LEEDS
GROUP PLC

Annual Report and Accounts 2023

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

Wholly owned subsidiary companies of Hemmers to 1 January 2023:
Stoff-Ideen-KMR GmbH
''KMR''
Twentestrasse 1
48527 Nordhorn
Germany

Director during the year
Jörg Hemmers

Principal activity
Placed into insolvency during the year and,
therefore, regarded as a discontinued operation

Group Advisers

Solicitors

Walker Morris LLP
33 Wellington Street
Leeds
LS1 4DL

Financial Advisers

Cairn Financial Advisers LLP
Ninth Floor
107 Cheapside
London
EC2V 6DN

Auditors

MHA
Sixth Floor
2 London Wall Place
London
EC2Y 5AU

Registrars*

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Principal Bankers

Lloyds Bank
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.*

Strategic Report

Chairman's Statement

It has been yet another challenging year for the Group.

The textile markets in Germany and other European countries have, over the past few years been negatively affected by the Covid-19 pandemic and the consequences of the Russian armed aggression in Ukraine. Both situations severely affected consumer confidence which has now been further impacted by high inflation and increased interest rates. Margins are low at the commodity end of the market and it is clear that the market as a whole would benefit from some degree of consolidation. Against this background Group trading has continued to struggle.

As previously communicated it became clear to Hemmers management last autumn, that its retail subsidiary KMR could not continue to operate and Hemmers' management made the decision to place it into an insolvency process, which was accepted by the German Courts on 7 October 2022. The insolvency process is ongoing after full control was passed to the insolvency administrator on 1 January 2023 and at that point KMR ceased to be a subsidiary within the Group. However, Hemmers are still exposed to a loan guarantee in relation to KMR and this has been provided for in the financial statements.

The Group's focus is now solely to return Hemmers to profitability. Hemmers management will continue to assess the cost base to make sure it aligns with the reduced sales levels and look to make efficiencies wherever they can to ensure Hemmers is as competitive as it can be in the marketplace. The Directors will continue to look at all options available to the Group to maximise shareholder value.

Jan G Holmstrom
Non-Executive Chairman

Strategic Report (continued)

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 2023, 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
- loss before tax
- loss per share
- working capital levels

Group highlights

- Group revenue for all operations in the year was £27,817,000 *(2022: £29,590,000).*
- Group operating loss was £509,000 *(2022: loss £2,990,000 which included an impairment charge of £1,662,000)*.
- The interest charge was £384,000 (2022: £255,000) reflecting higher interest rates.
- Group loss before tax was £893,000 (*2022: loss £3,245,000*).
- The tax credit in the year was £53,000 *(2022: charge £4,000).*
- Total loss per share was 3.1p *(2022: loss per share 11.9p*).

Hemmers

Hemmers is an international business engaged in designing, importing, warehousing and wholesaling of fabrics from its base in Germany. The markets in Germany and other European countries have over the past few years been affected by the Covid-19 pandemic and the conflict in Ukraine and more recently by high inflation and high interest rates. Management have made significant reductions in the cost base and will continue to align costs with sales levels and look to make efficiencies wherever they can to ensure Hemmers is as competitive as it can be in the marketplace.

External sales increased slightly in the year to £24,290,000 *(2022: £23,998,000*). The gross contribution percentage increased to 35% *(2022: 34*%) and the gross profit increased to £5,156,000 (*2022: £4,440,000*). Hemmers reported a loss before interest of £248,000 *(2022: loss £415,000).* External interest has increased to £337,000 (*2022: £162,000*) due to increased interest rates.

Hemmers bank debt, net of cash, increased in the year to £6,046,000 *(2022: £5,643,000*). The bank debt is secured on the assets of Hemmers.

KMR

On 7 October 2022, the German Courts accepted Hemmers' management decision to place its subsidiary KMR into an insolvency process. As a result of the insolvency, an impairment charge of £1,662,000 was recognised in last year's accounts with the assets relating to the KMR retail shops being written down to a £nil net book value. Full control passed to the insolvency administrator on 1 January 2023 and at that point KMR ceased to be a subsidiary within the Group. The results for KMR are only consolidated for the 7 months to 31 December 2022 and are reported as a discontinued operation in these financial statements.

The loss for the 7-month period before interest for the year was £32,000 *(2022: loss £2,277,000 for 12 months)* and the loss after interest was £79,000 *(2022: loss £2,370,000*). During the year, KMR's freehold property was sold for £521,000 realising a profit on sale of £139,000. The Group made a net gain of £138,000 on the transfer of its assets to the insolvency administrator.

Finance and Operating Review (continued)

Business review (continued)

Fixed Assets
The net book amount of tangible fixed assets is £6,487,000 *(2022: £7,335,000).* Capital additions in the year amounted to £51,000 *(2022: £447,000).* During the year, KMR's freehold property was sold for £521,000 realising a profit on sale of £139,000.

The net book value of right-to-use assets is £207,000 *(2022: £170,000).* These relate to car leases, of which there were £142,000 additions during the year (*2022: £45,000*).

Working Capital and Cash Flow
Net debt decreased from £6,381,000 to £5,812,000 in the year. Net cash generated in the year at average exchange rates was £1,892,000 (*2022: used £344,000*). Working capital, which comprises inventories, trade and other receivables and trade and other payables, decreased in the year by £2,239,000 *(2022: increased by £1,139,000)* mainly due to lower levels of stock as there was no KMR stock this year. Loan repayments of £539,000 *(2022: £708,000)* have been made this year. There were no new loans taken out in the year (*2022: £2,835,000*).

Lease liability repayments (including interest) of £698,000 *(2022: £1,059,000)* were 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 £738,000 as follows:

	Net assets £000	**Per share pence**
At 31 May 2022	**11,177**	**40.9**
Loss after tax	**(840)**	**(3.1)**
Translation differences	**102**	**0.4**
At 31 May 2023	**10,439**	**38.2**

Debt Profile
The funding policy of the Group continues to match its funding requirements in a cost-effective fashion with an appropriate combination of short and longer-term debt. Property investments have been financed by long term loans at fixed interest rates between 1.05% and 1.65%. Working capital finance, when required, is via short term loans of three months currently attracting interest at rates of between 1.5% and 3%. Bank debt in the subsidiary is secured by charges on inventories, receivables and property and is without recourse to the Parent Company.

Strategic Report (continued)

Finance and Operating Review (continued)

Business review (continued)

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 2023, this resulted in average availability of €8.4m *(2022: €7.7m*) with a range of €7.2m to €10.0m (*2022: €6.5m to €8.8m)* and minimum headroom of €1.0m *(2022: €3.2m)* in the year. In the forecast period to 31 May 2025, the estimated availability range is €7m to €8.8m and the minimum headroom €0.3m. The facility is committed until 31 May 2024. Hemmers also has another working capital facility of €1m secured on working capital which was fully drawn at the year end. The facilities are uncommitted, but the bank is obliged to give reasonable notice of any change.

The Directors consider that there will be sufficient headroom available within the Hemmers working capital facility and, therefore, the Directors are of the opinion that it is appropriate to apply the going concern basis of preparation to the financial statements.

However, the Directors acknowledge that the volatile global situation could have an impact on the future trading result of Hemmers and in turn could affect the ability of the Group to meet its forecasts and therefore comply with banking covenants in downside scenarios. In addition, the Group has borrowing facilities which are due for renewal within one year of the date of approval of these financial statements, which the Group relies on to operate as a going concern. The Directors will look to renew the existing facilities when they are due for renewal, although acknowledge the conditions noted above give rise to a material uncertainty around the going concern of the Group.

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.

Principal risks and uncertainties

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.

Strategic Report (continued)

Finance and Operating Review (continued)

Section 172 Report (continued)

The directors have regard (among other matters) to the following:

(a) the likely consequences of any decision in the long term;
(b) the interests of the company's employees;
(c) the need to foster the company's business relationships with suppliers, customers and others;
(d) the impact of the company's operations on the community and the environment;
(e) the desirability of the company maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly as between members of the company.

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.

The Directors are acutely aware that the recent performance of the Group has been unsatisfactory with a number of loss-making years. The Group has faced the challenges of the global Covid-19 pandemic and the consequences of the Russian armed aggression in the Ukraine. Both situations severely affected consumer confidence which has now been further impacted by high inflation and increased interest rates. Margins are low at the commodity end of the market and it is clear that the market as a whole would benefit from some degree of consolidation. The previous strategy of the Group had been to grow Hemmers' retail subsidiary KMR, which was expected to generate profit in its own right, provide pull-through profit for Hemmers and provide a platform for the Hemmers product ranges. Recent events have impacted this strategy and following an independent review, Hemmers management decided to place KMR into insolvency, which was accepted by the German courts on 7 October 2022. The insolvency administrator took full control of KMR on 1 January 2023 and KMR ceased to be a subsidiary of Hemmers at that date. The Group now comprises of one trading subsidiary, Hemmers, and its management are committed to return Hemmers back to profitability. Hemmers management will continue to assess the cost base to make sure it aligns with the reduced sales levels and look to make efficiencies wherever they can to ensure Hemmers is as competitive as it can be in the marketplace. The Directors will continue to look at all options available to the Group to maximise shareholder value.

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 Nordhorn, Germany. 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.

The strategic report was approved by the Board of Directors on 23 October 2023 and signed on its behalf by:

Jan G Holmström
Non-Executive Chairman

Board of Directors

Jan G Holmstrom (Non-Executive Chairman)

Jan has worked in the financial services sector during his entire career and has a wealth of experience working internationally e.g., in the UK, Hong Kong and Sweden. Jan is Non-Executive Chairman of Johnson and Starley Limited, Combat Heating Solutions Limited, 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.

Johan Claesson (Non-Executive Director)

Johan has been a major shareholder in Leeds Group since 1999, and has extensive business interests, both private and in the public arena. Johan is 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)

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 2020.

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
23 October 2023

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 2020. 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's main activity is as a textiles business which designs, sources, and sells fabric. It sources mainly from the Far East and sells mainly to the European market. To service these markets, the Group has invested significantly in recent years in warehousing and distribution facilities and in double folding plant and machinery to provide a complete, rapid response, in-house service. The Board continues to look at all available options to 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 announcements 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 held in Germany or via the internet and will involve Hemmers management for discussions on the performance of that subsidiary.

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 one meeting 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.

Corporate Governance Report (continued)

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 2022/23, there were nine internet Board meetings and one other Board meetings which were attended by all Directors. There were two further internet Board Meeting where all Directors did not attend. In 2022/23 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.

Corporate Governance Report (continued)

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.

Corporate Governance Report (continued)

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.

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
23 October 2023

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 May 2023.

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.

Results and dividend
The consolidated statement of comprehensive income for the year is set out on page 28.

Given the results of the financial year, the Directors do not recommend the payment of a dividend in 2023 *(2022: £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. Mr Jörg Hemmers resigned as a director effective 1 January 2023.

The Director retiring by rotation is Mr David Cooper who, being eligible, offers himself 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	-	-	-	-
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 23 October 2023.

Substantial shareholdings
The following shareholders held interests of 3% or more of the issued share capital of the Company as at 23 October 2023:

	% of issued share capital
Mr Johan Claesson and associates	29.20
Mr Peter Gyllenhammar and associates	25.04
Sunningdale Investments Ltd	10.49

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 2023 and 31 May 2022.

Leeds Group plc Ordinary shares of 12 pence each
The market value of Leeds Group shares between 1 June 2022 and 31 May 2023 ranged between 9.5p and 16p. The average market value for the year was 14p, and as at 31 May 2023 the market value was 12.5p *(31 May 2022: 16p)*.

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 Directors are committed to return its only subsidiary, Hemmers back to profitability but they will also continue to look at all options available to the Group to maximise shareholder value.

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 financing facilities available to the Group and the circumstances in which these could be limited or withdrawn.

Financial performance and forecasts
Forecasts have been prepared for the 24-month period to May 2025 which indicate a return to modest profit over that period. The Company has sensitised these forecasts for a reduction in revenues for Hemmers and the banking facilities remain adequate. The Directors are of the opinion that this is a reasonable worst case, and the currently available facilities would be sufficient in this scenario.

For purposes of the going concern assessment, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The key assumptions include (i) No significant deterioration in general market conditions; (ii) No significant customer loss; (iii) No significant increase in raw material prices (iii) Continued support of lenders. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers. Management continually monitors the Group's cash balances and forecasts cash flows, including stress testing in respect of the timing of those cash flows.

Directors' Report (continued)

Going Concern (continued)

Financing facilities
The operating business of the Group, Hemmers is 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 21. 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 2023, this resulted in average availability of €8.4m *(2022: €7.7m*) with a range of €7.2m to €10.0m (*2022: €6.5m to €8.8m)* and minimum headroom of €1.0m *(2022: €3.2m)* in the year. In the forecast period to 31 May 2025, the estimated availability range is €7m to €8.8m and the minimum headroom €0.3m. The covenants on this facility are an equity ratio which must exceed 50% of gross assets at the financial year end and profit for the previous six months to exceed €121,000. At 31 May 2023, the ratio was 52% and the previous six months profit was €347,000. The facility is committed until 31 May 2024.
- A further working capital facility of €1m secured on working capital which was fully drawn at the year end. The facilities are uncommitted, but the bank is obliged to give reasonable notice of any change.
- A €3m Parent Company loan which is currently subordinated to the working capital facility.

The Directors consider there will be sufficient headroom available in the Hemmers working capital facility and, therefore, the Directors are of the opinion that it is appropriate to apply the going concern basis of preparation to the financial statements.

However, the Directors acknowledge that the volatile global situation could have an impact on the future trading result of Hemmers and in turn could affect the ability of the Group to meet its forecasts and therefore comply with banking covenants in downside scenarios. In addition, the Group has borrowing facilities which are due for renewal within one year of the date of approval of these financial statements, which the Group relies on to operate as a going concern. The Directors will look to renew the existing facilities when they are due for renewal, although acknowledge the conditions noted above give rise to a material uncertainty around the going concern of the Group.

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 and Parent Company financial statements in accordance with UK adopted International Financial Reporting Standards ('UK adopted IFRS') and in accordance with 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 properly prepared in accordance with UK adopted International Financial Reporting Standards in conformity with the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements, including FRS101 Reduced Disclosure Framework: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report (continued)

Directors' responsibilities (continued)
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

In accordance with Section 489 of the Companies Act 2006, Resolution 3 is to be proposed at the forthcoming Annual General Meeting for the re-appointment of MHA as auditors of the Company following their appointment during the year by the Directors, 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.

The Directors' report was approved by the Board on 23 October 2023 and signed on its behalf by:

D Henderson

Dawn Henderson
Company Secretary

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

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

For the purpose of this report, the terms “we” and “our” denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Leeds Group plc. For the purposes of the table on pages 23 to 24 that sets out the key audit matters and how our audit addressed the key audit matters, the terms “we” and “our” refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Leeds Group plc and its subsidiaries (the “Group”). The “Parent Company” is defined as Leeds Group plc, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 (“Companies Act 2006”).

Qualified opinion
We have audited the financial statements of Leeds Group plc for the year ended 31 May 2023.

The financial statements that we have audited comprise:

- the Consolidated Statement of Comprehensive Income
- the Consolidated Statement of Financial Position
- the Consolidated Cash Flow Statement
- the Consolidated Statement of Changes in Equity
- Notes 32 to 56 to the consolidated financial statements, including significant accounting policies
- the Company Statement of Financial Position
- the Company Statement of Changes in Equity and
- Notes 59 to 61 to the Company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Financial Reporting Standards (“UK adopted IFRS”).The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis of qualified opinion section of our report:

- 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 2023 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with applicable law and United Kingdom adopted International Financial Reporting Standards (UK adopted IFRS);
- 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.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for qualified opinion
KMR Financial Information
As disclosed in Note 7, KMR, one of the Group’s subsidiaries was placed into insolvency by management. Full control passed to the insolvency administrator on 1 January 2023 and therefore the financial results from KMR are consolidated up until 31 December 2022 as part of the Group Annual Report.

Once the insolvency administrator took control of KMR, they were the only party who had access to the entity’s accounting records for the period from 1 June 2022 to 31 December 2022. As part of our audit, we were unable to obtain any audit evidence for the period that KMR was under the Group’s control. Consequently, in respect of discontinued operations we were unable to determine whether any adjustments to the Consolidated Statement of Comprehensive Income and Consolidated Cash Flow were necessary.

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

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

Material uncertainty relating to going concern
We draw your attention to note 2 in the financial statements which states that the Group and Parent Company incurred substantial losses during the year and that the Group and Parent Company’s operational existence is dependent on the continued support from the Group’s bank facilities and the eventual return to profitability.

The impact of this together with other matters set out in the note, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter. 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. Our evaluation of the Directors’ assessment of the Group and Parent Company’s ability to continue to adopt the going concern basis of accounting included:

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

- The consideration of inherent risks to the Group’s operations and specifically its business model.
- The evaluation of how those risks might impact on the Group’s available financial resources.
- Review of the mathematical accuracy of the cashflow forecast model prepared by management and corroboration of key data inputs to supporting documentation for consistency of assumptions used with our knowledge obtained during the audit.
- Challenging management for reasonableness of assumptions in respect of the timing and quantum of cash receipts and payments included in the cash flow model.
- Holding discussions with management regarding future financing plans, corroborating these where necessary and assessing the impact on the cash flow forecast.
- Review of the Group’s external debt exposure to determine if any future repayments have been included within the Group’s cash flow projections.
- Holding discussions with management and completing reviews of any events after the reporting period to identify if these may impact on the Group’s ability to continue as a going concern.

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

Overview of our audit approach

Scope	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. At the beginning of reporting period 31 May 2023, the Group consisted of 4 components: Leeds Group plc (standalone parent), Hemmers-Itex Textil Import Export GmbH (Hemmers), Stoff-Ideen KMR GmbH (KMR) and Leeds Properties GmbH. Two of the Group’s entities, KMR (liquidated) and Leeds Properties GmbH (dormant), were disposed during the year. For KMR we had intended to complete specified audit procedures for the period up until 31 December 2022 (the date of disposal), although due to difficulties obtaining information from the insolvency administrator, this was not possible. We therefore determined that the two remaining entities in the Group, being Leeds Group plc (standalone parent) and Hemmers are both significant components of the Group. The significant components were subject to full scope audits for the purposes of our audit report on the Group financial statements. Material subsidiaries were determined based on: 1) financial significance of the component to the Group as a whole, and 2) assessment of the risk of material misstatements applicable to each component. Our audit scope results in all major operations of the Group being subject to audit work.

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

Overview of our audit approach (continued)

Materiality	2023	2022	
Group	£278,000	£147,900	1.0% (2022: 0.5%) of total revenue
Parent Company	£41,900	£30,900	0.5% (2022: 0.5%) of gross assets

Key audit matters	
Recurring	• Inventory valuation

Key audit matters

In addition to the matter described in the basis for qualified opinion section, 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. These matters included those matters 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 basis for qualified opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Inventory Valuation	
Key audit matter description	The inventory held by the Group is a key and material area to the financial statements and accounts for a large amount of the Group's current assets. Due to the nature of the Group's operations and the reported stock error in the year, the inventory balance is inherently linked to both the purchases and the sales cycles. Typically, items of inventory can be held for significant periods of time before eventually being sold. Therefore, there is the risk that various items of inventory may be held at an amount which is above its net realisable value.
How the scope of our audit responded to the key audit matter	Our audit work included, but was not restricted to the following: • Attending the year-end inventory counts on multiple sites including sample testing of inventory items recorded on inventory count sheets to physical inventory located in the warehouses and vice versa. • Performing a reconciliation between the inventory report and the balance sheet amount including discussions with management regarding any discrepancies. • Reviewing the inventory listing, as well as the inventory physically present in the warehouses for any slow-moving or obsolete inventory items which requires writing off or providing for. • Performing substantive testing for a sample of inventory items held at the year end to the original purchase invoice and to related post year-end sales to ensure inventory is held at the lower of cost and net realisable value in the accounts. • Reviewing managements provision calculation to ensure that the calculations have been prepared with the requirements of the applicable accounting standards and are mathematically correct. • Obtaining an understanding of management's policy and methodology in calculating the stock provision. • Performing a review of the Group's accounting policies, to confirm that these conform with the requirements of IFRS.

Key audit matters (continued)

Key observations	During the year an inventory error was identified by management which was the result of a software issue. The issue arose as discrepancies identified in the stock count were not correctly reconciled on the system. This error has since been adjusted for by management. Except for the above, no issues were identified from the procedures performed over inventory valuation.

Our application of materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. 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. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Parent Company financial statements**
Overall materiality	£278,000 *(2022: £147,900)*	£41,900 *(2022: £30,900)*
How we determined it	1.0% of total *revenue (2022: 0.5% of total revenue)*	0.5% of gross assets *(2022: 0.5% of gross assets)*
Performance materiality	£193,000 *(2022: 103,500)*	£29,330 *(2022: £21,600)*
How we determined it	70% of overall materiality *(2022: 70%)*	70% of overall materiality *(2022: 70%)*
Rationale for the benchmark applied	Total revenue is the key measure considered by the users of the Group's financial statements. Moreover, on an industry wide level within the consumer market, this materiality benchmark is consistent across other similar listed entities. Therefore, we consider this to be the most appropriate benchmark for Group materiality.	The Parent Company is largely a holding company incurring limited costs and therefore gross assets has been considered the most appropriate benchmark for materiality.

Overview of the scope of the Group and Parent Company audits
Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

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

Overview of the scope of the Group and Parent Company audits (continued)
At the beginning of the financial year ending 31 May 2023, the Group consisted of 4 components, which are based in both the UK and Germany. The scope for these entities is presented in the table below.

During the year, two of the companies were liquidated and we therefore determined that we needed to perform specified and analytical procedures on those entities to gain sufficient coverage.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Gross assets	Loss before tax
Full scope audit	2	88%	100%	91%
Audit of specified balances, transaction classes or disclosures	0	0%	0%	0%
Analytical Procedures	1	0%	0%	0%
KMR – See basis for qualified opinion	1	12%	0%	9%
Total	4	100%	100%	100%

The control environment
We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle.

Climate-related risks
In planning our audit and gaining an understanding of the Group and Parent Company, we considered the potential impact of climate-related risks on the business and its financial statements.

We have agreed with managements' assessment that climate-related risks are not material to these financial statements.

Reporting on other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to obtain any audit evidence for the period that KMR was under the Group's control. Consequently, we were unable to determine whether any adjustments to the results were necessary for the same reason.

Strategic report and directors' report
Except for the possible effects of the matter described in the basis for qualified opinion section. 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.

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Matters on which we are required to report by exception
Arising solely from the limitation on the scope of the work relating to KMR, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- returns adequate for our audit have not been received by 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.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered 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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud
The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's, including the Parent Company's, own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Group focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Group.

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

Identifying and assessing potential risks arising from irregularities, including fraud (continued)

- We enquired of the directors and management concerning the Group's and the Parent Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in any accounting.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Group's and the Parent Company's board and audit committee meetings, inspection of legal documents and list of cases where applicable;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - Holding discussions with management to ascertain any ongoing claims or issues during the year as well as a review of legal and professional expense codes.
  - Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias.
  - Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.
  - Challenging assumptions and judgements made by management in their significant accounting estimates.
- the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

Andrew Moyser FCA FCCA (Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
London, United Kingdom
23 October 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2023

	Note	**Year ended 31 May 2023**			Year ended 31 May 2022		
		Discontinued £000	**Continuing £000**	**Total £000**	Discontinued £000	Continuing £000	Total £000
Revenue	8	**3,527**	**24,290**	**27,817**	5,592	23,998	29,590
Cost of sales		**(3,249)**	**(19,134)**	**(22,383)**	(4,551)	(19,570)	(24,121)
Gross profit		**278**	**5,156**	**5,434**	1,041	4,428	5,469
Distribution costs		**(690)**	**(1,513)**	**(2,203)**	(1,082)	(1,401)	(2,483)
Impairment of assets	5	**-**	**-**	**-**	(1,662)	-	(1,662)
Gain on discontinued operations	7	**138**	**-**	**138**	-	-	-
Administrative costs		**225**	**(4,274)**	**(4,049)**	(606)	(3,855)	(4,461)
Total administrative costs		**363**	**(4,274)**	**(3,911)**	(2,268)	(3,855)	(6,123)
Other income	5	**17**	**154**	**171**	32	115	147
Loss from operations	5	**(32)**	**(477)**	**(509)**	(2,277)	(713)	(2,990)
Finance expense	9	**(47)**	**(337)**	**(384)**	(93)	(162)	(255)
Loss before tax		**(79)**	**(814)**	**(893)**	(2,370)	(875)	(3,245)
Tax credit/(charge)	10	**-**	**53**	**53**	-	(4)	(4)
Loss for the year attributable to the equity holders of the Parent Company		**(79)**	**(761)**	**(840)**	(2,370)	(879)	(3,249)
Other comprehensive profit/(loss)							
Translation differences on foreign operations		**15**	**87**	**102**	(22)	(113)	(135)
Total comprehensive loss for the year attributable to the equity holders of the Parent Company		**(64)**	**(674)**	**(738)**	(2,392)	(992)	(3,384)

There is no tax effect relating to other comprehensive income/(loss) for the year. Amounts included in other comprehensive income/(loss) may be reclassified subsequently as profit or loss.

Loss per share attributable to the equity holders of the Company

	Note	**Year ended 31 May 2023**	Year ended 31 May 2022
Basic and diluted total loss per share (pence)	11	**3.1p**	11.9p

The notes on pages 32 to 56 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 May 2023

Company number 00067863	Note	31 May 2023 £000	31 May 2022 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**6,487**	7,335
Right-of-use assets	14	**207**	170
Intangible assets	15	**46**	52
Total non-current assets		**6,740**	7,557
Current assets			
Inventories	17	**8,218**	11,994
Trade and other receivables	18	**3,199**	2,864
Tax recoverable		**-**	13
Cash on demand or on short term deposit	19	**234**	471
Total current assets		**11,651**	15,342
Total assets		**18,391**	22,899
Liabilities			
Non-current liabilities			
Loans and borrowings	21	**(544)**	(836)
Lease liabilities	22	**(112)**	(1,165)
Total non-current liabilities		**(656)**	(2,001)
Current liabilities			
Trade and other payables	20	**(1,353)**	(3,065)
Loans and borrowings	21	**(5,502)**	(5,671)
Lease liabilities	22	**(97)**	(885)
Provisions	24	**(344)**	(100)
Total current liabilities		**(7,296)**	(9,721)
Total liabilities		**(7,952)**	(11,722)
TOTAL NET ASSETS		**10,439**	11,177
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**3,279**	3,279
Capital redemption reserve	25	**1,113**	1,113
Foreign exchange reserve		**2,152**	2,050
Retained earnings		**3,895**	4,735
TOTAL EQUITY		**10,439**	11,177

The financial statements on pages 28 to 31 were approved and authorised for issue by the Board of Directors on 23 October 2023 and were signed on behalf of the Board by: -

Jan Holmstrom

Jan G Holmstrom
Non-Executive Chairman

The notes on pages 32 to 56 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 May 2023

	Note	**Year ended 31 May 2023 £000**	Year ended 31 May 2022 £000
Cash flows from operating activities			
Loss for the year		**(840)**	(3,249)
Adjustments for:			
Government assistance credit	5	**(59)**	(119)
Depreciation of property, plant and equipment	13	**608**	735
Impairment of property, plant and equipment	13	**-**	42
Depreciation of right-of-use assets	14	**103**	827
Impairment of right-of-use assets	14	**-**	1,620
Amortisation of intangible assets	15	**6**	5
Finance expense – interest on bank loans	9	**347**	179
Finance expense – interest lease liabilities	9	**37**	76
Gain on sale of property, plant and equipment	5	**(142)**	-
Loss on sale of right-of-use assets	5	**3**	-
Gain on discontinued operations	7	**(138)**	-
Tax (credit)/charge	10	**(53)**	4
Cash from operating activities before changes in working capital and provisions		**(128)**	120
Decrease/(increase) in inventories	17	**2,744**	(1,818)
(Increase) in trade and other receivables	18	**(404)**	(43)
(Decrease)/increase in trade and other payables	20	**(101)**	722
Cash generated from/(used in) operating activities		**2,111**	(1,019)
Tax (paid)/received		**(32)**	114
Net cash flows generated from/(used in) operating activities		**2,079**	(905)
Investing activities			
Purchase of property, plant and equipment	13	**(51)**	(447)
Proceeds from the sale of fixed assets		**521**	-
Net cash generated from/(used in) investing activities		**470**	(447)
Financing activities			
Bank borrowings drawn	21	**-**	2,835
Bank borrowing disposed of	7	**868**	-
Bank borrowings repaid	21	**(539)**	(708)
Repayment of principal on lease liabilities	22	**(661)**	(983)
Repayment of interest on lease liabilities	22	**(37)**	(76)
Bank interest paid	9	**(347)**	(179)
Government assistance received	5	**59**	119
Net cash (used in)/generated from financing activities		**(657)**	1,008
Net increase/(decrease) in cash and cash equivalents		**1,892**	(344)
Translation loss on cash and cash equivalents		**(3)**	(2)
Cash and cash equivalents at the beginning of the year		**126**	472
Cash and cash equivalents disposed of	7	**(1,781)**	-
Cash and cash equivalents at the end of the year	19	**234**	126
Cash on demand or on short term deposit	19	**234**	471
Bank overdrafts	20	**-**	(345)
Cash and cash equivalents at the end of the year		**234**	126

The notes on pages 32 to 56 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 May 2023

	Share capital £000	Capital redemption reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total equity £000
At 31 May 2021	3,279	1,113	**2,185**	**7,984**	**14,561**
Loss for the year	-	-	-	(3,249)	**(3,249)**
Other comprehensive loss	-	-	(135)	-	**(135)**
Total comprehensive loss	-	-	(135)	(3,249)	**(3,384)**
At 31 May 2022	**3,279**	**1,113**	**2,050**	**4,735**	**11,177**
Loss for the year	-	-	-	(840)	**(840)**
Other comprehensive income	-	-	102	-	**102**
Total comprehensive income/(loss)	-	-	102	(840)	**(738)**
At 31 May 2023	**3,279**	**1,113**	**2,152**	**3,895**	**10,439**

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 32 to 56 form part of these financial statements.

Notes
forming part of the financial statements for the year ended 31 May 2023

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.

The subsidiaries of the Group are set out on page 1 Group Information, the Directors Report and note 16.

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.

The Group financial statements have been properly prepared in accordance with UK adopted International Financial Reporting Standards (UK adopted IFRS) and in accordance 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 consolidated statement of comprehensive income. 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 2023, 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 financing facilities available to the Group and the circumstances in which these could be limited or withdrawn.

Financial performance and forecasts
Forecasts have been prepared for the 24-month period to May 2025 which indicate a return to modest profit over that period. The Company has sensitised these forecasts for a reduction in revenues for Hemmers and the banking facilities remain adequate. The Directors are of the opinion that this is a reasonable worst case, and the currently available facilities would be sufficient in this scenario.

2 Accounting policies (continued)

Going Concern (continued)

Financial performance and forecasts (continued)
For purposes of the going concern assessment, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The key assumptions include (i) No significant deterioration in general market conditions; (ii) No significant customer loss; (iii) No significant increase in raw material prices (iii) Continued support of lenders. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers. Management continually monitors the Group's cash balances and forecasts cash flows, including stress testing in respect of the timing of those cash flows.

Financing facilities
The operating business of the Group is Hemmers which is 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 21. 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 2023, this resulted in average availability of €8.4m *(2022: €7.7m*) with a range of €7.2m to €10.0m (*2022: €6.5m to €8.8m)* and minimum headroom of €1.0m *(2022: €3.2m)* in the year. In the forecast period to 31 May 2025, the estimated availability range is €7m to €8.8m and the minimum headroom €0.3m. The covenants on this facility are an equity ratio which must exceed 50% of gross assets at the financial year end and profit for the previous six months to exceed €121,000. At 31 May 2023, the ratio was 52% and the previous six months profit was €347,000. The facility is committed until 31 May 2024.
- A further working capital facility of €1m secured on working capital which was fully drawn at the year end. The facilities are uncommitted, but the bank is obliged to give reasonable notice of any change.
- A €3m Parent Company loan which is currently subordinated to the working capital facility.

The Directors consider there will be sufficient headroom available in the Hemmers working capital facility and, therefore, the Directors are of the opinion that it is appropriate to apply the going concern basis of preparation to the financial statements.

However, the Directors acknowledge that the volatile global situation could have an impact on the future trading result of Hemmers and in turn could affect the ability of the Group to meet its forecasts and therefore comply with banking covenants in downside scenarios. In addition, the Group has borrowing facilities which are due for renewal within one year of the date of approval of these financial statements, which the Group relies on to operate as a going concern. The Directors will look to renew the existing facilities when they are due for renewal, although acknowledge the conditions noted above give rise to a material uncertainty around the going concern of the Group.

Changes in accounting policies
The following standards will be effective for financial years beginning on or after 1 January 2023.

- **Amendments to IFRS 17 Insurance Contracts** *(issued in December 2021)*
  The amendments added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

2 Accounting policies (continued)

Changes in accounting policies (continued)

- **Amendments to IAS 1 Presentation of Financial Statements**
  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**
  The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- **Amendments to IAS 12 Income Taxes**
  The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.
- **Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures**
  The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture.

The Group does not expect these amendments will have a material impact on its financial statements.

The following standards will be effective for financial years beginning on or after 1 January 2024.

- **Amendments to IFRS 16 Finance leases**
  The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.
- **Amendments to IAS 1 Non-current liabilities with covenants**
  The amendments will provide additional information about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement (liabilities with covenants).

The Group does not expect these amendments will have a material impact on its financial statements.

2 Accounting policies (continued)

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. Revenue 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 8. There are no material concentrations of revenue by customers.

Dividends

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

Segmental reporting

The Board considers that the Group's business comprised 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.

Government grants

The Group was eligible for two types of grants provided by the German government in response to the global Covid-19 pandemic. One related to income provided to support the payroll of the employees in both Hemmers and KMR. The other related 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.

Goodwill

Goodwill arising on 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 consolidated statement of comprehensive income 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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate. Any gain or loss on disposal of property, plant and equipment is recognised in the consolidated statement of comprehensive income.

2 Accounting policies (continued)

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 consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income.

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

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.

Discontinued operation
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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

Taxation comprises current and deferred tax. It is recognized in profit or loss except to the extent it relates to a business combination or items directly in equity or other comprehensive income (IAS12:58).

Employee 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 scheme 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.

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 consolidated statement of comprehensive income 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.

2 Accounting policies (continued)

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.

Financial asset
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.

2 Accounting policies (continued)

Provisions

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

Impairment of Property, Plant and Equipment

The Company reviews its property, plant and equipment as at each reporting date for indicators of impairment. Given that Hemmers has incurred a loss in the current and previous financial year, management have undertaken an impairment assessment using their judgement and do not deem that an impairment is required.

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 17. A 1% increase in the inventory provision would equate to approx. £89,000.

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.

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 2022 or 2023. All other financial assets and financial liabilities are measured at amortised cost.

4 Financial instruments - risk management (continued)

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.

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 23 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.

4 Financial instruments - risk management (continued)

(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 £830,000 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 £844,000 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.

5 Operating loss

Operating loss is stated after charging:	**Year ended 31 May 2023 £000**	Year ended 31 May 2022 £000
Auditor's fees		
Statutory audit services		
- Audit of the Parent Company and the consolidated accounts	**88**	75
- Audit of subsidiary companies	**64**	52
Non-audit related services	**5**	4
Total auditor's fees	**157**	131
Staff costs	**5,954**	6,984
Depreciation		
- Property, plant and equipment	**608**	735
- Right-of-use assets	**103**	827
Impairment		
- Property, plant and equipment	**-**	42
- Right-of-use assets	**-**	1,620
Amortisation of trademarks	**6**	5
Gain/(loss) on disposal of		
- Property, plant and equipment	**142**	-
- Right-of-use assets	**(3)**	-
Other income:		
Government grants relating to Covid-19 pandemic:		
Grant received as compensation for reduced trading	**59**	119
Other income	**112**	28
Total other income	**171**	147

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
2023	**6**	**108**	**44**	**35**	**193**
2022	7	189	51	39	286

Staff costs, including Directors, comprise	Year ended 31 May 2023 £000	Year ended 31 May 2022 £000
Wages, salaries and Directors' fees	**5,033**	5,824
Defined contribution pension cost	**2**	1
Employer's national insurance contributions and similar taxes	**919**	1,159
Total staff costs	**5,954**	6,984

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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the subsidiary companies and the Group. The remuneration of key personnel are as follows:

	Year ended 31 May 2023 £000	Year ended 31 May 2022 £000
Salary and fees	**644**	629
Employer's national insurance contributions and similar taxes	**49**	52
Total remuneration of key management personnel	**693**	681

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. Jörg Hemmers resigned as a director of the Company effective 1 January 2023. The fees relating to Johan Claesson and Jan Holmstrom are paid, respectively, to Johan & Marianne Claesson and Somerset AB who invoice the Company for the services of these Directors. Directors' remuneration is as follows:

	Salary & Fees £000	Taxes £000	Year ended 31 May 2023 £000	Salary & Fees £000	Taxes £000	Year ended 31 May 2022 £000
Executive director						
Jörg Hemmers to 1 January 2023	**134**	**8**	**142**	216	14	230
Non - executive Directors						
Johan Claesson	**15**	**-**	**15**	15	-	15
David Cooper	**15**	**-**	**15**	15	-	15
Jan G Holmstrom	**25**	**-**	**25**	25	-	25
	189	**8**	**197**	271	14	285

Outstanding share options granted to employees or Directors at 31 May 2023 were nil *(2022: nil).*

7 Discontinued operations

On 7 October 2022, the German Courts accepted Hemmers' management decision to place its subsidiary KMR into an insolvency process. The insolvency process is ongoing although full control passed to the insolvency administrator on 1 January 2023 and at that point KMR ceased to be a subsidiary within the Group. The gain has arisen due to the assets being transferred to the insolvency administrator and any IFRS adjustments reversed. There was no tax impact on the gain which arose on transfer.

	KMR balance sheet at insolvency date £000	IFRS adj £000	**Total £000**
Fixed assets	(136)	133	**(3)**
Current assets less current liabilities	254	(213)	**41**
Finance lease liability	-	1,360	**1,360**
Provision	-	(347)	**(347)**
	118	933	**1,051**
Cash	(1,781)	-	**(1,781)**
Loan	868	-	**868**
Net cash effect	(913)	-	**(913)**
(Loss)/gain on transfer	**(795)**	**933**	**138**

8 Segmental information

The Group's trading businesses during the year were 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 was also incorporated in Germany and was a retailer of fabric and haberdashery, operating leased shops in various German cities until its insolvency on 7 October 2022 and is regarded as a discontinued operation in these financial statements. 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.

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

Year ended 31 May 2023	Discontinued operations	Continuing operations			**Total**
	KMR £000	Hemmers £000	Inter segmental £000	Parent Company £000	**Group £000**
External revenue	3,527	24,290	-	-	**27,817**
Inter-segmental revenue	3	416	(419)	-	-
Cost of sales	(3,252)	(19,550)	419	-	**(22,383)**
Gross profit	**278**	**5,156**	**-**	-	**5,434**
Distribution costs	(690)	(1,513)	-	-	**(2,203)**
Admin expenses	363	(4,171)	127	(229)	**(3,911)**
Other income	17	280	(127)	-	**171**
Operating loss	**(32)**	**(248)**	**-**	**(229)**	**(509)**
Finance expense	(47)	(337)	-	-	**(384)**
Internal interest	-	(208)	-	208	-
Loss before tax	**(79)**	**(793)**	**-**	**(21)**	**(893)**

8 Segmental information (continued)

At 31 May 2023	Discontinued operations KMR £000	Continuing operations Hemmers £000	Adj £000	Parent Company £000	Total Group £000
Total assets	-	15,572	-	2,819	**18,391**
Total liabilities	-	(7,852)	-	(100)	**(7,952)**
Total net assets	**-**	**7,720**	**-**	**2,719**	**10,439**

Year ended 31 May 2022	Discontinued operations KMR £000	Continuing operations Hemmers £000	Inter segmental £000	Parent Company £000	Total Group £000
External revenue	5,592	23,998	-	-	**29,590**
Inter-segmental revenue	-	1,069	(1,069)	-	-
Cost of sales	(4,551)	(20,627)	1,057	-	**(24,121)**
Gross profit/(loss)	**1,041**	**4,440**	**(12)**	-	**5,469**
Distribution costs	(1,082)	(1,401)	-	-	**(2,483)**
Admin expenses	(2,268)	(3,763)	194	(286)	**(6,123)**
Other income	32	309	(194)	-	**147**
Operating loss	**(2,277)**	**(415)**	**(12)**	**(286)**	**(2,990)**
Finance expense	(93)	(162)	-	-	**(255)**
Internal interest	-	(204)	-	204	-
Loss before tax	**(2,370)**	**(781)**	**(12)**	**(82)**	**(3,245)**

At 31 May 2022	Discontinued operations KMR £000	Continuing operations Hemmers £000	Adj £000	Parent Company £000	Total Group £000
Total assets	2,819	17,392	(123)	2,811	**22,899**
Total liabilities	(3,540)	(8,091)	-	(91)	**(11,722)**
Total net (liabilities)/assets	**(721)**	**9,301**	**(123)**	**2,720**	**11,177**

8 Segmental information (continued)

Disaggregation of revenue is shown by destination as follows:

	31 May 2023			31 May 2022		
	Discontinued operations £000	**Continuing operations £000**	**Total Group £000**	Discontinued operations £000	Continuing operations £000	Total Group £000
Germany	**3,527**	**13,935**	**17,462**	5,592	13,754	19,346
France	**-**	**1,130**	**1,130**	-	891	891
Austria	**-**	**1,128**	**1,128**	-	917	917
Holland	**-**	**1,052**	**1,052**	-	1,227	1,227
Rest of EU	**-**	**4,206**	**4,206**	-	3,956	3,956
Total EU	**3,527**	**21,451**	**24,978**	5,592	20,745	26,337
Switzerland	**-**	**1,524**	**1,524**	-	1,524	1,524
UK	**-**	**750**	**750**	-	1,169	1,169
Rest of Europe	**-**	**416**	**416**	-	363	363
Total Europe	**3,527**	**24,141**	**27,668**	5,592	23,801	29,393
Oceania	**-**	**72**	**72**	-	46	46
North America	**-**	**62**	**62**	-	47	47
Asia	**-**	**15**	**15**	-	104	104
Total revenue	**3,527**	**24,290**	**27,817**	5,592	23,998	29,590

Non-current assets are all derived in Germany.

Other information:

	Year ended 31 May 2023			Year ended 31 May 2022		
	Hemmers £000	**KMR £000**	**Group £000**	Hemmers £000	KMR £000	Group £000
Additions						
Property, plant & equipment	**51**	**-**	**51**	447	-	447
Right-of-use assets	**142**	**-**	**142**	45	182	227
Depreciation						
Property, plant & equipment	**608**	**-**	**608**	689	46	735
Right-of-use assets	**103**	**-**	**103**	121	706	827
Impairment						
Property, plant & equipment	**-**	**-**	**-**	-	42	42
Right-of-use assets	**-**	**-**	**-**	-	1,620	1,620
Amortisation						
Intangible assets	**6**	**-**	**6**	5	-	5

9 Finance expense

	Year ended 31 May 2023 £000	Year ended 31 May 2022 £000
Finance expense		
Interest paid on lease liabilities	**37**	76
Interest paid on bank overdrafts and loans	**347**	179
Finance expense recognised in comprehensive income	**384**	255

10 Tax (credit)/charge

	Year ended 31 May 2023 £000	Year ended 31 May 2022 £000
Current tax (credit)/charge		
Tax of overseas operations on losses for the year	**(53)**	4
Adjustments for over provision in prior years	**-**	-
Total tax (credit)/charge	**(53)**	4

The Group has UK capital losses carried forward of £13m and unrelieved UK trading losses of £0.4m. 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.

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 2023 £000	Year ended 31 May 2022 £000
Loss before taxation from all operations	**(893)**	(3,245)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% *(2022:19%)*	**(170)**	(617)
Expenses not deductible for tax purposes	**459**	605
Income adjustments not subject to tax	**(346)**	-
Unrelieved losses	**4**	16
Total tax (credit)/charge	**(53)**	4

11 Loss per share and Net asset per share

Loss per share	**Year ended 31 May 2023** Discontinued operations	Continuing operations	Total Group
Numerator			
Total loss for the year	**£79,000**	**£761,000**	**£840,000**
Denominator			
Weighted average number of shares	**27,320,843**	**27,320,843**	**27,320,843**
Basic and diluted loss per share	**0.3p**	**2.8p**	**3.1p**

Loss per share	Year ended 31 May 2022 Discontinued Operations	Continuing operations	Total Group
Numerator			
Total loss for the year	£2,370,000	£879,000	£3,249,000
Denominator			
Weighted average number of shares	27,320,843	27,320,843	27,320,843
Basic and diluted loss per share	8.7p	3.2p	11.9p

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

11 Loss per share and Net asset per share (continued)

Net assets per share	**Year ended 31 May 2023**	Year ended 31 May 2022
Numerator		
Net assets	**£10,439,000**	£11,177,000
Denominator		
Number of shares	**27,320,843**	27,320,843
Net assets per share	**38.2p**	40.9p

12 Dividend

The Directors have not proposed a dividend in respect of the year ended 31 May 2023 or 31 May 2022.

13 Property, plant and equipment

	Freehold land and buildings £000	**Plant and equipment £000**	**Total £000**
Cost			
Balance at 31 May 2021	**8,081**	**4,130**	**12,211**
Additions	3	444	447
Disposals	(16)	(366)	(382)
Effect of movements in foreign exchange rates	(87)	(49)	(136)
Balance at 31 May 2022	**7,981**	**4,159**	**12,140**
Additions	3	48	51
Reclassification	(272)	272	-
Disposals	(420)	(833)	(1,253)
Effect of movements in foreign exchange rates	94	54	148
Balance at 31 May 2023	**7,386**	**3,700**	**11,086**
Accumulated depreciation			
Balance at 31 May 2021	**1,906**	**2,555**	**4,461**
Depreciation charge for the year	240	495	735
Impairment	-	42	42
Disposals	(16)	(366)	(382)
Effect of movements in foreign exchange rates	(20)	(31)	(51)
Balance at 31 May 2022	**2,110**	**2,695**	**4,805**
Depreciation charge for the year	225	383	608
Reclassification	(227)	227	-
Disposals	(38)	(833)	(871)
Effect of movements in foreign exchange rates	25	32	57
Balance at 31 May 2023	**2,095**	**2,504**	**4,599**
Net book amount			
At 31 May 2021	6,175	1,575	7,750
At 31 May 2022	5,871	1,464	7,335
At 31 May 2023	**5,291**	**1,196**	**6,487**

Any loans secured on these assets are set out on note 21.

Notes
forming part of the financial statements for the year ended 31 May 2023

14 Right-of-use assets

	Leasehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 31 May 2021	**4,167**	**457**	**4,624**
Additions	182	45	227
Modification	(34)	-	(34)
Disposals	-	(116)	(116)
Effect of movements in foreign exchange rates	(46)	(6)	(52)
Balance at 31 May 2022	**4,269**	**380**	**4,649**
Additions	-	142	142
Disposals	(4,358)	(200)	(4,558)
Effect of movements in foreign exchange rates	89	4	93
Balance at 31 May 2023	**-**	**326**	**326**
Accumulated depreciation			
Balance at 31 May 2021	**1,962**	**209**	**2,171**
Depreciation charge for the year	706	121	827
Impairment	1,620	-	1,620
Disposals	-	(116)	(116)
Effect of movements in foreign exchange rates	(19)	(4)	(23)
Balance at 31 May 2022	**4,269**	**210**	**4,479**
Depreciation charge for the year	-	103	103
Disposals	(4,358)	(197)	(4,555)
Effect of movements in foreign exchange rates	89	3	92
Balance at 31 May 2023	**-**	**119**	**119**
Net book amount			
At 31 May 2021	2,205	248	2,453
At 31 May 2022	-	170	170
At 31 May 2023	**-**	**207**	**207**

15 Intangible assets

	Trademarks £000
Balance at 31 May 2021	**58**
Amortisation	(5)
Effect of movements in foreign exchange rates	(1)
Balance at 31 May 2022	**52**
Amortisation	(6)
Effect of movements in foreign exchange rates	-
Balance at 31 May 2023	**46**

16 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
** KMR GmbH.	Germany	Retail trading – placed into insolvency and therefore discontinued during the year

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

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

17 Inventories

	31 May 2023 £000	31 May 2022 £000
Total gross value of goods and goods for resale	**8,908**	12,785
Less provision	**(690)**	(791)
Finished goods and goods for resale	**8,218**	11,994

The amount of inventories recognised as an expense during the year was £16,293,000 *(2022: £19,255,000).*

18 Trade and other receivables

	31 May 2023 £000	31 May 2022 £000
Trade receivables (note 23)	**2,424**	2,160
Other receivables	**608**	557
Prepayments	**167**	147
Total trade and other receivables	**3,199**	2,864

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. Trade receivables are stated net of a provision of £159,000 (2022: £39,000). See Note 23 for further details.

19 Cash on demand or on short term deposit

	31 May 2023 £000	31 May 2022 £000
Total cash on demand or on short term deposit	**234**	471

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.

20 Trade and other payables

	31 May 2023 £000	31 May 2022 £000
Bank overdrafts	**-**	345
Trade payables	**753**	1,823
Other tax and social security taxes	**38**	362
Accruals	**379**	398
Other payables	**183**	137
Total trade and other payables	**1,353**	3,065

All amounts are anticipated to be payable in the short term. The carrying values are considered to be a reasonable approximation of fair value.

21 Borrowings

The book value of loans and borrowings are as follows:

	31 May 2023 £000	31 May 2022 £000
Current		
Secured bank loans	**5,502**	5,671
Non - current		
Secured bank loans	**544**	836
Total loans and borrowings	**6,046**	6,507

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

Current loans and borrowings
At 31 May 2023 current loans and borrowings of £5,502,000 *(2022: £5,671,000)* comprise short term loans of £5,201,000 *(2022: £5,373,000)* and instalments due on long term loans detailed below of £301,000 *(2022: £298,000).* The interest rate on the short-term loans ranges from 1.5% to 3% *(2022: 1.25% to 3%)* and these loans are secured on working capital of Hemmers. The short-term loans are drawn down by Hemmers against short-term borrowing facilities of up to a maximum of £10.3m (€12m). At 31 May 2023, the total borrowing facility available totalled £7.1m (€8.2m) of which £5.2m (€6m) has been utilised including any overdrafts, therefore the headroom within the facility was £1.9m (€2.2m). Neither the Parent Company nor its subsidiary Hemmers have any other borrowing facilities. The bank borrowing facilities are reviewed annually every May and remain in place for Hemmers for the forthcoming year.

Non-current loans and borrowings
Non-current loans were drawn down in 2016 and 2017 to finance developments at the Hemmers warehouses in 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 2023 £000**	31 May 2022 £000
Loan 1	1.65%	Equal quarterly instalments	September 2025	**358**	590
Loan 2	1.05%	Equal quarterly instalments	March 2026	**186**	246
Non-current loans				**544**	836

21 Borrowings (continued)

The changes in liabilities arising from financing activities were:

	31 May 2023 **£000**	31 May 2022 £000
At the start of the year	**6,507**	4,424
Cash items		
Borrowings drawn	**-**	2,835
Borrowings repaid	**(539)**	(708)
Exchange	**78**	(44)
At the end of the year	**6,046**	6,507

The changes in lease liabilities are shown in note 22.

22 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 2022 financial statements included 17 retail store leases located in Germany and 18 motor vehicle leases, all of which were subject to fixed payments. During the year, 9 car leases were terminated and 8 new car leases were taken out. The shop leases liabilities as at 31 December 2022 were written off following the insolvency process of KMR.

The book value of lease liabilities are as follows:

	31 May 2023 **£000**	31 May 2022 £000
Current		
Secured lease liabilities	**97**	885
Non - current		
Secured lease liabilities	**112**	1,165
Total lease liabilities	**209**	2,050

The majority of the retail shops were leased over a 12-month period and have, therefore, been accounted for by recognising a right-of-use asset and a lease liability. All these leases have now been terminated as a result of the insolvency process of KMR.

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.

22 Lease liabilities (continued)

At 31 May 2023, the lease liabilities are shown as follows:

	31 May 2023 £000	31 May 2022 £000
Up to 1 year	**97**	885
Between 1 and 2 years	**81**	400
Between 2 and 5 years	**31**	610
Over 5 years	**-**	155
	209	2,050

The movement in the lease liability is as follows:

	Land and buildings £000	**Motor vehicles £000**	**Total £000**
At the start of the year	1,879	171	**2,050**
Right-of-use lease additions (note 14)	-	142	**142**
Interest expenses (note 9)	29	8	**37**
Lease payments	(585)	(113)	**(698)**
Leases written back (note 7)	(1,360)	-	**(1,360)**
Foreign exchange movements	37	1	**38**
At the end of the year	**-**	**209**	**209**

23 Financial instruments

The financial assets of the Group are categorised as follows:

At amortised cost	**31 May 2023 £000**	31 May 2022 £000
Trade receivables	**2,424**	2,160
Other receivables	**608**	557
Cash and cash equivalents	**234**	471
	3,266	3,188

The financial liabilities of the Group are categorised as follows:

At amortised cost	**31 May 2023 £000**	31 May 2022 £000
Bank overdrafts	**-**	345
Trade payables	**753**	1,823
Accruals	**379**	398
Other payables	**183**	137
Current bank borrowings	**5,502**	5,671
Non-current bank borrowings	**544**	836
Current lease liabilities	**97**	885
Non-current lease liabilities	**112**	1,165
	7,570	11,260

23 Financial instruments (continued)

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 2023 £000	31 May 2022 £000
Trade receivables	**2,424**	2,160

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.

At 31 May 2023 £519,000 (*2022: £366,000*) of the Group's trade receivables were past due. An expected loss provision of £159,000 (*2022: £139,000*) is held to mitigate the exposure to bad and doubtful debts. The ageing of the Group's trade receivables is as follows:

	31 May 2023 £000	31 May 2022 £000
Overdue up to 3 months	**410**	238
Overdue by 3 to 6 months	**3**	37
Overdue by 6 to 12 months	**-**	26
Overdue by more than 12 months	**106**	65
Total past due trade receivables	**519**	366
Total receivables not yet past due	**2,064**	1,933
Total gross receivables	**2,583**	2,299
Expected credit loss	**(159)**	(139)
Total trade receivables (note 18)	**2,424**	2,160

23 Financial instruments (continued)

Credit risk (continued)

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 2023	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	**Total £000**
Expected loss rate	0%	12%	100%	100%	100%	
Gross carrying amount	2,064	410	3	-	106	**2,583**
Loss provision	-	(50)	(3)	-	(106)	**(159)**
Net carrying value	**2,064**	**360**	**-**	**-**	**-**	**2,424**

As at 31 May 2022	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	**Total £000**
Expected loss rate	0%	5%	100%	100%	100%	
Gross carrying amount	1,933	238	37	26	65	**2,299**
Loss provision	-	(11)	(37)	(26)	(65)	**(139)**
Net carrying value	**1,933**	**227**	**-**	**-**	**-**	**2,160**

A large proportion of the debts are covered by debt insurance.

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

	31 May 2023 £000	31 May 2022 £000
Expected credit loss provision at start of period	**139**	106
Amount charged	**34**	36
Amount released	**-**	-
Amount utilised	**(15)**	(2)
Effect of movements in foreign exchange rates	**1**	(1)
Expected credit loss provision at end of period	**159**	139

23 Financial instruments (continued)

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

	31 May 2023 £000	31 May 2022 £000
Euro	**3,180**	2,832
US Dollar	**3**	16
Sterling	**16**	16
Total trade and other receivables	**3,199**	2,864

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

	31 May 2023 £000	31 May 2022 £000
Euro	**1,215**	1,882
US Dollar	**-**	386
Sterling	**100**	90
Total trade and other payables	**1,315**	2,358

All the Group's external loans are denominated in Euros.

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 2023 Amounts due in				As at 31 May 2022 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	**-**	**-**	-	**-**	345	-	-	345
Trade payables	**753**	**-**	-	**753**	1,823	-	-	1,823
Accruals	**379**	**-**	-	**379**	398	-	-	398
Other payables	**183**	**-**	-	**183**	137	-	-	137
Current bank borrowings	**5,502**	**-**	-	**5,502**	5,671	-	-	5,671
Non-current bank borrowings	**-**	**544**	-	**544**	-	836	-	836
Current lease liabilities	**97**	**-**	**-**	**97**	885	-	-	885
Non - current lease liabilities	**-**	**112**	**-**	**112**	-	1,010	155	1,165
Net carrying value	**6,914**	**656**	**-**	**7,570**	9,259	1,846	155	11,260

24 Provisions

	£000
Provision as at 31 May 2022	**100**
Amount released	**(100)**
Amount provided	**344**
Provision as at 31 May 2023	**344**

A provision was made in 2020 amounting to £100,000 for additional tax which may fall due following a prior year tax assessment in Germany. This has now been agreed and paid, and therefore, the provision has been released.

A provision has been made in 2023 amounting to £344,000 relating to a guarantee made by Hemmers to KSK Bank in relation to a loan due from KMR. The amount of £344,000 is still outstanding after monies paid to KSK by the insolvency administrator and may not be made from funds remaining in the insolvency.

25 Share capital

Issued and fully paid	**2023 Number**	**2023 £000**	2022 Number	2022 £000
At beginning of the period	**27,320,843**	**3,279**	31,600,000	3,792
Cancellation of treasury shares	**-**	**-**	(4,279,157)	(513)
At end of period	**27,320,843**	**3,279**	27,320,843	3,279

At 31 May 2023, no options over ordinary shares of the Company were outstanding *(2022: 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 which were held in treasury and then cancelled as follows:

	Number of shares	**Cost £000**
Shares held in treasury as at 31 May 2021	**4,279,157**	**807**
Shares cancelled in 2022	(4,279,157)	(807)
Shares held in treasury as at 31 May 2022 and 2023	**-**	**-**

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.

26 Commitments

At 31 May 2023, there were no capital commitments authorised and committed *(2022: £nil)*. There were no amounts authorised but not committed *(2022: £nil)*.

Company Statement of Financial Position at 31 May 2023
Prepared under FRS 101 "Reduced Disclosure Framework"

Company number 00067863

	Note	31 May 2023 £000	31 May 2022 £000
Assets			
Non-current assets			
Investments in subsidiary undertakings	4	**3,350**	3,370
Amounts receivable from subsidiary undertakings	5	**2,579**	2,550
Total non-current assets		**5,929**	5,920
Current assets			
Trade and other receivables	6	**16**	16
Cash at bank and in hand		**224**	245
		240	261
Liabilities			
Current liabilities			
Trade and other payables	7	**(100)**	(91)
Total current assets		**140**	170
TOTAL NET ASSETS		**6,069**	6,090
Capital and reserves			
Share capital	8	**3,279**	3,279
Capital redemption reserve		**1,113**	1,113
Retained earnings		**1,677**	1,698
TOTAL EQUITY		**6,069**	6,090

The loss of the Company for the year was £21,000 *(2022: loss £82,000).*

The financial statements on pages 57 to 58 were approved and authorised for issue by the Board of Directors on 23 October 2023 and were signed on behalf of the Board by: -

Jan Holmstrom

Jan G Holmstrom
Non-Executive Chairman

The notes on pages 59 to 61 form part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 May 2023

	Share capital £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 31 May 2021	3,279	1,113	1,780	**6,172**
Loss for the year	-	-	(82)	**(82)**
At 31 May 2022	**3,279**	**1,113**	**1,698**	**6,090**
Loss for the year	-	-	(21)	**(21)**
At 31 May 2023	**3,279**	**1,113**	**1,677**	**6,069**

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 statement of comprehensive income after deducting the cost of cancelled treasury shares.

The notes on pages 59 to 61 form part of these financial statements.

Notes

forming part of the financial statements of the Company for the year ended 31 May 2023

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 statement of comprehensive income. 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 statement of comprehensive income.

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 the statement of comprehensive income.

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 £21,000 *(2022: loss £82,000).*

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 *(2022: 4).*

Staff costs, including Directors, comprise	**Year ended 31 May 2023 £000**	Year ended 31 May 2022 £000
Wages and salaries	**91**	91
Defined contribution pension cost	**2**	1
Employer’s national insurance contributions and similar taxes	**-**	1
Total staff costs	**93**	93

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 2023 were nil *(2022: nil).*

4 Investments in subsidiary undertakings

	Cost and Carrying value £000
At 31 May 2022	3,370
Released on liquidation of subsidiary	(20)
At 31 May 2023	**3,350**

Details of subsidiary undertakings are given on the Group Information page 1 and in note 16 to the consolidated financial statements.

5 Amounts receivable from subsidiary undertakings

	31 May 2023 £000	31 May 2022 £000
Total amounts receivable from subsidiary undertakings	**2,579**	2,550

No impairment loss was recognised in the year in respect of amounts receivable from subsidiary undertakings. *(2022: £nil).* The amounts receivable from subsidiary undertaking relates to long term loans with details as follows:

	Fixed Interest Rate	Repayment Profile	31 May 2023 £000	31 May 2022 £000
Loan 1	8%	Repayable on demand	**2,579**	2,550

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 2023 £000	31 May 2022 £000
Total trade and other receivables	**16**	16

7 Trade and other payables

	31 May 2023 £000	31 May 2022 £000
Accruals and deferred income	**100**	91
Total trade and other payables	**100**	91

8 Share capital

Issued and fully paid	2023 Number	2023 £000	2022 Number	2022 £000
At beginning of the period	**27,320,843**	**3,279**	31,600,000	3,792
Cancellation of treasury shares	**-**	**-**	(4,279,157)	(513)
At end of period	**27,320,843**	**3,279**	27,320,843	3,279

At 31 May 2023, no options over ordinary shares of the Company were outstanding *(2022: £nil).*

Details of the purchases and cancellation of the shares held in treasury are disclosed in note 25 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 2023 £000	Year ended 31 May 2022 £000	Year ended 31 May 2021 £000	Year ended 31 May 2020 £000	Year ended 31 May 2019 £000
Results					
Revenue	**27,817**	29,590	33,013	35,555	41,271
Cost of sales	**(22,383)**	(24,121)	(26,700)	(29,623)	(32,254)
Gross profit	**5,434**	5,469	6,313	5,932	9,017
Operating expenses	**(6,114)**	(6,944)	(7,226)	(8,020)	(9,057)
Other income	**171**	147	966	-	-
(Loss)/profit from operations (excluding impairment of goodwill and assets)	**(509)**	(1,328)	53	(2,088)	(40)
Net finance expense	**(384)**	(255)	(228)	(260)	(194)
Share of post-tax loss of joint venture	**-**	-	-	-	(34)
Impairment of assets	**-**	(1,662)	(333)	-	-
Impairment of goodwill	**-**	-	-	-	(982)
Loss before tax	**(893)**	(3,245)	(508)	(2,348)	(1,250)
Tax credit/(charge)	**53**	(4)	42	(6)	(43)
Loss after tax	**(840)**	(3,249)	(466)	(2,354)	(1,293)
Assets					
Non-current assets	**6,740**	7,557	10,261	10,624	9,615
Current assets	**11,651**	15,342	13,960	14,962	17,940
Total assets	**18,391**	22,899	24,221	25,586	27,555
Non-current liabilities	**(656)**	(2,001)	(3,354)	(3,428)	(2,289)
Current liabilities	**(7,296)**	(9,721)	(6,306)	(6,575)	(7,525)
Total liabilities	**(7,952)**	(11,722)	(9,660)	(10,003)	(9,814)
Total net assets	**10,439**	11,177	14,561	15,583	17,741
Financed by					
Total equity	**10,439**	11,177	14,561	15,583	17,741
Key Statistics					
Basic and diluted loss per share	**(3.1p)**	(11.9p)	(1.7p)	(8.6p)	(4.7p)
Net assets per share	**38.2p**	40.9p	53.3p	57.0p	64.9p

Notice of Annual General Meeting

The one hundred and twenty third annual general meeting of the Leeds Group plc (**the Company**) will be held at 2.15pm on 22 November 2023 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 2023 and the report of the auditors thereon.

2. To re-appoint Mr Dave Cooper as a director.

3. To re-appoint MHA 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.

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

5. 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.

6. 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:

    6.1 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

    6.2 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.

    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.

Special business (continued)

For the purpose of this resolution 6:

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

23 October 2023

By Order of the Board
Dawn Henderson
Company Secretary

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 4 (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 6 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 5 and 6 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 close of business on 20 November 2023 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.**

Notice of Annual General Meeting (continued)

Notes (continued)

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.

   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 & International 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 2.15pm on 20 November 2023. 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).

   Unless otherwise indicated on the Form of Proxy, CREST or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

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 notarial 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 2.15pm on 20 November 2023.

Notice of Annual General Meeting (continued)

Notes (continued)

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 4DL no later than 2.15pm on 20 November 2023. 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.

11. As at 23 October 2023 (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 2023. 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 61 of this document.

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

Resolution number 3
The auditors of the Company must be re-appointed at each meeting at which the financial statements are presented. Resolution 3 proposes the re-appointment of MHA following their appointment during the year by the Directors, they have indicated their willingness to be so re-appointed.

Resolution number 4
Resolution 4 follows past practice in giving the Directors authority to agree the auditor's remuneration.

Resolution number 5
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 6
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

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