LEEDS

GROUP PLC

Annual Report and Accounts 2021

Contents

Group Information and Advisers

Subsidiary Companies

Wholly owned subsidiary companies of Leeds Group plc (''Leeds Group'' or ''the Group''):

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

Director during the year
Jörg Hemmers

Principal activity
Import, sale & distribution of fabric

Leeds Property GmbH
''Leeds Properties''
Twentestrasse 1
48527 Nordhorn
Germany

Director during the year
Jörg Hemmers

Principal activity
Dormant

Wholly owned subsidiary companies of Hemmers:

Stoff-Ideen-KMR GmbH
''KMR''
Twentestrasse 1
48527 Nordhorn
Germany

Director during the year
Jörg Hemmers

Principal activity
Retail textile trading

Group Advisers

Solicitors

Walker Morris LLP
33 Wellington Street
Leeds
LS1 4DL

Financial Advisers

Cairn Financial Advisers LLP
107 Cheapside
London
EC2V 6EE

Auditors

BDO LLP
29 Wellington Street
Leeds
LS1 4DL

Registrars*

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Principal Bankers

Lloyds Banking Group
1 Lovell Park Road
Leeds
LS1 1 NS

** Calls to the Link Group shareholder helpline 0871 664 0300 are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Or you can contact them by e mail shareholderenquiries@linkgroup.co.uk,*

Chairman's Statement

Statement

As a result of the ongoing global pandemic, it has been another challenging year for the Group. In our interim report we announced that sales for Hemmers and KMR in the first six months of the financial year had been higher than expected. In subsequent trading updates on 17 February 2021 and 18 May 2021, we explained that since the half year end, there had been further countrywide restrictions imposed by the German government which had adversely affected trading activity in the second half of the financial year.

Both Hemmers-Itex Textil Import Export GmbH ('Hemmers') and Stoff-Ideen-KMR GmbH ('KMR') businesses have been affected by the countrywide lockdowns imposed by the German government in response to the Covid-19 pandemic and further government-imposed restrictions placed on retail shops thereafter. Hemmer's wholesale business was also affected by lockdowns in its export markets though trading continued on a reduced basis. However, all KMR's retail shops were fully closed during the country-wide lockdowns which lasted until early March 2021 with some shops remaining closed until the end of May 2021 due to localised lockdowns. The effect of the KMR shop closures were partly mitigated by actions taken by management and by government financial aid. The Group operating result showed a reduced loss of £280,000 compared to the previous year loss of £1,756,000.

Even though the lockdown has now been lifted, the Covid-19 pandemic is still having an impact in the global marketplace, with sales levels for both Hemmers and KMR in the first quarter of the new financial year lower than previous years but in line with expectations. The impact of Covid-19 on the Group is detailed further in the Finance and Operating Review and Directors' Report. The Directors are confident that both businesses are prepared to mitigate the risk of a further wave of the pandemic and should restrictions be imposed again, the companies would take the necessary actions and also apply for any available government financial support.

Following the prior year sales and cost reviews, the Directors believe that the Group is structured to align its costs with sales activity and has a stronger management team with a competitive sales strategy. This strategy will potentially return the Group to acceptable levels of profit in future years, assuming a return to a normal trading environment.

On behalf of shareholders, I want to thank the management and staff of Hemmers and KMR who have all continued with their best efforts to work through difficult and challenging times in the face of the global pandemic.

Jan G Holmstrom
Non-Executive Chairman
15 October 2021

Finance and Operating Review

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 2021, 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 for the continuing operations in the year was £33,013,000 *(2020: £35,067,000).* The ongoing effects of the Covid-19 pandemic affected both Hemmers and KMR. Although the German government provided financial support to the Group amounting to £966,000, the reduced sales figures did not generate enough contribution to cover the fixed overheads and, therefore, both Hemmers and KMR made a loss after interest. The Group's operating loss from continuing activities was £280,000 *(2020: loss £1,756,000)* and the Group's loss before tax from continuing activities was £508,000 (*2020: loss £2,016,000*).

The tax credit in the year was £42,000 *(2020: charge £6,000).* The total loss per share was 1.7p *(2020: loss per share 8.6p*).

Hemmers-Itex

Hemmers is a global business engaged in designing, importing, warehousing and wholesaling of fabrics from Germany. The market in Germany has been affected by the Covid-19 pandemic, however Hemmers have positioned themselves well in the marketplace and have managed to secure business from competitors. The strategic sales review coupled with the comprehensive cost review undertaken last year has ensured the cost base for Hemmers is aligned to the current sales levels and market conditions. Sales for the year were slightly higher than last year at £27,669,000 *(2020: £27,060,000*) due to exchange translation as sales volumes were in line with previous years but lower than expectations. The gross contribution percentage decreased slightly to 30% *(2020: 31*%) due to the pressure on pricing through competition however, with the increased level of sales, the gross contribution has increased to £4,580,000 (*2020: £4,155,000*). Due to the reduction in fixed overheads resulting from the prior year cost review and government financial assistance of £274,000, Hemmers achieved a profit before interest of £330,000 *(2020: loss £1,298,000).*

Hemmers is completely focused on growing its business domestically and internationally in its wholesale markets with a more customer focused sales strategy. We are confident that Hemmers will continue to compete in the global marketplace regaining further market share thus returning to profitability after interest.

Hemmers bank debt, net of cash, increased in the year to £3,558,000 *(2020: £3,184,000).* The bank debt is secured on the assets of Hemmers.

KMR

KMR is a retail trading business in Germany. KMR has been severely affected by the Covid-19 pandemic resulting in the closure of all its retail shops during countrywide lockdowns. Also following the lifting of the second government-imposed lockdown, local lockdowns were imposed due to the level of Covid-19 infections in certain areas. This affected certain KMR retail shops for a further eleven weeks in this financial year. Sales were, therefore, significantly lower than last year at £5,344,000 *(2020: £8,007,000).* The gross contribution percentage increased slightly to 56% *(2020: 53*%) due to price increases. This lower level of trading, despite financial support from the German government amounting to £692,000, has resulted in a loss before interest for the year of £211,000 *(2020: loss £218,000).* Improved working efficiencies have been implemented during the year including the introduction of new working patterns resulting in a reduced cost base. This is expected to eliminate the losses going forward and provide a better foundation for improved results in the coming years.

KMR bank debt, net of cash, decreased in the year to £749,000 *(2020: £979,000).* The bank debt is secured on the assets of KMR.

Finance and Operating Review (continued)

Fixed Assets

The net book amount of tangible fixed assets is £7,750,000 *(2020: £8,183,000)*. Capital additions in the year amounted to £562,000 *(2020: £560,000).*

The net book value of right-to-use assets is £2,453,000 *(2020: £2,374,000)*. There were £750,000 of additional right-of-use leases included as assets in the year although they relate to leases which were regarded as short-term leases in 2020 (*2020: £258,000*). An impairment charge of £333,000 has been recognised in the accounts in relation to these assets.

Working Capital and Cash Flow

Net debt increased from £3,517,000 to £3,952,000 in the year. Net cash used in the year at average exchange rates was £610,000 (*2020: generated £34,000*). Working capital, which comprises inventories, trade and other receivables and trade and other payables, increased in the year by £452,000 *(2020: decreased £2,738,000)*. Debtor and Trade Creditor levels were lower at 31 May 2021 due to the reduced trading in March to May as a result of the effects of the Covid-19 pandemic on trading. Loan repayments of £771,000 *(2020: £2,378,000)* have been made this year. Last year the repayments were partly due to the sale of properties which generated £1,317,000 with the corresponding debt being repaid. New loans taken out in the year £787,000 relating to short term debt. Lease liability repayments (including interest) of £1,059,000 *(2020: £926,000)* have been made in the year.

The Group continues to carefully monitor its working capital requirements to ensure it operates within its current banking facilities.

Net Asset Value

Net assets decreased in the year by £1,022,000 as follows:

	Net assets £000	Per share pence
At 31 May 2020	**15,583**	**57.0**
Loss after tax	**(466)**	**(1.7)**
Translation differences	**(556)**	**(2.0)**
At 31 May 2021	**14,561**	**53.3**

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 at fixed interest rates between 1.05% and 4.07%. Working capital finance, when required, is via short term loans of three months currently attracting interest at rates of between 1.25% and 3%. Bank debt in the subsidiaries is secured by charges on inventories, receivables and property and is without recourse to the Parent Company.

Share Capital

During the year, the Company cancelled 4,279,157 ordinary shares that had been held in treasury following previous purchases of the shares by the Company.

Impairment reviews

A cash generating unit is defined by IAS36 as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets, or group of assets. As such, each store in KMR represents its own cash generating unit. Following the implementation of IFRS16, the right-of-use assets relating to KMR's retail shops are now considered part of the cash generating units. Other immaterial assets are allocated to each store to consider the wider asset portfolio of each store, where right-of-use assets remain the only material in scope assets to consider in impairment testing. Although annual impairment reviews are not required on tangible assets, management have performed an impairment review on these assets due to historic trading losses and the effects of the Covid-19 pandemic. Impairment tests have been performed by assessing relevant cash flows of each cash generating unit and assessing this against the value of assets relating to that specific cash generating unit to consider recoverable amounts. Following this review, an impairment charge of £333,000 has been recognised during this financial year see note 3.

Principal risks and uncertainties

The Board has identified the main categories of business risk in relation to the Group's strategic aims and objectives, and has considered reasonable steps to prevent, mitigate and manage these risks. The principal risks identified are as follows:

Funding risk
The Group has a combination of short-term borrowing facilities and longer-term loan agreements secured on Group assets. The Group remains dependent upon the support of these funders and there is a risk that failure in a company to meet banking covenants could have implications for the Group. Borrowing facilities are monitored regularly and the facilities agreed are more than needed for the Group's requirements. The Group has close working relationships with their current funders but believe alternative banking funders could be secured if required.

Hemmers has a maximum working capital facility of €11m, restricted to the borrowing base which is calculated as 70% of eligible inventory and 80% of eligible debtors. In the financial year 2021, this resulted in average availability of €7.7m *(2020: €8.8m*) with a range of €6.9m to €8.3m (*2020: €8.0m to €9.0m)* and minimum headroom of €4.5m *(2020: €4.7m)* in the year. In the forecast period to 31 May 2023, the estimated availability range is €6.9m to €8.8m and the minimum headroom €3.4m. The only covenant on this facility is an equity ratio which must exceed 30% of gross assets at the financial year end. At 31 May 2021, the ratio was higher than 60% *(2020: 61%).* The facility is uncommitted, but the bank is obliged to give reasonable notice of any change.

KMR has a fixed working capital loan facility of €1m which was fully drawn at the year end and a €0.5m bank overdraft facility secured on working capital, of which €0.2m was utilised as at 31 May 2021. The covenants on these facilities are (i) an equity ratio which must exceed 35% of gross assets at the financial year end and (ii) the ratio of working capital/bank facility should be a minimum 1.5x. At 31 May 2021, these ratios were 55.5% (*2020: 39.5%)* and 1.54 *(2020: 1.58*). The facilities are uncommitted, but the bank is obliged to give reasonable notice of any change.

Considering the trading results in the first quarter of the current financial year, the likely ongoing impact of the Covid-19 pandemic and the headroom available on the Hemmers working capital facility, the Directors are of the opinion that it is appropriate to apply the going concern basis of preparation to the financial statements.

Market risk
There is always the ongoing threat of reduced market demand. This has been seen this year and the Group continues to strive to combat the reduced demand by looking at other markets both domestically and internationally and looking at expanding its product ranges. 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.

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

Finance and Operating Review (continued)

Covid-19
During the year, the global Covid-19 pandemic which resulted in lockdowns across the world, has affected both businesses. This affected the last six weeks of the last financial year, late March 2020 to early May 2020 and twelve weeks of this financial year from mid December 2020 to early March 2021. KMR, whose main business is retail shops, was required to close all its shops during the two government-imposed lockdowns and, then some of its shops were required to close due to further local lockdowns. The financial impact on all businesses was partly mitigated by financial support from the German government. Financial support was provided to cover the wages of staff unable to work due to the country wide lockdown. Additional support was provided based on reduced turnover of the combined Hemmers and KMR group and additional compensation for certain seasonal goods sold at a loss. There is a risk that if infections of Covid-19 are not controlled that a further country wide or local lockdown will be required. It is expected that in this event, Government support would again be provided, and management have looked at further measures to mitigate the risk having experienced this in the first and second waves of the pandemic.

The ongoing effects of the Covid-19 pandemic are still being experienced globally with markets not fully recovered and supply chain issues. Although the Group is affected by these issues, we are currently managing delays in deliveries effectively through good stock management and any increased costs associated with container shipments from the Far East are being recovered through an increase in sales prices.

Brexit
Following the UK's departure from the European Union ("EU") on 31 December 2020, the Group has seen little impact of this departure and the Directors do not expect this impact to change. The business of Leeds Group is conducted entirely by subsidiaries incorporated in Germany, and their exports to the UK account for approximately 4% only of Group revenue.

Section 172 Report

Leeds Group is committed to acting ethically and with integrity throughout all its business dealings and relationships. It is important to the company and its subsidiaries that trusted business relationships are established and maintained with key stakeholders, customers and suppliers and that it invests in and supports all its employees equally.

The Directors have always acted in accordance with their lawful duties, which includes their duty to act in good faith to promote the success of the Group for the benefits of its shareholders, having regard to its stakeholders and matters set out in Section 172 (1) of the Companies Act 2006. Section 172 considerations are embedded throughout the decision making of the Board. Issues, factors and risks which the Directors have considered when discharging their duty under section 172 (1) are further detailed in the Chairman's Statement, Directors' Report and Corporate Governance Report contained within these report and accounts.

As detailed in the Chairman's Statement, the Directors are focused on developing the Hemmers and KMR businesses in Germany. The year has been challenging with the Covid-19 pandemic, but the focus remains the same.

The two major shareholders are represented as non-executive members on the Board. The Board recognises the importance of effective and transparent dialogue with shareholders and ensuring that non-management shareholders understand and support the Group's strategy and objectives. The Board meet quarterly on as formal basis, and ad hoc, as necessary, throughout the year. The Board is more than happy to engage with shareholders at any time and answer questions they may have. The AGM is a formal meeting at which to have this dialogue.

The Board looks to ensure the systems, processes and controls established to manage its businesses to the highest standards. The supply chain is an integral part of trading business, and it is of paramount importance that best practice in terms of anti-bribery and modern slavery are adhered to. All employees have therefore completed training to ensure this is in place. The Board receives updates from the management team at Hemmers as to the relationships with key customers and suppliers. Hemmers management regularly engage in dialogue with key suppliers and customers. All operational staff are based in Germany, based either at Nordhorn or work within one of the KMR retail shops. Regular dialogue is maintained with all staff and meetings are held regularly to ensure staff understand the strategy and positions of the businesses. Staff are encouraged to discuss any concerns or issues they may have with their line manager or Hemmers management are always available to meet staff if necessary.

Jan G Holmstrom
Non-Executive Chairman
15 October 2021

Board of Directors

Jan G Holmstrom (Non-Executive Chairman) (Age 68)

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, Dravo Limited and a Non-Executive Director of International Fibres Group (Holdings) Limited, UIM Property Limited and Browallia Holdings Limited. Jan joined the Board of Leeds Group in November 2011 and was appointed Chairman in October 2014.

Jörg Hemmers (Executive Director) (Age 54)

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. Jörg joined the Board of Leeds Group in March 2015.

Johan Claesson (Non-Executive Director) (Age 70)

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 the Chairman of Catella AB, a public listed company and Chairman of Claesson & Anderzén, a private property company. Johan joined the Board of Leeds Group in September 2004.

David Cooper (Independent Non-Executive Director) (Age 63)

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 is now Finance Manager and Company Secretary of Xelect Limited which supplies genetic consultancy services to the aquaculture sector. David joined the Board of Leeds Group in October 2014. David remains an independent director as he has no business relationship with any other directors or shareholders in Leeds Group.

Chairman's Corporate Governance Statement

As Chairman of the Board my role is to develop the strategy for the Company together with the Board of Directors, monitor the ongoing performance of the companies within the Group to ensure that they are meeting our requirements and identify potential acquisitions targets. In addition, my role also encompasses overseeing the functioning of the Board and its effectiveness, also to ensure sound corporate governance practices are followed.

All the Directors believe strongly in the importance of good corporate governance for the creation of shareholder value over the medium to long term and to engender trust and support amongst the Group's wider stakeholders.

In accordance with the changes to AIM Rule 26 the Company is now applying the revised Quoted Companies Alliance ('QCA') Corporate Governance Code ('QCA Code') published in April 2019.

I work with key executives throughout the organisation to instil good corporate governance practices in accordance with the QCA Code.

The Board monitors our corporate governance practices and will always implement improvements which further enhance performance and/or benefit stakeholders.

Jan G Holmstrom
Non-Executive Chairman
15 October 2021

Corporate Governance Report

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.

The Board considers it appropriate to adopt the principles of the Corporate Governance Code for Small and Medium Sized Companies issued by the Quoted Companies Alliance ("the QCA Code") published in April 2019. Below we set out the extent of compliance with the ten principles of the QCA Code. Where there are any areas of non-compliance, the steps taken or intended to take to move to full compliance are explained:

	Principle	Extent of compliance	Application
1	Establish a strategy and business model which promotes long-term value for shareholders	Fully compliant	The Company's strategy is shaped by the executive Board and is set out in the Annual Report and on the 'About Leeds Group PLC' website page. The company's shares are traded on the AIM market of the London Stock Exchange. The Group is a textiles business which designs, sources, and sells fabric. It sources mainly from the Far East and sells mainly to the European market into three channels: Retail, Wholesale and Garment Manufacturing. To service these markets, the Group has invested significantly in recent years in warehousing and distribution facilities and into double folding plant and machinery to provide a complete, rapid response, in-house service. The Board believes that these investments promote long term value for shareholders. The strategic reports as presented by the Directors in the Annual Report, further explains the Company's business model and strategy. The reports also include the key performance indicators used by the Board to monitor business performance and the risks and uncertainties facing the business and how these are addressed.
2	Seek to understand and meet shareholder needs and expectations	Fully compliant	The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. The Board communicates with shareholders through the Annual Report and the Interim Statement, trading and other announcement made on RNS and at the Annual General Meeting ('AGM') where the Board encourages investors to participate. The Company also maintains a website https://www.leedsgroup.plc.uk which contains information on the Group's business, corporate information and specific disclosures required under AIM Rules and the QCA Code. In this way the Directors have developed a good understanding of the needs and expectations of all elements of the Company's shareholder base. There have been no significant votes against resolutions at previous AGMs. As the companies within the Group expand, we continually review the risks and uncertainties facing the Group to ensure we identify any new key risks and how we implement appropriate action to manage these risks.

Corporate Governance Report (continued)

3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Fully compliant	The Board recognises its responsibility under UK law to promote the success of the Group for the benefit of its stakeholders and understands that the business has a responsibility towards its stakeholders including shareholders, employees, customers, suppliers, regulators and to the local community. The Board sets standards across the Group and monitors these at regular Board meetings. The Board is very conscious that the tone and culture it sets impacts all aspects of the Group and the way employees behave and operate. The Board encourages open dialogue and commitment to providing the best service possible to the Group's customers and considerate interactions with suppliers. The Company monitors feedback from all its stakeholders as reported by the Group companies and the Board uses this to develop future policy. Being a participant in the textile industry, the Board is keenly aware of environmental and labour considerations and is actively working to ensure that it is at the forefront of meeting the standard expected over the coming years.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Fully compliant	The Board has an active program of working with all the Group companies to assist with achieving goals and to discuss and resolve any issues that arise. The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board monitors financial controls through the setting and approval of annual budgets throughout the Group and the regular review of monthly management accounts which are produced within three weeks of the month end. Each Group company has defined authorisation levels for expenditure, the placing of orders and signing authorities. The daily cash movements of the Group companies are reconciled and monitored by their finance departments. The Group's cash flow is monitored by the Board. Each year on behalf of the Board, the Company Secretary attends audit review meetings at which the auditors present their findings including a comprehensive review of risks/potential risks which cover both financial and non-financial issues potentially affecting a Group company. Group Board meetings are usually held in Germany at least twice a year which include the Hemmers senior management team. However, due to the Covid-19 pandemic and the resulting travel restrictions, meetings have been held via the internet this year.

Corporate Governance Report (continued)

5	Maintain the Board as a well-functioning, balanced team led by the chair	Fully compliant	The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for all stakeholders. The Board has a formal schedule of matters reserved for its decisions as set out in Principle 10 below. There are at least four full Board meetings spread across each year which tie in as far as possible with the Group's financial reporting calendar. At least two meetings will be based at Hemmers. Additional meetings are held as required. The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Company. The Board currently comprises the Non-Executive Chairman, two other Non-Executive Directors, one of whom is an independent non-executive director and one executive director who is managing director of the main operating business, Hemmers. The Non-Executive Directors are considered to be independent of the management. However, the Non-Executive Chairman and one other Non-Executive Director are representatives of significant shareholders and so do not meet the definition of Independent Non-Executive Director. Each is aware of his statutory responsibilities to act in the interests of all shareholders, and they consider their interests to be aligned to promote the long-term success of the company. Thus, the Board only has one Independent Non-Executive Director rather than two as recommended by the QCA code. The Directors believe that the current Board structure has the necessary range of skills, objectivity and diversity to manage what is a simple structure business and that to increase the number of Independent Non-Executive Directors would add cost rather than benefit. The Board continually keeps this position under review and has identified triggers that it believes would lead to additional appointments. These include proposed diversification into new business areas; a significant acquisition; significant organic growth into new territories. The Board has established procedures to identify and monitor potential or actual conflicts of interest. The Board is supported by the Audit, Remuneration and Nominations Committees, each of which has access to information, resources and advice that it deems necessary, at the Company's cost, to enable the committee to discharge its duties. The Committees' Terms on Reference are posted on the AIM rule 26 page of Company's website.

5	Maintain the Board as a well-functioning, balanced team led by the chair (continued)		The Remuneration Committee comprises the Non-Executive Directors and is chaired by the Chairman. The Remuneration Committee reviews and if appropriate sanctions remuneration proposals made by the executive Directors. No director is permitted to participate in discussions or decisions concerning his own remuneration. The Remuneration Committee meets as and when necessary. The Nominations Committee comprises all members of the Board and is chaired by the Chairman. The Nomination Committee reviews and, if appropriate, approves recommendations for the appointment of additional Directors or replacement of current Directors and for succession planning for the Company. The Board and its Committees receive appropriate and timely information and minutes are kept of all relevant committee meeting matters. Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be formally noted. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management. Directors have access to advice or services needed to enable them to carry out their roles and duties. In 2020/21 all Directors attended the six internet Board meetings. In 2020/21 all non-executive Directors attended the two audit committee meetings and the one remuneration committee meeting. All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation. The Directors spend such time as is necessary to ensure that their roles and duties are carried out effectively.

Corporate Governance Report (continued)

6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Fully compliant	The skills and experience of the Board are set out in their biographical details included within the Directors' Report of the Company's Annual Report. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Board comprises Directors with a range of different skills including business and financial experience, IT experience and corporate finance experience. All the Directors have considerable experience within the textile and leather industry and therefore are well placed to offer challenge to the Executive Director and Senior management of the textile trading companies. In addition, the Company's Non-Executive Directors have held senior executive positions for a number of years in UK plc companies and therefore are fully aware of their corporate responsibilities and the need to ensure compliance with the AIM regulatory requirements. The Directors of the Company and their responsibilities on the Board are: *Role of the Non-Executive Chairman – Jan Holmstrom:* The Non-Executive Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Company. As well as leading and chairing the Board, the Non-Executive Chairman's responsibilities are: • Committees are properly structured and operate with appropriate terms of reference; • The Company has a coherent strategy and sets objectives against this; and • There is effective communication between the Company and its shareholders. Jan Holmstrom has held a number of positions as Chairman of private and plc companies and has considerable textile and corporate finance experience. *Role of the Group Finance Manager and Company Secretary – Dawn Henderson:* The roles of Group Finance Manager and Company Secretary are combined. The Board acknowledges the QCA guidelines on this matter and consider the joint roles appropriate for the Company's size. The Group Finance Manager is responsible for providing financial oversight of the Group, preparing the accounts, monitoring the performance of the Group companies and reporting on financial matters to the Board. Providing financial input on acquisitions. The Company Secretary is responsible for providing clear and timely information flow to the Board and its Committees and supports the Board on matters of corporate governance and risk. The Company Secretary has direct access to the Chairman on matters of Corporate Governance. Dawn Henderson is a qualified Chartered Accountant who qualified with KPMG in 1988. She has held various Finance Director and Company Secretary roles both within the private and plc environment.

6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)	Fully compliant	*Role of the Independent Non-Executive Director – David Cooper:* The role of the Independent Non-Executive Director is to contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of the Executive Director, provide constructive challenge and ensure that the Company is operating within the governance and risk framework approved by the Board. David Cooper is a qualified Chartered Accountant with considerable corporate and accounting experience and has also worked in the textile industry for many years. *Role of the Non-Executive Director – Johan Claesson:* The role of the Non-Executive Director is to scrutinise the performance of the Executive Director, provide constructive challenge and ensure that the Company is operating within the governance and risk framework approved by the Board. Johan Claesson has held a number of positions as Non-Executive Director of private and plc companies and has also worked in the textile industry for many years. He also has considerable experience in the IT and property. Each director is responsible for maintaining the level of skill set required by the role and this is achieved by continuing professional education, technical updates from professional bodies and advisors and an active role assisting the existing Group companies. Whenever required the Directors seek legal, regulatory and audit advice from external advisors. The Board is well placed to implement the Company's strategy.
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	Partially compliant	There is no formal performance evaluation process in place currently. The Directors will consider what performance evaluation framework is required for the Group. Responsibility for succession planning lies with the Nomination Committee. The Committee is satisfied that the Board has the skills it presently requires. The Board has considered the critical functions within each of the businesses to ensure adequate cover exists for each position which would enable contingency and succession to be managed in an appropriate timescale.
8	Promote a corporate culture that is based on ethical values and behaviours.	Fully compliant	The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviors is crucial to the ability of the Group to successfully achieve its corporate objectives. Senior management regularly visit group companies and employees are invited to other group company offices. The Board has regular interaction with Group company employees and monitors corporate culture in this way. Additionally, it ensures its sound ethical practices and behaviors are deployed at Group company meetings.

9	Maintain Governance structures and processes that are fit for purpose and support good decision making by the Board	Fully compliant	The roles and responsibilities of each Director are set out in the response to Principle 6. The terms of reference of the Board committees are set out in response to Principle 5. There are a wide range of matters reserved for the Board. These include strategy, finance, corporate governance, approval of significant capital expenditure, appointment of key personnel and compliance with legal and regulatory requirements. The Company's governance framework is reviewed to maintain the highest levels of business performance.
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Fully compliant	The Board recognises that meaningful engagement with its shareholders is integral to the continued success of the Group. The Board are kept informed of the views of the shareholders through reports from the Independent Non-Executive Director and Company Secretary. The Board believes that the Annual Report, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published on the Group's website. The Annual General Meeting is the principal opportunity for private shareholders to meet and discuss the Group's business with the Directors. There is an open question and answer session during which shareholders may ask questions both about the resolutions being proposed and the business in general. The Directors are also available after the meeting for an informal discussion with shareholders. The Committees of the Board have not published committee reports. They will consider whether to do so in the future. The Board is supported by the Audit and Remuneration Committees, each of which has access to information, resources and advice that it deems necessary, at the company's cost, to enable the Committee to discharge its duties. These duties are set out in the Terms of Reference which are available on the website. *The Audit Committee* The Audit Committee has met with the external auditors during the year to monitor progress and discuss any issues arising. *The Remuneration Committee* The Remuneration Committee reviews and determines on behalf of the Board and shareholders of the Company the pay, benefits and other terms of service of the executive Directors of the Company and the broad pay strategy with respect to senior Company employees. *Remuneration Policy* The objective of the Company's remuneration policy is to develop remuneration packages which motivate Directors and support the business objectives in the short, medium and long term; to align the interests of executive Directors with the interests of long-term shareholders; encourage executives to operate within the risk parameters set by the Board and ensure that the company can recruit and retain high quality executives through packages which are fair and attractive but not excessive.

Corporate Governance Report (continued)

10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders (continued)		**Matters reserved for the Board** **1. Management structure and appointments** • Senior management responsibilities • Board and other senior management appointments or removals • Board and senior management succession, training, development and appraisal • Appointment or removal of Company Secretary • Appointment or removal of internal auditor • Remuneration, contracts, grants of options and incentive arrangements for senior management • Delegation of the board's powers • Agreeing membership and terms of reference of board committees and task forces • Establishment of managerial authority limits for smaller transactions • Matters referred to the board by the board committees **2. Strategic/Policy considerations** • Business strategy • Diversification/retrenchment policy • Specific risk management policies including insurance, hedging, borrowing limits and corporate security • Agreement of codes of ethics and business practices • Receipt and review of regular reports on internal controls • Annual assessment of significant risks and effectiveness of internal controls • Calling of shareholders' meetings • Avoidance of wrongful or fraudulent trading **3. Transactions** • Acquisitions and disposals of subsidiaries or other assets over, say 5% of net assets/profits • Investment and other capital projects over a similar level • Substantial commitments including: i. Pension funding ii. Contracts in excess of one year's duration iii. Giving securities over significant Company assets (including mortgages and charges over the Company's property) • Contracts not in the ordinary course of business • Actions or transactions where there may be doubt over property • Approval of certain announcements, prospectuses, circulars and similar documents • Disclosure of Directors' interests • Transactions with Directors or other related parties

Corporate Governance Report (continued)

10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders (continued)		**Matters reserved for the Board (continued)** **4. Finance** • Raising new capital and confirmation of major financing facilities • Treasury policies including foreign currency and interest rate exposure • Discussion of any proposed qualification to the accounts • Final approval of annual and interim reports and accounts and accounting policies • Appointment/proposal of auditors • Charitable and political donations • Approval and recommendation of dividends • Approval before each year starts of operating budgets for the year and periodic review during the year **5. General** • Governance of company pension schemes and appointment of company nominees as trustee • Allotment, calls or forfeiture of shares Notices of all general meetings are contained within the Annual Accounts. These are included on the Company's website in the Documents and Notifications section. There have been no significant votes against any resolution proposed at a general meeting in the past 5 years. Significant means more than 20% of those who voted, voting against a resolution.

Jan G Holmstrom
Non-Executive Chairman
15 October 2021

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 May 2021.

Principal activities
Leeds Group plc has been established for more than a century and is incorporated in England and Wales under Company Number 0067863. Its principal country of operation is Germany.

For most of its history, the Group has been mainly engaged in textile processing, specialising in fabric printing and yarn dyeing, and by 1996 had manufacturing operations in UK, Holland and Italy. In recent years, the European textile manufacturing industry has contracted, with an ever-increasing proportion of European textile consumption being sourced from the low wage economies of the Far East. In response, Leeds Group has ceased all manufacturing activities and is today totally focused on the import and sale throughout the world of fabric imported chiefly from the Far East.

Leeds Group's trading operations are conducted by Hemmers. Hemmers is based in Nordhorn, Germany and has a German subsidiary, KMR based in Nordhorn.

Results and dividend
The Consolidated statement of comprehensive income for the year is set out on page 29.

Given the results of the financial year, the Directors do not recommend the payment of a dividend in 2021 *(2020: £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 6 to the financial statements.

The Directors retiring by rotation are Jörg Hemmers and David Cooper 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 share capital 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 15 October 2021.

Substantial shareholdings
The following shareholders held interests of 3% or more of the issued share capital of the Company as at 15 October 2021:

	% of issued share capital
Mr Johan Claesson and associates	29.20
Mr Peter Gyllenhammar and associates	24.64
Sunningdale Investments Ltd	10.31

Directors' Report (continued)

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.

Political and charitable contributions
The Group made no political contributions, nor any donations to UK charities in the years ended 31 May 2021 and 31 May 2020.

Leeds Group plc Ordinary shares of 12 pence each
The market value of Leeds Group shares between 1 June 2020 and 31 May 2021 ranged between 10p and 30p. The average market value for the year was 18.5p, and as at 31 May 2021 the market value was 28p *(31 May 2020: 10p)*.

Employees
The Directors acknowledge that the employees of the Group are key to the success of the business. Employment policies are in place to ensure there is adequate training and development plans in place for all employees aligned to personal appraisal schemes. The Directors encourage management feedback at all levels and seek to ensure employees are informed on all matters affecting them through regular management and departmental meetings. It is the Group's policy to give fair and full consideration to all applications for employment having regard to their aptitudes and abilities including disabled employees. Should an employee become disabled, the Group would, where practicable, seek to continue and arrange appropriate training.

Emissions
Quoted companies of any size and large unquoted companies are required to report under the Streamlined Energy and Carbon reporting unless exemptions apply. The UK operations do not consume more than 40,000kWh of energy in a reporting period granting them low energy status, and the overseas subsidiaries are incorporated in Germany and therefore are exempt from disclosure. Furthermore, as an unquoted group, the group and company does not meet the definition of large in current and prior periods and therefore is exempt from Streamlined Energy and Carbon reporting.

Financial risk management policies
The Group's activities are exposed to a variety of financial risks which are set out in note 4 to the consolidated financial statements.

Future developments
The Group is focused on developing and improving the Hemmers and KMR businesses, bringing economies of scale within the two companies.

Going Concern
When considering its opinion about the application of the going concern basis of preparation of the financial statements the Directors have given due consideration to:

- The performance of the Group in the last financial year and the robustness of forecasts for the next 24 months, which return the Group to profit.
- The impact of the Covid-19 pandemic on the business, its suppliers and its customers.
- The financing facilities available to the Group and the circumstances in which these could be limited or withdrawn.

Financial performance and forecasts
Having been consistently profitable in the past, the Group has been loss making in each of the last three years.

- In the year to 31 May 2019, the Group reported a pre-tax loss from continuing operations of £1.3m after writing off goodwill of £1.0m.
- In the year to 31 May 2020, the Group reported a pre-tax loss from continuing operations of £2.0m. Approximately £1.0m of this loss arose in the final quarter which was significantly impacted by the Covid-19 restrictions discussed below. To address the poor underlying performance the Directors and management restructured the business in the first half of the year to focus on profitable business streams and reduce its operating costs. Restructuring costs of £0.4m were incurred in the financial year which will benefit results going forward. Although loss making, the business was cash generative in the year with net debt reducing by £2.4m, of which £1.3m resulted from the sale of investment properties.
- In the year to 31 May 2021, the Group reported a pre-tax loss from continuing operations of £0.5m primarily due to the ongoing impact of the Covid-19 pandemic.

Directors' Report (continued)

Going Concern (continued)
Forecasts have been prepared for the 24-month period to May 2023 which indicate a return to modest profit over that period. These forecasts have been prepared in the knowledge of current Covid-19 conditions and assume that there is no further period of total country-wide lockdown. At the end of the first quarter of the current financial year sales and profit were in line with forecast. The company has sensitised these forecasts for a reduction in revenues of 10% at both Hemmers and KMR in the forecast period and an additional net €1 million profit reduction from a second period of lockdown. The Directors are of the opinion that this is a reasonable worst case, and the currently available facilities would be sufficient in this scenario.

Covid-19 Impact
Both Hemmers and KMR are located in Germany which has responded well to the outbreak. KMR was most directly impacted by the measures put in place with all shops closed from late March 2020 to early May 2020 and again from mid December 2020 to early March 2021 with further local restrictions from early March 2021 to late May 2021. Since the start of the financial year, the shops have performed in line with forecast with all restrictions lifted. Hemmers has traded in line with forecast in the first quarter of the current year

Both businesses have been supported by the government employment scheme which reimburses the company for payments to employees for any short time working. The German government also provides a scheme whereby companies can be compensated for a reduction in trading with reference to reduced turnover and goods sold at reduced margins as a result of the pandemic. This scheme will remain available through any further affected periods. In addition, KMR has negotiated rent reductions for its shops in the current financial year which are reflected in the forecasts.

The ongoing effects of the Covid-19 pandemic are still being experienced globally with markets not fully recovered and supply chain issues. Although the Group is affected by these issues, we are currently managing delays in deliveries effectively through good stock management and any increased costs associated with container shipments from the Far East are being recovered through an increase in sales prices. While there is clearly uncertainty about the future course of the pandemic, the Directors consider that with ongoing government support it is well placed to trade through reasonably foreseeable scenarios.

Financing facilities
The operating businesses of the group are Hemmers and KMR, both located in Germany. The Parent Company, which has no borrowing facilities, is located in the UK.

Hemmers has four sources of funding:

- Term loans which have funded property purchases. These are repayable in instalments over the term as detailed in note 22. They are secured over the associated properties and that security could be called in the event that the business defaulted on repayment.
- A maximum working capital facility of €11m, restricted to the borrowing base which is calculated as 70% of eligible inventory and 80% of eligible debtors. In the financial year 2021, this resulted in average availability of €7.7m *(2020: €8.8m*) with a range of €6.9m to €8.3m (*2020: €8.0m to €9.0m)* and minimum headroom of €4.5m *(2020: €4.7m)* in the year. In the forecast period to 31 May 2023, the estimated availability range is €6.9m to €8.8m and the minimum headroom €3.4m. The only covenant on this facility is an equity ratio which must exceed 30% of gross assets at the financial year end. At 31 May 2021, the ratio was higher than 60% *(2020: 61%).* The facility is uncommitted, but the bank is obliged to give reasonable notice of any change.
- A further working capital facility of €0.5m.
- A €3m Parent Company loan which is currently subordinated to the working capital facility.

KMR has a fixed working capital facility of €1m which was fully drawn at the year end and has a €0.5m bank overdraft facility secured on working capital, of which €0.2m was utilised as at 31 May 2021. The covenants on these facilities are (i) an equity ratio which must exceed 35% of gross assets at the financial year end and (ii) the ratio of working capital/bank facility should be a minimum 1.5x. At 31 May 2021, these ratios were 55.5% (*2020: 39.5%)* and 1.54 *(2020: 1.58*). These facilities are uncommitted, but the bank is obliged to give reasonable notice of any change.

Considering the trading results in the first quarter of the current financial year, the likely ongoing impact of the Covid-19 pandemic and the headroom available on the Hemmers working capital facility, the Directors are of the opinion that it is appropriate to apply the going concern basis of preparation to the financial statements.

Directors’ Report (continued)

Directors’ responsibilities
The Directors are responsible for preparing the annual report and the Group and Parent Company 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) in conformity with the requirements of the Companies Act 2006.

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 Parent 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 in conformity with the requirements of the Companies Act 2006, 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.

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
15 October 2021

Craven House
14 – 18 York Road
Wetherby
Leeds,
LS22 6SL

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

Opinion on the financial statements

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 2021 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of Leeds Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Statement of Financial Position, 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Given the fundamental nature of the going concern assumption to the financial statements, and the level of judgement required on the part of the directors, we considered this to be a significant audit risk and a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review of the management's going concern assessment supporting the Group and the Parent Company assessment of going concern, ensuring this is consistent with underlying supporting documentation and that liquidity, headroom and covenant analysis is accurate;

- Consideration of the forecast income statement and cash flows of the Group for the next two financial years, to evaluate whether the forecasts are calculated on a reasonable basis with reference to historical performance and forecast accuracy, business performance post year end and current market environments;

- Confirmation of the available cash and financing facilities within the Group, and evaluation of management's downside sensitivities on cash flow headroom, incorporating a review of financial covenants and headroom analysis throughout the forecast period;

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

Conclusions relating to going concern (continued)

- Review of correspondence between component auditor and the Group's primary banking provider regarding the borrowing facilities, borrowing base certification throughout the period and post year end, and confirmations of anticipated maturity dates of which extend beyond managements forecast period, and of the wider lender relationship; and

- Review of the disclosures made both in the Directors' Report and in note 2 to the financial statements. We assessed whether these adequately and completely disclose the basis of the judgements taken and the view formed by management with respect to the going concern basis of preparation.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021	2020
Key audit matters	Carrying value of inventory Going Concern	☒ ☒	☒ ☒
Materiality	*Group financial statements as a whole* £165,000 (2020: £180,000) based on 0.5% (2020: 0.5%) of revenue		

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. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our involvement with component auditors
There are four components within the Group, including the Parent Company. The Parent Company was subject to a full scope audit by the Group audit team. The two significant components, based in Germany, were subject to full scope audits by a local BDO member firm acting as component auditor. This work was subject to a high level of involvement from the Group engagement team, including most notably risk identification, setting of materiality and audit response. The Group audit team was involved in these audits from planning through to completion through engagement with both component management and auditors at various stages. Consistent with the previous year, travel restrictions imposed as a result of the Covid-19 outbreak prohibited travel for the purposes of reviewing component audit files and meeting with management in person. Instead, the Group audit team obtained the necessary assurance through remote mechanisms, including most notably conference/video calls with all BDO component audit teams and the local management teams. Remote file reviews were performed alongside the component audit teams, with subsequent exchange and resolution of findings prior to reporting.

For the remaining non-significant component, the Group engagement team performed analytical review procedures, in tandem with limited audit procedures on any significant transactions.

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 judgement, 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) that 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. In addition to the matter described in the Conclusion relating to going concern section of our report we have determined the matters described below to be the key audit matters.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Carrying value of inventories *Note 18 and the summary of accounting policies.*	As detailed in note 18 of the consolidated financial statements, the Group has £10.3m (2020: £10.2m) of inventories at the year end. Given the nature of the business, these inventories include items which may be held in stock for a significant period before being sold. This creates a risk that certain items of inventory may not sell at prices above cost. As detailed in note 3 of the Group financial statements, management therefore make an assessment of the estimated provision required to write down inventory to net realisable value. For both trading subsidiaries, management calculates an inventory provision in respect of slow moving items. They identify these items based on stock turnover seen in the current year, and apply provisioning rates, based on turnover rates. Given the significant value of inventories on the Group statement of financial position, and the estimation in valuation, we identified this as a significant audit risk and a key audit matter.	We reviewed the mechanics of management's provisioning calculation and confirmed that the calculation remained in accordance with the requirements of the applicable accounting standards. Based on our knowledge of the business and discussions with management we considered whether there were any changes to the nature of the business or potential impacts of Covid-19 that would render the provisioning policies no longer appropriate. We tested the integrity of management's provision calculations by agreeing the stock turnover categorisation for each item on a sample basis to sales data in the year, and reperforming the provisioning calculation by turnover band of this sample to ensure this was accurate. To gain assurance over the reasonableness of provisioning rates used by management, we performed a retrospective review of prior year inventory items sold at below cost to confirm that the methodology adopted yielded an adequate provision. To consider completeness of management's assessment, we reviewed negative margin sales during the year and after the balance sheet date to consider if any residual stock balances held at year end may require write down to net realisable values, outside of the mechanical turnover provision. 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 provisions estimated by management. We also challenged management on the existence of a new provision intrinsically linked to government assistance claims in relation to seasonal fabrics. Those fabrics that are deemed seasonal, and therefore could not be sold during periods of government lockdowns, anticipated losses can be part recovered in government assistance claims. Our challenge of management override included review of calculations of the extra provision, consideration of in year losses made on these seasonal products due to forced government lockdowns and review and challenge of management's forecasted assessment of which seasonal fabrics required write down. We considered the recoverability of these stock losses post year-end to consider management bias in application, and therefore the recoverability, reasonableness and accuracy of the wider government assistance claim.

Key audit matters (continued)

Key audit matter		How the scope of our audit addressed the key audit matter
		We also challenged management on the existence of a new provision intrinsically linked to government assistance claims in relation to seasonal fabrics. Those fabrics that are deemed seasonal, and therefore could not be sold during periods of government lockdowns, anticipated losses can be part recovered in government assistance claims. Our challenge of management override included review of calculations of the extra provision, consideration of in year losses made on these seasonal products due to forced government lockdowns and review and challenge of management’s forecasted assessment of which seasonal fabrics required write down. We considered the recoverability of these stock losses post year-end to consider management bias in application, and therefore the recoverability, reasonableness and accuracy of the wider government assistance claim. **Key observations:** Based on the procedures performed we found management’s inventory provision assumptions and applications thereof to be appropriate. There is inherent judgement in the extra seasonal products stock provision. This is not noted as a change in accounting policy and still remains a provision based on realisable value of stock, with the aide of government assistance to improve the recoverability of stock and part compensate the group for the impact of lockdown forcing shops closures whilst such seasonal products would be expected to be sold.

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 effect on the financial statements as a whole.

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

Our application of materiality (continued)

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	165,000	180,000	70,000	60,000
Basis for determining materiality	0.5% of revenue	0.5% of revenue	1.1% of net assets	0.9% of net assets
Rationale for the benchmark applied	Revenue was considered to be a more suitable benchmark given continued volatility in profit for the group and an area of principal consideration for members of the Parent company in assessing financial performance.		Holding company therefore net asset basis of materiality applied, restricted to a level of group materiality.	
Performance materiality	115,500	126,00	49,000	42,000
Basis for determining performance materiality	70% of materiality based upon factors including the number of areas subject to significant estimation uncertainty and errors identified in the prior period.		70% of materiality based upon factors including the number of areas subject to significant estimation uncertainty and errors identified in the prior period.	

Component materiality
We set materiality for each component of the Group based on a percentage of between 42% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £70,000 to £150,000 (2020: £60,000 to £170,000). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6,600 (2020: £7,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group, the industries and geographies in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, company law and tax legislation in the jurisdictions within which the group operates, and we considered the extent to which non-compliance might have a material effect on the financial statements. We considered and challenged the application of new government assistance schemes by considering the existence of the claim, legitimacy with current government guidelines and challenged management on the existence, accuracy and recoverability of the claims.

We made enquiries of management, the Directors and of component audit teams as to the risks of non-compliance and any instances thereof, as well as the risk of fraud and irregularity, which was updated regularly throughout the audit. We also communicated with component audit teams on potential risk areas including that of fraud and irregularity. We also addressed the risk of management override of internal controls, including in particular areas of accounting estimates for evidence of bias, and the testing of journal entries processed during and subsequent to the year end and thereby further evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds, United Kingdom
15 October 2021

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 2021

	Note	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Continuing operations			
Revenue	7	**33,013**	35,067
Cost of sales		**(26,700)**	(29,039)
Gross profit		**6,313**	6,028
Distribution costs		**(2,647)**	(2,876)
Administrative costs		**(4,912)**	(4,908)
Other income	5	**966**	-
Loss from operations	5	**(280)**	(1,756)
Finance expense	9	**(228)**	(260)
Loss before tax		**(508)**	(2,016)
Tax credit/(charge)	10	**42**	(6)
Loss from continuing operations		**(466)**	(2,022)
Discontinued operations			
Loss from discontinued operations	8	**-**	(332)
Loss for the year attributable to the equity holders of the Parent Company		**(466)**	(2,354)
Other comprehensive (loss)/income			
Translation differences on foreign operations		**(556)**	196
Total comprehensive loss for the year attributable to the equity holders of the Parent Company		**(1,022)**	(2,158)

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.

Loss per share attributable to the equity holders of the Company

	Note	Year ended 31 May 2021	Year ended 31 May 2020
Basic and diluted total loss per share (pence)	11	**1.7p**	8.6p

The notes on pages 33 to 60 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 May 2021

Company number 00067863	Note	31 May 2021 £000	31 May 2020 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**7,750**	8,183
Right-of-use assets	14	**2,453**	2,374
Intangible assets	16	**58**	67
Total non-current assets		**10,261**	10,624
Current assets			
Inventories	18	**10,287**	10,188
Trade and other receivables	19	**2,867**	3,464
Tax recoverable		**136**	206
Cash on demand or on short term deposit	20	**670**	1,104
Total current assets		**13,960**	14,962
Total assets		**24,221**	25,586
Liabilities			
Non-current liabilities			
Loans and borrowings	22	**(1,498)**	(1,950)
Lease liabilities	23	**(1,856)**	(1,478)
Total non-current liabilities		**(3,354)**	(3,428)
Current liabilities			
Trade and other payables	21	**(2,265)**	(2,877)
Loans and borrowings	22	**(2,926)**	(2,671)
Lease liabilities	23	**(1,015)**	(927)
Provisions	25	**(100)**	(100)
Total current liabilities		**(6,306)**	(6,575)
Total liabilities		**(9,660)**	(10,003)
TOTAL NET ASSETS		**14,561**	15,583
Capital and reserves attributable to equity holders of the Company			
Share capital	26	**3,279**	3,792
Capital redemption reserve	26	**1,113**	600
Treasury share reserve	26	**-**	(807)
Foreign exchange reserve		**2,185**	2,741
Retained earnings		**7,984**	9,257
TOTAL EQUITY		**14,561**	15,583

The financial statements on pages 29 to 32 were approved and authorised for issue by the Board of Directors on 15 October 2021 and were signed on behalf of the Board by: -

Jan G Holmstrom
Non-Executive Chairman

The notes on pages 33 to 60 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 May 2021

	Note	**Year ended 31 May 2021 £000**	Year ended 31 May 2020 £000
Cash flows from operating activities			
Loss for the year		**(466)**	(2,354)
Adjustments for:			
Government assistance credit	5	**(966)**	-
Depreciation of property, plant and equipment	13	**624**	723
Depreciation of right-of-use assets	14	**1,062**	876
Impairment of right-of-use assets	14	**333**	-
Depreciation of investment property	15	**-**	13
Amortisation of intangible assets	16	**6**	6
Finance expense – interest on bank loans	9	**154**	174
Finance expense – interest lease liabilities	9	**74**	86
Gain on sale of property, plant and equipment	5	**(14)**	(32)
Tax (credit)/charge	10	**(42)**	6
Cash flows from/(used in) operating activities before changes in working capital and provisions		**765**	(502)
(Increase)/decrease in inventories	18	**(571)**	1,735
Decrease in trade and other receivables	19	**718**	965
(Decrease)/increase in trade and other payables	21	**(599)**	38
Cash generated from operating activities		**313**	2,236
Tax received		**110**	519
Net cash flows from operating activities		**423**	2,755
Investing activities			
Purchase of property, plant and equipment	13	**(562)**	(560)
Proceeds from the sale of fixed assets		**21**	1,317
Net cash (used in)/generated from investing activities		**(541)**	757
Financing activities			
Bank borrowings drawn	22	**787**	-
Bank borrowings repaid	22	**(771)**	(2,378)
Repayment of principal on lease liabilities	23	**(985)**	(840)
Repayment of interest on lease liabilities	23	**(74)**	(86)
Bank interest paid	9	**(154)**	(174)
Government assistance received	5	**705**	-
Net cash used in financing activities		**(492)**	(3,478)
Net (decrease)/increase in cash and cash equivalents		**(610)**	34
Translation (loss)/gain on cash and cash equivalents		**(22)**	5
Cash and cash equivalents at the beginning of the year	20	**1,104**	1,065
Cash and cash equivalents at the end of the year	20	**472**	1,104
Cash on demand or on short term deposit	20	**670**	1,104
Bank overdrafts	21	**(198)**	-
Cash and cash equivalents at the end of the year		**472**	1,104

The notes on pages 33 to 60 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 May 2021

	Share capital £000	Capital redemption reserve £000	Treasury share reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total equity £000
At 31 May 2019	3,792	600	(807)	2,545	11,611	**17,741**
Loss for the year	-	-	-	-	(2,354)	**(2,354)**
Other comprehensive income	-	-	-	196	-	**196**
Total comprehensive income/(loss)	-	-	-	*196*	*(2,354)*	***(2,158)***
At 31 May 2020	3,792	600	(807)	2,741	9,257	**15,583**
Cancellation of treasury shares	(513)	513	807	-	(807)	**-**
Loss for the year	-	-	-	-	(466)	**(466)**
Other comprehensive loss	-	-	-	(556)	-	**(556)**
Total comprehensive loss	-	-	-	(556)	(466)	**(1,022)**
At 31 May 2021	**3,279**	**1,113**	**-**	**2,185**	**7,984**	**14,561**

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 33 to 60 form part of these financial statements.

1 General information

Leeds Group plc is an AIM listed public company, limited by shares and incorporated in England and Wales under the Companies Act and its number is 00067863. The address of the registered office is Craven House, 14-18 York Road, Leeds, Wetherby, LS22 6SL.

2 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 International Accounting Standards in conformity with the Companies Act 2006.

Subsidiaries

Subsidiaries are entities controlled by the Group. 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences to the date on which control ceases. All intercompany transactions, balances, income and expenses between Group companies are eliminated on consolidation.

Business combinations

The acquisition method is used to account for all acquisitions. The cost of an acquisition is measured at the fair values at the date of acquisition, which is the date on which control is transferred to the Group. The consideration is calculated as the sum of the fair value of assets transferred and liabilities incurred.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest of the acquiree: less
- the net recognised amount of separately identifiable assets acquired, and liabilities assumed, measured at their fair value.

When the excess is negative, a bargain price is recognised immediately in the profit and loss account. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

Going Concern

When considering its opinion about the application of the going concern basis of preparation of the financial statements to 31 May 2021, the Directors have given due consideration to:

- The performance of the Group in the last financial year and the robustness of forecasts for the next 24 months, which return the Group to profit.
- Any downside sensitivities including the impact of the Covid-19 pandemic on the business, its suppliers and its customers.
- The financing facilities available to the Group and the circumstances in which these could be limited or withdrawn.

2 Accounting policies (continued)

Going Concern (continued)

Financial performance and forecasts

Having been consistently profitable the Group has been loss making in each of the last three years.

- In the year to 31 May 2019, the Group reported a pre-tax loss from continuing operations of £1.3m after writing off goodwill of £1.0m.
- In the year to 31 May 2020, the Group reported a pre-tax loss from continuing operations of £2.0m. Approximately £1.0m of this loss arose in the final quarter which was significantly impacted by the Covid-19 restrictions discussed below. To address the poor underlying performance the Directors and management restructured the business in the first half of the year to focus on profitable business streams and reduce its operating costs. Restructuring costs of £0.4m were incurred in the financial year which will benefit results going forward. Although loss making, the business was cash generative in the year with net debt reducing by £2.4m, of which £1.3m resulted from the sale of investment properties.
- In the year to 31 May 2021, the Group reported a pre-tax loss from continuing operations of £0.5m primarily due to the ongoing impact of the Covid-19 pandemic.

Forecasts have been prepared for the 24-month period to May 2023 which indicate a return to modest profit over that period. These forecasts have been prepared in the knowledge of current Covid-19 conditions and assume that there is no further period of total country-wide lockdown. At the end of the first quarter of the current financial year sales and profit were in line with forecast. The company has sensitised these forecasts for a reduction in revenues of 10% at both Hemmers and KMR in the forecast period and an additional net €1 million profit reduction from a second period of lockdown. The Directors are of the opinion that this is a reasonable worst case, and the currently available facilities would be sufficient in this scenario.

Covid-19 Impact

Both Hemmers and KMR are located in Germany which has responded well to the outbreak. KMR was most directly impacted by the measures put in place with all shops closed from late March 2020 to early May 2020 and again from mid December 2020 to early March 2021 with further local restrictions from early March 2021 to late May 2021. Since the start of the financial year, the shops have performed in line with forecast with all restrictions lifted. Hemmers has traded in line with forecast in the first quarter of the current year.

Both businesses have been supported by the government employment scheme which reimburses the company for payments to employees for any short time working. The German government also provides a scheme whereby companies can be compensated for a reduction in trading with reference to reduced turnover and goods sold at reduced margins as a result of the pandemic. This scheme will remain available through any further affected periods. In addition, KMR has negotiated rent reductions for its shops in the current financial year which are reflected in the forecasts.

The ongoing effects of the Covid-19 pandemic are still being experienced globally with markets not fully recovered and supply chain issues. Although the Group is affected by these issues, we are currently managing delays in deliveries effectively through good stock management and any increased costs associated with container shipments from the Far East are being recovered through an increase in sales prices. While there is clearly uncertainty about the future course of the pandemic, the Directors consider that with ongoing government support it is well placed to trade through reasonably foreseeable scenarios.

2 Accounting policies (continued)

Going Concern (continued)

Financing facilities

The operating businesses of the group are Hemmers and KMR, both located in Germany. The Parent Company, which has no borrowing facilities, is located in the UK.

Hemmers has four sources of funding:

- Term loans which have funded property purchases. These are repayable in instalments over the term as detailed in note 22. They are secured over the associated properties and that security could be called in the event that the business defaulted on repayment.
- A maximum working capital facility of €11m, restricted to the borrowing base which is calculated as 70% of eligible inventory and 80% of eligible debtors. In the financial year 2021, this resulted in average availability of €7.7m *(2020: €8.8m*) with a range of €6.9m to €8.3m (*2020: €8.0m to €9.0m)* and minimum headroom of €4.5m *(2020: €4.7m)* in the year. In the forecast period to 31 May 2023, the estimated availability range is €6.9m to €8.8m and the minimum headroom €3.4m. The only covenant on this facility is an equity ratio which must exceed 30% of gross assets at the financial year end. At 31 May 2021, the ratio was higher than 60% *(2020: 61%).* The facility is uncommitted, but the bank is obliged to give reasonable notice of any change.
- A further working capital facility of €0.5m.
- A €3m Parent Company loan which is currently subordinated to the working capital facility.

KMR has a fixed working capital facility of €1m which was fully drawn at the year end and a €0.5m bank overdraft facility secured on working capital, of which €0.2m was utilised as at 31 May 2021. The covenants on these facilities are (i) an equity ratio which must exceed 35% of gross assets at the financial year end and (ii) the ratio of working capital/bank facility should be a minimum 1.5x. At 31 May 2021, these ratios were 55.5% (*2020: 39.5%)* and 1.54 *(2020: 1.58*). The facilities are uncommitted, but the bank is obliged to give reasonable notice of any change.

Considering the trading results in the first quarter of the current financial year, the likely ongoing impact of the Covid-19 pandemic and the headroom available on the Hemmers working capital facility, the Directors are of the opinion that it is appropriate to apply the going concern basis of preparation to the financial statements.

Changes in accounting policies

There were a number of narrow scope amendments to existing standards which were effective for this financial period. None of these had a material impact on the company except for the amendment to IFS16, Covid-19 Related Rent concessions. However, the Group did not satisfy the criteria for this practical expedient.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and is shown net of Value Added Tax. The sale of goods is recognised at the point of acceptance by the customer this reflecting fulfilment of the sole performance obligation to the customer. Contracts with wholesale customers are typically fixed price based on agreed amounts and invoiced upon despatch of the goods in line with the standard terms and conditions of the Group. The Group's standard payment terms are between 30 and 60 days following the date of invoice. Contracts with retail customers are based on a fixed price at the point of sale. There are no long-term or financing arrangements in place across the Group. The Group is assessed operationally and financially under two revenue streams wholesale and retail revenue as detailed above. The Directors do not therefore consider there to be a lower relevant level of revenue disclosure than that disclosed the segmental analysis in note 7. There are no material concentrations of revenue by customers.

Segmental reporting

The Board considers that the Group's business comprises two operating segments, Hemmers and KMR. 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.

2 Accounting policies (continued)

Government grants
The Group was eligible for two types of grant provided by the German government in response to the global pandemic. One relates to income provided to support the payroll of the employees in both Hemmers and KMR. The other relates to compensation paid/receivable to KMR and Hemmers for the reduction in turnover experienced as result of the pandemic together with additional allowances for the part recovery of lost margin on certain seasonal products that were not able to be sold due to the trading interruption of certain lockdowns. Both sources of grant have been shown as other income rather than reducing the related expense or increasing the turnover figures.

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

Goodwill
Goodwill arising an acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired, is capitalised as an intangible asset. On capitalisation the goodwill is allocated to a specific cash generating unit to which it relates. The goodwill is tested for impairment on an annual basis at the end of the financial year by reference to the cash generating unit and is carried at cost less accumulated impairment losses. Any impairment is recognised immediately in the profit and loss account and is not subsequently reversed.

Other intangible assets
Intangible assets purchased separately, such as trademarks, are capitalised at cost and amortised on a straight-line basis. This is charged to operating expenses over the asset's useful of 20 years.

Property, plant and equipment
Other than freehold land, all items of property, plant and equipment are carried at cost less accumulated depreciation and any recognised impairment loss. 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 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. Freehold land held as an investment is not depreciated.

Impairment of non-current assets
At each financial year end, the Group assesses whether there is an indication that is its assets have been impaired. If there is an indication that its assets have been impaired, the recoverable amount is determined to determine the extent of the impairment. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which it relates is determined.

The recoverable amount is defined as the higher of the fair value less costs to sell and value in use at that date. Value in use is calculated as the expected future cash flows discounted on a pre-tax basis, using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to that assets or cash generating unit. If the recoverable amount of the asset is less than the carrying value, the carrying value is reduced to its recoverable amount, that reduction is recognised as an impairment loss.

An impairment loss relating to an asset carried at cost less accumulated depreciation or amortisation is recognised immediately in the profit and loss account. If an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised recoverable amount but limited to the carrying value that would have been determined had no impairment been recognised in prior years. A reversal of an impairment loss is recognised in the profit and loss account.

2 Accounting policies (continued)

Leases

The Group has adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on 1 June 2020, without restatement of comparative figures. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the determined lease term, with the discount rate applied being the incremental borrowing rate of the group. The incremental borrowing rate has been determined with the use of existing ability of the group to obtain finance on similar security.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets. Payments made under these leases are charged to profit and loss on a straight-line basis over the lease term.

A number of shops have also had rent negotiations during the year due directly due to the Covid-19 pandemic. Management have been able to renegotiate rent reductions for a number of store leases. The rent reductions continue to the end of the term of the leases but have not fundamentally changed the nature or scope of the lease other than an agreed reduction in rental payments. In May 2020, the IASB issued an amendment to IFRS 16 which provides lessees with an immediate relief from the requirement to assess whether Covid-19 related rent concessions are a lease modification. Unfortunately, the group's rent concession agreements failed this relief test in the 2020 accounts as it did not satisfy the criteria for being Covid-19 related rent concessions because all the concessions extended past June 2021 In March 2021, the IASB issued a further amendment to IFRS16 to further extend the time limit for this criteria out to June 2022 to reflect the prolonged impact of Covid-19. The original practical expedient as of May 2020 was an optional relief, but nonetheless, the group did have any rent concessions that satisfied the amendment criteria and as a result the extension to the practical expedient does not have any effect on the group’s financial statements. No retrospective alteration is required to this practical expedient as the group did not apply the original amendment. As such, the rent reductions agreed continue to be accounted for as a lease modification on the date of agreement of the reduction not the date of reduced payments. On the date of deemed modification agreement, the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. There is no P&L impact on modification, other than the future reduction of both interest and depreciation. For those short-term reductions which in substance reflect partial forgiveness of a lease liability for a temporary period within a year, IFRS 9 derecognition principles have been followed, reflecting the reduced liability within profit or loss at the period in which the reduction occurred.

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.

2 Accounting policies (continued)

Deferred taxation

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

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

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

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

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

Taxation

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

Retirement benefits

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 a pension schemes in Germany where pension arrangements are provided by the state.

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.

Financial assets and liabilities

IFRS 9'Financial Instruments' outlines the principles an entity must apply to measure and recognise financial assets and liabilities. The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the settlement date.

2 Accounting policies (continued)

Financial assets

Financial assets that are held to collect are categorised as amortised cost under IFRS 9. This includes the Group's trade and other receivables and cash and cash equivalents. The measurement of these financial assets held at amortised cost remains unchanged since the introduction of IFRS 9.

Trade receivables

Trade receivables that do not contain a significant financing component are recognised initially at fair value and thereafter at amortised cost less provision for impairment. Impairment provisions for current and non-current trade receivables are recognised based on a simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivable is assessed. This probability is then multiplied by the amount of the gross trade receivables to determine the expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administration cost in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value is written off against the associated provision.

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.

Financial liabilities

The classification and measurement of financial liabilities in accordance with IFRS 9 remains largely unchanged. All financial liabilities are measured at amortised cost and include trade and other payables and bank borrowings.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

Borrowings

Borrowings, which comprise bank loans are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the arrangement of the loan facilities and revolving credit facilities are recognised as transaction costs over the life of the agreement.

Current borrowings are secured against working capital rather than being a factored agreement that relinquishes control of the assets to the bank.

Share capital

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

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.

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 a customer has the right to return 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.

3 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 cash generating units

A cash generating unit is defined by IAS36 as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash inflows from other assets, or group of assets. As such, each store in KMR represents its own cash generating unit. Following the implementation of IFRS16, the right-of-use assets relating to KMR's retail shops are now considered part of the cash generating units. Other immaterial assets are allocated to each store to consider the wider asset portfolio of each store, where right-of-use assets remain the only material in scope assets to consider in impairment testing. Although annual impairment reviews are not required on tangible assets, management have performed an impairment review on these assets due to historic trading losses and the effects of the Covid-19 pandemic. Impairment tests have been performed by assessing relevant cash flows of each cash generating unit and assessing this against the value of assets relating to that specific cash generating unit to consider recoverable amounts. In order to conduct this review, trading and cash flows forecasts per each retail shop have been considered as well as considerations regarding managements intention and judgments around the remaining length of leases in order to determine value in use calculations.

Following this review, an impairment charge of £333,000 across 6 shops has been recognised during this financial year. The impairment calculated represents either management's intentions to cease trading a particular retail store or the shortfall between anticipated earnings over the remaining life of the CGUs against the book value. The remaining net book value of these 6 shops totals £287,000 at 31 May 2021 after impairment. The other remaining shops showed no indication of impairment based on current and intended future forecast trading.

(ii) Right-to-use assets

The group agreed a number of COVID related rent concessions during the period with landlords, where the group was not eligible to apply the latest IFRS16 practical expedient in relation to accounting for COVID related rent concessions. As such, judgement is required in considering the nature and substance of the concessions agreed with landlords to assess whether the accounting treatment should follow IFRS16 lease modifications, or extinguishment of lease liabilities under IFRS9. No concessions agreed decrease the scope of existing leases, and none have been identified as being separable new leases and therefore management have considered this to relate to lease modifications where the reductions agreed are deemed as significant and for a sustained period. This results in a recalculation of the right-of-use assets and liabilities at the date of agreement, with the difference between the carrying value of existing liabilities and new calculations being recorded against the right-of-use asset, with no direct impact on profit or loss. For those short-term reductions which in substance reflect partial forgiveness of a lease liability for a temporary period within a year, IFRS9 derecognition principles have been followed, reflecting the reduced liability within profit or loss at the period in which the reduction occurred.

In determining the incremental borrowing rate used in IFRS16 lease calculations, there is inherent estimation required to ensure that the incremental borrowing rate suffices that of similar security. The method of determining the incremental borrowing rate of the Group looks at the existing facility arrangements and historic ability of the Group to borrow at this level.

(iii) 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. The values of stock are shown in note 18. A 1% increase in the inventory provision would equate to approx. £112,000.

3 Critical accounting estimates and judgements (continued)

(iii) Inventory (continued)

In 2021, stock provisions have been made against certain seasonal stock lines due to the Company missing much of its seasonal spring trading as a result of the Covid lockdowns in Germany. A detailed review of the seasonal products which were impacted by this was carried out in order to determine the amount of the stock provision required. The company has been able to make a claim for government assistance for these losses and this income has been recognised in the accounts see note 5.

4 Financial instruments - risk management

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

- **Credit risk**
- **Liquidity risk**
- **Market risk** in the form of foreign exchange 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 loan debt increased from £2,671,000 to £2,926,000 and the non-current bank debt decreased from £1,950,000 to £1,498,000.

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

The Group had no forward contracts at either 31 May 2020 or 2021. All other financial assets and 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.

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.

4 Financial instruments - risk management (continued)

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 25 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, to avoid those subsidiaries being exposed to unnecessary foreign exchange risk. Bank borrowings or cash deposits of the Parent Company are denominated in Sterling.

(ii) Foreign exchange risk

The Group has operations located in Germany whose functional currencies are the Euro. 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. There are no forward contracts outstanding at either year end.

At the date of the consolidated statement of financial position, a 10% strengthening of Sterling against the Euro, all other variables held constant, would have resulted in an estimated decrease of £930,000 in the reported net asset value of the Group. A 10% weakening of Sterling against the Euro at the date of the statement of financial position, on the same basis, would have resulted in an estimated increase of £1,114,000 in the reported net asset value of the Group.

Capital policy

The Group's capital comprises equity as shown in the Consolidated Statement of Financial Position plus net debt. The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain a capital structure that optimises the cost of capital. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or reduce debts.

Notes

forming part of the financial statements for the year ended 31 May 2021

5 Operating loss

Operating loss is stated after charging:	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Auditor's fees		
Statutory audit services		
- Audit of the Parent Company and the consolidated accounts	**79**	70
- Audit of subsidiary companies	**59**	47
Non-audit related services		
- Bank compliance	**4**	3
Total auditor's fees	**142**	120
Staff costs	**6,785**	8,480
Depreciation		
- Property, plant and equipment	**624**	723
- Right-of-use assets	**1,062**	876
- Investment property	**-**	13
Impairment of right-to-use assets	**333**	-
Amortisation of trademarks	**6**	6
Short term lease expense	**56**	341
Gain on disposal of property, plant and equipment	**(14)**	(32)
Other income		
Government grants relating to Covid-19 pandemic:		
Employee related grant received	**170**	-
Grant received as compensation for reduced trading	**535**	-
	705	-
Grant to be received as compensation for reduced trading	**261**	-
Total other income	**966**	-

6 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
2021	**8**	**204**	**50**	**41**	**303**
2020	8	226	63	46	343

Staff costs, including Directors, comprise	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Wages, salaries and Directors' fees	**5,506**	7,107
Defined contribution pension cost	**1**	1
Employer's national insurance contributions and similar taxes	**1,278**	1,372
Total staff costs	**6,785**	8,480

6 Staff costs (continued)

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	Taxes £000	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Executive director				
Jörg Hemmers	226	14	**240**	230
Non - executive Directors				
Johan Claesson	17	-	**17**	19
David Cooper	15	-	**15**	15
Jan G Holmstrom	28	-	**28**	31
	286	14	**300**	295

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. Their costs include VAT unrecoverable in the UK.

Outstanding share options granted to employees or Directors at 31 May 2021 were nil *(2020: 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 7.

	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Salary and fees	**286**	284
Employer's national insurance contributions and similar taxes	**14**	11
Total remuneration of key management personnel	**300**	295

7 Segmental information

The Group's trading businesses are now Hemmers, and its trading subsidiary KMR. Hemmers is incorporated in Germany and is engaged in the import and distribution of fabric from its principal place of business in Nordhorn, Germany. KMR is also incorporated in Germany and is a retailer of fabric and haberdashery, operating leased shops in various German cities. Hemmers liquidated its Chinese subsidiary, Chinoh-Tex, in 2020 and that has been treated as a discontinued activity in 2020.

The chief operating decision maker is the Board, which considers that the Hemmers business comprises two operating segments, namely Hemmers and KMR. 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 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.

7 Segmental information (continued)

The following tables set out a segmental analysis of the Group's operations.

Year ended 31 May 2021	Hemmers £000	KMR £000	Inter segmental £000	Parent Company £000	**Continuing operations £000**	**Discontinued operations £000**	**Total Group £000**
External revenue	27,669	5,344	-	-	**33,013**	-	**33,013**
Inter-segmental revenue	1,071	1	(1,072)	-	**-**	-	**-**
Cost of sales	(24,160)	(3,602)	1,062	-	**(26,700)**	-	**(26,700)**
Gross profit	**4,580**	**1,743**	**(10)**	**-**	**6,313**		**6,313**
Distribution costs	(1,499)	(1,148)	-	**-**	**(2,647)**	**-**	**(2,647)**
Admin expenses	(3,212)	(1,498)	187	(389)	**(4,912)**	-	**(4,912)**
Other income	461	692	(187)	-	**966**	-	**966**
Operating profit/(loss)	**330**	**(211)**	**(10)**	**(389)**	**(280)**	**-**	**(280)**
Finance expense	(128)	(100)	-	-	**(228)**	**-**	**(228)**
Internal interest	(213)	-	-	213	**-**	**-**	**-**
Loss before tax	**(11)**	**(311)**	**(10)**	**(176)**	**(508)**	**-**	**(508)**

At 31 May 2021	Hemmers £000	KMR £000	Adj £000	Parent Company £000	**Continuing operations £000**	**Discontinued operations £000**	**Total Group £000**
Total assets	15,803	5,688	(174)	2,904	**24,221**	-	**24,221**
Total liabilities	(5,589)	(3,969)	-	(102)	**(9,660)**	-	**(9,660)**
Total net assets	**10,214**	**1,719**	**(174)**	**2,802**	**14,561**	**-**	**14,561**

Year ended 31 May 2020	Hemmers £000	KMR £000	Inter segmental £000	Parent Company £000	**Continuing operations £000**	**Discontinued operations £000**	**Total Group £000**
External revenue	27,060	8,007	-	-	**35,067**	488	**35,555**
Inter-segmental revenue	1,563	5	(1,681)	-	**(113)**	113	**-**
Cost of sales	(24,468)	(5,930)	1,472	-	**(28,926)**	(697)	**(29,623)**
Gross profit/(loss)	**4,155**	**2,082**	**(209)**	**-**	**6,028**	**(96)**	**5,932**
Distribution costs	(1,628)	(1,312)	64	-	**(2,876)**	(51)	**(2,927)**
Admin expenses	(3,913)	(988)	233	(240)	**(4,908)**	(185)	**(5,093)**
Other income	88	-	(88)	-	**-**	-	**-**
Operating loss	**(1,298)**	**(218)**	**-**	**(240)**	**(1,756)**	**(332)**	**(2,088)**
Finance expense	(147)	(113)	-	-	**(260)**	**-**	**(260)**
Internal interest	(148)	-	-	148	**-**	**-**	**-**
Loss before tax	**(1,593)**	**(331)**	**-**	**(92)**	**(2,016)**	**(332)**	**(2,348)**

7 Segmental information (continued)

At 31 May 2020	Hemmers £000	KMR £000	Adj £000	Parent Company £000	Continuing operations £000	Discontinued operations £000	Total Group £000
Total assets	16,998	5,745	(218)	3,061	**25,586**	-	**25,586**
Total liabilities	(5,769)	(4,151)	-	(83)	**(10,003)**	-	**(10,003)**
Total net assets	**11,229**	**1,594**	**(218)**	**2,978**	**15,583**	**-**	**15,583**

Disaggregation of revenue is shown by destination as follows:

	31 May 2021 £000	31 May 2020 £000
Germany	**22,345**	25,259
Austria	**1,203**	1,496
Holland	**1,006**	1,164
France	**835**	744
Rest of EU	**3,749**	3,505
Total EU	**29,138**	32,168
UK	**1,421**	1,170
Switzerland	**1,709**	1,367
Rest of Europe	**373**	483
Total Europe	**32,641**	35,188
North America	**16**	89
Asia	**10**	13
Oceania	**346**	244
South America	**-**	21
Total revenue	**33,013**	35,555

Non-current assets are all derived in Germany.

Other information:

	Year ended 31 May 2021				Year ended 31 May 2020			
	Hemmers £000	**KMR £000**	**Discontinued activities £000**	**Group £000**	Hemmers £000	KMR £000	Discontinued activities £000	Group £000
Additions								
Property, plant & equipment	**554**	**8**	**-**	**562**	556	4	-	560
Right-of-use assets	**184**	**566**	**-**	**750**	105	153	-	258
Depreciation								
Property, plant & equipment	**503**	**121**	**-**	**624**	543	179	1	723
Right-of-use assets Investment property	**142**	**920**	**-**	**1,062**	112	764	-	876
Impairment	**-**	**-**	**-**	**-**	13	-	-	13
Right-of-use assets	**-**	**333**	**-**	**333**	-	-	-	-
Amortisation								
Intangible assets	**6**	**-**	**-**	**6**	6	-	-	6

8 Discontinued operations

Chinoh-Tex was liquidated prior to the year ended 31 May 2020. The losses associated with the closure have been included in the profit and loss account for the year ended 31 May 2020 and are as follows:

	Year ended 31 May 2020 £000
Turnover	601
Cost of sales	(697)
Gross loss	(96)
Distribution costs	(51)
Admin expenses	(185)
Operating loss	**(332)**

Included above is an amount of £25,000 which relates to the write off debtors which could not be recovered at the date of liquidation.

9 Finance expense

	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Finance expense		
Interest paid on lease liabilities	**74**	86
Interest paid on bank overdrafts and loans	**154**	174
Finance expense recognised in comprehensive income	**228**	260

10 Tax credit/(charge)

	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000
Current tax credit/(charge)		
Tax of overseas operations on losses for the year	**-**	(6)
Adjustments for over provision in prior years	**42**	-
Total tax credit/(charge)	**42**	(6)
Tax credit/(charge) on discontinued operations	**-**	-
Tax credit/(charge) on continuing operations	**42**	(6)

The Group has UK capital losses carried forward of £13m and unrelieved UK trading losses of £1.2m. 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 differences in the foreseeable future.

10 Tax credit/(charge) (continued)

The reasons for the difference between the actual tax credit/(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 2021 £000	Year ended 31 May 2020 £000
Loss before taxation from all operations	**508**	2,348
Expected tax credit based on the standard rate of corporation tax in the UK of 19% *(2020:19%)*	**97**	446
Expenses not deductible for tax purposes	**(22)**	(62)
Unrelieved losses	**(33)**	(378)
Different tax rates applied in overseas jurisdictions	**-**	(12)
Total tax credit/(charge)	**42**	(6)

11 Loss per share and Net asset per share

Loss per share	**Year ended 31 May 2021**	Year ended 31 May 2020
Numerator		
Total loss for the year	**£466,000**	£2,354,000
Denominator		
Weighted average number of shares	**27,320,843**	27,320,843
Basic and diluted loss per share	**1.7p**	8.6p
Numerator		
Loss for the year from continuing operations	**£466,000**	£2,022,000
Denominator		
Weighted average number of shares	**27,320,843**	27,320,843
Basic and diluted loss from continuing operations per share	**1.7p**	7.4p
Numerator		
Loss for the year from discontinued operations	**-**	£332,000
Denominator		
Weighted average number of shares	**-**	27,320,843
Basic and diluted loss from discontinued operations per share	**-**	1.2p

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 2021**	Year ended 31 May 2020
Numerator		
Net assets	**£14,561,000**	£15,583,000
Denominator		
Number of shares	**27,320,843**	27,320,843
Net assets per share	**53.3p**	57.0p

12 Dividend

The Directors have not proposed a dividend in respect of the year ended 31 May 2021 nor for the year ended 31 May 2020.

13 Property, plant and equipment

	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 May 2019	**8,509**	**3,884**	**12,393**
Additions	28	532	560
Disposals	(295)	(296)	(591)
Transferred to right-of use assets	-	(63)	(63)
Effect of movements in foreign exchange rates	145	81	226
Balance at 31 May 2020	**8,387**	**4,138**	**12,525**
Additions	69	493	562
Disposals	-	(293)	(293)
Effect of movements in foreign exchange rates	(375)	(208)	(583)
Balance at 31 May 2021	**8,081**	**4,130**	**12,211**
Accumulated depreciation			
Balance at 31 May 2019	**1,454**	**2,405**	**3,859**
Depreciation charge for the year	261	462	723
Disposals	(18)	(274)	(292)
Transferred to right-of use assets	-	(34)	(34)
Effect of movements in foreign exchange rates	33	53	86
Balance at 31 May 2020	**1,730**	**2,612**	**4,342**
Depreciation charge for the year	261	363	624
Disposals	-	(286)	(286)
Effect of movements in foreign exchange rates	(85)	(134)	(219)
Balance at 31 May 2021	**1,906**	**2,555**	**4,461**
Net book amount			
At 31 May 2019	7,055	1,479	8,534
At 31 May 2020	6,657	1,526	8,183
At 31 May 2021	**6,175**	**1,575**	**7,750**

14 Right-of-use assets

	Leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
Introduced at 1 June 2019	2,873	194	3,067
Transferred from other assets	-	63	63
Additions	153	105	258
Modification	(138)	-	(138)
Effect of movements in foreign exchange rates	52	6	58
Balance at 31 May 2020	**2,940**	**368**	**3,308**
Additions	566	184	750
Modification	836	-	836
Disposals	-	(75)	(75)
Effect of movements in foreign exchange rates	(175)	(20)	(195)
Balance at 31 May 2021	**4,167**	**457**	**4,624**
Accumulated depreciation			
Transferred from other assets	-	34	34
Depreciation charge for the year	762	114	876
Effect of movements in foreign exchange rates	21	3	24
Balance at 31 May 2020	**783**	**151**	**934**
Depreciation charge for the year	920	142	1,062
Impairment	333	-	333
Disposals	-	(75)	(75)
Effect of movements in foreign exchange rates	(74)	(9)	(83)
Balance at 31 May 2021	**1,962**	**209**	**2,171**
Net book amount			
At 31 May 2020	2,157	217	2,374
At 31 May 2021	**2,205**	**248**	**2,453**

15 Investment properties

	Freehold land and buildings £000
Cost	
Balance at 31 May 2019	**1,045**
Disposals	(1,036)
Effect of movements in foreign exchange rates	(9)
Balance at 31 May 2020	**-**
Accumulated depreciation	
Balance at 31 May 2019	36
Depreciation charge for the year	13
Effect of movements in foreign exchange rates	(49)
Balance at 31 May 2020	**-**
Net book amount	
At 31 May 2019	1,009
At 31 May 2020	-

16 Intangible assets

	Trademarks £000
Balance at 31 May 2019	**72**
Amortisation	(6)
Effect of movements in foreign exchange rates	1
Balance at 31 May 2020	**67**
Amortisation	(6)
Effect of movements in foreign exchange rates	(3)
Balance at 31 May 2021	**58**

17 Subsidiaries

The subsidiaries of Leeds Group 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	Dormant
** KMR GmbH.	Germany	Retail trading

* *Wholly owned subsidiaries of Leeds Group.*
** *Wholly owned subsidiaries of Hemmers.*

The registered addresses of these subsidiaries are shown on page 1.

18 Inventories

	31 May 2021 £000	31 May 2020 £000
Total gross value of goods and goods for resale	**11,195**	10,970
Less provision	**(908)**	(782)
Finished goods and goods for resale	**10,287**	10,188

The amount of inventories recognised as an expense during the year was £22,312,000 *(2020: £23,973,000).*

19 Trade and other receivables

	31 May 2021 £000	31 May 2020 £000
Trade receivables	**1,969**	2,765
Other receivables	**766**	544
Prepayments	**132**	155
Total trade and other receivables	**2,867**	3,464

Within other receivables is an amount of £261,000 (*2020: £nil*) relating to government assistance not yet received regarding compensation for reduced trading during the reporting period. This income is anticipated to be recovered within 12 months of the balance sheet date and there has been no indication post year end to suspect that this balance is irrecoverable.

All amounts are anticipated to be receivable in the short term. The carrying value of trade receivables is considered to be a reasonable approximation of fair value.

20 Cash on demand or on short term deposit

	31 May 2021 £000	31 May 2020 £000
Total cash on demand or on short term deposit	**670**	1,104

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

21 Trade and other payables

	31 May 2021 £000	31 May 2020 £000
Bank overdrafts	**198**	-
Trade payables	**1,350**	1,378
Other tax and social security taxes	**179**	303
Accruals	**453**	675
Other payables	**85**	521
Total trade and other payables	**2,265**	2,877

All amounts are anticipated to be payable in the short term. The carrying values are considered to be a reasonable approximation of fair value. A bank overdraft is secured on working capital of KMR with a facility of £438k (€500k) and attracts an interest rate of 3%.

22 Borrowings

The book value of loans and borrowings are as follows:

	31 May 2021 £000	31 May 2020 £000
Current		
Secured bank loans	**2,926**	2,671
Non - current		
Secured bank loans	**1,498**	1,950
Total loans and borrowings	**4,424**	4,621

The carrying values are considered to be a reasonable approximation of fair value.

Current loans and borrowings

At 31 May 2021 current loans and borrowings of £2,926,000 *(2020: £2,671,000)* comprise short term loans of £2,562,000 and instalments due on long term loans detailed below of £364,000. The interest rate on the short-term loans range from 1.25% to 3% *(2020: 1.25% to 3%)* and these loans are secured on working capital of Hemmers and KMR. The short-term loans are drawn down by Hemmers against short-term borrowing facilities of up to a maximum of £10.3m (€11.5m) and by KMR against short-term borrowing facilities of £0.9m (€1m). At 31 May 2021, the maximum limit available totalled £7m (€8.2m) of which £2.6m (€3m) has been utilised, therefore the headroom within the facility was £4.4m (€5.2m). Neither the Parent Company nor any of its subsidiaries other than Hemmers and KMR have borrowing facilities. The bank facilities are reviewed annually every May and are now in place for the forthcoming year.

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 and 2017 further loans were drawn down to finance developments at Nordhorn.

The Group's loans and borrowings are within the accounts of Hemmers. They are denominated in Euros, and their principal terms are as follows:

	Fixed Interest rate	Repayment profile	Final repayment date	31 May 2021 £000	31 May 2020 £000
Loan 1	4.07%	Equal monthly instalments	September 2027	**353**	436
Loan 2	1.65%	Equal quarterly instalments	September 2025	**835**	1,124
Loan 3	1.05%	Equal quarterly instalments	March 2026	**310**	390
Non-current loans				**1,498**	1,950

22 Borrowings (continued)

The changes in liabilities arising from financing activities were:

	31 May 2021 £000	31 May 2020 £000
At the start of the year	**4,621**	6,944
Cash items		
Borrowings drawn	**787**	-
Borrowings repaid	**(771)**	(2,378)
Exchange	**(213)**	55
At the end of the year	**4,424**	4,621

The changes in lease liabilities are shown in note 23.

23 Lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Payments made under these leases are charged to profit and loss on a straight-line basis over the lease term.

The lease liabilities recognised in the financial statements include 17 retail store leases located in Germany and 22 motor vehicle leases, all of which are subject to fixed payments.

The book value of lease liabilities are as follows:

	31 May 2021 £000	31 May 2020 £000
Current		
Secured lease liabilities	**1,015**	927
Non - current		
Secured lease liabilities	**1,856**	1,478
Total lease liabilities	**2,871**	2,405

The majority of the retail shops are leased over a 12-month period and have, therefore, been accounted for by recognising a right-of-use asset and a lease liability. Some shops are on 12 month rolling contracts and management have considered IFRS 16 requirements and IFRIC agenda decision on the assessment of a lease term regarding cancellable and renewable leases. These contracts have a termination option at the end of the existing lease that both the lessor and lessee can exercise without the express permission or consent of the other party and without a significant penalty of termination. However, following discussions with landlords regarding rental concessions and future rentals of shops, management know they will now renew these leases and they have now been recognised as right-to -use assets with the corresponding lease liability.

The lease liability is calculated as the present value of payments over the lease term, discounted at an incremental borrowing rate to the Group. The Group has applied a practical expedient to apply a single discount rate to a portfolio of leases of similar characteristics. The incremental borrowing rate is determined by utilising existing facility agreements and the historic ability of the group to lend against a portfolio of assets of similar security to the portfolio of leases.

23 Lease liabilities (continued)

A number of shops have also had rent negotiations during the year due directly due to the Covid-19 pandemic. Management have been able to renegotiate rent reductions for a number of store leases. The rent reductions continue to the end of the term of the leases but have not fundamentally changed the nature or scope of the lease other than an agreed reduction in rental payments. In May 2020, the IASB issued an amendment to IFRS 16 which provides lessees with an immediate relief from the requirement to assess whether Covid-19 related rent concessions are a lease modification. Unfortunately, the group's rent concession agreements failed this relief test in the 2020 accounts as it did not satisfy the criteria for being Covid-19 related rent concessions because all the concessions extended past June 2021.

In March 2021, the IASB issued a further amendment to IFRS16 to further extend the time limit for this criteria out to June 2022 to reflect the prolonged impact of Covid-19. The original practical expedient as of May 2020 was an optional relief, but nonetheless, the group did have any rent concessions that satisfied the amendment criteria and as a result the extension to the practical expedient does not have any effect on the group’s financial statements. No retrospective alteration is required to this practical expedient as the group did not apply the original amendment. As such, the rent reductions agreed continue to be accounted for as a lease modification on the date of agreement of the reduction not the date of reduced payments. On the date of deemed modification agreement, the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. There is no P&L impact on modification, other than the future reduction of both interest and depreciation.

At 31 May 2021, the lease liabilities are shown as follows:

	31 May 2021 £000	**31 May 2020 £000**
Up to 1 year	**1,015**	927
Between 1 and 2 years	**791**	636
Between 2 and 5 years	**547**	679
Over 5 years	**518**	163
	2,871	2,405

The movement in the lease liability is as follows:

	Land and buildings £000	**Motor vehicles £000**	**Total £000**
At the start of the year	2,190	215	**2,405**
Right-of-use lease additions (note 14)	566	184	**750**
Interest expenses (note 9)	67	7	**74**
Lease payments	(924)	(135)	**(1,059)**
Modifications	836	-	**836**
Foreign exchange movements	(112)	(23)	**(135)**
At the end of the year	**2,623**	**248**	**2,871**

24 Financial instruments

The financial assets of the Group are categorised as follows:

At amortised cost	**31 May 2021 £000**	31 May 2020 £000
Trade receivables	**1,969**	2,765
Cash and cash equivalents	**670**	1,104
	2,639	3,869

The financial liabilities of the Group are categorised as follows:

At amortised cost	**31 May 2021 £000**	31 May 2020 £000
Bank overdrafts	**198**	-
Trade payables	**1,350**	1,378
Accruals	**453**	675
Other payables	**85**	521
Current bank borrowings	**2,926**	2,671
Non-current bank borrowings	**1,498**	1,950
Current lease liabilities	**1,015**	927
Non-current lease liabilities	**1,856**	1,478
	9,381	9,600

Financial risk management

Overview

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

- **Credit risk**
- **Market risk** in the form of foreign exchange risk
- **Liquidity risk**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group's risk management is coordinated by the Directors who focus on securing the Group's short to medium-term cash flow through regular review of all the operating activities of each of the businesses.

The most significant financial risks to which the Group is exposed are described as follows:

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date as follows:

	31 May 2021 £000	31 May 2020 £000
Trade receivables	**1,969**	2,765

The Group has adopted the IFRS 9 simplified approach to measuring expected credit losses using expected loss rates and a provision matrix. The provision matrix is based on the Group's historical default rates over the expected life of the trade receivables adjusted for forward looking estimates.

24 Financial instruments (continued)

Credit risk (continued)

At 31 May 2021 £334,000 (*2020: £465,000*) of the Group's trade receivables were past due. An expected loss provision of £106,000 (*2020: £260,000*) is held to mitigate the exposure to bad and doubtful debts. The ageing of the Group's trade receivables is as follows:

	31 May 2021 £000	31 May 2020 £000
Overdue up to 3 months	**278**	268
Overdue by 3 to 6 months	**4**	47
Overdue by 6 to 12 months	**1**	-
Overdue by more than 12 months	**51**	150
Total past due trade receivables	**334**	465
Total receivables not yet past due	**1,741**	2,560
Total gross receivables	**2,075**	3,025
Expected credit loss	**(106)**	(260)
Total trade receivables (note 19)	**1,969**	2,765

The ageing profile above is the profile used by management to review debts however it is the expected credit loss model which is used to calculate the provision. The expected loss provision for trade receivables is as follows:

As at 31 May 2021	Not due	Overdue up to 3 months	Overdue by 3 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	**31 May 2021 £000**
Expected loss rate	2%	5%	100%	100%	100%	
Gross carrying amount	1,741	278	4	1	51	**2,075**
Loss provision	(36)	(14)	(4)	(1)	(51)	**(106)**
Net carrying value	**1,705**	**264**	**-**	**-**	**-**	**1,969**

As at 31 May 2020	Not due	Overdue up to 3 months	Overdue by 3 to 6 months	Overdue by 6 to 12 months	Overdue by more than 12 months	31 May 2020 £000
Expected loss rate	3%	10%	10%	0%	100%	
Gross carrying amount	2,562	266	47	-	150	**3,025**
Loss provision	(78)	(27)	(5)	-	(150)	**(260)**
Net carrying value	**2,484**	**239**	**42**	**-**	**-**	**2,765**

The situation with regard to the Covid-19 pandemic has not significantly affected the expected credit model as a large proportion of the debts are covered by debt insurance which has mitigated this risk.

24 Financial instruments (continued)

Credit risk (continued)

A reconciliation of the movement in the impairment loss for trade receivables is shown below:

	31 May 2021 £000	31 May 2020 £000
Expected credit loss provision at start of period	**260**	728
Amount charged	**-**	61
Amount released	**(113)**	-
Amount utilised	**(28)**	(542)
Effect of movements in foreign exchange rates	**(13)**	13
Expected credit loss provision at end of period	**106**	260

Foreign currency

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

	31 May 2021 £000	31 May 2020 £000
Euro	**2,814**	3,328
US Dollar	**17**	76
Sterling	**36**	60
Total trade and other receivables	**2,867**	3,464

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

	31 May 2021 £000	31 May 2020 £000
Euro	**1,194**	2,355
US Dollar	**969**	439
Sterling	**102**	83
Total trade and other payables	**2,265**	2,877

All the groups external loans are denominated in Euros.

24 Financial instruments (continued)

Liquidity risk

The Group manages its liquidity needs very carefully on a short and medium terms basis. Longer term needs are monitored as part of the Group's budgetary process.

The Group's financial liabilities have contractual maturities which are summarised below:

	As at 31 May 2021 Amounts due in				As at 31 May 2020 Amount due in			
	Less than 1 year £000	**2 to 5 years £000**	**After 5 years £000**	**Total £000**	Less than 1 year £000	2 to 5 years £000	**After 5 years £000**	Total £000
Bank overdrafts	**198**	**-**	**-**	**198**				
Trade payables	**1,350**	**-**	**-**	**1,350**	1,378	-	**-**	1,378
Accruals	**453**	**-**	**-**	**453**	675	-	**-**	675
Other payables	**85**	**-**	**-**	**85**	521	-	**-**	521
Current bank borrowings	**2,926**	**-**	**-**	**2,926**	2,671	-	**-**	2,671
Non-current bank borrowings	**-**	**1,498**	**-**	**1,498**	-	1,950	**-**	1,950
Current lease liabilities	**1,015**	**-**	**-**	**1,015**	927	-	**-**	927
Non - current lease liabilities	**-**	**1,338**	**518**	**1,856**	-	1,315	163	1,478
Net carrying value	**6,027**	**2,836**	**518**	**9,381**	6,172	3,265	163	9,600

25 Provisions

	Tax £000
Provision as at 31 May 2020 and 2021	**100**

A provision was made in 2020 for additional tax which may fall due following a prior year tax assessment in Germany.

26 Share capital

Issued and fully paid	2021 Number	2021 £000	2020 Number	2020 £000
At beginning of the period	**31,600,000**	**3,792**	31,600,000	3,792
Cancellation of treasury shares	**(4,279,157)**	**(513)**	-	-
At end of period	**27,320,843**	**3,279**	31,600,000	3,792

At 31 May 2021, no options over ordinary shares of the Company were outstanding *(2020: 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 2019	9,247,760	1,847
Shares purchased in the year	30,000	9
Shares purchased as at 31 May 2020	9,277,760	1,856
Shares cancelled as at 31 May 2020	(4,998,603)	(1,049)
Shares held in treasury as at 31 May 2020	**4,279,157**	**807**
Shares cancelled during the year	(4,279,157)	(807)
Shares held in treasury at 31 May 2021	**-**	**-**

During the year, the Company cancelled 4,279,157 ordinary shares held in treasury. The cost of these cancelled shares has been calculated on a "first in, first out" basis, and the nominal value of the cancelled shares at 12p each was £513,499. The total nominal value of shares cancelled is £1,113,331. This is shown in the consolidated statement of financial position as a capital redemption reserve, a component of equity.

27 Commitments

At 31 May 2021, there were no capital commitments authorised and committed *(2020: £110,000).* There were no amounts authorised but not committed *(2020: £nil).*

Company Statement of Financial Position at 31 May 2021
Prepared under FRS 101 "Reduced Disclosure Framework"

Company number 00067863

	Note	31 May 2021 £000	31 May 2020 £000
Assets			
Non-current assets			
Investments in subsidiary undertakings	4	**3,370**	3,370
Amounts receivable from subsidiary undertakings	5	**2,578**	2,699
Total non-current assets		**5,948**	6,069
Current assets			
Trade and other receivables	6	**15**	13
Cash at bank and in hand		**311**	349
		326	362
Liabilities			
Current liabilities			
Trade and other payables	7	**(102)**	(83)
Total current assets		**224**	279
TOTAL NET ASSETS		**6,172**	6,348
Capital and reserves			
Share capital	8	**3,279**	3,792
Capital redemption reserve		**1,113**	600
Treasury share reserve		**-**	(807)
Retained earnings		**1,780**	2,763
TOTAL EQUITY		**6,172**	6,348

The loss of the company for the year was £176,000 *(2020: loss £92,000).*

The financial statements on pages 61 to 62 were approved and authorised for issue by the Board of Directors on 15 October 2021 and were signed on behalf of the Board by: -

Jan G Holmstrom
Non-Executive Chairman

The notes on pages 63 to 65 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 May 2021

	Share capital £000	Capital redemption reserve £000	Treasury share reserve £000	Retained earnings £000	Total equity £000
At 31 May 2019	3,792	600	(807)	2,855	6,440
Loss for the year	-	-	-	(92)	**(92)**
At 31 May 2020	3,792	600	(807)	2,763	6,348
Cancellation of treasury shares	(513)	513	807	(807)	-
Loss for the year	-	-	-	(176)	**(176)**
At 31 May 2021	**3,279**	**1,113**	**-**	**1,780**	**6,172**

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 63 to 65 form part of these financial statements.

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.

Impairment of intercompany receivables
At each financial year end, the Company assesses whether there is an indication that is its assets have been impaired. If there is an indication that its assets have been impaired, the recoverable amount is assessed to determine the extent of the impairment. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which it relates is determined.

The recoverable amount is defined as the higher of the fair value less costs to sell and value in use at that date. Value in use is calculated as the expected future cash flows discounted on a pre-tax basis, using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to that assets or cash generating unit. If the recoverable amount of the asset is less than the carrying value, the carrying value is reduced to its recoverable amount, that reduction is recognised as an impairment loss.

An impairment loss relating to an asset carried at cost less accumulated depreciation or amortisation is recognised immediately in the profit and loss account. If an impairment loss subsequently reverses, the carrying value of the asset is increased to the revised recoverable amount but limited to the carrying value that would have been determined had no impairment been recognised in prior years. A reversal of an impairment loss is recognised in the profit and loss account.

Financial assets and liabilities
IFRS 9'Financial Instruments' outlines the principles an entity must apply to measure and recognise financial assts and liabilities. The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the settlement date.

Financial assets
Financial assets that are held to collect are categorised as amortised cost under IFRS 9. This includes the Group's trade and other receivables and cash and cash equivalents. The measurement of these financial assets held at amortised cost remains unchanged since the introduction of IFRS 9.

Amounts receivable from subsidiary undertakings
Amounts receivable from subsidiary undertakings are initially measured at fair value and subsequently measured at amortised cost. Impairment provisions are recognised based on the general approach within IFRS 9, which requires an assessment of whether there has been a significant increase in credit risk since initial recognition of the facility. The requirement for a provision is assessed based on 12-month expected credit losses, or lifetime credit losses, as appropriate.

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.

1 Accounting policies (continued)

Financial liabilities
The classification and measurement of financial liabilities in accordance with IFRS 9 remains largely unchanged. All financial liabilities are measured at amortised cost and include trade and other payables and bank borrowings.

Trade and other payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate.

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 £176,000 *(2020: loss £92,000).*

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

3 Staff costs
The average number of persons employed in the year by the Company (including Directors) was 4 *(2020: 4).*

Staff costs, including Directors, comprise	**Year ended 31 May 2021 £000**	Year ended 31 May 2020 £000
Wages and salaries	**98**	**108**
Defined contribution pension cost	**1**	**1**
Employer’s national insurance contributions and similar taxes	**1**	**2**
Total staff costs	**100**	**111**

The remuneration of the Directors is disclosed in note 6 to the consolidated financial statements. Outstanding share options granted to employees or Directors at 31 May 2021 were nil *(2020: nil).*

4 Investments in subsidiary undertakings

	Cost £000	**Accumulated impairment £000**	**Net carrying amount £000**
At 31 May 2020 and 2021	**3,370**	**-**	**3,370**

Details of subsidiary undertakings are given on the Group Information page 1 and in note 17 to the consolidated financial statements.

5 Amounts receivable from subsidiary undertakings

	31 May 2021 £000	31 May 2020 £000
Total amounts receivable from subsidiary undertakings	**2,578**	2,699

No impairment loss was recognised in the year in respect of amounts receivable from subsidiary undertakings. (2020: £nil). The amounts receivable from subsidiary undertaking relates to long term loans with details as follows:

	Fixed Interest Rate	Repayment Profile	31 May 2021 £000	31 May 2020 £000
Loan 1	8%	Repayable on demand	**2,578**	2,699

Although these balances are repayable on demand, the expectation of recoverability of these balances is in nature and substance more of a longer-term funding arrangement, in which the company does not require payment immediately. As such, this is presented as a non-current asset.

6 Trade and other receivables

	31 May 2021 £000	31 May 2020 £000
Total trade and other receivables	**15**	13

7 Trade and other payables

	31 May 2021 £000	31 May 2020 £000
Accruals and deferred income	**102**	83
Total trade and other payables	**102**	83

8 Share capital

Issued and fully paid	**2021 Number**	**2021 £000**	2020 Number	2020 £000
At beginning of the period	**31,600,000**	**3,792**	31,600,000	3,792
Cancellation of treasury shares	**(4,279,157)**	**(513)**	-	-
At end of period	**27,320,843**	**3,279**	31,600,000	3,792

At 31 May 2021, no options over ordinary shares of the Company were outstanding *(2020: nil).*

Details of the purchases and cancellation of the shares held in treasury are disclosed in note 26 to the consolidated financial statements.

9 Commitments

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

End of the financial statements.

Appendix 1 - Five Year Summary of Results and Capital Employed

	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000	Year ended 31 May 2018 £000	Year ended 31 May 2017 £000
Results					
Revenue	**33,013**	**35,555**	41,271	41,538	41,053
Cost of sales	**(26,700)**	**(29,623)**	(32,254)	(32,526)	(32,468)
Gross profit	**6,313**	**5,932**	9,017	9,012	8,585
Operating expenses	**(7,559)**	**(8,020)**	(9,057)	(7,860)	(7,008)
Other income	**966**	**-**	-	-	-
(Loss)/profit from operations (excluding impairment of goodwill)	**(280)**	**(2,088)**	(40)	1,152	1,577
Net finance expense	**(228)**	**(260)**	(194)	(160)	(162)
Share of post-tax (loss)/profit of joint venture	**-**	**-**	(34)	(107)	33
Impairment of goodwill	**-**	**-**	(982)	-	-
(Loss)/profit before tax	**(508)**	**(2,348)**	(1,250)	885	1,448
Tax credit/(charge)	**42**	**(6)**	(43)	(340)	(334)
(Loss)/profit after tax	**(466)**	**(2,354)**	(1,293)	545	1,114
Assets					
Non-current assets	**10,261**	**10,624**	9,615	10,110	10,339
Current assets	**13,960**	**14,962**	17,940	16,831	18,756
Total assets	**24,221**	**25,586**	27,555	26,941	29,095
Non-current liabilities	**(3,354)**	**(3,428)**	(2,289)	(3,985)	(4,259)
Current liabilities	**(6,306)**	**(6,575)**	(7,525)	(3,968)	(6,534)
Total liabilities	**(9,660)**	**(10,003)**	(9,814)	(7,953)	(10,793)
Total net assets	**14,561**	**15,583**	17,741	18,988	18,302
Financed by					
Total equity	**14,561**	**15,583**	17,741	18,988	18,302
Key Statistics					
Basic and diluted (loss)/earnings per share	**(1.7p)**	**(8.6p)**	(4.7p)	2.0p	4.1p
Net assets per share	**53.3p**	**57.0p**	64.9p	69.4p	66.9p

Notice of Annual General Meeting

The one hundred and twenty first annual general meeting of the Leeds Group plc (**the Company**) will be held at 12 noon on 23 November 2021 at the Radisson Blu Hotel, Chicago Avenue, Manchester Airport, M30 3RA for the following purposes:

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 2021 and the report of the auditors thereon.

2. To re-appoint Mr Jörg Hemmers as a director.

3. To re-appoint Mr Dave Cooper 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.

5. To authorise the Directors to fix the auditor's 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 resolution 7 will be proposed as a special resolution:

6. That, the Directors of the Company ("**Directors**") be and hereby are generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (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 £1,093,000 (being approximately one third of the existing issued share capital of the Company). 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 of shares or grant of Rights already made or to be made pursuant to such authorities.

7. That, subject to the passing of resolution 6, the Directors of the Company ("**Directors**") be and hereby are empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the "**Act**") to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred by resolution 6 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, up to an aggregate nominal amount of £164,000 (being approximately 5 per cent. of the existing issued share capital of the Company.

Notice of Annual General Meeting (continued)

Special business (continued)

The powers 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.

For the purpose of this resolution 7:

a) references to an "**allotment of equity securities"** shall include a sale of treasury shares; and

b) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

Craven House
14-18 York Road
Wetherby
Leeds
LS22 6SL

By Order of the Board
Dawn Henderson
Company Secretary

15 October 2021

Notice of Annual General Meeting (continued)

Notes

1. Shareholders of the Company are entitled to attend, speak and vote, either in person or by proxy, at general meetings of the Company.

   This the formal notification to members of the annual general meeting, its date and time, and the matters to be considered. If you are in doubt as to what action to take you should consult an independent adviser.

   Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions. A simple majority (being more than 50 per cent.) of votes cast must be in favour of each such resolution in order for it to be passed. Resolution 7 will be proposed as a special resolution. A special resolution requires 75 per cent. or more of votes cast to be in favour of the resolution in order for it to be passed. Resolutions 6 and 7 are items of special business.

2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders registered in the register of members of the Company at 8.30pm on 19 November 2021 as holders of ordinary shares of 12p each in the capital of the Company shall be entitled to 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 vote at the meeting.

3. A member entitled to 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 but will need to participate in the annual general meeting in order to represent the member. **Members are strongly urged to register their votes in advance by appointing the Chairman of the annual general meeting as their proxy (and not any other person). It is not recommended that any other person is appointed as a proxy as they will not be able to attend the annual general meeting and the vote will not be counted.**

4. A member can vote either by logging on to www.signalshares.com and following the instructions; in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in note 6; or by requesting a hard copy form of proxy directly from the registrars, Link Group on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales. Or email Link Group at shareholderenquiries@linkgroup.co.uk.

5. To submit a proxy electronically using the link www.signalshares.com you will need to log into your Signal Shares account or register if you have not previously done so. To register you will need your Investor Code which is detailed on your share certificate. need help with voting online, please contact our Registrar, Link Group.

6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting (and any adjournment of it) by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

Notice of Annual General Meeting (continued)

Notes (continued)

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ("**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**Euroclear**") specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by 12 noon on 19 November 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

7. In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. 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 submitted electronically using the Signal Shares system; CREST system; or lodged at the Registrars of the Company, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL not later than 12 noon on 19 November 2021.

9. 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 8 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 a hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

   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.

10. 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 Group. 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 Group at Central Square, 29 Wellington Street, Leeds, LS1 4DLno later than 12 noon on 19 November 2021. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 8 above, your proxy appointment will remain valid.

Notice of Annual General Meeting (continued)

Notes (continued)

11. As at 15 October 2021 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consisted of 27,320,843 ordinary shares of 12 pence each, with one voting right per share.

    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.

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 2021. That report and those financial statements, and the report of the Company's auditors on those financial statements, are set out on pages 1 to 65 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 Jörg Hemmers and Mr David Cooper are the Directors subject to retirement by rotation. Resolutions 2 and 3 propose the re-appointment of Mr Hemmers and Mr Cooper, 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.

Resolution number 5
Resolution 5 follows past practice in giving the Directors authority to agree the auditor's remuneration.

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 £1,093,000 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 and is in substitution for, all existing like authorities.

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 £164,000, 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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