LEEDS
GROUP PLC

Annual Report and Accounts 2012

Contents

Financial Highlights

- The Group's accounting reference date was changed from 30 September to 31 May with effect from 31 May 2011 Financial information presented relates to the year ended 31 May 2012, with comparative figures covering the eight months ended 31 May 2011 unless otherwise stated

- Group profit before tax was £818,000 *(2011 £809,000)* after charging £236,000 in respect of impairment of available-for-sale investment

- Hemmers-Itex sales were £28,364,000 *(2011 £19,019,000)* and pre-tax profit was £895,000 *(2011 £589,000)*

- Net bank debt reduced to £1,300,000 *(2011 £1,774,000)*

- 865,000 shares were bought back in the year at a cost of £148,000.

- Despite profitable trading and further shares bought into treasury, net asset value per share (excluding treasury shares) fell slightly to 45 4 pence *(2011 46 1 pence)* as the negative effect of currency translation was equivalent to 2.9 pence per share.

- Earnings per share were 1.8 pence *(2011 1 7 pence)*

- No dividend proposed while Board continues search for suitable investment opportunities

Directors

Kathryn Davenport (Non-Executive Chairman)

Kathryn, born 1969, is a qualified solicitor and company secretary with significant expertise in company administration and corporate governance She is a sole practitioner trading as Davenport Law Limited and is also company secretary of International Fibres Group (Holdings) Limited Previously, Kathryn was company secretary at Union plc, now Browallia Holdings Limited Kathryn joined the Board of Leeds Group as chairman in February 2011

Johan Claesson (Non-Executive Director)

Born 1951, Johan has been a major shareholder in Leeds Group since 1999, and has extensive business interests, both private and in the public arena Johan is Chairman of Claesson & Anderzén, a private property company, and a director of K3 Business Technology Group plc, an AIM-listed Group specialising in business software Johan joined the Board of Leeds Group in September 2004

Jan Holmstrom (Non-Executive Director)

Born 1953, Jan has worked for many years in the insurance and specialised financial services sector He is a professional management consultant with a wealth of experience of working in Sweden, the UK and the Far East Jan is Chairman of Densitron Technologies plc and of 21st Century Technology plc and is a Non-executive Director of a number of other companies including Browallia AB (Sweden), International Fibres Group (Holdings) Limited and Pittards plc Jan joined the Board of Leeds Group in November 2011

Group Information and Advisers

Principal Trading Subsidiary Company

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

Director during the year
Jörg Hemmers

Principal activity
Import, sale & distribution of fabric
Incorporated in Germany

Subsidiary company of Hemmers-Itex Textil Import Export GmbH
Chinoh-Tex Ltd *(incorporated in China)*

Group Advisers

Solicitors

Walker Morris
Kings Court
12 Kings Street
Leeds
LS1 2HL

Tel 0113 283 2500

Financial Advisers And Brokers

Cairn Financial Advisers LLP
61 Cheapside
London
EC2V 6AX

Tel 020 7148 7900

Auditors

BDO LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5RU

0113 244 3839

Solicitors

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

Tel 08700 111111

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel 0871 664 0300*

Principal Bankers

Bank of Scotland
116 Wellington Street
Leeds
LS1 4LT

Tel 0113 388 3200

* Calls to the Capita shareholder helpline cost 10p a minute plus network extras Lines are open 8 30am-5 30pm Mon-Fri

Chairman's Statement

I am pleased to present the results of the year ended 31 May 2012

Accounting reference date
In June 2011 Leeds Group announced a change in its accounting reference date from 30 September to 31 May which is the low point in the annual business cycle when reporting can be accommodated with least disruption to sales activities This annual report covers the year ended 31 May 2012 and unless otherwise stated, comparative figures are taken from the audited accounts for the eight month period ended 31 May 2011

Results
In the year ended 31 May 2012 the Group made a profit after tax of £503,000, compared with £483,000 in the eight months ended 31 May 2011 Net asset value per share at 31 May 2012 was 45 4 pence *(2011 46 1 pence)*, and earnings per share for the year were 1 8 pence *(2011 1 7 pence)*

Hemmers-Itex Textil Import Export GmbH ("Hemmers")
Total fabric sales in the year by Hemmers Europe were 11 2 million linear metres, which compares with 8 2 million metres achieved in the eight months ended 31 May 2011 Demand remained depressed in the face of continuing unfavourable economic conditions, and our objective remained to maintain margins This, together with strict control of overheads, led to profit before tax of £807,000 *(2011 £520,000)* and enabled bank debt to be reduced by €529,000 (£451,000)

ChinohTex, the Hemmers subsidiary based in Shanghai, continues to make good progress and achieved by far its highest sales revenue in its short history It contributed pre-tax profit of £93,000 *(2011 £68,000)* as well as valuable assistance to its European parent in terms of purchasing, inspection and shipping of material

Investments
Leeds Group continues to hold approximately 29% of Dawson International PLC ("Dawson") Dawson's latest results show a company with no debt and cash resources of £5m, but where there is a significant potential liability in two defined benefit pension schemes For several months now the market value of this investment has been significantly below its cost, and for this reason we have marked the investment to market, taking an impairment charge of £236,000 against pre-tax profit On 20 July 2012 Dawson issued a statement regarding its inability to reach agreement with regulators in relation to the pension schemes which has resulted in a further significant fall in the Dawson share price

Although Leeds Group has no power to participate in the operating and financial policies of Dawson, the Directors will manage the Group's investment in a proactive manner that will encourage the management team to focus on realising the perceived incremental shareholder value that was at the root of the investment decision

Share Buy-back
The Group has continued to use the authority granted by shareholders to purchase its own shares, and during the year 865,000 shares were acquired at a cost of £148,000 Group shares held in treasury at 31 May 2012 totalled 3,805,658, representing 12% of the 31,600,000 total shares in issue

Your Board intends to continue to buy back shares whenever the appropriate opportunity arises and will be seeking Shareholder approval of the necessary resolution at the forthcoming Annual General Meeting In buying back the Company's shares, the Board is returning capital to those shareholders who wish to sell their shares whilst improving the net asset value per share of the remaining shareholders

Dividend
It remains the intention of the Board to seek further opportunities to maximise the long-term value of the Group by identifying appropriate investments that will strengthen the Group and benefit all shareholders In the light of such policy, the Directors do not propose a dividend

Employees
On behalf of shareholders, I thank the management and staff of Hemmers for their continued hard work and commitment that has resulted in a satisfactory result in difficult economic conditions

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

Kathryn Davenport
Chairman
30 July 2012

Operating and Financıal Review

Change of accounting reference date
Followıng the change to the Group's accountıng reference date announced ın June 2011, thıs revıew covers the year ended 31 May 2012, and unless otherwıse stated, comparatıve figures are taken from the audıted accounts for the eıght month perıod ended 31 May 2011

Group result
Group revenue ın the year ended 31 May 2012 amounted to £28,364,000 *(2011 £19,019,000)* and Group profit before tax was £818,000 *(2011 £809,000)*

The tax charge ın the year was £315,000 of whıch £66,000 was deferred tax relatıng to temporary tımıng dıfferences on goodwıll and financıal derıvatıves Earnıngs per share were 1 8 pence *(2011 1 7 pence)*

Hemmers Europe
Thıs German-based busıness ıs engaged ın the ımport, warehousıng and wholesalıng of fabrıcs

Durıng 2011, already dıfficult market condıtıons became even more challengıng followıng very large ıncreases ın the cost of cotton ıtems In the year ended 31 May 2011, average monthly cotton prıces were more than twıce the level of the prevıous year Durıng the year ended 31 May 2012, average prıces fell back by 30% but were stıll 50% hıgher than two years prevıously and the effect of thıs welcome cost reductıon was lagged by the stockholdıng perıod At the same tıme, the well-documented debt crısıs ın Europe led to the value of the Euro agaınst the US dollar fallıng sharply

The combınatıon of hıgh cotton prıces and a weak Euro led to an ıncrease of 9% ın 2012 ın our average cost of sales for fabrıc Just as we dıd when cotton prıces first began to rıse, we focused successfully on maıntaınıng margıns Average monthly sales volumes were 9% down ın the year, but at prıces some 9% hıgher than ın 2011 By prıorıtısıng margın above volume and by aggressıvely controllıng overhead expense Hemmers earned pre-tax profits of £807,000 whıch ıs by some way the best performance sınce we acquıred the busıness ın 1999 The dıvısıonal management and staff are to be congratulated for havıng achıeved thıs ın such dıfficult condıtıons

Contınued excellent control of workıng capıtal meant that debt was reduced by €529,000 (£451,000) ın the year, an amount almost exactly equal to post tax profit less capıtal expendıture for the year

Hemmers Chına
Chınoh-Tex ıs a textıle tradıng company based ın Shanghaı and has been tradıng for four years It purchases fabrıc from Chınese supplıers and ın 2012 sold to customers ın 17 countrıes

2012 was another year of growth for Chınoh-Tex wıth record external sales of £1,758,000 whıch represented a monthly average 33% hıgher than ın 2011 Gross margın ımproved modestly to 16 8% *(2011 15 7%)* as ıntercompany sales to Hemmers Europe fell to 29% of total revenue *(2011 39%)*

Dıstrıbutıon costs ıncreased as a result of the addıtıonal volumes shıpped whıch also necessıtated further staff recruıtment Profit before tax of £93,000 ıs the best achıeved ın the subsıdıary's brıef hıstory and, ımportantly, Chınoh-Tex contınues to gıve valuable assıstance to ıts European parent wıth the purchasıng, ınspectıon and shıppıng of materıal

Avaılable-for-sale investments
The value of the Group's ınvestment ın Dawson Internatıonal PLC ("Dawson") exceeded ıts cost by £152,000 at 31 May 2011 and thıs unrealısed gaın was taken to the avaılable-for-sale reserve However, at 31 May 2012 the bıd prıce of Dawson's shares was 1 15 pence whıch meant that the faır value of the Leeds Group holdıng had fallen to £745,000, or £236,000 below ıts cost Sınce September 2011 the bıd prıce of Dawson shares has been below the prıce we paıd for them, and thus the declıne ın the value of thıs ınvestment ıs, ın the opınıon of the dırectors, both sıgnıficant and prolonged Accordıngly, the unrealısed loss ın the year ıs reflected by utılısatıon of the avaılable-for-sale reserve and an ımpaırment charge of £236,000 to the consolıdated statement of comprehensıve ıncome

On 20 July 2012 Dawson ıssued a statement detaılıng ıts ınabılıty to reach agreement wıth regulators regardıng the deficıt on ıts pensıon schemes whıch has caused the bıd prıce of Dawson shares on 30 July 2012 to fall stıll further, openıng at 0 25 pence at whıch level the faır value of the Leeds Group holdıng ıs £162,000

Operating and Financial Review (continued)

Holding Companies' Costs
Costs of the holding companies in the year, net of interest receivable, amounted to £311,000 *(2011 £143,000)* as follows

	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Holding companies' costs net of interest receivable	**32**	25
Impairment of available-for-sale investment	**236**	-
Exchange loss/(gain)	**43**	(7)
Haw Lane legal expenses	-	125
Net holding companies costs	**311**	143

Fixed Assets
Capital additions in the year amounted to £112,000 Tangible fixed assets in the Consolidated Statement of Financial Position amount to £1,890,000 *(2011 £2,171,000)*

Working Capital
Working capital comprises inventories, trade and other receivables, and trade and other payables and increased in the year by £534,000 The directors anticipate that working capital will continue to rise to its annual peak over the next few months

Property at Haw Lane, Yeadon
The Group owns the freehold title to a plot of land of approximately 5 acres in Haw Lane, Yeadon, adjacent to the site of the former Scott & Rhodes factory, and in February 2007 Leeds City Council resolved to register this land as a town or village green The Group was unsuccessful in an appeal in the High Court, and, by a two-to-one majority, in a subsequent hearing in the Court of Appeal In the past few weeks the Group has been refused permission to appeal to the Supreme Court It is the opinion of the Directors that the value of the land in its current use is negligible

Debt Profile
The funding policy of the Group continues to be to match its funding requirement in trading subsidiaries in a cost-effective fashion with an appropriate combination of short and longer-term debt The warehouse constructed in 2008 in Germany is financed by two equal 20-year loans, one of which is at variable rate (currently 1 67%) and the other is at a fixed interest rate of 4 07% Working capital finance is via short term loans of three months currently attracting interest at approximately 2%

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

Kathryn Davenport
Chairman
30 July 2012

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 May 2012

Principal activities
The principal activity of the Parent Company is that of an investment holding Company and the provision of management services to subsidiaries The principal activities of Group undertakings are set out in note 14 to the financial statements

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 2012, 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 (known as the "Business Review") The information that fulfils the Business Review requirements can be found in the Chairman's Statement on page 5, and the Operating and Financial Review on pages 6 and 7 This information includes a discussion of the Key Performance Indicators used by the directors to monitor the business which are

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

Principal risks and uncertainties
Fire risk is mitigated by insurance, including consequential loss insurance to cover the loss of business opportunity while replacement stocks are obtained There is an adequate disaster recovery programme in place with regard to essential computer systems The commercial risks of operating in the highly competitive European fabric market are limited by the fact that Hemmers has a wide range of suppliers, and no customer accounts for more than 3% of revenues The Directors therefore consider the principal operating risks of operating in this market to be the financial risks identified in note 3 to the accounts, which also deals with the way in which the directors manage those risks This includes the use of financial instruments, details of which are set out in note 17

Dividends
The directors do not recommend the payment of a dividend

Major shareholdings
The Company is aware of the following shareholders having 3% or more of the issued share capital at 30 July 2012

	% of issued share capital	% of issued share capital excluding shares held in treasury
Mr Johan Claesson and associates	25 25	28 70
Mr Peter Gyllenhammar and associates	21 31	24 22
Channel Hotels & Properties Ltd	2 8	3 18

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

Directors and directors' interests
The Directors who held office during the year were Ms Kathryn Davenport, Mr Johan Claesson, Mr Jan Holmstrom (appointed 23 November 2011) and Mr Peter Gyllenhammar (resigned 23 November 2011)

The Director retiring by rotation is Kathryn Davenport who, being eligible, offers herself for re-appointment at the forthcoming Annual General Meeting

Directors' Report (continued)

Jan Holmstrom was appointed as a Director during the year and, in accordance with the articles of association, will retire and, being eligible, offer 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 shares of the Company

	Number of shares			
	Interest at end of year		Interest at beginning of year	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
Johan Claesson	7,978,050	-	7,978,050	-
Kathryn Davenport	-	-	-	-
Jan Holmstrom	-	-	-	-

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

No changes in directors' share interests or share options have taken place between the end of the year and 30 July 2012

The market value of Leeds Group shares between 1 June 2011 and 31 May 2012 ranged between 16 5p and 22p The average market value for the year was 18 44p, and at 31 May 2012 the market value was 18p

Political and charitable contributions
The Group made no political contributions during the year *(2011 £nil)* Donations to UK charities amounted to £250 *(2011 £nil)*

Creditor payment policy
It is Group policy to agree the terms of payment with suppliers when agreeing each transaction and to abide by the terms of payment At 31 May 2012, the amount of trade creditors shown in the consolidated statement of financial position represents 30 days *(2011 21 days)* There are no trade creditors shown in the Company statement of financial position *(2011 nil)*

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

Treasury shares
During the year the Company purchased 865,000 (2 7%) of its own ordinary shares with a nominal value of 12p, for a total consideration of £148,000 In buying back the Company's ordinary shares, the Board is returning capital to those shareholders who wish to sell their shares whilst improving the net asset value per share of the remaining shareholders

Statement by the directors on corporate governance
The Company moved to the Alternative Investment Market on 3 March 2002, and therefore is not bound by the UK Corporate Governance Code issued in May 2010 The Company does, however, seek to comply with those provisions of the Code that it considers appropriate to its current strategy and size

For many years an audit committee and a remuneration committee had been formally constituted as sub-committees of the main Board, both with written terms of reference These committees comprised the Group non-executive Chairman and the two non-executive directors Since these people now constitute the entire Board, matters previously dealt with by these sub-committees are now dealt with by the Board as a whole

Directors' Report (continued)

Directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

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

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

By Order of the Board

Malcolm Wilson
Company Secretary
30 July 2012

Old Mills
Whitehall Grove
Drighlington
Bradford, BD11 1BY

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

We have audited the financial statements of Leeds Group plc for the year ended 31 May 2012, which comprise the Consolidated and Parent Statements of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

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

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 May 2012 and of the Group's profit for the year then ended,

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,

- the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

BDO LLP

Paul Davies (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds

30 July 2012

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

Consolidated Statement of Comprehensive Income

for the year ended 31 May 2012

	Note	**Year ended 31 May 2012 £000**	Eight months ended 31 May 2011 £000
Revenue	6	**28,364**	19,019
Cost of sales		**(22,080)**	(14,430)
Gross profit		**6,284**	4,589
Distribution costs		**(2,005)**	(1,408)
Administrative expenses		**(3,103)**	(2,277)
Impairment of available-for-sale investment	13	**(236)**	-
Profit from operations	4	**940**	904
Finance expense	7	**(140)**	(104)
Finance income	7	**18**	9
Profit before tax		**818**	809
Tax expense	8	**(315)**	(326)
Profit for the year, attributable to the equity holders of the Parent Company		**503**	483
Other comprehensive income			
Translation differences on foreign operations		**(805)**	134
Unrealised loss recognised in available-for-sale reserve	13	**(152)**	162
Other comprehensive income for the year		**(957)**	296
Total comprehensive income for the year, attributable to the equity holders of the Parent Company		**(454)**	779

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

Earnings per share for profit attributable to the equity holders of the Company

	Note	**Year ended 31 May 2012 £000**	Eight months ended 31 May 2011 £000
Basic and diluted (pence)	9	**1 8p**	1 7p

The notes on pages 17 to 40 form part of these financial statements

Consolidated Statement of Financial Position

at 31 May 2012

Company number 00067863	Note	**31 May 2012 £000**	31 May 2011 £000
Assets			
Non-current assets			
Property, plant and equipment	11	**1,890**	2,171
Goodwill	12	**896**	974
Available-for-sale investments	13	**745**	1,133
Total non-current assets		**3,531**	4,278
Current assets			
Inventories	15	**6,416**	7,219
Trade and other receivables	16	**6,689**	6,424
Cash and cash equivalents	18	**1,967**	2,264
Total current assets		**15,072**	15,907
Total assets		**18,603**	20,185
Liabilities			
Non-current liabilities			
Loans and borrowings	20	**(1,836)**	(2,122)
Deferred tax	8	**(175)**	(123)
Total non-current liabilities		**(2,011)**	(2,245)
Current liabilities			
Trade and other payables	19	**(2,339)**	(2,547)
Loans and borrowings	20	**(1,431)**	(1,916)
Corporation tax liability		**(200)**	(133)
Derivative financial liabilities	17	**-**	(120)
Total current liabilities		**(3,970)**	(4,716)
Total liabilities		**(5,981)**	(6,961)
TOTAL NET ASSETS		**12,622**	13,224
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**3,792**	3,792
Capital redemption reserve		**600**	600
Treasury share reserve		**(658)**	(510)
Available-for-sale reserve		**-**	152
Foreign exchange reserve		**1,097**	1,902
Retained earnings		**7,791**	7,288
TOTAL EQUITY		**12,622**	13,224

The financial statements on pages 13 to 40 were approved and authorised for issue by the board of directors on 30 July 2012 and were signed on behalf of the board by -

Kathryn Davenport
Chairman

The notes on pages 17 to 40 form part of these financial statements

Consolidated Cash Flow Statement

for the year ended 31 May 2012

	Note	**Year ended 31 May 2012 £000**	Eight months ended 31 May 2011 £000
Cash flows from operating activities			
Profit for the year		**503**	483
Adjustments for.			
Depreciation		**229**	139
Impairment of available-for-sale investment		**236**	-
Movement in derivative financial liabilities		**(118)**	(284)
Translation (loss)/gain on cash and cash equivalents		**(24)**	5
Finance expense		**140**	104
Finance income		**(18)**	(9)
Loss on sale of property, plant and equipment		**1**	17
Income tax expense		**315**	326
Cash flows from operating activities before changes in working capital and provisions		**1,264**	781
Decrease in inventories		**261**	258
(Increase)/decrease in trade and other receivables		**(748)**	901
(Decrease)/increase in trade and other payables		**(47)**	1,051
Cash generated from operating activities		**730**	2,991
Income taxes paid		**(169)**	(101)
Net cash flows from operating activities		**561**	2,890
Investing activities			
Purchase of property, plant and equipment		**(112)**	(124)
Sale of property, plant and equipment		**3**	23
Bank interest received		**18**	9
Net cash used in investing activities		**(91)**	(92)
Financing activities			
Purchase of treasury shares		**(148)**	(47)
Repayment of bank borrowings		**(479)**	(2,575)
Bank interest paid		**(140)**	(104)
Net cash (used)/generated in financing activities		**(767)**	(2,726)
Net (decrease)/increase in cash and cash equivalents	18	**(297)**	72
Cash and cash equivalents at beginning of the year	18	**2,264**	2,192
Cash and cash equivalents at end of the year	18	**1,967**	2,264

The notes on pages 17 to 40 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 May 2012

	Share capital £000	Capital redemption reserve £000	Treasury share reserve £000	Available - for- sale reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total equity £000
At 1 October 2010		**540**	**(572)**	**(10)**	**1,768**	**6,914**	**12,492**
Profit for the period	-	-	-	-	-	483	**483**
Other comprehensive income*	-	-	-	162	134	-	**296**
Purchase of treasury shares	-	-	(47)	-	-	-	**(47)**
Cancellation of treasury shares	(60)	60	109	-	-	(109)	-
At 31 May 2011	**3,792**	**600**	**(510)**	**152**	**1,902**	**7,288**	**13,224**
Profit for the year	-	-	-	-	-	503	**503**
Other comprehensive income*	-	-	-	(152)	(805)	-	**(957)**
Purchase of treasury shares	-	-	(148)	-	-	-	**(148)**
At 31 May 2012	**3,792**	**600**	**(658)**	**-**	**1,097**	**7,791**	**12,622**

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

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

Reserve	Description and purpose
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares
Treasury share reserve	Cost of own shares held in treasury
Available-for-sale reserve	Gains/losses arising on financial assets classified as available-for-sale
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 17 to 40 form part of these financial statements

Notes

forming part of the financial statements for the year ended 31May 2012

1 **Accounting policies**

Basis of preparation

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

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

Changes in accounting policies

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

Revised IAS 24 Related Party Disclosures providing a revised definition of a related party with the definition simplified and inconsistencies eliminated

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

IFRIC 19 Extinguishing financial liabilities with equity instruments

Amendment of IFRS1 First time adoption of IFRS

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

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) (Effective 1 July 2011)

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

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (Effective 1 July 2011)

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

IFRS 11 Joint Arrangements (effective 1 January 2013)
IAS 27 Separate Financial Statements (effective 1 January 2013)
IAS 12 Deferred Tax Recovery of Underlying Assets (effective 1 January 2012)
IFRS 9 Financial Instruments (effective 1 January 2013)
IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13 Fair Value Measurement (effective 1 January 2013)
IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2013)
IAS 19 Employee Benefits (effective 1 January 2013)
IFRS 7 Offsetting financial assets and liabilities (effective 1 January 2013)
IFRS 9 Financial instruments (1 January 2015)

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

Revenue

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

1 Accounting policies (continued)

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity Inter-company transactions and balances between Group companies are therefore eliminated in full

Business combinations

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

Goodwill

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

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

Segment reporting

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

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

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

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

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

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

1 Accounting policies (continued)

Foreign currency

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

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

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

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

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

Financial assets

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

Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows

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

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

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counter-party or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision

Notes

forming part of the financial statements for the year ended 31May 2012

1 Accounting policies (continued)

Financial assets (continued)

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

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

(iii) Available-for-sale: Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available-for-sale reserve) Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the consolidated statement of comprehensive income On sale, the amount held in the available-for-sale reserve associated with that asset is removed from equity and recognised in the consolidated statement of comprehensive income

The Group does not engage in hedge accounting

Financial liabilities

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

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

(ii) Other financial liabilities: Other financial liabilities include the following items, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method

- Bank borrowings
- Trade payables

Share capital

The Group's ordinary shares are classified as equity instruments

Retirement benefits

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

Leased assets

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

Taxation

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

1 Accounting policies (continued)

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

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

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

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

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

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

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

Freehold buildings	33 years
Leasehold improvements	8 years
Plant and machinery	5 – 15 years
Motor vehicles	6 years

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

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

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

Notes

forming part of the financial statements for the year ended 31May 2012

1 Accounting policies (continued)

Provisions

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

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

2 Critical accounting estimates and judgements

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

(i) Impairment of goodwill

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

(ii) Useful lives of property, plant and equipment

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

(iii) Impairment of trade receivables

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

(iv) Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends If actual inventory losses differ by 1% from the provision established by management, the Group's consolidated net income in the year ended 31 May 2012 would have improved or declined by an estimated £4,749 depending upon whether the actual inventory losses were lower or higher than the provision

(v) Classification of available-for –sale investments

During the year ended 30 September 2008 the Group acquired a stake of 28 8% in the ordinary share capital of Dawson International PLC and details of this investment are set out in note 13 This holding has not been accounted for as an associate undertaking on an equity basis as the Group does not have day-to-day involvement, nor the power to participate in the operating and financial policies of Dawson International PLC On this basis, the directors consider that it is appropriate to classify the investment on an available-for-sale basis, the accounting treatment for which is set out in note 1

3 Financial instruments - Risk Management

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

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

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

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

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows

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

General objectives, policies and processes

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

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

Credit risk

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

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

Notes

forming part of the financial statements for the year ended 31May 2012

3 Financial instruments - Risk Management (continued)

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

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

Market risk

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

(i) Cash flow interest rate risk

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

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

(ii) Foreign exchange risk

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

At the date of the statement of financial position, a 10% strengthening of Sterling against the Euro and the RMB, all other variables held constant, would have resulted in an estimated decrease of £921,000 in the reported net asset value of the Group A 10% weakening of Sterling against the Euro and the RMB at the date of the statement of financial position, on the same basis, would have resulted in an estimated increase of £1,125,000 in the reported net asset value of the Group

Liquidity risk

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

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

Capital policy

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

4 Profit from operations

Profit from operations is stated after charging/(crediting):	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Auditors' fees		
Statutory audit services		
- Audit of the Parent Company and the consolidated accounts	17	16
- Audit of subsidiary companies	27	27
Non-audit related services		
- Tax compliance	5	4
Total auditor's fees	49	47
Staff costs	3,584	2,373
Depreciation of property, plant and equipment	229	139
Impairment of available-for-sale investment	(236)	-
Foreign exchange differences	(118)	(284)
Operating lease expense		
- Plant and machinery	87	63
- Property	238	159
Loss on disposal of property, plant and equipment	1	17

5 Staff costs

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

	Management	Sales and customer service	Warehousing	Administration	Group total
2012	9	43	55	29	136
2011	9	40	55	30	134

Staff costs, including directors, comprise	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Wages, salaries and directors' fees	3,062	2,003
Defined contribution pension cost	272	191
Employer's national insurance contributions and similar taxes	250	179
Total staff costs	3,584	2,373

Directors' emoluments comprise exclusively directors' fees, as follows:	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Mr J Claesson	10	7
Ms K Davenport	25	7
Mr J Holmstrom (appointed 23 November 2011)	5	-
Mr P Gyllenhammar (resigned 23 November 2011)	5	7
Mr E Wigley (resigned 12 January 2011)	-	8
Total directors' emoluments	45	29

Notes

forming part of the financial statements for the year ended 31May 2012

6 Segmental information (continued)

Year ended 31 May 2012	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Holding companies £000	IFRS adjustments Financial derivatives £000	IFRS adjustments Goodwill amortisation £000	**Group total £000**
External revenue	26,606	1,758	-	**28,364**	-	-	-	**28,364**
Inter-segmental revenue	-	711	(711)	-	-	-	-	-
Cost of sales	(20,850)	(2,054)	706	**(22,198)**	-	118	-	**(22,080)**
Gross profit	5,756	415	(5)	**6,166**	-	118	-	**6,284**
Distribution costs	(1,856)	(149)	-	**(2,005)**	-	-	-	**(2,005)**
Admin expenses	(2,796)	(173)	-	**(2,969)**	(250)	-	116	**(3,103)**
Impairment of a-f-s investment	-	-	-	-	(236)	-	-	**(236)**
Profit from operations	1,104	93	(5)	**1,192**	(486)	118	116	**940**
Finance expense	(140)	-	-	**(140)**	-	-	-	**(140)**
Finance income	-	-	-	-	18	-	-	**18**
Internal interest	(157)	-	-	**(157)**	157	-	-	-
Profit before tax	807	93	(5)	**895**	(311)	118	116	**818**

At 31 May 2012	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Holding companies £000	IFRS adjustments Financial derivatives £000	IFRS adjustments Goodwill amortisation £000	**Group total £000**
Property, plant & equipment	1,873	17	-	**1,890**	-	-	-	**1,890**
Goodwill	277	-	-	**277**	-	-	619	**896**
A-f-s investments	-	-	-	-	745	-	-	**745**
Inventories	6,395	49	(28)	**6,416**	-	-	-	**6,416**
Trade receivables	5,177	290	-	**5,467**	-	-	-	**5,467**
Other receivables	1,070	135	-	**1,205**	17	-	-	**1,222**
Cash & equivalents	366	131	-	**497**	1,470	-	-	**1,967**
Total assets	15,158	622	(28)	**15,752**	2,232	-	619	**18,603**
Group loans & current accounts	(1,805)	(166)	-	**(1,971)**	1,971	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-
Non-current liabilities	(1,836)	-	-	**(1,836)**	-	-	(175)	**(2,011)**
Trade payables	(1,428)	(137)	-	**(1,565)**	-	-	-	**(1,565)**
Other payables	(577)	(38)	-	**(615)**	(159)	-	-	**(774)**
Corporation tax	(192)	(8)	-	**(200)**	-	-	-	**(200)**
Loans & borrowings	(1,431)	-	-	**(1,431)**	-	-	-	**(1,431)**
Total liabilities	(7,269)	(349)	-	**(7,618)**	1,812	-	(175)	**(5,981)**
Net assets	7,889	273	(28)	**8,134**	4,044	-	444	**12,622**

Notes

forming part of the financial statements for the year ended 31May 2012

6 Segmental information (continued)

Eight months ended 31 May 2011	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Holding companies £000	IFRS adjustments Financial derivatives £000	IFRS adjustments Goodwill amortisation £000	**Group total £000**
External revenue	18,138	881	-	**19,019**	-	-	-	**19,019**
Inter-segmental revenue	-	558	(558)	-	-	-	-	-
Cost of sales	(14,060)	(1,213)	559	**(14,714)**	-	284	-	**(14,430)**
Gross profit	4,078	226	1	**4,305**	-	284	-	**4,589**
Distribution costs	(1,350)	(58)	-	**(1,408)**	-	-	-	**(1,408)**
Administrative expenses	(2,001)	(100)	-	**(2,101)**	(255)	-	79	**(2,277)**
Profit from operations	727	68	1	**796**	(255)	284	79	**904**
Finance expense	(104)	-	-	**(104)**	-	-	-	**(104)**
Finance income	-	-	-	-	9	-	-	**9**
Internal interest	(103)	-	-	**(103)**	103	-	-	-
Profit before tax	520	68	1	**589**	(143)	284	79	**809**

At 31 May 2011	Hemmers Europe £000	Hemmers China £000	Inter segmental £000	**Total Hemmers £000**	Holding companies £000	IFRS adjustments Financial derivatives £000	IFRS adjustments Goodwill amortisation £000	**Group total £000**
Property, plant & equipment	2,150	21	-	**2,171**	-	-	-	**2,171**
Goodwill	420	-	-	**420**	-	-	554	**974**
A-f-s investments	-	-	-	-	1,133	-	-	**1,133**
Inventories	7,140	104	(25)	**7,219**	-	-	-	**7,219**
Trade receivables	5,249	231	-	**5,480**	-	-	-	**5,480**
Other receivables	756	160	-	**916**	28	-	-	**944**
Cash & equivalents	426	129	-	**555**	1,709	-	-	**2,264**
Total assets	16,141	645	(25)	**16,761**	2,870	-	554	**20,185**
Group loans & current accounts	(1,932)	(187)	-	**(2,119)**	2,119	-	-	-
Derivative financial liabilities	-	-	-	-	-	(120)	-	**(120)**
Non-current liabilities	(2,122)	-	-	**(2,122)**	-	34	(157)	**(2,245)**
Trade payables	(1,409)	(173)	-	**(1,582)**	-	-	-	**(1,582)**
Other payables	(666)	(101)	-	**(767)**	(198)	-	-	**(965)**
Corporation tax	(133)	-	-	**(133)**	-	-	-	**(133)**
Loans & borrowings	(1,916)	-	-	**(1,916)**	-	-	-	**(1,916)**
Total liabilities	(8,178)	(461)	-	**(8,639)**	1,921	(86)	(157)	**(6,961)**
Net assets	7,963	184	(25)	**8,122**	4,791	(86)	397	**13,224**

Notes

forming part of the financial statements for the year ended 31May 2012

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

	Year ended 31 May 2012			Eight months ended 31 May 2011		
	Hemmers Europe £000	**Hemmers China £000**	**Group total £000**	Hemmers Europe £000	Hemmers China £000	Group total £000
Germany	**14,697**	**349**	**15,046**	10,637	73	10,710
Netherlands	**2,088**	**-**	**2,088**	1,339	-	1,339
France	**1,269**	**-**	**1,269**	1,109	-	1,109
Spain	**881**	**239**	**1,120**	535	64	599
Austria	**935**	**121**	**1,056**	655	-	655
Sweden	**608**	**-**	**608**	291	-	291
Serbia	**525**	**-**	**525**	166	-	166
Switzerland	**519**	**-**	**519**	268	-	268
Denmark	**486**	**-**	**486**	376	-	376
Croatia	**408**	**-**	**408**	290	-	290
Portugal	**336**	**-**	**336**	225	-	225
Belgium	**309**	**-**	**309**	208	-	208
Greece	**306**	**-**	**306**	256	-	256
USA	**95**	**180**	**275**	113	135	248
Finland	**263**	**-**	**263**	178	-	178
Canada	**134**	**92**	**226**	42	25	67
Czech Republic	**167**	**-**	**167**	150	7	157
Russia	**31**	**118**	**149**	47	-	47
42 other countries	**1,095**	**471**	**1,566**	758	359	1,117
	25,152	**1,570**	**26,722**	17,643	663	18,306
UK	**1,454**	**188**	**1,642**	495	218	713
Total revenue	**26,606**	**1,758**	**28,364**	18,138	881	19,019

Other information

	Year ended 31 May 2012			Eight months ended 31 May 2011		
	Hemmers Europe £000	**Hemmers China £000**	**Group total £000**	Hemmers Europe £000	Hemmers China £000	Group total £000
Additions to property, plant & equipment	**109**	**3**	**112**	124	-	124
Depreciation	**220**	**9**	**229**	133	6	139

7 **Finance income and expense**

	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Finance income		
Interest received on bank deposits	**18**	9
Finance expense		
Interest paid on bank overdrafts and loans	**(140)**	(104)
Net finance expense recognised in comprehensive income	**(122)**	(95)

Notes

forming part of the financial statements for the year ended 31May 2012

8 Tax expense

	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	**248**	186
Adjustments for under provision in prior years	**1**	17
Total current tax expense	**249**	203
Deferred tax expense for the year	**66**	105
Adjustments for under provision in prior years	**-**	18
Total tax expense	**315**	326

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

	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Profit on ordinary activities before taxation	**818**	809
Expected tax charge based on the standard rate of corporation tax in the UK of 25 67% *(2011 27%)*	**210**	218
Expenses not deductible for tax purposes	**73**	24
Income not subject to tax	**(16)**	-
Unrelieved losses	**50**	63
Utilisation of previously unrecognised tax losses	**(32)**	(25)
Current tax underprovided in previous years	**1**	17
Deferred tax underprovided in previous years	**-**	18
Different tax rates applied in overseas jurisdictions	**29**	11
Total tax expense (see above)	**315**	326

The Group has capital losses carried forward of £12,105,000 in the UK and unrelieved trading losses of £915,000 (UK) and £1,044,000 (Holland) No recognition has been made of deferred tax assets in respect of these losses carried forward as the directors believe it unlikely that there will be suitable profits to reverse these timing differences in the foreseeable future

Deferred tax assets and liabilities are presented net for financial reporting purposes and are analysed below

	Goodwill £000	Financial derivatives £000	Total £000
Liability/(asset) at 1 June 2011	157	(34)	123
Charged in the year	33	33	66
Effect of movements in foreign exchange rates	(15)	1	(14)
Liability at 31 May 2012	**175**	**-**	**175**

Notes

forming part of the financial statements for the year ended 31May 2012

9 **Earnings per share**

	Year ended 31 May 2012 £000	Eight months ended 31 May 2011 £000
Numerator		
Profit for the year from continuing operations, being the earnings used in basic and diluted earnings per share	£503,000	£483,000
Denominator		
Weighted average number of shares used in basic and diluted earnings per share (excluding treasury shares)	28,365,763	28,847,819
Basic and diluted earnings per share	1.8p	1 7p

10 **Dividend**

The directors have not proposed a dividend in respect of the year ended 31 May 2012 nor for the eight month period ended 31 May 2011

11 **Property, plant and equipment**

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
Balance at 1 October 2010	1,960	1,206	3,166
Additions	2	122	124
Disposals	(4)	(71)	(75)
Effect of movements in foreign exchange rates	27	17	44
Balance at 31 May 2011	1,985	1,274	3,259
Additions	9	103	112
Disposals	-	(42)	(42)
Effect of movements in foreign exchange rates	(156)	(97)	(253)
Balance at 31 May 2012	1,838	1,238	3,076

	Land and buildings £000	Plant and machinery £000	Total £000
Accumulated depreciation			
Balance at 1 October 2010	239	730	969
Depreciation charge for the period	52	87	139
Disposals	(4)	(31)	(35)
Effect of movements in foreign exchange rates	4	11	15
Balance at 31 May 2011	291	797	1,088
Depreciation charge for the year	75	154	229
Disposals	-	(38)	(38)
Effect of movements in foreign exchange rates	(27)	(66)	(93)
Balance at 31 May 2012	339	847	1,186

11 Property, plant and equipment (continued)

	Land and buildings £000	Plant and machinery £000	Total £000
Net book amount			
At 30 September 2010	1,721	476	2,197
At 31 May 2011	1,694	477	2,171
At 31 May 2012	**1,499**	**391**	**1,890**

Bank borrowings are secured on the inventories, trade receivables and freehold land and buildings of Hemmers-Itex Textil Import Export GmbH (see note 20)

12 Goodwill

	£000
Balance at 1 October 2010	959
Effect of movements in foreign exchange rates	15
Balance at 31 May 2011	974
Effect of movements in foreign exchange rates	(78)
Balance at 31 May 2012	896

Goodwill arose in 1999 on the acquisition of the cash-generating unit Hemmers-Itex Textil Import Export GmbH, whose recoverable amount has been determined from value-in-use calculations based on expected cash flows over a five-year period and extrapolated through to 31 May 2022. Principal assumptions underlying this calculation are a zero growth rate, operating margins and expenses based on past experience and future expectations that reflect anticipated economic and market conditions, and a discount rate of 15% On this basis, the recoverable amount of the cash-generating unit exceeds its carrying value by more than 50% In view of this excess, the Directors do not consider the impairment calculation to be sensitive to changes to the above assumptions, and are of the opinion that no provision for impairment is required

13 Available-for-sale investments

	31 May 2012 £000	31 May 2011 £000
At 1 June 2011 / 1 October 2010	**1,133**	971
Unrealised gain recognised in other comprehensive income	**(152)**	162
Impairment charge recognised in income statement	**(236)**	-
At 31 May	745	1,133

Available-for-sale investments at 31 May 2012 comprised a holding of 64,750,000 ordinary shares in Dawson International PLC ("Dawson"), an AIM listed company, representing approximately 28 8% of the total issued ordinary share capital of that company This investment was acquired in June 2008 and decision-making in relation to the group's continued holding in Dawson is dealt with by a sub-committee of the Board The sub-committee does not include as a member Mr Jan Holstrom, a director of Dawson, who was appointed to the Leeds Group plc Board in November 2011

On 20 July 2012 Dawson announced Mr Holmstrom's resignation as a director of Dawson, and also its failure to agree to reach agreement with regulators regarding the deficit on its two defined benefit pension schemes Following these announcements, the bid price of Dawson shares has fallen on 30 July 2012 to 0 25 pence at which level the Leeds Group holding has a fair value of £162,000

The holding is not accounted for as an associated undertaking on an equity basis as the Group does not have the power to participate in the operating and financial policies of Dawson International PLC The investment is stated at the closing bid price on 31 May 2012 as published by the AIM market and, in the opinion of the

13 Available-for-sale investments (continued)

directors, its carrying value at 31 May 2012 approximated to its fair value as a quoted price in an active market (IFRS 7 level 1)

The most recently published financial reports of Dawson International PLC disclose

	6 months ended 1 October 2011 £000	15 months ended 2 April 2011 £000
Revenue	**19,776**	**38,095**
Profit after tax from continuing operations	621	747
Discontinued operations	-	(4,228)
Profit/(loss) for the period	**621**	**(3,481)**
Assets	21,092	28,056
Liabilities	20,008	23,474
Net assets	**1,084**	**4,582**

14 Subsidiaries

The subsidiaries of Leeds Group plc, all of which were wholly owned in both 2012 and 2011, and which have been included in these consolidated statements, are as follows

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

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

15 Inventories

	31 May 2012 £000	31 May 2011 £000
Finished goods and goods for resale	**6,416**	7,219

The amount of inventories recognised as an expense during the year was £19,670,000 *(eight months 2011 £13,172,000)*

16 Trade and other receivables

	31 May 2012 £000	31 May 2011 £000
Trade receivables	**6,229**	6,265
Less provision for impairment of trade receivables	**(762)**	(785)
Net trade receivables	**5,467**	5,480
Other receivables	**1,101**	793
Prepayments	**121**	151
Total trade and other receivables	**6,689**	6,424

Notes

forming part of the financial statements for the year ended 31May 2012

16 Trade and other receivables (continued)

	31 May 2012 £000	31 May 2011 £000
Net trade receivables	**5,467**	5,480
Other receivables	**1,101**	793
Cash and cash equivalents (note 18)	**1,967**	2,264
Total financial assets classified as loans and receivables	**8,535**	8,537

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

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

As at 31 May 2012 trade receivables of £4,184,000 were not due for payment *(2011 £4,261,000)*

As at 31 May 2012 trade receivables of £995,000 were past due but not impaired *(2011 £1,122,000)* They relate to customers that have not been able to pay to agreed terms in what are difficult trading conditions but that the directors regard as good for their debts In many cases these debts are covered by trade insurance The ageing analysis of these receivables is as follows

	31 May 2012 £000	31 May 2011 £000
Up to 3 months overdue	**916**	971
Overdue by 3 to 6 months	**1**	67
Overdue by 6 to 12 months	**71**	8
Overdue by more than 12 months	**7**	76
Total trade receivables past due but not impaired	**995**	1,122

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

As at 31 May 2012 trade receivables of £1,050,000 were past due and impaired *(2011 £882,000)* The amount of the provision was £762,000 *(2011 £785,000)* These receivables relate to customers who have not been able to pay to agreed terms in what are difficult trading conditions In determining the amount of the impairment, the directors have taken into account their knowledge of the customer base, the extent to which receivables relate to goods delivered on terms that include retention of title, and the extent to which credit insurance is in place The ageing of these receivables is as follows

	31 May 2012 £000	31 May 2011 £000
Up to 3 months overdue	**12**	24
Overdue by 3 to 6 months	**194**	52
Overdue by 6 to 12 months	**124**	67
Overdue by more than 12 months	**720**	739
Total trade receivables past due and impaired	**1,050**	882

16 Trade and other receıvables (contınued)

Movements on the Group provısıon for ımpaırment of trade receıvables are as follows

	31 May 2012 £000	31 May 2011 £000
At 1 June 2011 / 1 October 2010	**785**	726
Effect of movements ın foreıgn exchange rates	**(50)**	10
Provıded durıng the year	**108**	79
Receıvables wrıtten off durıng the year	**(81)**	(30)
At 31 May	**762**	785

The movement on the provısıon for ımpaıred receıvables has been ıncluded ın the admınıstratıve expenses lıne ın the consolıdated statement of comprehensıve ıncome

Other classes of financıal assets ıncluded wıthın trade and other receıvables do not contaın ımpaıred assets

The carryıng values of the Group's trade and other receıvables are denomınated ın the followıng currencıes

	31 May 2012 £000	31 May 2011 £000
Euro	**6,054**	5,875
Sterlıng	**44**	38
US Dollar	**433**	305
Chınese Yuan	**158**	206
Total trade and other receıvables	**6,689**	6,424

The maxımum exposure to credıt rısk at the reportıng date ıs the faır value of each class of receıvable set out above

17 Derıvatıve financıal ınstruments

Cash flow forward exchange contracts at fair value through profit and loss
Foreıgn exchange rısk arıses when ındıvıdual Group operatıons enter ınto transactıons denomınated ın a currency other than theır functıonal currency Where the rısk to the Group ıs consıdered to be sıgnıficant, the operatıon makes use of currency derıvatıves ın order to provıde an economıc hedge over future transactıons and cash flows The Group does not, however, engage ın hedge accountıng

At 31 May 2012 the maxımum notıonal prıncıpal amount of outstandıng forward exchange contracts and optıons was £nıl *(2011 £3,212,000)*

The faır value for the currency derıvatıves used as economıc cash flow hedges was determıned by market prıce as advısed by the thırd party banks (IFRS 7 level 2) wıth whom the ınstruments are held as follows

	Asset		Lıabılıty	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Forward foreıgn exchange contracts	-	-	-	120

17 Derivative financial instruments (continued)

Changes in fair values are recorded on the cost of sales line in the consolidated statement of comprehensive income

The maturity dates of the maximum notional principal amounts are as follows

	31 May 2012 £000	31 May 2011 £000
Up to 3 months	-	1,697
3 to 6 months	-	1,212
7 to 9 months	-	303
Notional principal amounts of forward exchange contracts	-	3,212

18 Cash and cash equivalents

	31 May 2012 £000	31 May 2011 £000
Cash on demand or on short-term deposit	**1,967**	2,264

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

For the purposes of the cash flow statement, cash and cash equivalents comprises

	31 May 2012 £000	31 May 2011 £000
Cash on demand or on short-term deposit	**1,967**	2,264
Total cash and cash equivalents	**1,967**	2,264

19 Trade and other payables

	31 May 2012 £000	31 May 2011 £000
Trade payables	**1,565**	1,582
Other tax and social security taxes	**39**	41
Accruals	**393**	510
Other payables	**342**	414
Total trade and other payables	**2,339**	2,547

Trade payables, other payables and accruals are non-interest bearing and principally comprise amounts outstanding for trade purchases and continuing overhead expense The average credit period taken is 30 days *(2011 21 days)* The Directors consider that the carrying amount of trade and other payables approximates to their fair value

Notes

formıng part of the financıal statements for the year ended 31May 2012

20 Loans and borrowıngs

The book value of loans and borrowıngs are as follows	**31 May 2012 £000**	31 May 2011 £000
Current		
Secured bank loans and bıll dıscountıng facılıtıes	**1,431**	1,916
	1,431	1,916
Non - current		
Secured bank loans	**1,836**	2,122
Total loans and borrowıngs	**3,267**	4,038

Sınce all short-term loans have less than three months to maturıty, and the fixed ınterest rate attachıng to long-term loans ıs ın lıne wıth market rates, ıt ıs the opınıon of the dırectors that the faır value of loans and borrowıngs approxımates to their book values

The Group's loans and borrowıngs are exclusıvely wıthın the accounts of Hemmers-Itex Textıl Import Export GmbH (Hemmers) They are denomınated ın Euro, and theır prıncıpal terms are as follows

Current loans and borrowings
Current loans and borrowıngs amount to €1,782,000 *(2011 €2,197,000)* and comprıse short term loans and bıll dıscountıng facılıtıes from Commerzbank attractıng ınterest at the date of the statement of financıal posıtıon at rates between 1 65% and 2 1% *(2011 2 3% - 2 8%)* Current loans and borrowıngs are secured on the ınventorıes and trade receıvables of Hemmers-Itex Textıl Import Export GmbH

The current loans and borrowıngs of €1,782,000 are drawn down by Hemmers-Itex Textıl Import Export GmbH agaınst short term borrowıng facılıtıes of €7,500,000 Neıther the Parent Company nor any of ıts subsıdıarıes other than Hemmers have borrowıng facılıtıes Followıng a revıew of facılıtıes wıth Commerzbank ın June 2012, the dırectors have a reasonable expectatıon that these facılıtıes wıll remaın avaılable for the foreseeable future

Non-current loans and borrowings
Non-current loans of €1,250,000 *(2011 €1,250,000)* were drawn down ın 2007 from each of Commerzbank and Kreıssparkasse to finance the warehouse extensıon ın Nordhorn that was completed ın 2008

The Commerzbank loan attracted payments of ınterest only untıl March 2011 when the first of 34 semıannual repayments of prıncıpal and ınterest was made Interest ıs fixed quarterly at Euribor + 0 9%, whıch for the quarter endıng 30 June 2012 equates to1 67% The final repayment falls due ın September 2027

The Kreıssparkasse loan attracted payments of ınterest only untıl January 2011 when the first of 204 monthly repayments of prıncıpal and ınterest was made Interest ıs fixed at 4 07% except for the last 24 months of the term, ın whıch Hemmers may contınue to pay at thıs fixed rate but also has the optıon to repay outstandıng prıncıpal early, or move to varıable rates ıf advantageous to do so The final repayment falls due ın December 2027

Non-current bank loans are secured on the ınventorıes, trade receıvables and freehold land and buıldıngs of Hemmers-Itex Textıl Import Export GmbH

Notes

forming part of the financial statements for the year ended 31May 2012

20 Loans and borrowings (continued)

The carrying values of assets that the Group has pledged as collateral for liabilities or contingent liabilities are as follows	**31 May 2012 £000**	31 May 2011 £000
Inventories	**6,395**	7,140
Trade receivables	**5,177**	5,249
Freehold land and buildings	**1,499**	1,694
Total carrying value of assets pledged as collateral	**13,071**	14,083

The maturity profile of anticipated cash flows, including interest, in respect of loans and borrowings is as follows	**31 May 2012 £000**	31 May 2011 £000
Not later than one year	**1,611**	2,118
Later than one year and not later than five years	**658**	733
Later than five years	**1,452**	1,779
	3,721	4,630
Less interest included in above cash flows	**(454)**	(592)
Total loans and borrowings	**3,267**	4,038

Reconciliation of movements in net debt	**Year ended 31 May 2012 £000**	Eight months ended 31 May 2011 £000
(Decrease)/increase in cash and cash equivalents in the year	**(297)**	72
Decrease in loans	**479**	2,575
Foreign currency translation differences on loans	**292**	(69)
Decrease in net debt	**474**	2,578
Net debt at beginning of the year	**(1,774)**	(4,352)
Net debt at end of the year	**(1,300)**	(1,774)

Classification of financial liabilities	**31 May 2012 £000**	31 May 2011 £000
Trade payables	**1,565**	1,582
Accruals	**393**	510
Other payables	**342**	414
Loans and borrowings	**3,267**	4,038
Total of financial liabilities at amortised cost	**5,567**	6,544

Notes

forming part of the financial statements for the year ended 31May 2012

21 Share capital

Authorised	31 May 2012 £000	31 May 2011 £000
48,000,000 ordinary shares of 12p each *(2011 48,000,000 ordinary shares of 12p each)*	5,760	5,760

Issued and fully paid	2012 Number	2012 £000	2011 Number	2011 £000
At beginning of the year	**31,600,000**	**3,792**	32,100,000	3,852
Cancellation of treasury shares	-	-	(500,000)	(60)
At end of the year	**31,600,000**	**3,792**	31,600,000	3,792

At 31 May 2012, no options over ordinary shares of the Company were outstanding *(2011 nil)*

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

	Number of shares	Cost £000
Shares purchased in year ended 30 September 2005	450,000	61
Shares purchased in year ended 30 September 2006	1,390,000	289
Shares purchased in year ended 30 September 2007	3,325,618	735
Shares purchased in year ended 30 September 2008	1,633,643	300
Shares purchased in year ended 30 September 2009	550,000	78
Shares purchased in year ended 30 September 2010	340,000	49
Shares purchased in eight months ended 31 May 2011	250,000	47
Shares purchased in year ended 31 May 2012	865,000	148
	8,804,261	**1,707**
Shares cancelled in year ended 30 September 2007	(1,698,603)	(319)
Shares cancelled in year ended 30 September 2008	(1,800,000)	(399)
Shares cancelled in year ended 30 September 2009	(625,000)	(140)
Shares cancelled in year ended 30 September 2010	(375,000)	(82)
Shares cancelled in eight months ended 31 May 2011	(500,000)	(109)
Shares held in treasury at 31 May 2012	**3,805,658**	**658**

The cost of cancelled shares has been calculated on a "first in, first out" basis, and is shown as a separate component of equity

Notes

forming part of the financial statements for the year ended 31May 2012

22 Leases

The Group holds no assets under finance leases

The Group owns the freehold title to the warehouse completed in 2008 at Nordhorn, Germany, and occupies leased properties in Germany and China The lease on the German property runs until in May 2015, and the lease on the Chinese property falls due for renewal in January 2014 The Group holds operating leases in respect of plant and machinery used in Germany

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

	31 May 2012	31 May 2011
	£000	£000
Not later than one year	**313**	309
Later than one year and not later than five years	**504**	679
Total future values of minimum lease payments	**817**	988

23 Pension Scheme

Pension provision in Germany and Holland is by state schemes, to which the Group is obliged to contribute The Group operates a defined contribution pension scheme for its employees in the UK The pension charge for the year represents contributions paid by the Group to these schemes as follows

	31 May 2012	31 May 2011
	£000	£000
Overseas state schemes	**266**	187
UK defined contribution scheme	**6**	4
Total pension charge for the year	**272**	191

At 31 May 2012 there were employer's pension contributions outstanding of £nil *(2011 £nil)*

24 Commitments

At 31 May 2012, contracted capital commitments for the Group for which no provision has been made in these accounts were £nil *(2011 £31,000)*

25 Related party transactions

Mr Jörg Hemmers is a director of Hemmers-Itex Textil Import Export GmbH and during the year ended 31 May 2012 this subsidiary Company paid rental of €230,000 *(eight months 2011 €152,000)* in respect of a warehouse to a company in which Mr Hemmers has a financial interest

Mr Hemmers is considered to be part of the key management of the Group

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

Company Statement of Financial Position at 31 May 2012 (prepared under UK GAAP)

Company number 00067863

	Note	31 May 2012 £000	31 May 2011 £000
Fixed assets			
Investments	4	**5,254**	5,490
Total fixed assets		**5,254**	5,490
Current assets			
Debtors	5	**982**	1,130
Cash at bank and in hand		**1,431**	1,697
		2,413	2,827
Creditors – amounts falling due within one year	6	**(662)**	(727)
Net current assets		**1,751**	2,100
NET ASSETS		**7,005**	7,590
Capital and reserves			
Called up equity share capital	7	**3,792**	3,792
Capital redemption reserve	8	**600**	600
Profit & loss account	9	**2,613**	3,198
CAPITAL AND RESERVES	10	**7,005**	7,590

The financial statements on pages 41 to 46 were approved and authorised for issue by the board of directors on 30 July 2012 and were signed on behalf of the board by -

K Davenport

Kathryn Davenport
Chairman

The notes on pages 42 to 46 form part of these financial statements

Notes

forming part of the financial statements for the Company

1 **Accounting policies**

Accounting reference date
In June 2011 Leeds Group announced a change in its accounting reference date from 30 September to 31 May which is the low point in the annual business cycle when reporting can be accommodated with least disruption to sales activities This annual report covers the year ended 31 May 2012 and, unless otherwise stated, comparative figures are taken from the audited accounts for the eight months ended 31 May 2011

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

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

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

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

Dividends
Dividends are recognised when they become legally payable

2 **Profit after tax**
As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year The loss after tax recognised in the profit and loss account for the Company was £437,000 *(2011 loss £223,000)*

The Company audit fee for 2012 amounted to £15,000 *(2011 £16,000)*

3 **Staff costs**
The average number of persons employed in the year by the Company (including directors) was 5 *(2011 5)*

Staff costs, including directors, comprise	**Year ended 31 May 2012 £000**	Eight months ended 31 May 2011 £000
Wages and salaries	**93**	63
Defined contribution pension cost	**6**	4
Employer's national insurance contributions and similar taxes	**11**	8
Total staff costs	**110**	75

3 Staff costs (continued)

Directors' emoluments comprise exclusively directors' fees, as below	**Year ended 31 May 2012 £000**	Eight months ended 31 May 2011 £000
Mr J Claesson	**10**	7
Ms K Davenport	**25**	7
Mr J Holmstrom (appointed 23 November 2011)	**5**	-
Mr P Gyllenhammar (resigned 23 November 2011)	**5**	7
Mr E Wigley (resigned 12 January 2011)	**-**	8
Total directors' emoluments	**45**	29

Outstanding share options granted to employees or directors at 31 May 2012 were nil *(2011 nil)*

4 Investments

	31 May 2012 £000	31 May 2011 £000
Investments in subsidiary undertakings	**4,509**	4,509
Investments in other entities	**745**	981
Total investments	**5,254**	5,490

Investments in subsidiary undertakings	**31 May 2012 £000**	31 May 2011 £000
Cost	**6,316**	6,316
Provision	**(1,807)**	(1,807)
Net book amount	**4,509**	4,509

Details of subsidiary undertakings are given in the Group Information section on page 4 and in note 14 to the consolidated financial statements

Investments in other entities	**31 May 2012 £000**	31 May 2011 £000
Investment in Dawson International PLC at cost	**981**	981
Impairment charge in year	**(236)**	-
Net book amount	**745**	981

Details of the investment in Dawson International PLC are set out in note 13 to the consolidated financial statements

5 Debtors

	31 May 2012 £000	31 May 2011 £000
Other debtors	**3**	-
Prepayments and accrued income	**15**	28
Amounts receivable from subsidiary undertakings	**964**	1,102
Total debtors	**982**	1,130

Notes

forming part of the financial statements for the Company

6 Creditors

	31 May 2012 £000	31 May 2011 £000
Accruals and deferred income	**154**	197
Amounts payable to subsidiary undertakings	**508**	530
Total creditors	**662**	727

7 Share capital

Authorised	31 May 2012 £000	31 May 2011 £000
48,000,000 ordinary shares of 12p each *(2011 48,000,000 ordinary shares of 12p each)*	**5,760**	5,760

Issued and fully paid	2012 Number	2012 £000	2011 Number	2011 £000
At beginning of the year	**31,600,000**	**3,792**	32,100,000	3,852
Cancellation of treasury shares	**-**	**-**	(500,000)	(60)
At end of the year	**31,600,000**	**3,792**	31,600,000	3,792

At 31 May 2012, no options over ordinary shares of the Company were outstanding *(2011 nil)*

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

	Number of shares	Cost £000
Shares purchased in year ended 30 September 2005	450,000	61
Shares purchased in year ended 30 September 2006	1,390,000	289
Shares purchased in year ended 30 September 2007	3,325,618	735
Shares purchased in year ended 30 September 2008	1,633,643	300
Shares purchased in year ended 30 September 2009	550,000	78
Shares purchased in year ended 30 September 2010	340,000	49
Shares purchased in eight months ended 31 May 2011	250,000	47
Shares purchased in year ended 31 May 2012	865,000	148
	8,804,261	**1,707**
Shares cancelled in year ended 30 September 2007	(1,698,603)	(319)
Shares cancelled in year ended 30 September 2008	(1,800,000)	(399)
Shares cancelled in year ended 30 September 2009	(625,000)	(140)
Shares cancelled in year ended 30 September 2010	(375,000)	(82)
Shares cancelled in eight months ended 31 May 2011	(500,000)	(109)
Shares held in treasury at 31 May 2012	**3,805,658**	**658**

The cost of cancelled shares has been calculated on a "first in, first out" basis

Notes

forming part of the financial statements for the Company

8 Capital redemption reserve

	31 May 2012 £000	31 May 2011 £000
At 31 May 2011 / 30 September 2010	**600**	540
Arising on cancellation of 500,000 ordinary shares of 12 pence each	**-**	60
At 31 May	**600**	600

9 Retained earnings

	31 May 2012 £000	31 May 2011 £000
At 31 May 2011 / 30 September 2010	**3,198**	3,478
Loss for the year	**(437)**	(233)
Purchase of own shares for treasury	**(148)**	(47)
At 31 May	**2,613**	3,198

10 Reconciliation of movements in shareholders' funds

	31 May 2012 £000	31 May 2011 £000
Loss for the year	**(437)**	(233)
Other net recognised gains and losses - purchase of own shares	**(148)**	(47)
Net reduction in shareholders' funds	**(585)**	(280)
Opening shareholders' funds	**7,590**	7,870
Closing shareholders' funds	**7,005**	7,590

11 Commitments

The Company holds no assets under finance leases

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

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

	31 May 2012 £000	31 May 2011 £000
Within one year	**3**	4
	3	4

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

Notes

forming part of the financial statements for the Company

12 Related party transactions

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

Five Year Summary of Results and Capital Employed

	Year ended 31 May 2012 £000	8 months ended 31 May 2011 £000	Year ended 30 September 2010 £000	Year ended 30 September 2009 £000	Year ended 30 September 2008 £000
Results					
Revenue	**28,364**	19,019	27,655	25,685	21,974
Cost of sales	**(22,080)**	(14,430)	(21,378)	(20,114)	(16,819)
Gross profit	**6,284**	4,589	6,277	5,571	5,155
Operating expenses	**(5,344)**	(3,685)	(5,696)	(5,365)	(4,630)
Profit from operations	**940**	904	581	206	525
Net finance expense	**(122)**	(95)	(274)	(230)	(3)
Profit/(loss) before tax	**818**	809	307	(24)	522
Tax expense	**(315)**	(326)	(176)	(120)	(73)
Profit/(loss) after tax	**503**	483	131	(144)	449
Assets employed					
Non-current assets	**3,531**	4,278	4,127	4,659	4,036
Current assets	**15,072**	15,907	16,809	16,259	15,874
Total assets	**18,603**	20,185	20,936	20,918	19,910
Non-current liabilities	**(2,011)**	(2,245)	(2,150)	(2,273)	(1,977)
Current liabilities	**(3,970)**	(4,716)	(6,294)	(5,413)	(5,920)
Total liabilities	**(5,981)**	(6,961)	(8,444)	(7,686)	(7,897)
Net assets	**12,622**	13,224	12,492	13,232	12,013
Financed by					
Equity	**12,622**	13,224	12,492	13,232	12,013
Key Statistics					
Basic earnings/(loss) per share	1 8p	1 7p	0 5p	(0 5)p	1 4p
Net assets per share	45 4p	46 1p	43 2p	45 2p	40 3p

Notice of Annual General Meeting

The one hundred and twelfth annual general meetıng of the Company wıll be held at 12 noon on 25 October 2012 at the Company's regıstered office at Old Mılls, Whıtehall Grove, Drıghlıngton, Bradford, BD11 1BY for the followıng purposes

Ordınary busıness

1 To receıve the report of the dırectors, the financıal statements for the year ended 31 May 2012 and the report of the audıtors thereon

2 To re-appoınt Ms Kathryn Davenport as a dırector

3 To re-appoınt Mr Jan Holmstrom as a dırector

4 To re-appoınt BDO LLP as audıtors of the Company from the conclusıon of thıs meetıng untıl the conclusıon of the next general meetıng at whıch the financıal statements are laıd before the Company and to authorıse the dırectors to fix theır remuneratıon

Specıal busıness

To consıder, and ıf thought fit, pass the followıng resolutıons, of whıch resolutıon 6 wıll be proposed as an ordınary resolutıon and resolutıons 5 and 7 wıll be proposed as specıal resolutıons

5 That ın accordance wıth Artıcle 21 1 of the Artıcles of Assocıatıon of the Company and Part 18 of the Companıes Act 2006 ("the Act") the Company be and ıs hereby granted general and uncondıtıonal authorıty (pursuant to sectıon 701 of the Act) to make market purchases (as defined ın sectıon 693(4) of the Act) of any of ıts own ordınary shares of 12 pence each on such terms and ın such manner as the board of dırectors of the Company may from tıme to tıme determıne provıded that

5 1 the maxımum number of ordınary shares authorısed to be purchased by thıs resolutıon ıs 1,100,000 beıng 3 48 per cent of the current ıssued ordınary share capıtal, and

5 2 the maxımum prıce that may be paıd for an ordınary share ıs an amount equal to but not more than the hıgher of

5 2 1 105 per cent of the average mıddle market quotatıons for an ordınary share ın the Company taken from the AIM appendıx to The London Stock Exchange Daıly Officıal Lıst for the five busıness days ımmedıately precedıng the date of purchase, and

5 2 2 the hıgher of the prıce of the last ındependent trade and the hıghest current ındependent bıd on the London Stock Exchange for an ordınary share ın the Company at the tıme the purchase ıs carrıed out, and

5 3 the mınımum prıce that may be paıd for an ordınary share ıs five pence, and

5 4 the authorıty conferred by thıs resolutıon shall expıre on the conclusıon of the next annual general meetıng of the Company held after the passıng of thıs resolutıon or the date whıch falls 15 months from the date of passıng of thıs resolutıon (whıchever shall first occur) except that the Company may, before such expıry, enter ınto a contract for the purchase of ıts own ordınary shares whıch may be completed by or executed wholly or partly after the expıratıon of thıs authorıty and may purchase ordınary shares ın pursuance of any such control as ıf the authorıty conferred by thıs resolutıon 5 had not expıred

Notice of Annual General Meeting (continued)

Special business (continued)

6 That the directors be and hereby are generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £1,100,000 The authority conferred by this resolution shall expire on the conclusion of the next annual general meeting of the Company held after the passing of this resolution or the date which falls 15 months from the date of passing of this resolution (whichever shall first occur), except that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry, and the directors may allot shares and grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired This authority is in substitution for all previous authorities granted to the directors to allot shares and grant Rights, but without prejudice to the allotment or grant of Rights already made or to be made pursuant to such authorities

7 That, subject to the passing of resolution 6 above, the directors be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities

7 1 in connection with an offer of such securities by way of a rights issue, open offer or other pre-emptive issue or offer to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any recognised regulatory body or stock exchange in any territory or any other matter whatever, and

7 2 otherwise than pursuant to sub-paragraph 7 1 above up to an aggregate nominal amount of £189,000

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

By Order of the Board

Malcolm Wilson
Company Secretary

Old Mills
Whitehall Grove
Drighlington
Bradford
BD11 1BY

30 July 2012

Notice of Annual General Meeting (continued)

Notes

1 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and section 360B of the Companies Act 2006, only those shareholders registered in the register of members of the Company at 6 00 pm on 23 October 2012 as holders of ordinary shares of 12p each in the capital of the Company shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time Changes to entries in the register of members of the Company after 23 October 2012 shall be disregarded in determining the rights of any person to attend and vote at the meeting

2 A member entitled to attend and vote may appoint a proxy to attend, speak and to vote in his or her stead A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member A proxy need not be a member of the Company A form of proxy has been inserted into this annual report and accounts and contains notes for its completion

3 To be valid, the form of proxy and any power of attorney or the authority under which it is signed (or a notarially certified copy of it) must be completed and lodged at the Registrars of the Company, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not later than 12 00 noon on 23 October 2012

4 Completion and return of a form of proxy does not preclude a member from subsequently attending and voting at the meeting If a member appoints a proxy or proxies and then decides to attend the annual general meeting in person and vote using his poll card, then the vote in person will override the proxy vote(s) If the vote in person is in respect of the member's entire holding, then all proxy votes will be disregarded If, however, the member votes at the meeting in respect of less than the member's entire holding, then if the member indicates on his polling card that all proxies are to be disregarded, that shall be the case, but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding If you do not have a proxy form and/or believe that you should have one or if you require additional forms, please contact the Company at its registered office

5 To change your proxy instructions simply submit a new proxy appointment using the methods set out above Note that the cut-off time for receipt of proxy appointments (see note 3 above) also applies in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded

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

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

6 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice The revocation notice must be received by Capita Registrars at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU no later than 12 noon on 23 October 2012 If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 4 above, your proxy appointment will remain valid

7 Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours until the date of the annual general meeting and on that day, at the place of the meeting from at least 15 minutes prior to the meeting until its conclusion

a Directors' letters of appointment
b Current articles of association

Notice of Annual General Meeting (continued)

Notes (continued)

8 As at 30 July 2012 (being the last practicable business day prior to the publication of this notice) the Company's issued share capital consisted of 31,600,000 ordinary shares of 12 pence each, with one voting right per share There are 3,805,658 shares held in treasury, representing 12 04% of the total issued share capital Therefore the total voting rights in the Company as at 30 July 2012 are 27,794,342

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

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

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

11 S311A of the Companies Act 2006 requires a traded company to make available on its website

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

Although the Company, as an AIM listed company, is not required to comply with the requirements of S311A of the Companies Act 2006, it has nevertheless elected to do so The Annual Report, including the notice of the Company's AGM, can be found at the Company's website www leedsgroup plc uk The necessary details of its issued share capital and of its members' voting rights are shown in note 8 above Upon receipt of any of the items detailed in c above, the Company will promptly make them available on the Documentation and Notifications page of its website

Explanation of resolutions

Resolution number 1

The dırectors must present to shareholders the report of the dırectors and the accounts for the Company for the year ended 31 May 2012 That report and those accounts, and the report of the Company's audıtors on those accounts, are set out on pages 8 to 46 of thıs document

Resolution number 2

At each annual general meetıng, one thırd of the dırectors of the Company for the tıme beıng (other than those appoınted sınce the last annual general meetıng) are requıred to retıre If the number of relevant dırectors ıs not a multıple of three, the number nearest to but not less than one thırd of the dırectors are requıred to retıre Any retırıng dırector ıs elıgıble for re-appoıntment At thıs annual general meetıng, Ms Kathryn Davenport ıs the only dırector subject to retırement by rotatıon Resolutıon number 2 proposes the re-appoıntment of Ms Davenport

Resolution number 3

Mr Jan Holmstrom was appoınted as a dırector durıng the year and, ın accordance wıth the artıcles of assocıatıon, ıs requıred to retıre and offer hımself for re-appoıntment ıf he so wıshes Resolutıon number 3 proposes the re-appoıntment of Mr Holmstrom

Resolution number 4

The audıtors of the Company must be re-appoınted at each meetıng at whıch accounts are presented Resolutıon 4 proposes the re-appoıntment of BDO LLP, who have ındıcated theır wıllıngness to be so re-appoınted The resolutıon also follows past practıce ın gıvıng the dırectors authorıty to agree the remuneratıon to be paıd to the audıtors

Resolution number 5

The dırectors are seekıng authorıty to enable the Company to purchase ordınary shares ın the capıtal of the Company by utılısıng some of the Company's avaılable dıstrıbutable profıts The dırectors would only consıder effectıng purchases under thıs authorıty, ıf granted, where to do so would ımprove the Company's earnıngs per share and would be ın the best ınterests of shareholders generally The authorıty would allow purchases of up to 1,100,000 ordınary shares, beıng 3 48 per cent of the Company's ordınary share capıtal ın ıssue as at 30 July 2012, at a mınımum prıce per ordınary share of five pence and a maxımum prıce per ordınary share of the hıgher of 5 per cent above the average of the mıddle market quotatıons for an ordınary share as derıved from the AIM appendıx of the London Stock Exchange Daıly Offıcıal Lıst for the five busıness days ımmedıately precedıng the day on whıch any purchases are made and the hıgher of the last ındependent trade and the hıghest current ındependent bıd on the London Stock Exchange at the tıme the purchase ıs carrıed out Thıs authorıty expıres at the conclusıon of the next annual general meetıng of the Company or 15 months from the date of passıng of the resolutıon, whıchever ıs the earlıer

Companıes are permıtted to retaın any of theır own shares that they have purchased as treasury stock, as an alternatıve to cancellıng them Shares held ın treasury may be subsequently cancelled, sold for cash or used to satısfy share optıons and share awards under employee share schemes and provıde the Company wıth addıtıonal flexıbılıty ın the management of ıts capıtal base Accordıngly, ıf the dırectors exercıse the authorıty granted by resolutıon 5 to purchase ordınary shares, the Company wıll consıder exercısıng the optıon of holdıng those ordınary shares ın treasury

Resolution number 6

The dırectors are seekıng authorıty to allot shares ın the Company and to grant rıghts to subscrıbe for or to convert any securıty ınto shares ın the Company (**Rights**) up to an aggregate nomınal amount of £1,100,000, beıng an amount representıng approxımately 33% per cent of the Company's current ıssued share capıtal (excludıng treasury shares) It ıs not the dırectors' current ıntentıon to allot shares or to grant Rıghts pursuant to thıs resolutıon Thıs authorıty expıres at the conclusıon of the next annual general meetıng of the Company or 15 months from the date of passıng of the resolutıon, whıchever ıs the earlıer

Explanation of resolutions (continued)

Resolution number 7
This resolution disapplies the statutory pre-emption rights which would otherwise apply on an issue of shares for cash pursuant to 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 generally up to a further nominal amount of £189,000, being approximately 5 per cent of the Company's current issued share capital (including treasury shares) This disapplication of the statutory pre-emption rights expires at the conclusion of the next annual general meeting of the Company or 15 months from the date of passing of the resolution, whichever is the earlier This authority also covers the sale of treasury shares for cash

It is the Company's intention to adhere to the provisions in the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a three year rolling period where the principles provide that usage in excess of 7 5 per cent should not take place without prior consultation with shareholders

LEEDS

GROUP PLC

Registered in England and Wales
Registered Number 00067863

Registered Office

Old Mills
Whitehall Grove
Drighlington
Bradford
BD11 1BY
Tel 0113 285 4324

Email admin@leedsgroup plc uk

Website www leedsgroup plc uk