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**LEATHAMS HOLDINGS LIMITED**

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**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2018**



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**LEATHAMS HOLDINGS LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	T.H. Faulkner - Executive Chairman C.E. Waters C.F. Faulkner L. Leatham O.N Leatham - Non Executive M. Leatham - Non Executive
<b>Company secretary</b>	T.H. Faulkner
<b>Registered number</b>	02328851
<b>Registered office</b>	227-255 Ilderton Road London SE15 1NS
<b>Independent auditors</b>	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors 25 Moorgate London EC2R 6AY
<b>Bankers</b>	HSBC Bank Plc 165 High Street Southampton SO14 2NZ
<b>Solicitors</b>	Wilsons Alexandra House St Johns Street Salisbury Wiltshire SP1 2SB

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**LEATHAMS HOLDINGS LIMITED**

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## LEATHAMS HOLDINGS LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2018

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#### Principal activities

Leathams Holdings Limited is the non-trading holding company of Leathams Limited, one of the UK's leading specialist food companies, focused on food innovation. Our heritage is in our relentless pursuit throughout the world of high quality speciality food products and ingredients for the UK manufacturing, food service & retail markets. Sourcing globally in 25 countries, we operate as a 'virtual manufacturer', developing new products and overseeing the technical and production process with our supply partners. This is then delivered through an end to end supply chain that sets the highest standards in integrity and food safety.

Operating out of five main distribution centres in the UK, we supply ambient, chilled & frozen products principally to the UK and other EU countries. Approximately 67% of our sales are sold under our own national brands, including Merchant Gourmet®, Sunblush®, Roquito®, Charcuti®, ChefsBrigade®, and Leathams®.

#### Basis of preparation of financial statements

The Group's financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102). The Directors apply cashflow hedge accounting to hedge foreign currency risk. As a result, the fair value movements of foreign currency derivatives for both current and prior years, have been recognised in other comprehensive income.

The fair value movements relate to forward foreign exchange contracts, which are classed as derivatives. The Group only employs the use of forward foreign exchange contracts to minimise the impact of foreign currency fluctuations on future stock purchases, as discussed in the foreign currency section below. The standard requires that derivatives are recognised at fair value on the date at which a derivative contract is entered into and are subsequently re-measured at their fair value at the year end. As the Group has chosen to employ cashflow hedge accounting, changes in the value of derivatives are recognised as a profit or loss in other comprehensive income.

The fair value movements related to the forward foreign exchange contracts, included in other comprehensive income, should be seen as separate from the underlying trading performance of the Group.

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## LEATHAMS HOLDINGS LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

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#### Business review

	2014	2015	2016	2017	2018	CAGR*
	£'000	£'000	£'000	£'000	£'000	%
Turnover (as restated)**	72,433	74,921	86,026	101,061	109,136	11%
EBITDA	5,071	5,985	8,286	6,867	3,530	-9%

\* Compound Annual Growth Rate

\*\* see note 1.24 for details of restatement

The Directors are pleased to report that despite challenging trading conditions, the Group continued the growth in turnover over previous years, as shown above. The results, excluding the impact of the aforementioned FRS102 fair value movements and other exceptional items, show turnover up 8.0% and EBITDA before exceptional items down 48.6% year on year. The profitability for many of our customers and competitors alike suffered in the year, however our EBITDA decline is still disappointing and the result of a combination of factors including:

- ♦ The end of the exceptional 18-month forward currency purchase commitments taken out just prior to Brexit which protected the prior year margins, followed by a normal pattern of Euro & US Dollar purchases made at significantly lower FX rates,
- ♦ significant commodity price inflation across a wide range of core products,
- ♦ the difficulty in passing on full cost increases to those customers already suffering from their own margin pressures due to rising property & labour costs and weakening consumer confidence following long periods of strong growth,
- ♦ a significant bad debt from a long-established customer with history of prompt payment,
- ♦ major investment in marketing our key Retail Brand, Merchant Gourmet; purchasing data to provide more detailed consumer insight and adapting its products to meet consumers' lifestyle changes, spending pressures (as price inflation rises faster than wage inflation) & healthy eating demands and
- ♦ continued investment in developing our people and senior management team and in improving our global supply chains to drive long term growth.

Looking forward to the 18/19 trading year, an uncertain environment is never good for business; however, we are confident in the strategic choices we have made and will continue to take a long view and invest to meet both our own and our customers' needs. Our markets remain highly competitive with continuing margin pressures caused by the weakness of Sterling. We therefore do not expect any material improvement in the overall trading environment until the Brexit position is resolved. However, we will look to improve overall profitability by working with our customers to take out costs for mutual benefit, by exiting loss making sectors (where the former is not viable) and by adding new business in stronger sectors.

On a positive note the area around and including our freehold Ilderton Rd Headquarters & Logistics site in Southwark has now been zoned for mixed use [commercial and residential] under the Old Kent Rd Area Action Plan. The site is increasingly unsuited to our requirements and unable to cope efficiently with future growth. The position is only likely to be exacerbated in the future, as the regeneration of the area proceeds with increased residential occupancy. Hence, we are evaluating this opportunity and the impact on the Group in detail and the site has been revalued as a 'mixed use' development site at a value of £9m by the Directors.

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## LEATHAMS HOLDINGS LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

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#### Principal risks and uncertainties

The Group gives appropriate consideration to risk management objectives and policies. Over and above the general economic climate, the main risks facing the business are Supplier Performance, Food Safety, Foreign Currency, Credit Risk, Liquidity and Interest Rates.

#### Supplier Performance

A key component of the Group's activities revolves around its supply base. With a large range of products, the Group has actively focused on establishing a geographically diverse supplier portfolio, therefore minimising the risk to the Group in relation to continuity of supply. Dual supply strategies (taking into account both country and climate risks) are in place for all core product lines and all suppliers are reviewed formally at least once a year to maximise supply performance. No one supplier represents more than 7.6% of purchases.

#### Price Risk

The Group is exposed to raw material price increases and fuel inflation through its distribution activities. Where possible fixed price contracts in excess of six months are negotiated with suppliers to mitigate the impact of food inflation. We also look to offset price increases wherever possible, through alternative sourcing and seasonal bulk purchasing.

#### Customer Base

To minimise the impact from the loss of a key customer, the Group has established a wide and varied customer base, with no single customer representing more than 9.7% of turnover.

#### Food Safety

As food legislation continues to increase and the demands from our customer base grow in response, our in-house technical team have proven themselves to be an extremely effective resource. The Group operates within the highest industry technical standards and applies these demanding safety standards to its supply base. Our supplier auditing programme, together with increased levels of technical manpower and competency, has enabled the company to maintain its positive reputation within the industry.

#### Foreign Currency

As approximately 69.6% of our food purchases are bought in foreign currencies we remain at risk from fluctuations in exchange rates, specifically Euro and US Dollar. Our policy has been to cover all material non-Sterling imports using forward exchange contracts of between three and nine months. In addition, the Group held foreign currency cash reserves at 30th April 2018, to the equivalent of £4.137m.

At 30th April 2018, we had approximately seven months of our current and forward Euro requirements and 12 months of current and forward US Dollar requirements. We continue to increase both our non-Euro denominated purchases and our sales to European customers paying in euros to offset some of our Euro exposure.

There were Euro forward contracts totalling €32.5m in place at 30th April 2018, at an average cost of €1.1424:£1, compared to market rate at 30th April 2018 of €1.1377.

There were US Dollar forward contracts totalling \$18.2m in place at 30th April 2018, at an average cost of \$1.3772:£1, compared to market rate at 30th April 2018 of \$1.3691.

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LEATHAMS HOLDINGS LIMITED

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GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2018

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**Principal risks and uncertainties (continued)**

**Credit Risk**

Credit risk is managed through the adoption of rigorous credit control procedures and maintaining a broad customer base, in addition to external credit insurance. The Directors feel this is the most appropriate approach to the current economic climate.

**Liquidity Risk and Interest Rates**

Committed bank facilities are in place to deal with cash flows, liquidity risk and planned expansion. Where possible the Group follows a policy of matching long-term assets with long-term liabilities at fixed rates, while short-term assets are funded by strong cash reserves and credit lines at floating rates.

**Financial key performance indicators**

	2018	2017
Average order value (£)	697	667
Own fleet mileage per annum (000's)	297	239
Number of new products	459	676
Number of active food suppliers	433	489
Number of active customer accounts	2,977	2,959
Employees with 5-10 years' service	28	27
Employees with more than 10 years' service	55	49
Average monthly staff turnover (%)	3	3
Return of capital employed (%)	8	24

This report was approved by the board and signed on its behalf.

  
.....  
T.H. Faulkner - Executive Chairman  
Director

Date: 31/01/2019

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## LEATHAMS HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2018

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The Directors present their report and the financial statements for the year ended 30 April 2018.

#### Results and Dividends

The profit for the year, after taxation, amounted to £1,698k (2017: £3,972k).

During the year dividends of £2,275k (2017: £368k) were paid.

#### Directors

The Directors who served during the year were:

T.H. Faulkner - Executive Chairman  
C.E. Waters  
C.F. Faulkner  
L. Leatham  
O.N Leatham - Non Executive  
M. Leatham - Non Executive

#### Environmental policy

Leathams Holdings Limited takes an active role in minimising the impact of its trading activities on the environment. With increased recycling facilities on site, this has enabled an even greater amount of primary and secondary packaging to be sent for recycling.

As a result of investment in Solar PV roof panels c.20% of the electricity consumed at our London headquarters is generated by own renewable resources.

#### Employment policy

Leathams Holdings Limited is an equal opportunities employer and continues to recruit individuals from a wide range of nationalities and backgrounds. Through the company's appraisal process, each employee is given the opportunity to maximise their potential within the company.

The Directors are committed to having a well-trained and motivated workforce with an emphasis on staff retention and flexible terms and conditions. Employee feedback is encouraged and the bi-annual employee survey continues to provide invaluable information for the senior management team..

#### Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### Future developments

Future developments have been discussed within the business review of the Strategic Report.



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## LEATHAMS HOLDINGS LIMITED

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### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 APRIL 2018

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#### Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

#### Events after the end of the reporting period

On the 22nd May 2018 the company repurchased and subsequently cancelled 820 B Ordinary £1 Shares.

The area around and including our freehold Ilderton Rd Headquarters & Logistics site in Southwark has now been zoned for mixed use (commercial and residential) under the Old Kent Road Area Action Plan. We are evaluating this opportunity and the impact on the Group in detail.

#### Auditors

Under section 487(2) of the Companies Act 2006, Nexia Smith & Williamson will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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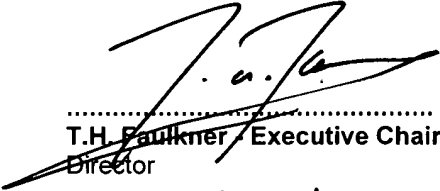
LEATHAMS HOLDINGS LIMITED

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DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2018

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This report was approved by the board and signed on its behalf.



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T.H. Faulkner / Executive Chairman  
Director

Date: 31 / 01 / 2019

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## LEATHAMS HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LEATHAMS HOLDINGS LIMITED

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#### Opinion

We have audited the financial statements of Leathams Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2018 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and parent company balance sheets, Consolidated and parent company statement of changes in equity, Consolidated statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 April 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

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## LEATHAMS HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LEATHAMS HOLDINGS LIMITED (CONTINUED)

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#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

#### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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LEATHAMS HOLDINGS LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LEATHAMS HOLDINGS LIMITED  
(CONTINUED)

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**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**

This report is made solely to the 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.

  
Nick Jacques (Senior Statutory Auditor)

for and on behalf of  
**Nexia Smith & Williamson**

Chartered Accountants  
Statutory Auditors

25 Moorgate  
London  
EC2R 6AY

Date: 31/1/19

LEATHAMS HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2018

	Note	2018 £000	As restated 2017 £000
Turnover	3	109,136	101,061
Cost of sales		(93,773)	(83,924)
<b>Gross profit</b>		<b>15,363</b>	<b>17,137</b>
Administrative expenses		(12,942)	(11,362)
Share based payment expense		(130)	(157)
Other operating income	4	20	56
<b>Operating profit</b>	5	<b>2,311</b>	<b>5,674</b>
Interest receivable and similar income		17	-
Interest payable and similar expenses	9	(157)	(79)
<b>Profit before tax</b>		<b>2,171</b>	<b>5,595</b>
Tax on profit	10	(473)	(1,623)
<b>Profit for the financial year</b>		<b>1,698</b>	<b>3,972</b>

The notes on pages 21 to 44 form part of these financial statements.

**LEATHAMS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2018**

	Note	2018 £000	2017 £000
Profit for the financial year		1,698	3,972
<b>Other comprehensive income</b>			
Unrealised surplus on revaluation of tangible fixed assets		5,632	-
Deferred tax on revaluation of tangible fixed assets		(817)	-
Loss on cashflow hedges		(117)	(1,363)
Reclassification of realised cashflow hedges to stock		-	1,569
<b>Other comprehensive income for the year</b>		4,698	206
<b>Total comprehensive income for the year</b>		6,396	4,178
<b>Profit for the year attributable to:</b>			
Owners of the parent Company		1,698	3,972
		1,698	3,972

The notes on pages 21 to 44 form part of these financial statements.

**LEATHAMS HOLDINGS LIMITED**  
**REGISTERED NUMBER: 02328851**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	12	3,405	3,637
Tangible assets	13	19,252	8,280
		<u>22,657</u>	<u>11,917</u>
<b>Current assets</b>			
Stocks	15	11,445	10,709
Debtors: amounts falling due within one year	16	19,094	18,728
Cash at bank and in hand	17	4,515	6,294
		<u>35,054</u>	<u>35,731</u>
Creditors: amounts falling due within one year	18	(23,355)	(21,089)
<b>Net current assets</b>		<u>11,699</u>	<u>14,642</u>
<b>Total assets less current liabilities</b>		<u>34,356</u>	<u>26,559</u>
Creditors: amounts falling due after more than one year	19	(5,112)	(2,098)
<b>Provisions for liabilities</b>			
Deferred taxation	22	(837)	(43)
		<u>(837)</u>	<u>(43)</u>
<b>Net assets</b>		<u><u>28,407</u></u>	<u><u>24,418</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	37	37
Share premium account	24	527	527
Revaluation reserve	24	6,402	1,535
Capital redemption reserve	24	1	1
Own shares reserve	24	(1,889)	(1,627)
Cashflow hedge reserve	24	89	206
Other reserves	24	390	260
Profit and loss account	24	22,850	23,479
		<u><u>28,407</u></u>	<u><u>24,418</u></u>



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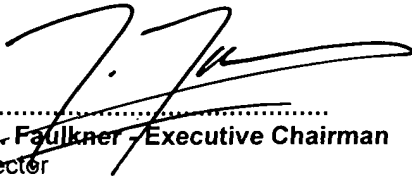
LEATHAMS HOLDINGS LIMITED  
REGISTERED NUMBER: 02328851

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 30 APRIL 2018

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



.....  
T.H. Faulkner, Executive Chairman  
Director

Date: 31/01/2019

The notes on pages 21 to 44 form part of these financial statements.

**LEATHAMS HOLDINGS LIMITED**  
**REGISTERED NUMBER: 02328851**

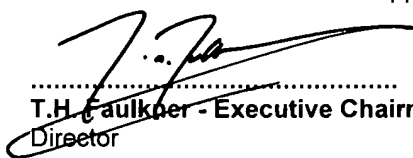
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 APRIL 2018**

	Note	2018 £000	As restated 2017 £000
<b>Fixed assets</b>			
Investments	14	642	511
		<u>642</u>	<u>511</u>
Creditors: amounts falling due within one year	18	(1,379)	(1,116)
<b>Net current liabilities</b>		<u>(1,379)</u>	<u>(1,116)</u>
<b>Total assets less current liabilities</b>		<u>(737)</u>	<u>(605)</u>
<b>Net liabilities</b>		<u>(737)</u>	<u>(605)</u>
<b>Capital and reserves</b>			
Called up share capital	23	37	37
Share premium account	24	527	527
Capital redemption reserve	24	1	1
Own share reserve	24	(1,889)	(1,627)
Other reserves	24	260	130
Profit and loss account	24	327	327
		<u>(737)</u>	<u>(605)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

The unconsolidated profit of the company for the year was £2,275k (2017: £368k).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
T.H. Faulkner - Executive Chairman  
Director

Date: 31/01/2019

The notes on pages 21 to 44 form part of these financial statements.

LEATHAMS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2018

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Cashflow hedge reserve	Own shares	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 May 2017	37	527	1	1,535	206	(1,627)	260	23,479	24,418
<b>Comprehensive income for the year</b>									
Profit for the year	-	-	-	-	-	-	-	1,698	1,698
Surplus on revaluation of freehold property	-	-	-	5,632	-	-	-	-	5,632
Deferred tax on revaluation of tangible fixed assets	-	-	-	(817)	-	-	-	-	(817)
Cash flow hedges - change in value of hedging instrument	-	-	-	-	(117)	-	-	-	(117)
<b>Other comprehensive income for the year</b>	-	-	-	4,815	(117)	-	-	-	4,698
Dividends paid	-	-	-	-	-	-	-	(2,275)	(2,275)
Transfer to/from profit and loss account	-	-	-	52	-	-	-	(52)	-
Share option charge	-	-	-	-	-	-	130	-	130
Share repurchase	-	-	-	-	-	(262)	-	-	(262)
<b>At 30 April 2018</b>	<b>37</b>	<b>527</b>	<b>1</b>	<b>6,402</b>	<b>89</b>	<b>(1,889)</b>	<b>390</b>	<b>22,850</b>	<b>28,407</b>

The notes on pages 21 to 44 form part of these financial statements.

LEATHAMS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2017

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Cashflow hedge reserve £000	Own shares £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 May 2016	36	501	1	1,614	-	(1,627)	130	19,796	20,451
<b>Comprehensive income for the year</b>									
Profit for the year	-	-	-	-	-	-	-	3,972	3,972
Cashflow hedges - changes in value of hedging instrument	-	-	-	-	206	-	-	-	206
<b>Other comprehensive income for the year</b>	-	-	-	-	206	-	-	-	206
Dividends paid	-	-	-	-	-	-	-	(368)	(368)
Shares issued during the year	1	26	-	-	-	-	-	-	27
Transfer to/from profit and loss account	-	-	-	(79)	-	-	-	79	-
Share option charge	-	-	-	-	-	-	130	-	130
<b>At 30 April 2017</b>	<b>37</b>	<b>527</b>	<b>1</b>	<b>1,535</b>	<b>206</b>	<b>(1,627)</b>	<b>260</b>	<b>23,479</b>	<b>24,418</b>

The notes on pages 21 to 44 form part of these financial statements.

LEATHAMS HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2018

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Foreign exchange reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
<b>At 1 May 2016</b>	36	501	1	(1,627)	457	-	(632)
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	368	368
Dividends paid	-	-	-	-	-	(368)	(368)
Shares issued during the year	1	26	-	-	-	-	27
Transfer between reserves	-	-	-	-	(327)	327	-
<b>At 1 May 2017</b>	37	527	1	(1,627)	130	327	(605)
<b>Comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	2,275	2,275
Dividends paid	-	-	-	-	-	(2,275)	(2,275)
Share option charge	-	-	-	-	130	-	130
Share repurchase	-	-	-	(262)	-	-	(262)
<b>At 30 April 2018</b>	37	527	1	(1,889)	260	327	(737)

The notes on pages 21 to 44 form part of these financial statements.

**LEATHAMS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 APRIL 2018**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Profit for the financial year	1,698	3,972
<b>Adjustments for:</b>		
Amortisation of intangible assets	520	505
Depreciation of tangible assets	551	532
Profit on disposal of tangible assets	(11)	(8)
Interest paid	157	78
Interest received	(17)	-
Taxation charge	473	1,623
(Increase) in stocks	(736)	(3,121)
(Increase) in debtors	(480)	(2,066)
Increase in creditors	1,307	2,319
Corporation tax (paid)	(1,145)	(1,488)
Realised cashflow hedges	-	1,569
Share based payment charge	130	157
<b>Net cash generated from operating activities</b>	<b>2,447</b>	<b>4,072</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(288)	(225)
Purchase of tangible fixed assets	(5,795)	(1,002)
Sale of tangible fixed assets	19	17
Interest received	17	-
HP interest paid	(4)	(3)
<b>Net cash from investing activities</b>	<b>(6,051)</b>	<b>(1,213)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	1
Purchase of ordinary shares	(262)	-
New secured loans	3,430	-
Repayment of loans	(210)	(167)
Repayment of/new finance leases	(103)	(17)
Dividends paid	(2,275)	(368)
Interest paid	(153)	(75)
<b>Net cash used in financing activities</b>	<b>427</b>	<b>(626)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,177)</b>	<b>2,233</b>
Cash and cash equivalents at beginning of year	6,034	3,801

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LEATHAMS HOLDINGS LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 30 APRIL 2018

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	2018 £000	2017 £000
<b>Cash and cash equivalents at the end of year</b>	<b>2,857</b>	<b>6,034</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	4,515	6,294
Bank overdrafts	(1,658)	(260)
	<b>2,857</b>	<b>6,034</b>

The notes on pages 21 to 44 form part of these financial statements.

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

Leathams Holdings Limited is a private limited company, limited by shares, incorporated in England and Wales under the Companies Act. The company number is 02328851. The address of the registered office is 227-255 Ilderton Road, London, SE15 1NS. For details of the principal activities, see the strategic report.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold property and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 2).

In preparing the consolidated financial statements, the disclosure exemption in FRS102 relating to the provisions of preparing a parent cash flow statement has been taken. The parents figures are included within the consolidated cash flow statement.

The following principal accounting policies have been applied:

##### 1.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree'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 profit or loss from the date on which control is obtained. They are deconsolidated from the date control ceases.

##### 1.3 Going concern

In determining the appropriate basis of preparation of the accounts, the Directors are required to consider whether the Group has adequate resources to continue in operational existence for the foreseeable future, being at least twelve months from the date of approval of the accounts.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for 12 months from the date of approval of these accounts. For this reason, they continue to adopt the going concern assumption in preparing the accounts.



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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Customer lists	-	10 %
Software development	-	20 %
Brands	-	10 %

The useful life of 10 years of customer lists and brands is based on past experience, current contracts, market conditions and future expectations in combination with financial forecasts, extrapolated cash flows and estimated long term growth.

The amortisation charge is included within operating expenses in the income statement.

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2.5%
S/Term Leasehold Property	- over the term of the lease 10-12 years
Plant & machinery	- 10% - 50%
Motor vehicles	- 25%
Computer equipment	- 20% - 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Income-Statement.

##### 1.7 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Income Statement unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the profit or loss for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

##### 1.9 Finance lease / hire purchase and operating lease arrangements

Hire purchase arrangements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the commitment is shown as obligations under hire purchase obligations. The interest element is charged against profit evenly over the term of the lease.

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the lease term.

##### 1.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 1.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### 1.13 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.13 Financial instruments (continued)

and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in other comprehensive income in accordance with the Group's policy of applying hedge accounting.

##### 1.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 1.15 Hedge accounting

The Group uses foreign currency forward contracts to manage its exposure to exchange rate risk on its purchase of inventory items. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

In the comparative year, gains and losses on the hedging instruments and the hedged items were recognised in profit or loss for the year. When a hedged item was an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item was recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.16 Finance costs

Finance costs are charged to the profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 1.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### 1.18 Pensions

###### Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

##### 1.19 Interest income

Interest income is recognised in the profit or loss using the effective interest method.

##### 1.20 Borrowing costs

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

##### 1.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

##### 1.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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## LEATHAMS HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.24 Restatement

The 2017 parent results have been restated following a review of the accounting policies by the Directors.

The Company's subsidiary previously recognised an 'Own shares' reserve totalling £1,627k. Following a review of technical guidance, the directors have judged that this reserve should have been recognised by the Company. As a result the 2017 brought forward and carry forward reserves have been restated to include this reserve and to recognise an amount owed to group companies. Total equity of the company has decreased by £1,627k on what was previously reported.

The company Creditors due within one year and Debtors due within one year become restated due to the amounts previously owed by group companies becoming amounts due to group companies.

The effect of this change has had no effect on the Group results previously reported.

The Group also reassessed the classification of certain expenses within its Statement of Comprehensive Income and has restated its prior year figures to ensure they are comparative with the current year. The reclassification is deemed by management to more accurately reflect the allocation of expenditure between Cost of sales and Turnover. The effect on the prior year results is that Cost of sales has decreased by £3,405k and Turnover has decreased by the same amount.

#### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are evaluated at each reporting date and are based on historical experience adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are outlined below.

##### Stock provision

The group has stock totalling £11,445k (2017: £10,709k) at the balance sheet date. In assessing the magnitude of stock provision required at the year end, the Directors have reviewed the products with regard to their current condition, their remaining life, along with recent and expected future sales patterns.

##### Revaluation of tangible fixed assets

The Group carries its freehold land and buildings at fair value. In estimating the fair value, the directors have considered comparable market data and trends to determine if the valuation has materially changed and reflect this movement accordingly. During the year, the Ilderton road property was zoned for mixed use (commercial and residential) under the Old Kent Rd Area Action Plan and therefore judgement was involved in determining the value at yearend. Assuming planning permission was granted, there could be an increase in the valuation in the range of 25-35%. Due to the uncertainty regarding planning permission, the property has been recorded at a valuation of £9m at the balance sheet date.

##### Depreciation and residual values of tangible fixed assets

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that the asset lives and residual values are appropriate.

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LEATHAMS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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2. Judgments in applying accounting policies (continued)

**Useful economic life and impairment of intangible assets**

The Directors have reviewed the asset lives of the intangible assets acquired in the purchase of Brital Foods Limited in the prior year, and have concluded that a useful economic life of 10 years still remains appropriate and that no impairment is required in the current year.

In addition, the software developments have also been reviewed and given that they are still actively in use and are expected to remain so for the foreseeable future, the Directors are of the opinion that no impairment is required.

3. Turnover

The whole of the turnover is attributable to import and distribution.

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	105,778	97,590
Rest of Europe	3,231	3,438
Rest of the world	127	33
	<u>109,136</u>	<u>101,061</u>

4. Other operating income

	2018 £000	2017 £000
Other operating income	<u>20</u>	<u>56</u>



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LEATHAMS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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**5. Operating profit**

The operating profit is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	551	536
Profit on sale of tangible assets	(11)	(8)
Amortisation of intangible assets, including goodwill	520	501
Exchange differences	252	(1,230)
Other operating lease rentals	762	582
Share based payment	130	157
Defined contribution pension cost	248	247
	<u>248</u>	<u>247</u>

**6. Auditors' remuneration**

	2018 £000	2017 £000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	38	33
<b>Fees payable to the Group's auditor in respect of:</b>		
Audit of the accounts of the Company's subsidiaries	11	-
Accounts preparation	6	3
Taxation compliance	9	6
Taxation advisory services	15	-
	<u>41</u>	<u>9</u>

**LEATHAMS HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

**7. Employees**

Staff costs, including Directors' remuneration, were as follows:

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
Wages and salaries	<b>10,760</b>	8,977	-	-
Social security costs	<b>1,153</b>	994	-	-
Cost of defined contribution scheme	<b>248</b>	247	-	-
	<b>12,161</b>	10,218	-	-

The average monthly number of employees, including the Directors, during the year was as follows:

	<b>Group 2018 No.</b>	<i>Group 2017 No.</i>	<b>Company 2018 No.</b>	<i>Company 2017 No.</i>
Despatch	<b>76</b>	62	-	-
Drivers	<b>27</b>	25	-	-
Admin	<b>170</b>	138	6	6
	<b>273</b>	225	6	6

The Company had no employees other than the directors during the year.

**8. Directors' remuneration**

	<b>2018 £000</b>	<i>2017 £000</i>
Directors' emoluments	<b>471</b>	512
Company contributions to defined contribution pension schemes	<b>28</b>	38
	<b>499</b>	550

During the year retirement benefits were accruing to 3 Directors (2017 - 6) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £237k (2017: £268k).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £8k (2017 - £8k).

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**LEATHAMS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**9. Interest payable and similar expenses**

	<b>2018</b>	<i>2017</i>
	<b>£000</b>	<i>£000</i>
Bank interest payable	<b>153</b>	<i>76</i>
Finance leases and hire purchase contracts	<b>4</b>	<i>3</i>
	<u><b>157</b></u>	<u><i>79</i></u>
	<u><b>157</b></u>	<u><i>79</i></u>

**10. Taxation**

	<b>2018</b>	<i>2017</i>
	<b>£000</b>	<i>£000</i>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>499</b>	<i>1,623</i>
Adjustments in respect of previous periods	<b>(3)</b>	<i>-</i>
	<u><b>496</b></u>	<u><i>1,623</i></u>
<b>Total current tax</b>	<u><b>496</b></u>	<u><i>1,623</i></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(23)</b>	<i>-</i>
	<u><b>(23)</b></u>	<u><i>-</i></u>
<b>Total deferred tax</b>	<u><b>(23)</b></u>	<u><i>-</i></u>
	<u><b>473</b></u>	<u><i>1,623</i></u>
<b>Taxation on profit on ordinary activities</b>	<u><b>473</b></u>	<u><i>1,623</i></u>

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**LEATHAMS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**10. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.92%). The differences are explained below:

	<b>2018 £000</b>	<b>2017 £000</b>
Profit on ordinary activities before tax	<b>2,171</b>	<b>5,595</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.92%)	<b>413</b>	<b>1,114</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>113</b>	<b>327</b>
Capital allowances for year in excess of depreciation	<b>2</b>	<b>41</b>
Adjustment to tax charge in respect of previous periods	<b>(3)</b>	<b>-</b>
Capital gains	<b>914</b>	<b>-</b>
Deferred tax charged directly to equity	<b>(817)</b>	<b>-</b>
Deferred tax not recognised	<b>(149)</b>	<b>-</b>
Other differences leading to an increase (decrease) in the tax charge	<b>-</b>	<b>141</b>
<b>Total tax charge for the year</b>	<b>473</b>	<b>1,623</b>

**Factors that may affect future tax charges**

The UK Government has announced future changes to the corporation tax rate. These changes will result in a decrease in the standard rate of corporation tax to 17% from 1 April 2020. The Finance (No.2) Bill which provides for these rates became substantively enacted on 15 September 2017 and in accordance with applicable accounting standards deferred tax has been calculated using a rate of 17%.

**11. Dividends**

	<b>2018 £000</b>	<b>2017 £000</b>
Dividends paid	<b>2,275</b>	<b>368</b>

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**LEATHAMS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**12. Intangible assets**

**Group and Company**

	<b>Customer Lists £000</b>	<b>Software Development £000</b>	<b>Brands £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 May 2017	3,248	846	810	27	4,931
Additions	-	288	-	-	288
At 30 April 2018	3,248	1,134	810	27	5,219
<b>Amortisation</b>					
At 1 May 2017	623	489	155	27	1,294
Charge for the year	325	114	81	-	520
At 30 April 2018	948	603	236	27	1,814
<b>Net book value</b>					
At 30 April 2018	2,300	531	574	-	3,405
At 30 April 2017	2,625	357	655	-	3,637

**LEATHAMS HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Tangible fixed assets**

**Group**

	Freehold property £000	S/Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>						
At 1 May 2017	6,880	-	2,464	223	652	10,219
Additions	3,692	405	1,416	140	245	5,898
Disposals	-	-	(4)	(78)	(57)	(139)
Revaluations	5,310	-	-	-	-	5,310
At 30 April 2018	<u>15,882</u>	<u>405</u>	<u>3,876</u>	<u>285</u>	<u>840</u>	<u>21,288</u>
<b>Depreciation</b>						
At 1 May 2017	369	-	1,105	110	355	1,939
Charge for the year on owned assets	111	18	214	75	133	551
Disposals	-	-	(3)	(75)	(54)	(132)
On revalued assets	(322)	-	-	-	-	(322)
At 30 April 2018	<u>158</u>	<u>18</u>	<u>1,316</u>	<u>110</u>	<u>434</u>	<u>2,036</u>
<b>Net book value</b>						
At 30 April 2018	<u>15,724</u>	<u>387</u>	<u>2,560</u>	<u>175</u>	<u>406</u>	<u>19,252</u>
At 30 April 2017	<u>6,511</u>	<u>-</u>	<u>1,359</u>	<u>113</u>	<u>297</u>	<u>8,280</u>

Cost or valuation at 30 April 2018 is as follows:

	<b>Land and buildings £000</b>
<b>At cost</b>	<b>9,698</b>
<b>At valuation:</b>	
2018 - existing use basis	<b>6,588</b>
	<u><b>16,286</b></u>

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**LEATHAMS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**13. Tangible fixed assets (continued)**

The freehold properties were valued as at the 30 April 2018 by the directors on an existing use basis.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Group</b>		
Cost	<b>9,698</b>	<b>6,006</b>
Accumulated depreciation	<b>(1,210)</b>	<b>(1,010)</b>
<b>Net book value</b>	<b>8,488</b>	<b>4,996</b>

**14. Fixed asset investments**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Leathams Limited	Ordinary	100 %	One of the UK's leading specialist food companies, focussed on food innovation. Wholesale distribution of wheat based products (pasta and bread) as well as Italian ready meals.
Brital Foods Limited	Ordinary	100 %	Dormant
Sunblush Limited	Ordinary	100 %	Dormant
Chefs Brigade Limited	Ordinary	100 %	Dormant
Merchant Gourmet Limited	Ordinary	100 %	Dormant

All of the subsidiaries are incorporated in England and Wales.

The investments in Brital Foods Limited, Sunblush Limited, Chefs Brigade Limited and Merchant Gourmet Limited are held indirectly.

The registered address of Brital Foods Limited is Chaucer House, Chaucer Business Park, Watery Lane, Kemsing, Sevenoaks, Kent, TN15 6PW.

The registered address of Leathams Limited, Sunblush Limited, Chefs Brigade Limited and Merchant Gourmet Limited is 227-255 Ilderton Road, Bermondsey, London, SE15 1NS.

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**LEATHAMS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Fixed asset investments (continued)**

**Company**

	<b>Investments in subsidiary companies £000</b>
<b>Cost or valuation</b>	
At 1 May 2017	511
Additions	130
At 30 April 2018	<u>641</u>
<b>Net book value</b>	
At 30 April 2018	<u>641</u>
At 30 April 2017	<u>511</u>

**15. Stocks**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>
Finished goods and goods for resale	11,445	10,709
	<u>11,445</u>	<u>10,709</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stock recognised in cost of sales during the year as an expense was £82,618k (2017 - £71,645k).



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**16. Debtors**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>
Trade debtors	17,507	16,612
Other debtors	38	22
Prepayments and accrued income	1,251	1,673
Tax recoverable	209	215
Financial instruments	89	206
	<u>19,094</u>	<u>18,728</u>

**17. Cash and cash equivalents**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
Cash at bank and in hand	4,515	6,294	-	-
Less: bank overdrafts	(1,658)	(260)	-	-
	<u>2,857</u>	<u>6,034</u>	<u>-</u>	<u>-</u>

**LEATHAMS HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

**18. Creditors: Amounts falling due within one year**

	<b>Group</b>	<i>Group As restated</i>	<b>Company</b>	<i>Company As restated</i>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank overdrafts	1,658	260	-	-
Bank loans	338	167	-	-
Trade creditors	16,821	14,234	-	-
Amounts owed to group undertakings	-	-	1,379	1,116
Corporation tax	85	735	-	-
Other taxation and social security	309	277	-	-
Obligations under finance lease and hire purchase contracts	118	84	-	-
Accruals and deferred income	4,026	5,332	-	-
	<b>23,355</b>	<b>21,089</b>	<b>1,379</b>	<b>1,116</b>

**Restatement**

The 2017 Group results have been restated following the reclassification of a balance previously recorded in accruals to trade creditors. Accruals have decreased by £6,732k and trade creditors have increased by the same amount. There is no effect on the overall balance sheet.

Further information on the restatement of the parents results is found on note 1.24.

**Secured Creditors**

£5,387k (2017: £2,167k) of bank loans and overdrafts are secured by a legal charge over the Group's freehold properties. Additionally, the bank loan is secured via a debenture comprising fixed and floating charges over all the assets and undertakings of the Group.

Included with the bank loan and overdrafts are amounts totalling £1,616k (2017: £260k) in relation to a sales financing facility held with HSBC Bank plc. This facility is secured against the trade debtors of the Group.

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**LEATHAMS HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**19. Creditors: Amounts falling due after more than one year**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
Bank loans	<b>5,049</b>	<i>2,000</i>	-	-
Net obligations under finance leases and hire purchase contracts	<b>63</b>	<i>98</i>	-	-
	<b>5,112</b>	<i>2,098</i>	-	-

**20. Loans**

The £2.5m facility was taken out in April 2015 for a term of 25 years at an interest rate of 1.55%. A further facility of £3.43m was taken out in December 2017 for a term of 20 years at an interest rate of 1.45% plus LIBOR.

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>
Bank loans: < 1 year	<b>338</b>	<i>167</i>
Bank loans: 1-2 years	<b>338</b>	<i>167</i>
Bank loans: 2-5 years	<b>1,015</b>	<i>500</i>
Bank loans: 5+ years	<b>3,696</b>	<i>1,333</i>
	<b>5,387</b>	<i>2,167</i>

**LEATHAMS HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

**21. Financial instruments**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>	<b>Company 2018 £000</b>	<i>Company 2017 £000</i>
<b>Financial assets</b>				
Cash at bank and in hand	<b>4,515</b>	6,294	-	-
Financial assets that are debt instruments measured at fair value through OCI	<b>89</b>	206	-	-
Financial assets that are debt instruments measured at amortised cost	<b>17,546</b>	16,634	-	-
	<u><b>22,150</b></u>	<u>23,134</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>(28,073)</b>	(22,177)	<b>(1,379)</b>	(1,116)
	<u><b>(28,073)</b></u>	<u>(22,177)</u>	<u>(1,379)</u>	<u>(1,116)</u>

Financial assets that are debt instruments measured at fair value through OCI comprise foreign exchange forward contracts.

Financial assets measured at amortised cost comprise trade debtors, other debtors, accrued income and Group balances.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals, bank loans and overdrafts, Group balances and finance leases.

**22. Deferred taxation**

**Group**

	<b>2018 £000</b>
At beginning of year	<b>(43)</b>
Charged to profit or loss	<b>23</b>
Charged to other comprehensive income	<b>(817)</b>
<b>At end of year</b>	<u><b>(837)</b></u>

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LEATHAMS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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**22. Deferred taxation (continued)**

	<b>Group 2018 £000</b>	<i>Group 2017 £000</i>
Accelerated capital allowances	20	43
Capital gains	(817)	-
	<u>837</u>	<u>43</u>

**23. Share capital**

	<b>2018 £</b>	<i>2017 £</i>
<b>Allotted, called up and fully paid</b>		
32,902 Ordinary shares of £1 each	32,902	32,902
4,195 (2017 - 4,550) Class B shares of £1 each	4,195	4,550
	<u>37,097</u>	<u>37,452</u>

During the year, 355 Class B shares with a nominal value of £1 were repurchased at par and subsequently cancelled.

There are no prescribed particulars attached to ordinary shares.

Class B shares have no voting rights. There are rights to participate in a dividend at the discretion of the Directors, subject to conditions set out in the articles. There are also rights to participate in a distribution of capital above a threshold as set out in the articles.

**24. Reserves**

**Share premium account**

This comprises the cumulative excess paid for the purchase of shares.

**Revaluation reserve**

This contains the cumulative movements on revaluation of the freehold property.

**Capital redemption reserve**

This comprises the cumulative movements on the redemption of shares by the Company.

**Cashflow hedge reserve**

This reserve records the changes in fair value of the foreign currency forward contracts to the extent that the hedge is fully effective.

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LEATHAMS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018

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**24. Reserves (continued)**

**Other reserves**

This contains the cumulative charges arising from share options.

**Own shares**

This comprises the amount of shares in Leathams Holdings Limited held by Leathams Holdings Limited.

**Profit & loss account**

This comprises the cumulative profits and losses, dividends and other reserve movements,

**25. Share based payments**

In the prior year Class B Shares in Leathams Holdings Limited were granted to Directors with a fair value of £27k. No such shares were issued during the year.

Share options were granted in 2015 over the Ordinary shares of Leathams Holdings Limited to Directors and staff of Leathams Limited.

The charge to the Income Statement for the Ordinary share options issued in 2018 was £130k (2017: £130k).

The value of these options is measured by the use of a monte carlo pricing model. Options were issued in 2015 with a weighted average exercise price of £300 and a vesting period of seven years.

	<b>Number 2018</b>
Outstanding at the beginning of the year	<b>3,023</b>
Granted during the year	-
Forfeited during the year	-
Exercised during the year	-
	<hr/>
<b>Outstanding at the end of the year</b>	<b>3,023</b> <hr/>
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Exercise price (£)	<b>300</b> <hr/>

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LEATHAMS HOLDINGS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
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**26. Pension commitments**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The pension charge represents contributions payable by the Group to the fund and amount to £248k (2017: £247k). Contributions totalling £99k (2017: £52k) were payable to the fund at the reporting date and are included in creditors.

**27. Commitments under operating leases**

At 30 April 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>
Not later than 1 year	<b>636</b>	<b>582</b>
Later than 1 year and not later than 5 years	<b>1,372</b>	<b>1,137</b>
Later than 5 years	<b>520</b>	<b>129</b>
	<b>2,528</b>	<b>1,848</b>

**28. Related party transactions**

The Company has taken advantage of the exemption in FRS102 Section 33 from disclosing transactions with Group companies on the grounds that these companies are wholly owned within the Group.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group, or in relation to the Company, the Company. In the opinion of the board the Group and Company's key management are the Directors and senior management of Leathams Holdings Limited. Total compensation to key management personnel for the year ended 30 April 2018 is £2,324k (2017: £2,788k).

**29. Post balance sheet events**

On the 22nd May 2018 the company repurchased and subsequently cancelled 820 B Ordinary £1 Shares.

The area around and including our freehold Ilderton Rd Headquarters & Logistics site in Southwark has now been zoned for mixed use (commercial and residential) under the Old Kent Road Area Action Plan. We are evaluating this opportunity and the impact on the Group in detail.

**30. Controlling party**

In the opinion of the Directors, the Company has no one controlling party.