LEEDS

GROUP PLC

Report and Financial Statements 2001
Registered number 67863

Contents

Results at a glance

	2001 £000	2000 £000
Turnover	56,230	64,538
Operating profit before exceptional items	1,004	3,860
Exceptional items	(14,609)	(6,854)
Loss after tax	(13,122)	(4,224)
Dividends	366	1,098
Basic (loss)/earnings per share before exceptional items	(2.7)p	5.2p
Dividend per share	1.0p	3.0p
Average number of shares in issue	36,598,603	36,598,603

An interim dividend of 1.0p was paid on 3 July 2001. No final dividend is to be proposed.

The share price at 31 March 1982 was 21.7p. For capital gains tax purposes indexation allowance would increase the base cost of those shares purchased prior to 31 March 1982 to 44.4p frozen at 30 April 1998.

Financial Diary
(Financial year-end 30 September)

2002

11 February	Annual General Meeting
4 June	Announcement of Interim Results
10 December	Announcement of Final Results

2003

20 January	Annual General Meeting

Chairman's statement

The last twelve months have been some of the most eventful in our history. A year ago, the Board concluded that it was no longer in shareholders' interests to continue, as a public company, to manufacture textiles in Europe. We believed that several subsidiaries could continue under private ownership, but we could no longer justify re-investment against an increasingly uncertain outlook. Accordingly, we determined to realise our textile investments as opportunities arose, and to concentrate in future on our growing financial services division, Leeds Leasing plc. This strategy has the full support of our major shareholders.

You will see from the Group's accounts that the continuing businesses made a profit before tax and exceptional items of £2.158m, to which Leeds Leasing contributed £887,000. A detailed review of our financial performance during the last year is included in the Chief Executive's and Finance Director's reports.

Shareholders are now asked to approve the sale of the UK Dyeing Division for £6.0m, of which full details are included in our Circular being sent to shareholders. Subject to approval at the EGM on 16 January 2002, we shall have completed the sale or closure of all our UK textile interests apart from our smallest printing subsidiary where sale negotiations are continuing. This will release a total of six freehold properties, of which the first was sold in September for £1.75m. We hope to exchange contracts shortly for a further four properties which, if completed, will realise in the region of £4.5m. Where appropriate, the Company has retained the right to benefit from subsequent development.

Following the sale last year of our two plants in Holland, the Board is taking steps to reorganise our remaining continental interests to optimise their value and realise cash.

Shareholders will appreciate that there are few buyers for textile companies, or even their machinery, and we have where possible given the first opportunity to the management. The costs of closure, the difference between the proceeds of realisation and the value as a going concern, and the obligation to account for goodwill previously written off, have resulted in substantial costs in our profit & loss account.

The write down of the investment in our continental subsidiaries and the consequent reduction in distributable reserves prevent the Board from recommending a final dividend. However, we plan to seek Court consent to a reconstruction of the Company's share capital, which will allow us to repay capital to shareholders once our bank debt is reduced. At this stage, I cannot confirm when this will be complete, nor how much we will ultimately be able to repay to shareholders. However, the Board is confident that the new financial services company which will result, will have a strong position in a niche market, with real prospects of growth and with a balance sheet appropriate to sustain this.

In view of these changes, the Company requires new skills from its Board of Directors, and we propose three new non-executive appointments who will bring appropriate experience to the Board. I am delighted that Mr Bill Cran, who is Chairman of Headway plc and was formerly Chairman of Birkby plc, has agreed to join the Board. Bill's wide experience of corporate transactions, property and in particular finance leasing, will be of great benefit to the Group's new direction. We also propose for election as a director Mrs Vin Murria, a specialist in corporate finance and senior manager of Union plc, a company associated with one of our major shareholders. The third appointment who will be the new Chairman will be proposed with the appropriate notice for shareholders to be able to approve at our Annual General Meeting, to be held on 11 February 2002, at which time Donald Macpherson and I will stand down. Donald has been a director since January 1986, and his advice during a period of considerable change has been invaluable. I would also like to thank sincerely my former colleagues Jim Kidd and Jeff Beardsley. Jim resigned from the Board when the branches in his division were sold or closed, and Jeff has resigned pending shareholder approval for the sale of the UK Dyeing Division. I wish them both every success in their new positions.

After spending my career helping to build one of the more successful textile companies in Europe, it is inevitably disappointing to concentrate my last year on dismantling this. However, times change and I firmly believe that our change in emphasis from textiles to financial services is in the best interests of shareholders.

Robert D Wade
Chairman
December 2001

Financial review

Group sales
Group turnover for the year was £56.2m, and the reduction of 13% from last year's level of £64.5m reflects the absence of sales from the Dutch businesses Campo and Panhuizen, sold in April and October 2000 respectively. In addition, there was a reduced level of sales achieved in the former UK Printing Division where Strines was sold in June 2001 and Walsden closed a month later. An analysis by segment of sales shows:

	2000 £000	Translation Differences £000	Increase / (Decrease) £000	2001 £000
UK Textiles	14,142	-	(1,005)	13,137
Nemesis Printing	16,027	605	(872)	15,760
Import & Distribution	12,989	494	1,485	14,968
Continuing textiles	43,158	1,099	(392)	43,865
Leasing	2,260	-	751	3,011
Continuing operations	**45,418**	**1,099**	**359**	**46,876**
Discontinued in 2000	3,257	124	(3,381)	-
Discontinued in 2001	15,863	18	(6,527)	9,354
Group sales	**64,538**	**1,241**	**(9,549)**	**56,230**

The sales reduction in UK Textiles arose in the Scottish-based businesses where, although Schofield Cloth Finishers recorded encouraging sales growth of 21% following the commissioning of the piece dyeing facility, package dyeing sales at Langholm fell sharply in the second half by 12%, partly as a result of the closure of some customers' operations. Similarly, despite achieving first-half sales equal to last year's, turnover for the second half year at the Italian subsidiary Nemesis fell sharply by 52% in local currency terms. Sales in the Import and Distribution business grew by 11% in local currency terms with the benefit of a full year's sales at the German subsidiary Hemmers (2000: 9 months) partially offset by a reduction of 11% in the turnover of Itex, based in Holland.

Group operating profit
An analysis by segment of operating profit/(loss) before exceptional items shows:

	2000 £000	Translation Differences £000	Increase / (Decrease) £000	2001 £000
UK Textiles	1,943	-	(170)	1,773
Nemesis Printing	876	33	(960)	(51)
Import & Distribution	1,496	57	(952)	601
Unallocated central costs	(112)	-	(130)	(242)
Continuing textiles	4,203	90	(2,212)	2,081
Leasing	1,213	-	470	1,683
Continuing operations	**5,416**	**90**	**(1,742)**	**3,764**
Discontinued in 2000	33	1	(34)	-
Discontinued in 2001	(1,589)	-	(1,171)	(2,760)
Group operating profit/(loss) before exceptional items	**3,860**	**91**	**(2,947)**	**1,004**

Group operating profit
It is a measure of the prevailing market conditions that all of the Group's textile businesses suffered a reduction in profitability from last year. Textile operations in the UK were less affected, with the sales reduction being largely compensated for by the cost efficiencies achieved by the successful transfer of the former Colourflex business from Yorkshire to Scotland. In the European operations a combination of reduced sales, highly competitive sales pricing pressure, the high cost of dollar denominated imports as a result of continued Euro weakness, and, in the case of Itex, bad debt of £0.3m all conspired to produce a significant downturn in profitability.

Financial review

In contrast, the performance of Leeds Leasing surpassed the record levels set in the previous year, and is summarised below:

	2001 £000	2000 £000	Growth
Gross rentals	**9,985**	7,234	38%
Depreciation of leased assets	**(6,975)**	(4,974)	
Gross revenue (Turnover)	**3,010**	2,260	33%
Overheads	**(1,327)**	(1,047)	
Operating profit	**1,683**	1,213	39%
Interest	**(796)**	(440)	
Profit before tax	**887**	773	15%
Tax (group relieved in 2001 and adjusted in 2000)	**179**	(316)	
Profit after tax	**1,066**	457	

Profitability in the current year will benefit from a lease book of £16.7m at September 2001, which represents growth of 35% from September 2000 and 164% from September 1999.

Exceptional items

Exceptional costs in the year amounted to £14.61m and are explained in detail in note 9. Included in this total is £5.17m of goodwill previously written off to reserves on the acquisition of Strines and Walsden so that, after taking account of the tax impact of £2.47m, the impact of the exceptional items on shareholders' funds is £6.97m. Before taking into account taxation, the cash costs of these exceptional items will be £1.74m, of which £1.05m was paid in the year and £0.69m will be paid in the current year.

Interest

Net interest expense for the Group increased in the year from £0.7m to £1.6m. The interest expense of Leeds Leasing is expected to continue to grow with the continued expansion of the lease book and its associated debt. However, the level of debt, and therefore interest, in the textile operations is planned to fall sharply with the proceeds of the proposed sale of the UK Dyeing businesses and the continued realisation of properties and of the assets of the former UK Printing Division.

Taxation

A tax credit of £2.1m arose as a result of the large exceptional costs recognised in the year. The exceptional costs included an impairment provision of £3.4m relating to the fixed assets of Nemesis, in accordance with the requirements of FRS 15. This has eliminated the previous excess of accounts value over tax written down value and has permitted the release of £1.8m of deferred tax.

Dividend

As a consequence of the poor trading results of the textile subsidiaries and the unpromising outlook in the textile sector, it has been necessary not only to provide for fixed asset impairment at Nemesis, but also to provide within the books of the parent company against the carrying value of its investments in the subsidiaries. As a result, there is a deficit of £1.9m on the profit and loss account of the parent company, and it is not possible, in these circumstances, to pay a dividend or to return capital to shareholders without the approval of the High Court to a scheme of capital reconstruction. The Board intends to obtain court consent as soon as possible, but this will take time primarily because of the amount of outstanding contingent liabilities arising from parental guarantees given in relation to the bank borrowings of the subsidiaries. The directors are convinced that the sale of the UK Dyeing businesses is essential to permit the reduction of debt in the European subsidiaries to non-recourse levels. This is a precondition for High Court approval.

Fixed assets

Fixed asset additions in the year amounted to £3.0m, chiefly in relation to the relocation of the former Colourflex business and the completion of the project to install additional wide-width printing capacity at Nemesis. £2.8m was realised from the sale of fixed assets, principally those from the former Walsden business and the Colourflex site which was sold in September 2001.

Financial review

The directors anticipate the further realisation in the current year of assets formerly used in UK Printing following the sale of Strines and the closure of Walsden as below:

	£m
Freehold properties (initial consideration)	2.8
Receivable from Walker Greenbank PLC in relation to the sale of Strines	1.2
Plant and machinery	0.6
Net current assets	0.3
	4.9

In addition to the initial consideration for the freehold properties, the draft sale agreement provides for a maximum further payment of £1.75m depending on the extent to which planning consents are obtained.

The Scott & Rhodes business was closed in December 1998, and a planning application relating to its Leeds site is due to be heard in January 2002. If this is successful the sale will realise £1.8m after expenses.

Exchange exposure
It is not the policy of the Group to hedge the translation of the profits or losses of the overseas subsidiaries, nor to hedge their balance sheet except to the extent it is possible to match their net assets with foreign currency debt. Transactional exposure arises in those subsidiaries where loomstate or printed cloth sold principally in European currencies is first purchased in US dollars. The impact of exchange rate changes on financial assets and liabilities is minimised by the Group's policy requiring forward exchange contracts to match sales and purchases denominated in foreign currency.

Debt profile
The borrowings policy of the Group continues to be to match its funding requirement in a cost effective fashion with an appropriate combination of short and medium term debt. The Group's net debt of £25.7m at 30 September 2001 may be analysed by business activity and by maturity as below:

	UK Textiles £000	**Continental Textiles £000**	**Total Textiles £000**	**Leasing £000**	**Total Group £000**
Floating rate overdraft	-	4,937	4,937	1,731	6,668
Floating rate loan notes	486	-	486	-	486
Fixed rate loans	-	7,152	7,152	11,605	18,757
Cash	(33)	(182)	(215)	-	(215)
Net debt	453	11,907	12,360	13,336	25,696
Repayment profile					
On demand	453	4,755	5,208	1,731	6,939
Due within one year	-	2,729	2,729	6,751	9,480
Due after more than one year	-	4,423	4,423	4,854	9,277
Net debt	453	11,907	12,360	13,336	25,696

Debt in the European subsidiaries is denominated either in Euros or in currencies with a fixed Euro parity. The maturity profile of this debt and its split between fixed and floating rates is regularly reviewed.

Leeds Leasing's debt consists primarily of block discounting lines with a number of banks under which fixed interest debt is raised with an amortising profile matching that of the block of lease agreements on which the debt is secured. Other than £9.1m of Leeds Leasing debt that was secured in this way at 30 September 2001, Group borrowing is unsecured.

Financial review

Capital Gearing
The Group's gearing at 30 September may be analysed between textile and leasing activities as below:

	2001			2000		
	Textiles £000	**Leasing £000**	**Group £000**	**Textiles £000**	**Leasing £000**	**Group £000**
Shareholders' funds	20,326	2,738	23,064	29,490	1,672	31,162
Net debt	12,360	13,336	25,696	10,828	9,614	20,442
Gearing	61%	487%	111%	37%	575%	66%

The directors consider that the gearing level in Leeds Leasing is modest in comparison with the norm for that sector, and certainly it is well within the 800% level contained in certain of its loan covenants. The amortising debt structure provides a suitable hedge against interest rate risk, and adequate headroom in facilities exists to fund the growth of the lease book anticipated in the current year. For the reasons set out above, the level of textile debt and gearing is expected to fall significantly in the near future on receipt of the proceeds from the sale of assets from UK Printing, and from the proposed sale of UK Dyeing.

Malcolm J Wilson
Finance Director
December 2001

Operating review

The past year has been very challenging for the Group as we commenced the implementation of the first phase of our new strategy, against a backdrop of testing trading conditions. As the Chairman has stated in his report, this new strategy focuses on exiting textile manufacturing activities, as and when opportunities arise, and concentrating on the growth of financial services in the form of Leeds Leasing.

This strategy has proved to be increasingly necessary in light of a relentless deterioration in the textile sectors in which we operate, which has adversely affected the financial performance of all our textile manufacturing activities. UK Printing was particularly hard hit in that customer demand fell substantially and without warning in the early part of the year, resulting in the closure/sale of our two major UK printing operations, in order to minimise losses within the Group as a whole.

The remaining textile businesses, however, have performed relatively well, considering the prevailing market conditions. UK Dyeing benefited from recent restructuring activities and all other businesses minimised the potential damage by gaining advantage from individual improvement initiatives.

Leeds Leasing produced another excellent year of progress with new business written and profitability at new record levels.

UK Textiles

UK Dyeing
UK Dyeing once again produced a solid performance in a market that has experienced many difficulties throughout the past twelve months with announcements of closures, particularly in the Yorkshire trade, being commonplace throughout the summer period.

The consolidation of all our package yarn dyeing activities onto Langholm provided benefits which offset the decline in demand experienced throughout the year. Langholm retains a strong position in this sector based on its renowned technical capability and customer service which, together with the manufacturing efficiency improvements afforded through consolidation, reinforces its position as one of the key players in the industry.

Schofields produced another satisfactory result, being less dependent on the Yorkshire trade and with demand from its Scottish customers holding up well. Further growth opportunities are already identified and these will be pursued actively.

In line with the Group's stated strategy, it is now our intention to divest the UK Dyeing division to its management team, subject to shareholder approval. We believe that both Langholm and Schofields are well positioned to continue under private ownership in the future.

UK Printing
UK Printing proved to be the biggest disappointment throughout the year, with both Walsden and Strines dramatically affected by a sharp and unexpected decline in demand during the first few months of 2001. After evaluating all options, and with no prospect of any improvement in market conditions, the Board took the decision to exit both businesses to minimise the adverse financial impact on Group profitability. Strines was sold to Walker Greenbank and, in the absence of a suitable buyer, the Walsden operation was closed in July. The remaining assets from both transactions, including properties, are currently being realised, a process that should be completed in the first half of 2002.

Sharps once again produced another robust result, reinforcing its strong market position and reputation. Negotiations continue for the sale of this business.

Nemesis
Nemesis, along with its competitors, experienced a much more difficult market situation than normal during the past year. The spring weather, which is so critical to demand for garden furniture, was particularly poor and the market never recovered for the season. As a result, the strong performance of the first half of the year was almost fully offset by the harsh market conditions experienced in the second.

The strategy of developing business in new market areas continues with some success, particularly in the bedding and furnishing segments where the recent investment in wide-width printing capacity has been essential. This has limited the damage inflicted from a less than satisfactory garden furniture sector. However, in light of a troubled start to the new season the business is now faced with a challenging situation.

Operating review

CLG (Holding) BV
Hemmers, our textile import and distribution business based in Germany, delivered a satisfactory performance considering the difficulties experienced in the German economy over the past year.

Itex, our distribution business based in Holland, suffered a reduction in margin, and hence profitability, as a result of volatile purchase prices, bad debt experience, and the increase in larger wholesale customers dealing directly with suppliers in the Far East.

The outlook for imported goods remains promising, and synergies between these two operating units will continue to be exploited over the next twelve months, which provides confidence for the future.

Leeds Leasing
Leeds Leasing produced another year of substantial progress combined with controlled growth, despite a general downturn across the industry sectors in which it operates. The lease book increased by 35% whilst profitability improved by 15%.

Once again, most of the growth was achieved in our established sectors of leisure and hospitality. However, the new target areas of education and studio/audio also made a significant contribution. Critical key supplier relationships continued to be reinforced throughout the year, with those already in place growing from strength to strength. A number of new partnerships have been established, including key franchise relationships in the food sector, and these will be further developed for the future.

Funding arrangements are already in place to finance the growth planned for the coming year, and these are described more fully in the Financial Review.

We firmly believe that there is the scope for continued expansion at Leeds Leasing within the niche sectors in which it operates, and the continued success in the past year has reinforced the foundation on which we can build for the future.

Outlook
The implementation of the Group's new strategy will continue to reduce our exposure to textile manufacturing, thus placing the Group in a more sustainable and profitable environment. Leeds Leasing is a strong, well managed business with inherent development opportunities which will be exploited for the benefit of our shareholders. Whilst the change in emphasis from textile manufacturing to financial services is not without its challenges, my management team and I remain confident that this is the correct strategy and one which we remain fully committed to deliver.

Chris J Marsden
Chief Executive
December 2001

Directors

Robert Wade (non-executive) **(Age 63)**

Robert Wade joined the Board in 1963, was appointed Managing Director in 1979 and Chairman in 1985. Since 20 May 1999, he has been Non-Executive Chairman.

Robert was appointed to the Board of Leeds & Holbeck Building Society in 1994, where he has been Chairman since April 1999. He is Chairman of Indorama (Ireland) Ltd, a company with factories in Ireland and headquarters in Bangkok. Robert is also a director of Eaglet Investment Trust plc.

Chris Marsden (Age 44)

On graduating from University, Chris Marsden joined ICI plc where he held a number of senior business management positions, operating on an international basis. His final role within ICI was as the Commercial Director for ICI Technology, before joining Leeds Group as Chief Executive at the end of 1998.

Malcolm Wilson (Age 52)

Malcolm Wilson was appointed as Group Finance Director in April 1999. An Honours graduate in Economics and Jurisprudence, Malcolm trained and qualified as a Chartered Accountant with KPMG. Since qualification, Malcolm has worked exclusively in international manufacturing businesses, holding senior financial positions with Vickers plc and Du Pont, and served as Finance Director of Yorkshire Group between 1991 and 1998.

Jeff Beardsley (Age 56)

Jeff Beardsley is head of the UK Dyeing and Finishing Division. Appointed as a Main Board Director in 1994, Jeff joined Leeds Group in 1993 as Managing Director of Langholm Dyeing, and came with a wide range of experience in various textile operations – including manufacturing, dyeing, printing and finishing – both in the UK and overseas.

Donald Macpherson (independent non-executive) **(Age 69)**

Donald Macpherson joined the Board as a Non-Executive Director in January 1992. He is Chairman of the remuneration committee and the audit committee. Donald is the Chairman of M&G Recovery Investment Trust PLC. He is also a Non-Executive Director of MITIE Group PLC, and a number of other public companies.

Company Secretary
Dawn H Bowler, ACA

Registered Number
67863

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2001.

Principal activities

Historically, the Group was principally engaged in the processing and distribution of textile products. Leeds Leasing plc writes small value finance leases. The significance of Leeds Leasing within the Group has increased due to its continued profit growth in a period in which trading conditions in the textile sector have deteriorated.

Business review

A review of the Group's activities and performance together with an indication of future developments is contained in the Chairman's Statement, Financial Review and Operating Review on pages 2, 3 and 7 respectively.

Dividends

An interim dividend of 1.0p was paid on 3 July 2001. The directors do not recommend that a final dividend be paid.

Directors and directors' interests

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

C J Marsden
M J Wilson
J Z Beardsley (resigned 19 December 2001)
J Kidd (resigned 31 August 2001)
R D Wade
D C Macpherson
C F Openshaw (not re-elected 22 January 2001)

Mr J Z Beardsley has resigned as a director on 19 December 2001 due to the proposed sale of the UK Printing Division, in which he is regarded as a related party.

The director retiring by rotation is Mr C J Marsden who, being eligible, offers himself for re-election.

Mr C J Marsden has a service agreement requiring either party to give one year's notice.

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

	Number of shares			
	Interest at end of year		Interest at beginning of year	
	Beneficial	**Non-beneficial**	Beneficial	Non-Beneficial
C J Marsden	**53,000**	-	53,000	-
M J Wilson	**20,000**	-	20,000	-
J Z Beardsley	**17,500**	-	17,500	-
R D Wade	**619,321**	**315,085**	619,321	315,085
D C Macpherson	**17,030**	**29,000**	17,030	29,000

Directors' Report continued

Directors and directors' interests (continued)

The cumulative outstanding options granted to directors in the ordinary shares of the Company are as follows:

		Number of shares at beginning and end of year	Exercise price
C J Marsden	b)	300,000	45p
	c)	50,000	40p
		350,000	
M J Wilson	c)	80,000	40p
J Z Beardsley	a)	21,700	138p
	c)	25,000	40p
		46,700	

The options can be exercised between the following dates:

a)	Executive Scheme	December 1999 to December 2006
b)	Executive Scheme	January 2002 to January 2009
c)	Executive Scheme	January 2003 to January 2010

No changes in directors' share interests or share options have taken place between the end of the financial year and 20 December 2001.

The market value of Leeds Group plc shares between 1 October 2000 and 30 September 2001 ranged between 40.5p and 55.0p and as at 30 September 2001 was 44.5p.

Major shareholdings

The company is aware of the following shareholders having 3% or more of the issued share capital at 20 December 2001.

	% of issued share capital
Mr J Claesson and associates	19.34
Mr P Gyllenhammar and associates	12.82
Acorn Income Fund Limited	6.72
Merrill Lynch & Co Inc	6.55

Post Balance Sheet Event

Shareholders have been asked to approve the sale of the UK Dyeing Division for £6.0m., full details of which are set out in the Circular being sent to shareholders. Subject to this, we shall have completed the sale or closure of all our UK textile interests apart from the smallest printing subsidiary where sale negotiations are continuing. This has released a total of six freehold properties, of which the first was sold in September for £1.75m. We hope to exchange contracts shortly for a further four properties which, if completed, will realise in the region of £4.5m. Where appropriate, the Company has retained the right to benefit from subsequent development.

Employees

Regular contact between senior management and employee representatives is maintained in order to keep employees informed of the ongoing situation and future prospects. It is the Group's policy to employ disabled persons if they are able to fill the relevant position satisfactorily and to continue to employ persons who become disabled while in the Group's employment where possible. No discrimination is made in the training, career development and promotion of disabled people.

Tangible fixed assets

The Directors have carried out a detailed review of tangible fixed assets taking into consideration FRS 15 and made impairment provisions were appropriate (see note 11).

Political and charitable contributions

The Group made no political contributions during the year. Donations to UK charities amounted to £550 *(2000: £426).*

Creditor payment policy

It is Group policy to agree the terms of payment with suppliers when agreeing each transaction and to abide by the terms of payment.

At 30 September 2001, the Company had no trade creditors. Creditor payment days outstanding at that date in respect of Leeds Dyers Limited, the Group's principal UK trading subsidiary, were 44 days *(2000:66 days).*

Annual General Meeting – Special Business

Own share purchase

Resolution 6, if passed, would grant the Company authority to make market purchases of its own ordinary shares. The directors believe that it is desirable that the Company has such authority thereby giving the Company the flexibility to utilise this power if and when it is in the interests of shareholders to do so.

The authority to purchase its own shares, if granted, will enable the Company to purchase through the market up to 14.9 per cent of the current issued ordinary share capital, within certain criteria for determining the price to be paid. The minimum purchase price will be 25 pence, which is the nominal value for shares, and the maximum price will be no more than 5 per cent above the average of the market value of the Company's ordinary shares for the ten business days before any purchase is made. The authority sought will expire at the conclusion of the next annual general meeting or twelve months from the date of this resolution.

It is not the Company's current intention to stand in the market for any particular period or until any specified number of shares has been acquired. Any purchases would be financed out of distributable profits and will only be made when, in the opinion of the directors, an improvement in earnings per share of the remaining shares is anticipated. Any share so purchased will be cancelled.

Statement by the directors on corporate governance

With the exceptions mentioned below, the Company has complied throughout the period with the Principles of Corporate Governance and Code of Best Practice (the Combined Code) published by the Financial Services Authority.

Due to its present size the Company has only two non-executive directors of which Mr R D Wade is not regarded as independent owing to his former role as an executive director. However, the Board is currently reviewing this requirement and are seeking to appoint new non-executive directors to meet the future requirements of the Company.

Board Committees

An audit committee and a remuneration committee have been formally constituted as sub-committees of the main Board, both with written terms of reference. The committees comprise the Group non-executive Chairman and the non-executive director, who chairs both committees. A separate report by the remuneration committee is set out on page 15. The nomination committee, established this year, comprises the non-executive directors and the Chief Executive. Mr R D Wade is the Chairman of this committee.

Relations with shareholders

The Company seeks to ensure that all shareholders are kept informed of the Company and its activities. A comprehensive annual report and accounts and an interim report are sent to all shareholders. The Company carries out regular dialogue with its institutional shareholders while having regard to the Financial Services Authority guidance on the release of price sensitive information. Full use is made of the Annual General Meeting to communicate with private investors.

Going Concern

The directors confirm that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal financial control

The directors acknowledge that they are responsible for the Group's system of internal financial control. However, any such system can provide only reasonable and not absolute assurance against material mis-statement or loss.

The Combined Code introduced a requirement that the directors review the effectiveness of all internal controls and not only financial controls which were previously the principal focus of attention. This extends the review to cover all controls including financial, operational, compliance and risk management.

In September 1999, Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance) was published which set out guidance on the systems of internal control and procedures. The board is able to confirm that they have established the procedures necessary to implement the Turnbull guidance, and that the company has fully complied for the accounting period ending 30 September 2001, except as stated above.

The directors have established certain procedures which are designed to provide effective internal financial control and these include:

- An organisational structure with clearly defined lines of responsibility and authority.

- Monthly board meetings are held at each branch at which results are compared against budget. Significant variances are examined and action taken as appropriate. Individual branch results are incorporated into a Group reporting pack for review by the main Board. In addition to the monthly reviews the directors have established systems whereby certain key information is reported each week to, and reviewed by, the Group head office. Annual budgets are prepared at branch level and adopted by the Board after central review.

Directors' Report **continued**

Statement by the directors on corporate governance (continued)

Internal financial control (continued)

- All major capital projects require Main Board approval. All other projects require authorisation by executive directors.
- It is Group policy to review, and improve where necessary, the systems of internal financial control existing in companies acquired as soon as reasonably practical.
- In accordance with the Turnbull guidance, the Group has an internal audit function which reviews the effectiveness of the Group's internal financial controls.

The audit committee and Group Board have reviewed the effectiveness of the system of internal financial control for the year covered by these financial statements.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group, and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, Resolution 5 is to be proposed at the forthcoming annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting of the Company at which the accounts are laid.

By Order of the Board

Dawn Bowler
Company Secretary
20 December 2001

Schofield House
Gateway Drive
Yeadon, Leeds
LS19 7XY

Remuneration Committee Report

Objective of the committee

The objective of the committee is to ensure the Company provides competitive remuneration packages enabling the recruitment, retention and motivation of high quality senior executives and directors. In assessing the levels of remuneration, consideration is given to the individual's ability and performance and the level of remuneration paid by other companies of comparable nature and size.

Salaries

The salaries of directors and senior executives are reviewed annually on 1 January.

- The remuneration of senior executives is reviewed by the Chief Executive and Finance Director in consultation with each branch Managing Director.

- The remuneration of the executive directors of Leeds Group plc is set by the remuneration committee.

The remuneration of non-executive directors is reviewed annually by the Chief Executive and Finance Director and includes reimbursement of all reasonable expenses incurred in relation to their non-executive posts.

Bonuses

Senior executives of Leeds Group plc, Leeds Leasing plc and branches of Leeds Dyers Ltd are entitled to a discretionary profit related bonus based on the profits of their individual branch or company for the financial year.

Share Options

Share options are granted by the remuneration committee. We believe this to be an appropriate method of aligning the interests of executives with those of shareholders. Options granted under the Sharesave Scheme are granted to directors and senior executives on the same terms as to all employees.

Pensions

The Group operates a defined contribution pension scheme for directors, senior executives and various senior members of staff. There are three levels of company contributions depending on the grade of staff: senior staff, branch directors and Leeds Group plc directors. Pension arrangements for directors include a death in service benefit which would equate to four times pensionable salary and a spouse's pension of four-ninths of pensionable salary.

Service contracts

None of the directors' service contracts include a notice period exceeding twelve months. Service contracts are reviewed annually by the remuneration committee. Neither of the non-executive directors has a service contract with Leeds Group plc.

Further disclosure

The remuneration of the directors for the year ended 30 September 2001 is shown in note 4 to the financial statements and their shareholdings and share option details are set out in the directors' report on pages 10 and 11.

Donald C Macpherson
Chairman of the remuneration committee
20 December 2001

Report of the Auditors, KPMG Audit Plc,
Independent auditors' report to the members of Leeds Group plc

We have audited the financial statements on pages 17 to 38.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 14, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 13 to 14 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risks and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

20 December 2001

Consolidated Profit and Loss Account
for the year ended 30 September 2001

	Note	2001 Continuing operations £000	2001 Discontinued operations £000	2001 Total £000	2000 Continuing operations £000	2000 Discontinued operations £000	2000 Total £000
Turnover		**46,876**	**9,354**	**56,230**	45,418	19,120	64,538
Cost of sales		**(34,813)**	**(9,874)**	**(44,687)**	(32,461)	(16,708)	(49,169)
Gross profit/(loss)		**12,063**	**(520)**	**11,543**	12,957	2,412	15,369
Distribution costs		**(1,527)**	**(229)**	**(1,756)**	(1,338)	(525)	(1,863)
Administrative expenses		**(10,509)**	**(2,011)**	**(12,520)**	(8,043)	(7,221)	(15,264)
Operating profit/(loss) before exceptional items		**3,764**	**(2,760)**	**1,004**	5,416	(1,556)	3,860
Exceptional items	9	**(3,737)**	**-**	**(3,737)**	(1,840)	(3,778)	(5,618)
Operating profit/(loss)		**27**	**(2,760)**	**(2,733)**	3,576	(5,334)	(1,758)
Profit on sale of land and buildings	9	**1,185**	**-**	**1,185**	-	-	-
Loss on sale or termination of a business operation	9	**-**	**(12,057)**	**(12,057)**	-	(1,236)	(1,236)
Profit/(loss) before interest		**1,212**	**(14,817)**	**(13,605)**	3,576	(6,570)	(2,994)
Interest receivable and similar income	3			**78**			202
Interest payable and similar charges	3			**(1,684)**			(908)
Net interest payable				**(1,606)**			(706)
Loss on ordinary activities before taxation				**(15,211)**			(3,700)
Tax credit/(charge) on loss on ordinary activities	6			**2,089**			(524)
Loss on ordinary activities after taxation for the financial year				**(13,122)**			(4,224)
Equity dividends paid and proposed	7			**(366)**			(1,098)
Unrecovered loss for the financial year				**(13,488)**			(5,322)
(Loss)/earnngs per share							
before exceptional items				**(2.7)p**			5.2p
exceptional items				**(33.2)p**			(16.8)p
after exceptional items	8			**(35.9)p**			(11.6)p
Dividend per share				**1.0p**			3.0p

A reconciliation of movements in shareholders' funds is shown in note 23 to the financial statements.

Balance Sheets
at 30 September 2001

	Note	Group 2001 £000	Group 2000 £000	Company 2001 £000	Company 2000 £000
Fixed assets					
Intangible assets	10	**1,123**	1,150	-	-
Tangible assets	11	**16,074**	24,512	-	-
Investments	12	-	-	**5,741**	18,875
		17,197	25,662	**5,741**	18,875
Current assets					
Stocks	13	**10,109**	12,773	-	-
Debtors	14	**14,920**	16,972	**18,170**	19,712
Finance lease debtors	15	**16,702**	12,352	-	-
Total debtors		**31,622**	29,324	**18,170**	19,712
Cash at bank and in hand		**215**	1,714	**1**	50
		41,946	43,811	**18,171**	19,762
Creditors: amounts falling due within one year	16	**(26,639)**	(28,979)	**(839)**	(1,337)
Net current assets		**15,307**	14,832	**17,332**	18,425
Of which:					
Debtors due within one year		**5,501**	7,736	**17,332**	18,425
debtors due after more than one year		**9,806**	7,096	-	-
Total assets less current liabilities		**32,504**	40,494	**23,073**	37,300
Creditors: amounts falling due after more than one year	17	**(9,277)**	(7,456)	-	-
Provisions for liabilities and charges	19	**(56)**	(1,820)	-	-
Accruals and deferred income	20	**(107)**	(56)	-	-
Net assets		**23,064**	31,162	**23,073**	37,300
Capital and reserves					
Called up equity share capital	21	**9,150**	9,150	**9,150**	9,150
Share premium account	22	**15,832**	15,832	**15,832**	15,832
Profit and loss account	22	**(1,918)**	6,180	**(1,909)**	12,318
Equity shareholders' funds	23	**23,064**	31,162	**23,073**	37,300

These financial statements were approved by the Board of Directors on 20 December 2001 and were signed on its behalf by:

R D Wade
Chairman

M J Wilson
Finance Director

Consolidated Cash Flow Statement

for the year ended 30 September 2001

	Note	2001 £000	2000 £000
Cash outflow from operating activities	27	**(2,786)**	(6,604)
Return on investments and servicing of finance	28a	**(1,606)**	(670)
Taxation		**126**	(16)
Capital expenditure and financial investment	28b	**(434)**	(3,371)
Acquisitions and disposals	28c	**943**	(834)
Equity dividends paid		**(1,098)**	(1,098)
Cash outflow before financing		**(4,855)**	(12,593)
Financing	28d	**3,213**	7,618
Decrease in cash in the year		**(1,642)**	(4,975)

Reconciliation Of Net Cash Flow to Movement in Net Debt

	Note	2001 £000	2000 £000
Decrease in cash in the year		**(1,642)**	(4,975)
Net cash outflow from debt and lease financing	28d	**(3,213)**	(7,618)
Change in net debt resulting from cash flows		**(4,855)**	(12,593)
Translation difference	29	**(399)**	733
Loan taken over on acquisition		**-**	(1,079)
Movement in net debt	29	**(5,254)**	(12,939)
Net debt at beginning of the year	29	**(20,442)**	(7,503)
Net debt at end of the year	29	**(25,696)**	(20,442)

Consolidated Statement of Total Recognised Gains and Losses

	2001 £000	2000 £000
Loss for the financial year	**(13,122)**	(4,224)
Foreign currency translation differences	**217**	(930)
Total recognised losses relating to the financial year	**(12,905)**	(5,154)

Notes
to the financial statements

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate Leeds Group plc and all its subsidiary undertakings, all of which make their accounts up to 30 September 2001.

Purchased goodwill arising on consolidation has been written off to reserves in the year of acquisition in respect of acquisitions prior to 1 October 1998, when FRS10 "Goodwill and Intangible Assets" was adopted. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 October 1998 is capitalised. Positive goodwill is amortised by equal annual instalments over its estimated useful life, not exceeding 20 years. The carrying value of goodwill is reviewed as necessary for impairments and is written down if an impairment is identified.

Negative goodwill arising in respect of acquisitions since 1 October 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

Where a business is disposed of subsequent to the year end, but before approval of the Financial Statements, the goodwill previously written off to reserves is assessed for impairment and any write down charged through the profit and loss account.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for diminution in value. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

In accordance with Section 230(4) of the Companies Act 1985 Leeds Group plc is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Leeds Group plc is disclosed in note 22 to these financial statements.

Fixed assets, depreciation, and carrying values

Depreciation is provided by the Group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	25 or 50 years
Plant and machinery	-	5 to 15 years
Motor vehicles	-	4 years

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant unit.

1. Accounting policies (continued)

Screens

The cost of screens used in the printing process, net of amounts received from customers, is included within prepayments and amortised over 24 months.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to profit over the estimated useful economic lives of the assets to which they relate.

Leases

Amounts receivable under finance leases are recorded as debtors at the aggregate amount of the Group's net investment in those leases after making appropriate provisions for bad and doubtful rentals receivable. Gross earnings under finance leases are allocated to accounting periods in order to give a constant rate of return on the Group's net cash investment in those leases.

Assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets and depreciated over their estimated useful economic lives. The corresponding liability is recorded as a creditor with the interest element being charged to the profit and loss account over the period of the lease.

Rentals payable under operating leases are charged to the profit and loss account over the terms of the leases.

Pension Costs

During the year, the Group operated three pension schemes which cover all full time employees in the UK. The schemes' funds are administered by trustees and are independent of the Group's finances. The schemes are of the defined contribution type and the Group's contributions are charged against profits in the year in which contributions are made.

There are no Company pension schemes in operation in Holland, Germany, or Italy as pension benefits are provided by the respective governments.

Stocks

Stocks are stated at the lower of cost (including production overheads) and net realisable value.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Turnover

The amount shown in the profit and loss account is the amount receivable by the Group in the ordinary course of its business for goods or services rendered and excludes value added tax. The turnover figure for leasing represents gross earnings from finance leases.

Foreign currency

Assets, liabilities and profits of overseas subsidiary undertakings have been translated into sterling at the rate of exchange ruling at 30 September 2001. Exchange differences arising from the retranslation of the opening net investment in subsidiary undertakings at the closing rate are dealt with through reserves. Differences in exchange arising in the normal course of business are dealt with in the profit and loss account.

2. Segmental information

The analysis of turnover by geographical destination is as follows:

	2001	2000
	£000	£000
United Kingdom	**24,468**	32,187
Rest of EU	**30,439**	30,986
North America	**694**	686
Other	**629**	679
	56,230	64,538

The group is engaged in the dyeing, printing and distribution of yarn and cloth with operations based in the UK, Holland, Germany and Italy and is also engaged in finance leasing in the UK.

The tables below set out a segmental and geographic analysis of the Group's operations.

2001	UK Textiles £000	Nemesis Printing £000	Import & Distribution £000	Leeds Leasing £000	Unallocated Central costs £000	Continuing operations £000	Discontinued operations £000	Total £000
Turnover	13,137	15,760	14,969	3,010	-	46,876	9,354	56,230
Cost of sales	(9,039)	(13,981)	(11,592)	(201)	-	(34,813)	(9,874)	(44,687)
Gross Profit	4,098	1,779	3,377	2,809	-	12,063	(520)	11,543
Distribution costs	(243)	(477)	(807)	-	-	(1,527)	(229)	(1,756)
Administrative expenses	(2,082)	(1,353)	(1,969)	(1,126)	(242)	(6,772)	(2,011)	(8,783)
Before exceptional items	1,773	(51)	601	1,683	(242)	3,764	(2,760)	1,004
Exceptional items	(371)	(3,366)	-	-	-	(3,737)	-	(3,737)
Operating profit	1,402	(3,417)	601	1,683	(242)	27	(2,760)	(2,733)

2000	UK Textiles £000	Nemesis Printing £000	Import & Distribution £000	Leeds Leasing £000	Unallocated Central costs £000	Continuing operations £000	Discontinued operations £000	Total £000
Turnover	14,142	16,027	12,989	2,260	-	45,418	19,120	64,538
Cost of sales	(9,365)	(13,492)	(9,604)	-	-	(32,461)	(16,708)	(49,169)
Gross Profit	4,777	2,535	3,385	2,260	-	12,957	2,412	15,369
Distribution costs	(231)	(451)	(656)	-	-	(1,338)	(525)	(1,863)
Administrative expenses	(2,603)	(1,208)	(1,233)	(1,047)	(112)	(6,203)	(3,443)	(9,646)
Before exceptional items	1,943	876	1,496	1,213	(112)	5,416	(1,556)	3,860
Exceptional items	(1,840)	-	-	-	-	(1,840)	(3,778)	(5,618)
Operating profit	103	876	1,496	1,213	(112)	3,576	(5,334)	(1,758)

2. Segmental information (continued)

2001	UK Textiles £000	Nemesis Printing £000	Import & Distribution £000	Leeds Leasing £000	Holding Companies £000	Continuing Operations £000	Discontinued Operations £000	Total £000
Intangible fixed assets	-	-	1,123	-	-	1,123	-	1,123
Tangible fixed assets	4,896	5,000	1,205	86	1,755	12,942	3,132	16,074
Working capital	2,355	4,744	7,741	15,989	479	31,308	382	31,690
Trading capital employed	7,251	9,744	10,069	16,075	2,234	45,373	3,514	48,887
Current & deferred tax	-	(75)	148	-	(200)	(127)	-	(127)
External debt	-	(6,452)	(5,455)	(13,336)	(453)	(25,696)	-	(25,696)
Internal debt	(7,251)	(34)	(2,520)	(2)	13,321	3,514	(3,514)	-
Net assets	-	3,183	2,242	2,737	14,902	23,064	-	23,064

2000	UK Textiles £000	Nemesis Printing £000	Import & Distribution £000	Leeds Leasing £000	Holding Companies £000	Continuing Operations £000	Discontinued Operations £000	Total £000
Intangible fixed assets	-	-	1,150	-	-	1,150	-	1,150
Tangible fixed assets	4,865	7,583	1,107	74	1,803	15,432	9,080	24,512
Working capital	1,717	4,599	7,205	11,436	(563)	24,384	4,293	28,687
Trading capital employed	6,582	12,182	9,462	11,510	1,240	40,976	13,373	54,349
Current & deferred tax	-	(1,987)	(222)	(183)	306	(2,086)	73	(2,013)
Dividend payable	-	-	-	-	(732)	(732)	-	(732)
External debt	-	(4,966)	(5,548)	(9,614)	(281)	(20,409)	(33)	(20,442)
Internal debt	(6,582)	(638)	(1,944)	(41)	22,047	12,842	(12,842)	-
Net assets	-	4,591	1,748	1,672	22,580	30,591	571	31,162

3. Loss on ordinary activities before taxation

	2001 £000	2000 £000
Loss on ordinary activities before taxation is stated		
after charging		
Auditors' and their associates' remuneration:		
- Audit – parent company	**10**	10
- Audit – rest of Group	**102**	111
- Non audit – rest of Group	**75**	48
Depreciation and other amounts written off tangible fixed assets	**2,207**	2,599
Amortisation of goodwill	**69**	77
Exceptional items (see note 9)	**14,609**	6,854
Operating leases:		
- Hire of plant and machinery	**29**	37
- Land and buildings	**42**	30
Interest payable:		
- on bank loans and overdrafts	**1,611**	822
- other	**73**	86
after crediting		
Amortisation of grants	**11**	7
Interest receivable:		
- bank	**4**	21
- other	**74**	181

4. Remuneration of directors

Directors emoluments are as follows:

	Fees	Salary	Benefits	Bonus	Termination payment	Total emol'ts 2001	Pension cont's 2001	Total emol'ts 2000	Pension cont's 2000
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Executive directors:									
C J Marsden	-	127	10	-	-	137	15	132	15
M J Wilson	-	88	12	-	-	100	8	92	7
J Z Beardsley	-	75	9	11	-	95	19	94	23
J Kidd	-	71	10	-	60	141	7	85	7
Non executive directors:									
R D Wade	31	-	-	-	-	31	-	31	-
C F Openshaw	5	-	-	-	-	5	-	14	-
D C Macpherson	19	-	-	-	-	19	-	18	-
T W G Ashdown	-	-	-	-	-	-	-	6	-
2001 Totals	55	361	41	11	60	528	49		
2000 Totals	69	356	35	12	-			472	52

The emoluments before pension contributions of Mr J Kidd, the highest paid director, were £141,000 *(2000: £85,000)*. Following the sale and closure of Strines and Walsden for which Mr Kidd was operationally responsible, Mr J Kidd left the company on 31 August 2001.

Further information on directors' remuneration is detailed in the report of the remuneration committee. The share options which have been granted to the directors are set out in the directors' report on page 11 of these financial statements.

5. Staff numbers and costs

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

	Number of employees 2001	2000
Management and administration	**139**	157
Production	**633**	738
	772	895

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	**12,485**	13,942
Social security costs	**1,454**	1,795
Other pension costs (note 24)	**426**	451
	14,365	16,188

6. Tax credited/(charged) on loss on ordinary activities

	2001 **£000**	2000 £000
UK corporation tax at 30% *(2000: 30.0%)* on the profit/(loss) for the year on ordinary activities	**-**	84
Overseas tax	**68**	(705)
Deferred taxation (note 19)	**1,832**	(214)
Corporation tax adjustment relating to earlier years	**189**	311
	2,089	(524)

Losses incurred in the UK textile branches are available to relieve against future profits. No recognition has been taken in this year's accounts.

7. Equity dividends paid and proposed

	2001 **£000**	2000 £000
Ordinary shares:		
Interim paid: 1.0p per share *(2000: 1.0p per share)*	**366**	366
Final proposed: nil *(2000: 2.0p per share)*	**-**	732
	366	1,098

8. Loss per ordinary share

The calculation of loss per ordinary share is based on loss of £13,122,000 *(2000: loss of £4,224,000)* and a weighted average of 36,598,603 ordinary shares in issue in both years.

9. Exceptional items

The exceptional items can be analysed as follows:

	Restructuring of UK Dyeing £000	Impairment of Nemesis assets £000	Sub Total £000	Closure of UK Printing £000	Sale of land and buildings £000	Total £000
Redundancies	-	-	-	668	-	668
Other costs	408	-	408	1,689	40	2,137
Impairment of fixed assets	-	3,366	3,366	3,451	-	6,817
Impairment of current assets	-	-	-	734	-	734
(Profit)/loss on sale of fixed assets	(37)	-	(37)	383	(1,225)	(879)
Profit on disposal of Strines and Q Designs	-	-	-	(41)	-	(41)
Goodwill written back	-	-	-	5,173	-	5,173
	371	3,366	3,737	12,057	(1,185)	14,609
Tax effect	(91)	(1,725)	(1,816)	(658)	-	(2,474)

9. Exceptional items (continued)

Restructuring of the UK Dyeing Division

Last year, a decision was made to cease manufacturing activities at the Colourflex site in Rawdon, and consolidate all activities at the Langholm site. The costs associated with the closure and subsequent relocation were included in last year's accounts as exceptional items within the operating result in the accounts. Additional costs have been incurred this year and have been disclosed in a similar way to the treatment last year.

Impairment of Nemesis fixed assets

During the year, following a review in accordance with the provisions of FRS 15 a provision has been made for impairment to the carrying value of fixed assets at Nemesis.

Closure of the UK Printing Division

During the year, a decision was made to cease UK printing activities at Walsden, Strines, and Q Designs. Certain assets at Strines and Q Designs were sold to third parties. The costs associated with the closure have been disclosed on the face of the profit and loss account as a loss on termination of a business segment.

Sale of land and buildings

During the year, the site at Colourflex, Rawdon was sold realising a profit on sale of £1,185,000 after associated costs of £40,000.

10. Intangible assets

	Group Goodwill £000
Cost	
At 1 October 2000	1,227
Exchange differences	45
At 30 September 2001	**1,272**
Amortisation	
At 1 October 2000	77
Amortisation for the year	69
Exchange differences	3
At 30 September 2001	**149**
Net book amount	
At 30 September 2001	**1,123**
At 30 September 2000	1,150

11. Tangible fixed assets

	Group Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 October 2000	15,989	46,857	62,846
Additions	537	2,445	2,982
Disposals	(2,583)	(10,935)	(13,518)
Exchange differences	214	509	723
At 30 September 2001	**14,157**	**38,876**	**53,033**
Depreciation and diminution in value			
At 1 October 2000	5,278	33,056	38,334
Depreciation charge for year	194	2,013	2,207
Impairment charge for year	966	5,851	6,817
On disposals	(1,477)	(9,290)	(10,767)
Exchange differences	51	317	368
At 30 September 2001	**5,012**	**31,947**	**36,959**
Net book amount			
At 30 September 2001	**9,145**	**6,929**	**16,074**
At 30 September 2000	10,711	13,801	24,512

The Walsden and Strines sites were closed during the year. Certain tangible fixed assets were sold and the remaining assets were written down to their net realisable value resulting in an impairment charge of £3,541,000. The value of the assets at Nemesis have been reviewed and written down to their net realisable value resulting in an impairment charge of £3,366,000.

Assets held under finance leases had a net book amount of £1,819,000 *(2000: £916,000)*. The depreciation charge for the year for such assets was £258,000 *(2000: £190,000)*.

The net book amount of land and buildings comprises:

	Group 2001 £000	2000 £000
Freehold	**8,886**	10,446
Long leasehold	**259**	265
	9,145	10,711

12. Fixed asset investments

	Company Shares in Group undertakings £000
Cost	
At 30 September 2000 and 30 September 2001	**18,875**
Provision	
At 1 October 2000	-
Amounts provided during the year	(13,134)
At 30 September 2001	**(13,134)**
Net book value	
At 30 September 2001	**5,741**
At 30 September 2000	18,875

During the year, a review of the carrying value of the investments was undertaken. The investments have been written down to the net asset value of the subsidiary companies.

Shares in Group undertakings comprise £5,741,000 *(2000: £18,875,000)* in respect of shares held in subsidiary undertakings. All subsidiary undertakings have been included in the consolidation. The Company owns the whole of the issued share capital (comprising ordinary shares) of the companies listed on page 42.

13. Stocks

	Group	
	2001 **£000**	2000 £000
Raw materials and consumables	**3,332**	5,538
Work in progress	**1,230**	2,319
Finished goods	**5,547**	4,916
	10,109	12,773

14. Debtors

	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Trade debtors	**11,478**	13,947	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**18,170**	19,711
Tax recoverable	**252**	446	**-**	-
Other debtors	**1,681**	671	**-**	1
Prepayments and accrued income	**1,509**	1,908	**-**	-
	14,920	16,972	**18,170**	19,712

Included in other debtors is deferred consideration relating to the sale of Strines amounting to £426,000 which falls due after more than one year.

15. Finance lease debtors

	Group	
	2001	2000
	£000	£000
Net amounts receivable under finance leases	**16,702**	12,352

Leasing rents receivable in the year were £10,089,000 *(2000: £7,234,000)*. Included in finance lease debtors is an amount of £9,380,000 *(2000: £7,096,000)* which falls due after more than one year.

16. Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Bank overdrafts	**6,668**	6,382	**-**	-
Bank loans (note 18)	**9,293**	7,764	**-**	-
Loan notes	**486**	554	**486**	554
Trade creditors	**4,347**	7,059	**4**	2
Bills of Exchange payable	**-**	495	**-**	-
Other creditors including taxation and social security:				
Corporation tax	**200**	223	**-**	36
Overseas taxation	**122**	416	**-**	-
Other taxes and social security	**769**	642	**-**	-
Other creditors	**1,972**	2,312	**336**	-
Accruals and deferred income	**2,595**	2,400	**13**	13
Dividend proposed	**-**	732	**-**	732
Finance leases	**187**	-	**-**	-
	26,639	28,979	**839**	1,337

Loan notes are repayable on demand and are unsecured.

17. Creditors: amounts falling due after more than one year

	Group 2001 £000	Group 2000 £000
Bank loans (note 18)	**8,631**	7,456
Finance leases	**646**	-
	9,277	7,456

18. Bank loans

Bank loans are repayable by instalments as follows:

	Group 2001 £000	Group 2000 £000
Within one year	**9,293**	7,764
Between one and two years	**4,516**	4,176
Between two and five years	**4,115**	3,280
Total	**17,924**	15,220

During the year, Leeds Leasing plc took out a number of medium term loans at fixed interest rates between 6.28% and 7.3% repayable in monthly instalments.

During the year, Nemesis SpA took out two loans at fixed interest rates of 6.4% and 5.86% repayable by October 2002 and March 2007.

During the year, Hemmers Textil Import GmbH took out two loans at fixed interest rates of 6.3% and 5.65% repayable by October 2001 and July 2003.

Leeds Leasing plc has loans amounting to £9,105,000 *(2000: £2,961,000)* which are secured on lease agreements written by that company. No other group debt is secured. The parent company has guaranteed the bank debt of all subsidiaries.

19. Provisions for liabilities and charges

The amounts provided for deferred taxation and the full potential liability are set out below:

	Group 2001 Amount provided in the accounts £000	Group 2001 Full potential liability/(asset) £000	Group 2000 Amount provided in the accounts £000	Group 2000 Full potential liability/(asset) £000
Accelerated capital allowances	**358**	**68**	1,820	2,266
Other timing differences	**(302)**	**(810)**	-	(13)
	56	**(742)**	1,820	2,253

19. Provisions for liabilities and charges (continued)

The movement in the provision for the year comprises:

	£000
At 1 October 2000	1,820
Released in the year (note 6)	(1,832)
Exchange movement	68
At 30 September 2001	**56**

20. Accruals and deferred income – Government grants

		Group	
	Land and Buildings £000	Plant and machinery £000	Total £000
Received:			
At 1 October 2000	149	167	316
Received in year	-	62	62
Disposals	(136)	(124)	(260)
At 30 September 2001	**13**	**105**	**118**
Amortisation:			
At 1 October 2000	134	126	260
Credited in year	9	2	11
Disposals	(136)	(124)	(260)
At 30 September 2001	**7**	**4**	**11**
Net amount:			
At 30 September 2001	**6**	**101**	**107**
At 30 September 2000	15	41	56

21. Called up share capital

	2001 £000	2000 £000
Authorised		
48,000,000 *(2000: 48,000,000)* ordinary shares of 25p each	**12,000**	12,000
Allotted, called up and fully paid		
36,598,603 *(2000: 36,598,603)* ordinary shares of 25p each	**9,150**	9,150

At 30 September 2001, options had been granted under the approved and unapproved executive share option schemes which are exercisable between December 1999 and January 2010 at prices between 40p and 138p. Full details are given in the Directors' Report on page 11.

22. Reserves

	Group		Company	
	Profit and loss account £000	Share premium £000	Profit and loss account £000	Share premium £000
At 1 October 2000	6,180	15,832	12,318	15,832
Unrecovered loss for the financial year	(13,488)	-	(14,227)	-
Foreign currency translation differences	217	-	-	-
Goodwill written back	5,173	-	-	-
At 30 September 2001	**(1,918)**	**15,832**	**(1,909)**	**15,832**

The cumulative amount of goodwill resulting from acquisitions which has been written off against reserves is £11,763,000 *(2000: £16,936,000)*. Goodwill of £5,173,000 has been written back through the profit and loss account in accordance with FRS10 following the closure of Walsden and the sale of Strines.

The loss after taxation for the financial year includes a loss of £13,861,000 *(2000: profit after taxation of £2,085,000)* dealt with in the accounts of the parent company.

23. Reconciliation of movements in shareholders' funds

	Group		Company	
	2001 £000	2000 £000	**2001 £000**	2000 £000
(Loss)/profit for the financial year	**(13,122)**	(4,224)	**(13,861)**	2,085
Dividends paid and proposed	**(366)**	(1,098)	**(366)**	(1,098)
(Unrecovered loss)/ retained profit for the financial year	**(13,488)**	(5,322)	**(14,227)**	987
Goodwill written back	**5,173**	2,266	-	-
Foreign currency translation differences	**217**	(930)	-	-
Net transfer (from)/to shareholders' funds	**(8,098)**	(3,986)	**(14,227)**	987
Shareholders' funds at 1 October 2000	**31,162**	35,148	**37,300**	36,313
Shareholders' funds at 30 September 2001	**23,064**	31,162	**23,073**	37,300

24. Pension schemes

The Group operates three defined contribution pension schemes. The pension charge for the period represents contributions paid by the Group to the schemes and amounted to £426,000 *(2000: £451,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

25. Disposal of business

On 1 October 2000, CLG (Holding) BV sold its subsidiary, Panhuizen BV, to the management team. The book values of the assets and liabilities disposed of are summarised in the following table.

	Book and Fair Value £000
Tangible fixed assets	724
Current assets	
Stock	163
Debtors	339
Cash	327
Creditors	(688)
Net assets	865
Profit/(loss) on sale (note 9)	-
Consideration	865
Discharged by cash received	865
Analysis of net cash inflow:	
Consideration	865
Cash disposed of with subsidiary undertaking	(327)
	538

During the year, the directors took the decision to cease UK textile printing operations and in July 2001 closed the Walsden printworks. The businesses and certain assets of Strines were sold to Walker Greenbank PLC, and those of Q Designs to Ena Shaw Ltd. The book values of the assets and the liabilities disposed of are summarised in the following table:

	Book and Fair Value	
	Strines Textiles £000	Q Designs £000
Tangible fixed assets	214	10
Current assets:		
Stock	450	442
Debtors	-	210
Creditors	-	(40)
Net assets	664	622
Profit/(loss) on sale (see note 9)	337	(296)
Consideration	1,001	326
Discharged by:		
Cash received	125	326
Deferred payment	450	-
Deferred consideration	426	-
	1,001	326
Analysis of net cash inflow/(outflow)		
Consideration	125	326
Disposal costs	(20)	(26)
	105	300

26. Commitments

i. Contracted capital commitments for the Group at the end of the financial year for which no provision has been made in these financial statements were £73,000 *(2000: £1,598,000)*. There were none in the Company.

ii. Annual commitments under non-cancellable operating leases are as follows:

	Group			
	2001		2000	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
Less than one year	-	**13**	-	-
In one to two years	-	**7**	-	-
In the second to fifth years inclusive	**68**	**9**	30	21
	68	**29**	30	21

iii. Amounts due under finance leases are as follows:

	Group	
	2001 £000	2000 £000
Less than one year	**187**	-
In one to two years	**197**	-
In the second to fifth years inclusive	**449**	-
	833	-

27. Reconciliation of operating profit to operating cash flows

	2001 £000	2000 £000
Operating loss	**(2,733)**	(1,758)
Depreciation and amortisation of fixed assets	**2,196**	2,592
Impairment of tangible fixed assets and goodwill, and other assets written off	**3,366**	2,785
Amortisation of goodwill	**69**	77
Grants received	**62**	43
Profit on sale of tangible fixed assets	**(86)**	(108)
Decrease/(increase) in stocks	**1,056**	(4,658)
Decrease/(increase) in debtors	**1,711**	(1,883)
(Decrease)/increase in creditors	**(3,174)**	2,384
(Increase) in finance lease debtors	**(4,349)**	(6,023)
	(1,882)	(6,549)
Expenditure relating to exceptional items:		
Redundancy costs	**(568)**	-
Other costs	**(336)**	(55)
	(904)	(55)
Net cash outflow from operating activities	**(2,786)**	(6,604)

Note:
The effect of exceptional items included within operating loss was a cash outflow of £146,000 *(2000: £1,956,000)*.

28. Analysis of cash flows for headings netted off in the cash flow statement

	2001 £000	2000 £000
a) Returns on investments and servicing of finance		
Interest received	78	202
Interest paid	(1,684)	(872)
Net cash outflow for return on investments and servicing of finance	(1,606)	(670)
b) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,263)	(3,608)
Sale of tangible fixed assets	2,829	237
Net cash outflow for capital expenditure	(434)	(3,371)
c) Acquisitions and disposals		
Purchase of subsidiary undertaking and other business	-	(2,332)
Net overdrafts acquired with subsidiary	-	(459)
Sale of business net of disposal costs (note 25)	1,270	1,974
Cash disposed of with subsidiary (note 25)	(327)	(17)
Net cash inflow/(outflow) for acquisitions and disposals	943	(834)
d) Financing		
Debt due within one year:		
repayment of loans	(9,492)	(3,171)
repayment of loan notes	(68)	(54)
new loans	4,000	7,555
finance leases	187	-
Debt due beyond one year:		
repayment of loans	-	(617)
new loans	7,940	3,905
finance leases	646	-
Net cash inflow from financing	3,213	7,618

29. Analysis of net debt

	At 1 October 2000 £000	Cash Flow £000	Non cash items £000	Disposal £000	Exchange movement £000	**At 30 September 2001 £000**
Cash in hand and at bank	1,714	(2,469)	-	943	27	**215**
Overdrafts	(6,382)	(116)	-	-	(170)	**(6,668)**
	(4,668)	(2,585)	-	943	(143)	**(6,453)**
Debt due within one year	(8,318)	5,363	(6,875)	-	(136)	**(9,966)**
Debt due after one year	(7,456)	(8,576)	6,875	-	(120)	**(9,277)**
Total	(20,442)	(5,798)	-	943	(399)	**(25,696)**

The interest rate profile of the net debt of the Group, by currency, at 30 September 2001 is as follows:

	Total £000	Floating rate £000	Fixed rate £000	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	13,789	2,184	11,605	7.28	2.0
Dutch Guilder	1,604	831	773	4.95	2.5
Italian Lire	4,699	2,953	1,746	5.73	2.4
German Mark	1,724	971	753	5.88	0.1
Euro	3,880	-	3,880	6.45	2.4
	25,696	6,939	18,757	6.81	1.6

Floating rate borrowings comprise bank borrowings, and loan notes, bearing interest at prevailing market rates.

30. Financial instruments

Currency exposure

Shown below are the Group's currency exposures as at 30 September 2001. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the subsidiary company or operating unit concerned. It is these exposures, which fluctuate throughout the year, that give rise to the net currency gains and losses recognised in the profit and loss account.

	Net foreign currency monetary assets			
	Danish Krona £000	US Dollars £000	Sterling £000	Total £000
Functional currency of subsidiary or operating unit				
Dutch Guilder	-	251	74	325
Italian Lire	-	196	20	216
Sterling	-	47	-	47
Deutschmark	264	-	-	264
	264	494	94	852

30. Financial instruments (continued)

Currency exposure (continued)

Transactional exposures on sales and purchases are chiefly in the European subsidiaries and are minimised by the Group policy requiring forward exchange contracts to be entered into as sales are made, or orders for materials placed. Currency exposures in the European subsidiaries are also minimised by the fact that their currencies are fixed to the Euro.

Fair values of financial assets and liabilities

Set out below is a comparison by category of book and fair values of the Group's financial assets and liabilities as at 30 September 2001. The Group held the following categories of financial instruments at 30 September 2001.

	Book value £000	Fair value £000
Cash at bank and in hand	215	215
Finance debt due within one year	(16,634)	(16,634)
Finance debt due after one year	(9,277)	(9.277)
Finance lease debtors	16,702	16,702
	(8,994)	(8,994)

Leeds Leasing plc writes finance leases with an average length of 2.5 years and yields on a typical lease are between 18% and 26%.

The directors believe that the fair value of the financial instruments is not materially different to the book value.

31. Related party transactions

Indorama Ireland Ltd

Mr Robert Wade, non-executive chairman of Leeds Group plc, is also the non-executive chairman of Indorama Ireland Ltd. During the year a branch of Leeds Dyers Ltd purchased yarn from subsidiaries of this company amounting to £602,335 on an arms' length basis. At the year end, an amount of £52,068 was due to these subsidiaries.

Ten Year Summary of Results and Capital Employed

	1992 £000	1993 £000	1994 £000	1995 £000	1996 £000	1997 £000	1998 £000	1999 £000	2000 £000	**2001 £000**
Profit before depreciation and exceptional items	6,934	9,072	9,686	9,974	9,678	12,275	9,247	6,291	5,753	**1,605**
Depreciation	(1,405)	(1,842)	(2,067)	(2,449)	(4,198)	(3,530)	(3,595)	(3,408)	(2,599)	**(2,207)**
Profit/(loss) before exceptional items	5,529	7,230	7,619	7,525	5,480	8,745	5,652	2,883	3,154	**(602)**
Exceptional items	-	-	-	-	(2,433)	-	-	(7,581)	(6,854)	**(14,609)**
Profit/(loss) before tax	5,529	7,230	7,619	7,525	3,047	8,745	5,652	(4,698)	(3,700)	**(15,211)**
Taxation	(1,594)	(1,975)	(2,123)	(2,270)	(1,180)	(2,939)	(1,928)	(440)	(524)	**2,089**
Profit/(loss) after tax	3,935	5,255	5,496	5,255	1,867	5,806	3,724	(5,138)	(4,224)	**(13,122)**
Distributions: Ordinary dividends	(1,316)	(1,614)	(1,810)	(1,982)	(2,447)	(2,562)	(2,562)	(1,098)	(1,098)	**(366)**
Retained in the business	2,619	3,641	3,686	3,273	(580)	3,244	1,162	(6,236)	(5,322)	**(13,488)**
Capital employed:										
Ordinary shares	2,994	4,746	7,208	7,413	9,149	9,150	9,150	9,150	9,150	**9,150**
Reserves	14,604	19,686	19,623	24,160	31,014	31,931	33,078	25,998	22,012	**13,914**
	17,598	24,432	26,831	31,573	40,163	41,081	42,228	35,148	31,162	**23,064**
Basic earnings per ordinary share before exceptional items (pence)*	14.7	17.9	19.3	17.6	11.8	15.9	10.2	4.7	5.2	**(2.7)**
Diluted earnings per ordinary share before exceptional items (pence)*	14.5	17.8	19.1	17.6	11.8	15.9	10.2	4.7	5.1	**(2.7)**
Dividend per ordinary share (pence)*	4.9	5.7	6.3	6.6	6.7	7.0	7.0	3.0	3.0	**1.0**

* Adjusted for the scrip issues as appropriate.

Each year has been re-stated in accordance with Financial Reporting Standards 3 and 14.

Notice of Annual General Meeting

The one hundred and first annual general meeting of the Company will be held at the Jarvis Parkway Hotel & County Club, Otley Road, Leeds LS16 8AG on 11 February 2002, at 12 noon for the following purposes:

Ordinary business

1. To receive the report of the directors, the financial statements for the year ended 30 September 2001 and the report of the auditors thereon.

2. To appoint Mr W M Cran as a director.

3. To appoint Mrs V Murria as a director.

4. To re-elect Mr C J Marsden as a director.

5. To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

6. In accordance with Article 52 of the Articles of Association of the Company and Part V of the Companies Act 1985 "the Act", the Company be and is hereby granted general and unconditional authority (pursuant to section 166 of the Act) to make market purchases (as defined in section 163 of the Act) of any of its own ordinary shares of 25 pence each on such terms and in such manner as the board of directors of the Company may from time to time determine provided that:

   6.1 the maximum number of shares authorised to be purchased is 5,453,192 being 14.9 per cent of the current issued ordinary share capital;

   6.2 the maximum price which may be paid for a share is an amount equal to not more than 105 per cent of the average middle market quotations for a share taken from The London Stock Exchange Daily Official List for the ten business days immediately preceding the date of purchase;

   6.3 the minimum price which may be paid for a share is 25 pence; and

   6.4 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 11 February 2003 (whichever shall first occur), except that the Company may, before such expiry, enter into a contract for the purchase of its own shares which may be completed by or executed wholly or partly after the expiration of this authority.

By Order of the Board
Dawn Bowler
Company Secretary

Schofield House
Gateway Drive
Yeadon, Leeds
LS19 7XY

January 2002

Notice of Annual General Meeting
continued

Notes

1. For the purpose of determining who is entitled to attend or vote (whether on show of hands or poll) at the meeting a person must be entered on the register of members not later than 6.00 p.m. on 9 February 2002.

2. A member entitled to attend and vote may appoint a proxy and, on a poll, to vote in his stead. A proxy need not be a member of the Company.

3. To be valid, the form of proxy must be completed and lodged at the Registrars of the Company, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time of the meeting.

4. The Register of Directors' Interests, together with copies of the directors' service contracts will be available for inspection at the registered office of the Company during normal business hours until the date of the annual general meeting and on that day, at the place of the meeting from at least 15 minutes prior to the meeting until its conclusion.

Group Advisers

Solicitors

DLA
Princes Exchange
Princes Square
Leeds
LS1 4BY

Financial Advisers

KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds
LS1 4DW

Brokers

Peel Hunt & plc
62 Threadneedle Street
London
EC2R 8HP

Registrars

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Principal Bankers

Barclays Bank plc
Barclays House
6 East Parade
Leeds
LS1 2UX

Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Group Information

Trading Subsidiary Companies

Leeds Dyers Limited Schofield House Gateway Drive Yeadon, Leeds LS19 7XY	Leeds Leasing plc Schofield House Yeadon Leeds LS19 7XY	CLG (Holding) BV PO Box 132 6970 AC Brummen The Netherlands	Nemesis SpA Via 1 Maggio, 54 21048 Solbiate Arno Italy
Directors Chris J Marsden Malcolm J Wilson Jeffrey Z Beardsley	John W Blanchflower Robin M Thornton Chris J Marsden Malcolm J Wilson	Chris J Marsden Malcolm J Wilson Jorg H Hemmers	Matteo Cuccurullo Marziano Masetti Chris J Marsden Malcolm J Wilson

Dormant Companies

Schofield Cloth Finishers Limited
Colourflex Limited
Schofield House Limited (formerly Strines Textiles Limited)

Trading branches of Leeds Dyers Limited

Involved in processing of textiles and sales of yarn and cloth. Incorporated and registered in England.

Langholm Dyeing/ Colourflex Waterside Mill Langholm Dumfriesshire DG13 0DG	Schofield Cloth Finishers Gala Mill Huddersfield Street Galashiels TD1 3AE	Sharps Fabric Printers Westfield Industrial Estate Yeadon Leeds LS19 7LX
Branch Managing Directors Jeffrey Z Beardsley	Jim Thomson	Mike D Ingram

Trading branches of CLG (Holding) BV

Involved in distribution of cloth. Incorporated in Holland.

Itex BV PO Box 132 6970 AC Brummen The Netherlands	Hemmers Textil Import Export GmbH Gronauer Hof 6 D48527 Nordhorn Germany
Branch Managing Directors Jorg H Hemmers	Jorg H Hemmers

Nemesis SpA

Involved in printing of textiles. Incoporated in Italy.

Leeds Leasing plc

Involved in leasing of assets. Incorporated and registered in England.

LEEDS

GROUP PLC

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LS19 7XY

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