written off during the year	**(238)**	(117)
Effect of movements in foreign exchange rates	**9**	127
At 31 May	**708**	975

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 2018 £000	31 May 2017 £000
Euro	**5,243**	5,908
Chinese Yuan	**433**	264
US Dollar	**471**	517
Sterling	**105**	64
Total trade and other receivables	**6,252**	6,753

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

18 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 2018 the maximum notional principal amount of outstanding forward exchange contracts taken out in Euros was £nil *(2017: £nil)*. The forward contracts gave rise to a financial derivatives liability of €nil *(2017: €nil).* The movement in the profit and loss account for the year was €nil (2017: credit €52,000) which, translated into sterling at the average rate for the year, equated to £nil *(2017: £44,000)*. For the purposes of the consolidated statement of financial position, the financial derivatives liability is translated at closing rate, and equates to £nil *(2017: £nil)* which, in the opinion of the directors, is the fair value of the derivative financial instruments.

No other forward contracts were taken out during the year. Last year a forward contract was taken out to hedge the loan from the Parent Company to Hemmers. The movement in the year of £48,000 is a credit to the profit and loss account. As at 31 May 2018, the financial derivatives liability amounted to £nil *(2017: £48,000)* which, in the opinion of the directors, is the fair value of the derivative financial instruments. Hedge accounting was not applied.

19 Cash and cash equivalents

	31 May 2018 £000	31 May 2017 £000
Cash on demand or on short-term deposit	**572**	1,567

Cash held by the Parent Company is deposited with Bank of Scotland, earning interest at variable rates. Cash held by subsidiaries is mainly the excess of property related loans drawn down over amounts spent to date and working capital required by the subsidiaries. In the opinion of the directors, the carrying value of cash and cash equivalents approximates to its fair value.

20 Trade and other payables

	31 May 2018 £000	31 May 2017 £000
Trade payables	**1,526**	2,494
Other tax and social security taxes	**67**	71
Accruals	**430**	379
Other payables	**596**	439
Total trade and other payables	**2,619**	3,383

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 28 days *(2017: 32 days*). The directors consider that the carrying amount of trade and other payables approximates to their fair value.

21 Loans and borrowings

The book value of loans and borrowings are as follows:	**31 May 2018 £000**	31 May 2017 £000
Current		
Secured bank loans	**1,349**	3,103
Non - current		
Secured bank loans	**3,708**	3,984
Total loans and borrowings	**5,057**	7,087

21 Loans and borrowings (continued)

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. They are denominated in Euros, and their principal terms are as follows:

Current loans and borrowings
At 31 May 2018 current loans and borrowings of £1,349,000 *(2017: £3,103,000)* comprise short term loans of £983,000 and instalments due on long term loans detailed below of £366,000. The interest rate on the short-term loans is 2.5% *(2017: 2.5%)* and these loans are secured on the inventories and trade receivables of Hemmers.

The short term loans are drawn down by Hemmers against short term borrowing facilities of €11,000,000. 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.

Non-current loans and borrowings
A non-current loan was drawn down in 2007 from Kreissparkasse to finance the freehold extension of the warehouse in Nordhorn. In 2016 further loans were drawn down and, in the year ended 31 May 2017, a further loan was assumed from Kreissparkasse to finance the purchase of a further leased warehouse adjacent to the original warehouse. Amounts outstanding at 31 May 2018 were:

	Fixed Interest Rate	Repayment Profile	Final repayment date	**31 May 2018 £000**	31 May 2017 £000
Loan 1	4.07%	Equal monthly instalments	September 2027	**554**	614
Loan 2	3.40%	Single bullet repayment	March 2020	**1,054**	1,046
Loan 3	1.65%	Equal quarterly instalments	September 2025	**1,586**	1,814
Loan 4	1.05%	Equal quarterly instalments	March 2027	**514**	510
Non-current loans				**3,708**	3,984

The carrying values of assets that the Group has pledged as collateral for liabilities or contingent liabilities are as follows:	**31 May 2018 £000**	31 May 2017 £000
Inventories	**9,349**	9,949
Trade receivables	**4,667**	5,021
Freehold land and buildings	**7,403**	7,601
Total carrying value of assets pledged as collateral	**21,419**	22,571

The maturity profile of anticipated cash flows, including interest, in respect of loans and borrowings is as follows:	**31 May 2018 £000**	31 May 2017 £000
Not later than 1 year	**1,440**	3,219
Later than one year and not later than five years	**2,801**	2,803
Later than five years	**1,272**	1,599
	5,513	7,621
Less interest included in the above	**(456)**	(534)
Total loans and borrowings	**5,057**	7,087

21 Loans and borrowings (continued)

Reconciliation of movements in net debt	31 May 2018 £000	31 May 2017 £000
Decrease in cash and cash equivalents in the year	**(1,013)**	(159)
Translation gain on cash and cash equivalents	**18**	114
Decrease/(increase) in loans	**2,102**	(2,191)
Translation loss on loans	**(72)**	(638)
Decrease/(increase) in net debt	**1,035**	(2,874)
Net debt at the beginning of the year	**(5,520)**	(2,646)
Net debt at the end of the year	**(4,485)**	(5,520)

Classification of financial liabilities	31 May 2018 £000	31 May 2017 £000
Trade payables	**1,540**	2,494
Accruals	**430**	379
Other payables	**663**	510
Loans and borrowings	**5,057**	7,087
Total of financial liabilities at amortised cost	**7,690**	10,470

22 Share capital

Issued and fully paid	2018 Number	2018 £000	2017 Number	2017 £000
At beginning and end of the year	**31,600,000**	**3,792**	31,600,000	3,792

At 31 May 2018, no options over ordinary shares of the Company were outstanding *(2017: nil)*. The are no rights, preferences or restrictions attached to the ordinary shares.

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 as at 31 May 2018 and 31 May 2017	9,247,760	1,847
Shares cancelled as at 31 May 2018 and 31 May 2017	(4,998,603)	(1,049)
Shares held in treasury at 31 May 2018	**4,249,157**	**798**
Shares held in treasury at 31 May 2017	4,249,157	798

The cost of cancelled shares has been calculated on a “first in, first out” basis, and the nominal value of cancelled shares (£599,832) 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.

23 Leases

The Group holds no assets under finance leases. The Group owns the freehold title to warehouse and office facilites at Nordhorn, Germany. The Group occupies various warehouse and office premises in China under a long-term which will expire in January 2020. 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 2018 £000	31 May 2017 £000
Not later than one year	**209**	145
Later than one year and not later than five years	**149**	174
Total future values of minimum lease payments	**358**	319

The Group holds an investment property which is leased to external tenants. The total future values of minimum lease payments in respect of this operating lease is due as follows:

	31 May 2018 £000	31 May 2017 £000
Not later than one year	**6**	-

24 Commitments

At 31 May 2018 capital commitments authorised and committed amounted to £nil *(2017: £153,000).* There were no amounts authorised but not committed *(2017: £nil).*

25 Related party transactions

KMR paid £192,000 (*2017: £128,000*) in respect of warehouse rent and management fees to Hemmers during the year. The directors consider that this transaction was made on an arm's length basis.

26 Prior year adjustment

During the financial year 2017, a subsidiary of the Group acquired a property which was presented within property, plant and equipment in the Consolidated Statement of Financial Position. Although part of the property is occupied by the subsidiary company, part of the property is rented out externally. Under International Financial Reporting Standards, it is therefore more appropriate to present part of the value of this property as investment property. A prior year adjustment has been made to reclassify £565,000 within non-current assets from property, plant and equipment to investment property. Investment property is accounted for using the depreciated cost method, as such this adjustment has no effect on profit, net assets, net debt or EPS in the prior year.

27 Post Balance sheet event

On 5 July 2018, the joint venture between Hemmers and Mr Maat was terminated with KMR acquiring Mr Maat's 50% shareholding in KMR for a total consideration of £442,000 paid £221,000 cash and the balance being three shops at an approximate value of £221,000. Hemmers will retain its shareholding in KMR and therefore KMR will become a subsidiary of Hemmers effective 5 July 2018. The total consideration for KMR will be £1,176,000. The net assets as at 5 July 2018 were as follows:

	5 July 2018 £000
Non-current assets	**1,545**
Inventories	**3,042**
Trade and other receivables	**95**
Cash and cash equivalents	**297**
Corporation tax	**135**
Total assets	**5,114**
Non-current loans and borrowings	**(1,315)**
Trade and other payables	**(1,534)**
Current loans and borrowings	**(620)**
Total liabilities	**(3,469)**
Total net assets	**1,645**

At the time of preparing these financial statements, the directors have not completed the initial accounting for this business combination. As such, they are unable to disclose the fair value of assets and liabilities assumed and have not calculated the value of the goodwill.

The consideration transferred was below the book value of the investment held by the Group at 31 May 2018. Following this, the directors have considered the book value of the assets acquired, and the expected future trading profits of the entity. They have performed a discounted cash flow calculation, on a similar basis to that performed in respect of the goodwill relating to the Hemmers and consider there is no impairment of the JV investment at the balance sheet date.

Company Statement of Financial Position at 31 May 2018
Prepared under FRS 101 "Reduced Disclosure Framework"

Company number 00067863

	Note	**31 May 2018 £000**	31 May 2017 £000
Assets			
Non-current assets			
Investments in subsidiary undertakings	4	**3,370**	3,370
Amounts receivable from subsidiary undertakings	5	**2,977**	2,928
Total non-current assets		**6,347**	6,298
Current assets			
Trade and other receivables	5	**9**	20
Cash at bank and in hand		**140**	263
		149	283
Liabilities			
Current liabilities			
Trade and other payables	6	**(50)**	(103)
Total current assets		**99**	180
TOTAL NET ASSETS		**6,446**	6,478
Capital and reserves			
Share capital	7	**3,792**	3,792
Capital redemption reserve		**600**	600
Treasury share reserve		**(798)**	(798)
Retained earnings		**2,852**	2,884
TOTAL EQUITY		**6,446**	6,478

The loss after tax of the company for the year was £32,000 *(2017: profit £300,000).*

The financial statements on pages 48 to 52 were approved and authorised for issue by the Board of Directors on 9 August 2018 and were signed on behalf of the Board by: -

Jan G Holmstrom
Chairman

The notes on pages 50 to 52 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 May 2018

	Share capital £000	Capital redemption reserve £000	Treasury share reserve £000	Retained earnings £000	Total equity £000
At 31 May 2016	**3,792**	**600**	**(767)**	**2,584**	**6,209**
Profit for the year	-	-	-	300	**300**
Transaction with Shareholders:					
Purchase of treasury shares	-	-	(31)	-	**(31)**
At 31 May 2017	**3,792**	**600**	**(798)**	**2,884**	**6,478**
Loss for the year	-	-	-	(32)	**(32)**
At 31 May 2018	**3,792**	**600**	**(798)**	**2,852**	**6,446**

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

Reserve	**Description and purpose**
Share capital	The nominal value of issued ordinary shares in the Company.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Treasury share reserve	Cost of own shares held in treasury.
Retained earnings	Cumulative net gains/losses recognised in the Company's profit and loss account after deducting the cost of cancelled treasury shares.

The notes on pages 50 to 52 form part of these financial statements.

Notes

forming part of the financial statements of the Company for the year ended 31 May 2018

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with FRS 100 and FRS 101, and the Company takes advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised below.

- certain disclosures regarding the company's capital;
- certain disclosures regarding financial instruments;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Leeds Group.

Investments

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

Financial assets

The Company classifies its financial assets as either fair value through the profit and loss or loans and receivables.

The Company'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 Company 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:

Company loans and receivables include amounts receivable from Group undertakings 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 are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate less provision for impairment.

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.

Financial liabilities

The Company classifies its financial liabilities into one of the two categories below, depending on the purpose for which the liability was incurred. The Company'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 Company 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 accrual, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

1 Accounting policies (continued)

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.

Foreign Currency

The financial statements are presented in UK pounds sterling, which is the company's functional currency.

Transactions entered into by the Company in a currency other than sterling are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Dividends

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

2 Statement of Comprehensive Income

A separate statement of comprehensive income for the Company is not presented, in accordance with Section 408 of the Companies Act 2006. The loss for the year for the Company dealt with in the consolidated financial statements of the Company was £32,000 *(2017: profit £300,000).*

The remuneration of the Auditors is disclosed in note 4 to the consolidated financial statements.

3 Staff costs

The average monthly number of persons employed in the year by the Company (including directors) was 4 *(2017: 4).*

Staff costs, including directors, comprise	**Year ended 31 May 2018 £000**	Year ended 31 May 2017 £000
Wages and salaries	**100**	100
Defined contribution pension cost	**1**	3
Employer's national insurance contributions and similar taxes	**3**	4
Total staff costs	**104**	107

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

Outstanding share options granted to employees or directors at 31 May 2018 were nil *(2017: nil).*

4 Investments in subsidiary undertakings

	Cost £000	**Accumulated impairment £000**	**Net carrying amount £000**
At 31 May 2018 and 31 May 2017	**3,370**	**-**	**3,370**

Details of subsidiary undertakings are given in the Group Information section on page 3 and in note 14 to the consolidated financial statements.

5 Trade and other receivables

	31 May 2018 £000	31 May 2017 £000
Prepayments and accrued income	**9**	20
Amounts receivable from subsidiary undertakings	**2,977**	2,928
Total trade and other receivables	**2,986**	2,948

No impairment loss was recognised in the year in respect of debtors. (2017: nil). The amounts receivable from subsidiary undertaking relates to long term loans with details as follows:

	Fixed Interest Rate	Repayment Profile	**31 May 2018 £000**	31 May 2017 £000
Loan 1	8%	Repayable on demand	**2,635**	2,613
Loan 2	8%	Repayable on demand	**342**	315

6 Trade and other payables

	31 May 2018 £000	31 May 2017 £000
Accruals and deferred income	**50**	55
Derivative financial liability	**-**	48
Total trade and other payables	**50**	103

7 Share capital

Issued and fully paid	**2018 Number**	**2018 £000**	2017 Number	2017 £000
At beginning and end of the year	**31,600,000**	**3,792**	31,600,000	3,792

At 31 May 2018, no options over ordinary shares of the Company were outstanding *(2017: nil).*

Details of the shares held in treasury are disclosed in note 22 to the consolidated financial statements.

8 Commitments

The Company holds no assets under finance leases and has no commitments under operating leases.

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

Five Year Summary of Results and Capital Employed

	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000	Year ended 31 May 2016 £000	Year ended 31 May 2015 £000	Year ended 31 May 2014 £000
Results					
Revenue	**41,538**	41,053	36,272	34,859	34,210
Cost of sales	**(32,526)**	(32,468)	(28,563)	(27,066)	(26,440)
Gross profit	**9,012**	8,585	7,709	7,793	7,770
Operating expenses	**(7,860)**	(7,008)	(6,165)	(6,171)	(6,088)
Profit from operations (excluding impairment charges)	**1,152**	1,577	1,544	1,622	1,682
Net finance expense	**(160)**	(162)	(88)	(64)	(71)
Share of post-tax (loss)/profit of joint venture	**(107)**	33	51	13	-
Profit before tax	**885**	1,488	1,507	1,571	1,611
Tax expense	**(340)**	(334)	(468)	(518)	(532)
Profit after tax	**545**	1,114	1,039	1,053	1,079
Assets					
Non-current assets	**10,110**	**10,339**	7,359	3,115	2,808
Current assets	**16,831**	**18,756**	15,156	15,344	14,919
Total assets	**26,941**	**29,095**	22,515	18,459	17,727
Non-current liabilities	**(3,985)**	**(4,259)**	(4,073)	(909)	(1,052)
Current liabilities	**(3,968)**	**(6,534)**	(2,930)	(3,728)	(2,647)
Total liabilities	**(7,953)**	**(10,793)**	(7,003)	(4,637)	(3,699)
Total net assets	**18,988**	**18,302**	15,512	13,822	14,028
Financed by					
Total equity	**18,988**	**18,302**	15,512	13,822	14,028
Key Statistics					
Basic and diluted earnings per share	**2.0p**	4.1p	3.8p	3.8p	3.9p
Net assets per share	**69.4p**	66.9p	56.5p	50.2p	50.7p

Notice of Annual General Meeting

The one hundred and eighteenth annual general meeting of the Leeds Group plc ("the Company") will be held at 12 noon on 22 October 2018 at the offices of BDO LLP at Central Square, 29 Wellington Street, Leeds, LS1 4DL 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 2018 and the report of the auditors thereon.

2. To re-appoint Mr Johan Claesson as a director.

3. To re-appoint Mr Jan Holmstom as a director

4. 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 6 will be proposed as an ordinary resolution and resolutions 5 and 7 will be proposed as special resolutions:

5. 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:

   5.1 the maximum number of ordinary shares authorised to be purchased by this resolution is 715,000 being 2.26 per cent of the issued ordinary share capital at the date of this notice;

   5.2 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:

      5.2.1 105 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

      5.2.2 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;

   5.3 the minimum price that may be paid for such an ordinary share (exclusive of expenses) is 5 pence per share; and

   5.4 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 4 had not expired.

Notice of Annual General Meeting (continued)

Special business (continued)

6. 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 £1,095,000. 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.

7. That, subject to the passing of resolution 6 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:

    7.1 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

    7.2 otherwise than pursuant to sub-paragraph 7.1 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

Old Mills
Whitehall Grove
Drighlington
Bradford
BD11 1BY

Dawn Henderson
Company Secretary

9 August 2018

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 close of business on 18 October 2018 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, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not later than 12 noon on 18 October 2018.

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 Link 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 Link 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 Link Asset Services at PXS, 34 Beckenham Road, Beckenham, BR3 4TU no later than 12 noon on 18 October 2018. 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 9 August 2018 (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 4,249,157 shares held in treasury, representing approximately 13.45 per cent of the total issued share capital. Thus the total voting rights in the Company as at 9 August 2018 are 27,350,843.

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.leedsgroup.plc.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 financial statements for the year ended 31 May 2018. That report and those financial statements, and the report of the Company's auditors on those financial statements, are set out on pages 8 to 52 of this document.

Resolution numbers 2 and 3
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 Johnn Claesson and Mr Jan Holmstom are the directors subject to retirement by rotation. Resolutions numbers 2 and 3 propose the re-appointment of Mr Claesson and Mr Holmstrom respectively.

Resolution number 4
The auditors of the Company must be re-appointed at each meeting at which the financial statements are presented. Resolution 4 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 auditor's remuneration.

Resolution number 5
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 715,000 ordinary shares, being approximately 2.26 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 5 to purchase ordinary shares, the Company will consider exercising the option of holding those ordinary shares in treasury.

Resolution number 6
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 £1,095,000 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.

Resolution number 7
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

GROUP PLC

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