TEX HOLDINGS plc

Report & Accounts for year ended 31st December 2006

Plastics
Engineering
Boards & Panels

www.tex-holdings.co.uk

Contents

Directors and Advisors

TEX HOLDINGS plc
Parent Company
Directors
A R B Burrows* (Chairman)
M Q Harrison (Managing Director)
R P Corbett*
J E Greve*
M J Cadbury*
(Appointed 3rd May 2006)

* (Non-Executive, Members of Audit and Remuneration Committees)

Company Secretary
C A Parker

TEX GROUP LIMITED
Management Company
Directors
M Q Harrison (Chairman)
J Field
C A Parker
D Redhead
P W Stevenson
C T Varley

Registered Office
Claydon Business Park
Gipping Road
Great Blakenham
Ipswich
Suffolk
IP6 0NL

Registered number
405838

Registrars
Computershare Investor Services PLC

Auditors
KPMG Audit Plc

Bankers
National Westminster Bank PLC

Legal Advisors
Birketts

Results in Brief

	Year ended 31st December 2006 £000	Year ended 31st December 2005 £000
Turnover	**34,498**	31,685
Profit before taxation	**907**	312
Taxation	**(308)**	(100)
Profit on ordinary activities after taxation	**599**	212
Total equity	**7,919**	6,332
Net assets per share	**125p**	100p
Basic earnings per share	**9.4p**	3.3p
Dividends per share (based on interim dividend in the year and final dividend proposed)	**7.0p**	4.0p

Group Structure

TEX HOLDINGS plc

Plastics Division

Tex Industrial Plastics Ltd
Tex Plastic Products Ltd
Tex Tooling Ltd

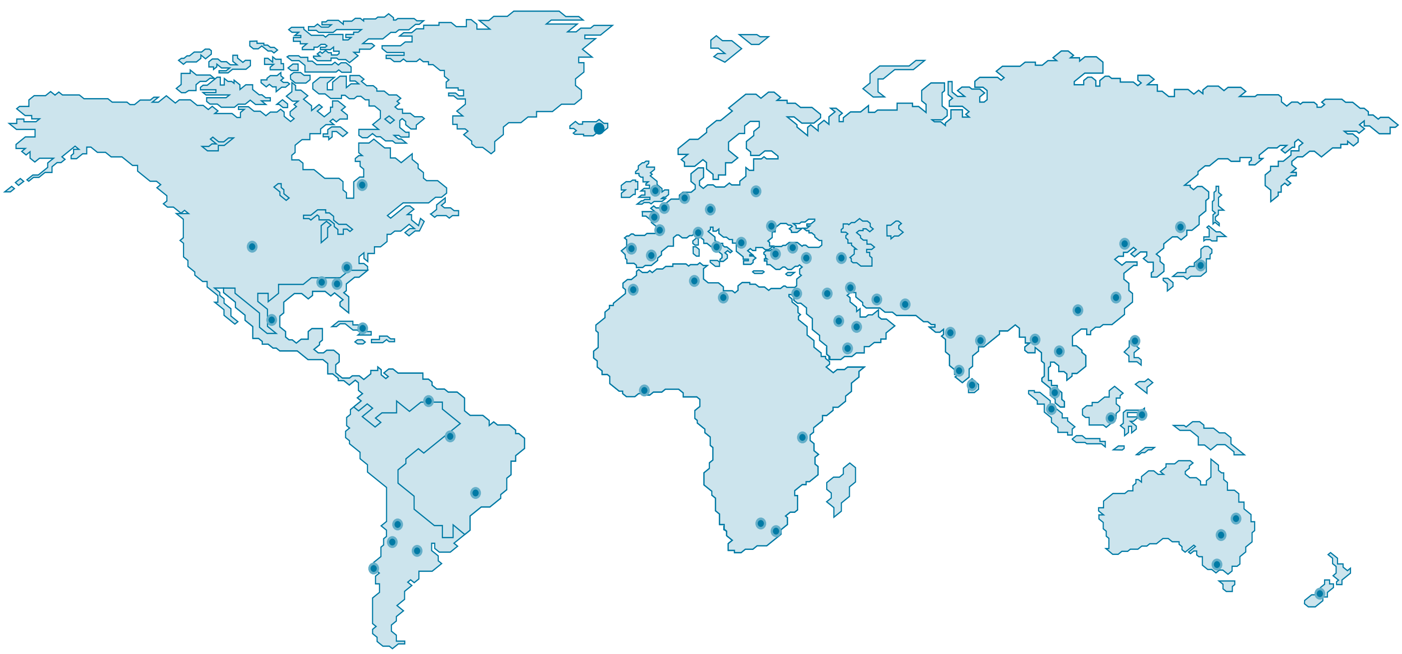
Engineering Division

BSP International Foundations Ltd
Tex Engineering Ltd
Eurotex International Ltd
Tex A.T.C. Ltd
ADR Sales Ltd
Tex Industrialised Construction Systems Ltd
UK Mex and Associates Ltd

Boards & Panels Division

QK Honeycomb Products Ltd
Q.K. Humberside Ltd

Geographical Representation



Chairman's Statement

Results and Operations

Tex Group sales for the 12 months to 31st December 2006 amounted to £34.5m compared with £31.7m in 2005.

Pre-tax profit earned in 2006 was £907k compared with £312k in 2005.

The improvement in performance was most notable in the Engineering Division which saw higher turnover, the reversal of some provisions made in the previous year, offset by a further acceleration in stock amortisation to reflect a more prudent basis.

It is pleasing to note that the Pension Fund deficit recorded in the accounts has reduced from £2.398m as at 31st December 2005 to £360k as at the end of 2006.

Prospects and Dividend

Business levels in the early months of 2007 have broadly commenced in line with expectations, with the exception of one significant contract in ADR Sales which is confirmed but with despatch postponed from March to September. The Group order book currently stands at £10.2m, which is above the long run average, and the level of enquiries is encouraging.

The stated earnings per share of 9.4 pence are after making provisions amounting to £601k. The Board feels able to recommend a final dividend of 4.0 pence (2005: 1.0 pence) which would make a total of 7.0 pence in 2006 (2005: 4.0 pence). The final dividend will be paid, subject to shareholder approval, on 25th July 2007 to members on the register as at 22nd June 2007.

Staff

It has been another busy and demanding year which has seen a recovery in profitability, and I would like to thank staff at all levels in the Group for their contribution.

A R B Burrows
Chairman
27th March 2007

Managing Director’s Review
Plastics Division

Tex Industrial Plastics Limited – Precision injection moulding and finishing services; tooling procurement.

Tex Plastic Products Limited – Precision injection moulding and assembly services; tooling procurement.

Sales in the Plastics Division rose to £18.3m, compared with £17.9m in the previous year. Operating profit earned was £908k versus £1.07m in 2005.

In last year’s report, it was noted that the Tex Plastics operation in Barnstaple had performed strongly, whereas Tex Industrial Plastics in Derby had suffered. In 2006, the positions were reversed with Derby achieving a creditable result but with Barnstaple losing some volume and facing margin pressure.

Above
Components for Emergency Vehicle Lighting Systems supplied to Haztec.

Left
High specification mouldings manufactured in white room conditions supplied to the PALL Corporation.

Opposite
Tex Plastic Products manufacture components for Daniamant, market leaders in safety critical marine lighting equipment.


DANIAMANT
TO ASSEMBLE - LOOP THE
LANYARD AROUND THE
BUOY AND FASTEN SECURELY
LIGHT WILL ACTIVATE ON
ENTRY INTO WATER
DO NOT STOW MORE THAN
30m ABOVE WATERLINE

Managing Director's Review
Plastics Division continued

Both the Plastics companies have built a solid core of longstanding blue-chip relationships with key customers, and have aggressively sought new accounts at sensible margins. The focus has been on technical mouldings requiring sophisticated manufacturing and finishing techniques, and has been supported by continued investment in production facilities. In particular, and in order to retain a competitive edge against offshore competition, the programme to fit robots to moulding presses has been stepped up and a variety of the ancillary services have been automated.

The opening months of 2007 have seen trading for both companies in line with budget expectation and considerably better than the comparable period in 2006. The operational and strategic challenge remains to deliver leading edge supply performance to our customers at competitive rates, and to grow the business at rewarding margins by seeking out specialist market niches requiring technical excellence.

Above
Tillett Ltd – Go Kart with injection moulded racing seat and chain guard.

Left
Heatrae Sadia Heating – Facia Panel for Electromax 9kw Electric Flow Boiler.

Opposite
Draeger Safety UK Ltd – DraegerMan PSS100 breathing apparatus.

Managing Director's Review
Engineering Division

BSP International Foundations Limited – Design and manufacture of a proprietary range of piling and dynamic compaction equipment for the ground engineering sector.

The Company enjoyed an excellent year with sales achieved of £4.8m as opposed to £3.0m in the previous year. Operating profit earned was £674k compared with a loss of £108k in 2005.

The improved performance came on the back of some significant international contracts being mobilised and tighter control of trading terms in emerging territories. The investment in technical development of the product range has also been a key factor, especially with compaction equipment.

2007 has opened on a positive note with a satisfactory order book and encouraging pipeline of prospective contracts and enquiries. The Company may not achieve the level of profitability seen in 2006, but is nevertheless looking forward to a strong trading year.

Above, left to right
BSP Rapid Impact Compactor 12^{T} operating at the RAS Laffan Port expansion project in Qatar; SL30 Hydraulic Hammer operating in Australia.

Opposite
CG210 Hydraulic Hammer in freely suspended mode operating in Brisbane, Australia.

Managing Director's Review
Engineering Division continued

Tex Engineering Limited – Manufacture and sale of Trojan Asphalt Mixers, road surfacing and associated equipment, Mobility Scooter Stores, Allied Kiosks & Enclosures, marketing and distribution of Fibertex Geotextiles.

At the trading level, Tex Engineering recorded sales of £2.5m (2005: £2.3m) and operating profits of £65k versus £70k in 2005. However it was deemed prudent to accelerate stock provisioning by £191k which pushed the Company into loss.

The result is disappointing, given the effort that has been applied to building up the product portfolio to provide a broader and more stable platform to even out the troughs. It is noteworthy that early demand in 2007 has shown a significant increase in the order book compared to 2006, and volumes are ahead of expectation. If this is sustained, a considerably better operating performance is in prospect.

Eurotex International Limited – Diesel engine and governor rebuilding, parts supply and technical support; engineering and procurement services.

Eurotex recorded sales of £1.8m, up from £1.5m in the year before. Regrettably, the Company recorded an operating loss of £306k after an additional stock provision of £202k.

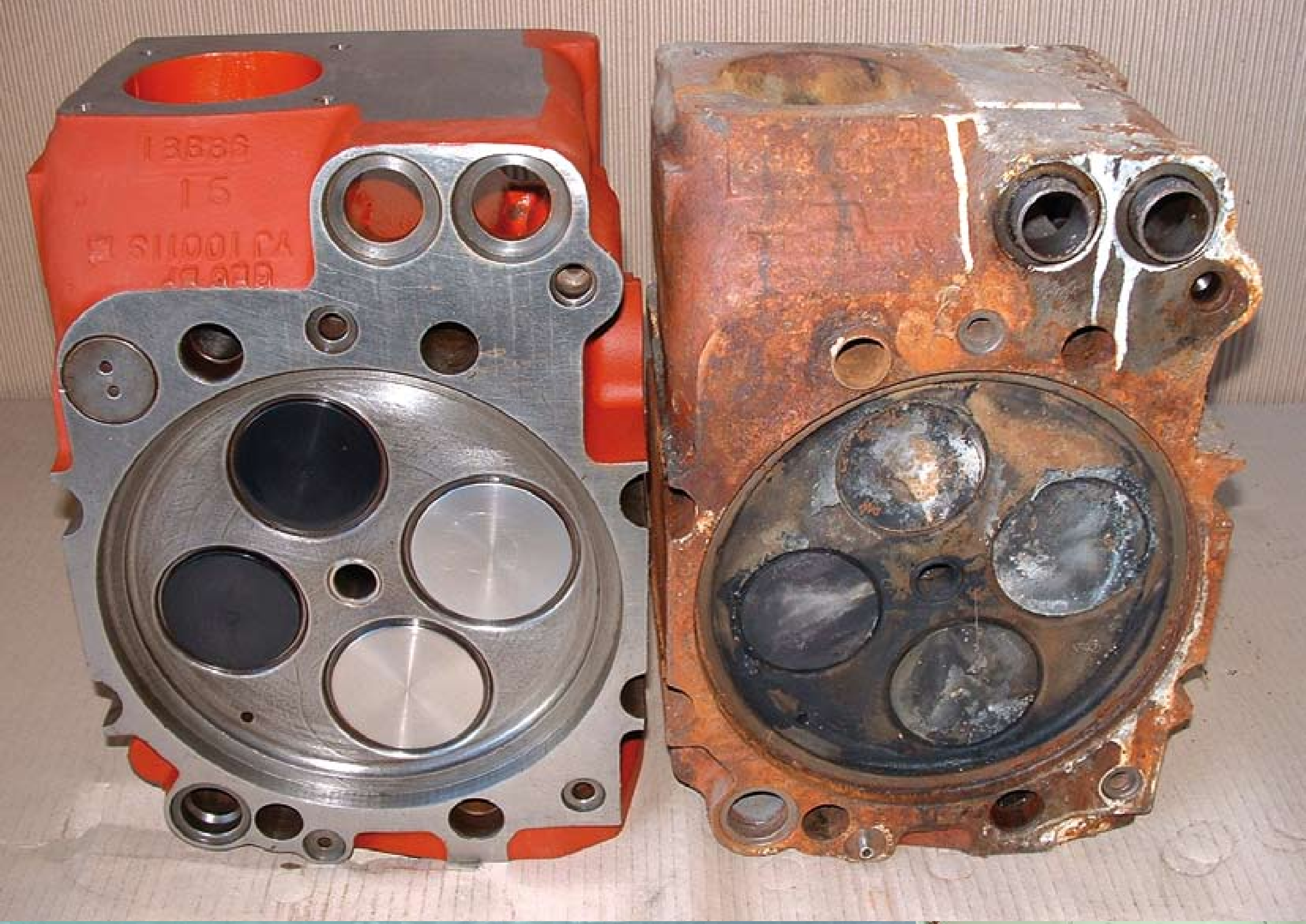
As noted last year, the engine parc serviced by Eurotex is ageing and thus in decline, although again the Company has achieved supply accreditation in key areas which should help it to win additional market share.

The early months of 2007 have been quiet with a number of large tenders yet to be awarded. The Company's project pipeline remains under critical review.

Above, left to right
Ride-on Hot or Cold Emulsion Sprayers introduced into the market this year by Tex Engineering.

Opposite
Top: Cylinder Heads refurbished by Eurotex International for the Sri Lankan Railway.

Bottom right:
River trials on a Rescue Inflatable Boat for the MOD(N) after changing out two engines.



Managing Director's Review
Engineering Division continued

Tex A.T.C. Ltd (Air Traffic Control) – **Design, manufacture and installation of air traffic control rooms.**

Sales of £659k were recorded in 2006 (2005: £460k) which was considerably less than expected, but the Company still managed an operating profit of £72k versus the loss in 2005 of £203k.

The results show the operational gearing of moving past breakeven turnover and, but for continued delays in airport developments, the profit would and should have been substantially higher.

Tex A.T.C. is specified on a variety of key projects, some of which are at an advanced stage. It remains only for the sponsoring clients to press the green button to enable the Company to earn attractive profits, but it is too early in the year to call an outcome for 2007.

Tex Industrialised Construction Systems Limited – **Design and manufacture of specialist engineering equipment for the in-situ production of battery cast concrete building panels.**

There were no developments in the year under review.

Top
The Bristowes CE95 Chipspreader manufactured by Tex Engineering.

Opposite
Top: Tex Air Traffic Control Room at R.N.A.S. Yeovilton.

Bottom: Tex Maxi-View anti-condensation electrically powered glazing.


ROYAL
NAVY
FLY
NAVY

Managing Director’s Review
Boards & Panels Division

QK Honeycomb Products Limited – Manufacture and sale of boards and panels.

Turnover at QK was £6.6m versus £6.5m in 2005. Operating profit recorded was £223k compared with £298k in the previous year.

The reduced level of profitability was principally accounted for by the failure to lift volume levels in a tough market environment. Caravan component demand was flat whilst the Quikaboard product line had another disappointing year, and a number of redundancies needed to be made.

The Company has started 2007 in a buoyant mode and ahead of the comparable period last year. The operational priority is to maintain this momentum and not let the performance numbers slip during the quieter summer months. The Board has looked at a number of strategic initiatives to build and diversify the business into new growth sectors and this search will continue.

Above
Exhibition stand built by Clip Display Ltd using QK Honeycomb Products’ lightweight Quikaboard panels.

Right and opposite
Door and worktop panels supplied by QK Honeycomb Products Ltd to Bailey Caravans Ltd for their award-winning range.


Weetaflakes

Managing Director's Review
Corporate Summary

The Group results represent a significant improvement on the last two trading years, though clearly there is more to be done to achieve a respectable return on capital and higher earnings per share.

It has been another challenging year for UK manufacturing, but where we have achieved critical mass demand levels, we have made satisfactory returns. In operational terms going forward, we need to maintain the momentum in building business volumes, whilst relentlessly pursuing technical excellence and productivity gains to retain a competitive edge and secure sensible margins.

Strategically, we still have some underperforming units which have been run for cash flow generation whilst we seek corporate solutions which would maximise shareholder value.

M Q Harrison
Group Managing Director
25th April 2007

Five Year Financial Summary

Prepared under	Year ended 31/12/06 IFRS £000	Year ended 31/12/05 IFRS £000	9 months ended 31/12/04 IFRS £000	Year ended 31/03/04 UK GAAP £000	Year ended 31/03/03 UK GAAP £000
Turnover	**34,498**	31,685	21,606	31,571	26,242
Profit before tax	**907**	312	392	1,630	1,060
Profit before tax as a % of turnover	**2.6%**	1.0%	1.8%	5.2%	4.0%
Profit after taxation	**599**	212	212	1,281	604
Basic earnings per ordinary share	**9.4p**	3.3p	3.3p	20.2p	9.5p
Dividends per ordinary share	**7.0p**	4.0p	3.0p	10.0p	8.0p
Period end total equity	**7,919**	6,332	6,492	9,089	8,421
Profit before tax as a % return on average total equity	**12.7%**	4.9%	6.0%	18.6%	12.6%
Net assets per ordinary share	**125p**	100p	102p	143p	133p

Directors' Report
for the year ended 31st December 2006

The Directors have pleasure in submitting their Annual Report and the audited financial statements for the year ended 31st December 2006.

Principal Activities and Review of Business
The Group's principal activities are plastic injection moulding and toolmaking, the manufacture and supply of proprietary piling equipment, engineering products and boards and panels.

Further information on the activities of the companies is contained within the Chairman's Statement and Managing Director's Review on pages 3 to 16. The names of subsidiaries and their principal activities are set out in note 13 to the accounts.

Results and Dividends
Turnover amounted to £34,498,000 (31st December 2005: £31,685,000). Profit before taxation was £907,000 (31st December 2005: £312,000).

The Directors have proposed a final ordinary dividend in respect of the current financial year of 4.0p per share. This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a dividend of 1.0p per share in respect of the previous period ended 31st December 2005, together with an interim dividend in respect of the year ended 31st December 2006 of 3.0p per share.

Research
Expenditure on research is written off to the income statement in the period in which it is incurred.

Creditor Payment Policy
The Company agrees the terms and conditions under which transactions with our suppliers are conducted. It is Company policy that payments are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

At the year end, there were 1 day (31st December 2005: 1 day) purchases in trade payables within the Company.

Directors
The names of the Directors of the Company, including those who act in a non-executive capacity, appear on the contents page. With the exception of M J Cadbury who was appointed on 3rd May 2006, all the Directors served for the whole year.

Brief biographical details of the Chairman and the Non-Executive Directors are as follows:

A R B Burrows (age 68) is an industrialist. He is a director of Formidling (UK) Limited, Longshot Plc, Le Bas Limited and Hyde Holdings Limited.

M Q Harrison (age 59) has been a Director of Tex Holdings plc since 1988 and was appointed Group Managing Director in 1991. He previously worked for Edward Le Bas Limited (from 1979), having gained early career experience with Shell in Australia and Lucas Industries. He is a director of Acorn Securities Limited and Minnowdown Limited.

R P Corbett (age 69) was a Merchant Banker and for 24 years was a director of Singer & Friedlander. He was also Chairman of the Alternative Investment Market of the London Stock Exchange from its inception until 1998. He is a director of Haynes Publishing Group plc and South Staffordshire plc.

J E Greve (age 73) is a Barrister. He is Chairman of the Board and Board Member of the following companies: Bergens Tidende AS, Selmer-Sande AS, Formidling (UK) Ltd, AS Kistefos Traesliberi and Kistefos Investment AS. He is Chairman of High Technology Center AS in Bergen from 1986, Sarsia Innovation AS from April 2001 and Sarsia Seed AS.

M J Cadbury (age 48) is a qualified engineer, MBA and Chartered Director. He has had a number of commercial positions both in the UK and overseas.

R P Corbett, J E Greve and M J Cadbury serve on the Board as independent Non-Executive Directors. R P Corbett acts as the senior independent Non-Executive Director.

M Q Harrison retires by rotation and, being eligible, offers himself for re-election as a Director.

Certain directors benefited from qualifying third party indemnity provisions in place during the year and at the date of this report.

Directors' share interests

	Ordinary Shares		Option	
	31/12/06	31/12/05	31/12/06	31/12/05
A R B Burrows	–	–	–	–
M Q Harrison	**110,734**	110,734	–	–
R P Corbett	–	–	–	–
J E Greve	–	–	–	–
M J Cadbury	–	–	–	–

There were no changes in Directors' interests between 31st December 2006 and the date of this report.

The market price of the Company's shares at 31st December 2006 was 104.5p and the range during the period was 75.0p to 114.5p.

Substantial Holdings

Notification has been received that, as at 22nd March 2007, the latest practicable date prior to signing the accounts, the following shareholders have an interest of more than 3% in the issued share capital of the Company:

	No. of shares held	%
Edward Le Bas Limited	1,180,789	18.59
Le Bas Investment Trust Limited	812,028	12.78
WCWB (PEP) Nominees Limited A/C PEPGEN	490,682	7.73
Giltspur Nominees Limited A/C BUNS	387,500	6.10
Rock (Nominees) Limited A/C GEN	315,734	4.97
Atlantis Vest	200,000	3.15
W B Nominees Limited	193,206	3.04

Disabled Employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee Involvement

During the year, the policy of providing employees with information about the Group has continued. Employees have also been encouraged to present their suggestions and views.

Environment

The Group aims to operate, in general, to standards as high or higher than those required by law, codes of practice and issued guidelines. In general, it seeks to avoid any adverse effect on the environment by its activities.

Financial Instruments

The Group's financial instruments comprise short-term debtors and creditors, borrowings, cash and obligations under finance lease and hire purchase contracts, all of which are denominated in Sterling. The main purpose of these financial instruments is to raise finance for the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing both of these risks and they are summarised below. These policies have remained unchanged since 1st January 2005.

Interest Rate Risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's borrowings consist of variable rate overdraft facilities, finance lease/HP arrangements and fixed rate term loans (as disclosed in note 21).

The interest rates charged are reviewed and re-negotiated on a regular basis.

Liquidity Risk

The repayment terms of the fixed rate loans have been structured to be serviced from cash generated by operating activities. Short-term flexibility is achieved by overdraft facilities.

Political and Charitable Contributions

The Group made no political contributions during the year. Donations by the Group to UK charities amounted to £511 (31st December 2005: £1,350), none of which were over £200. All donations were made by the Company.

Corporate Governance

Throughout the year to 31st December 2006, the Company complied with the provisions of the Combined Code issued by the Financial Reporting Council in July 2003, except for those provisions detailed below.

a) Directors

Details of the Directors are listed above. The post of Chairman and Chief Executive Officer are held by A R B Burrows and M Q Harrison respectively. R P Corbett acts as senior Non-Executive Director.

Of the Non-Executive Directors, J E Greve and M J Cadbury qualify as independent within the definition of Provision A.3.1. A R B Burrows fulfils the role of Chairman and R P Corbett has served on the Company's Board for more than ten years therefore these two Directors do not qualify as independent within the definition of Provision A.3.1. However, the Board has considered the independence of these Directors with care. They contribute significantly through their skill and knowledge of the Company, provide continuity and balance to the Board and continue to demonstrate a strong independence of management in the manner in which they discharge their responsibilities as Directors. Accordingly, the Board has decided that, in the absence of other relevant factors, A R B Burrows and R P Corbett are independent Non-Executive Directors.

b) The Board

The Board meets a minimum of four times a year. It is the Board's duty to lead and control the Group. A schedule of matters specifically reserved for the Board's decision exists and matters for their consideration include, but are not restricted to, operational and financial performance and capital expenditure.

The Board is structured so that all Directors have input to provide a balance to the decision making process. No Executive Director has a contract of service for more than one year's duration. Any training that individual Directors feel is necessary in fulfilling their duties is available. All Directors are given internal training in the operations of the Company and other training as necessary. All Directors have access to the services of the Company Secretary and independent advice at the Company's expense if they feel it is necessary.

Hitherto, there has been no formal process covering performance evaluation of the Board as required by Provision A.6. However, this matter is considered on an informal basis by the Board.

The Company does not have a Nomination Committee as the Board consists of only five Directors. The Board therefore fulfils the role of the Nomination Committee and therefore the Company has not complied with Provision A.4.1 during the year.

With the exception of M J Cadbury, formal terms of appointment have not been issued to the other Non-Executive Directors and as those Directors have been Board members for some time it has been decided that formal terms of appointment will not now be issued but they will be eligible for re-election at intervals of no more than three years and due consideration will be given on an annual basis as to the need for each Director to stand for re-election.

c) The Directors' Report on Remuneration
The Directors' Remuneration Committee continued to operate throughout the period, and formally met once.

The Company's remuneration policy is set by the Board after considering the suggested framework put forward by the Remuneration Committee. Individual remuneration packages are determined by the Committee within this framework. Details are set out in the Directors' Remuneration Report.

Provision B.2.1 requires that the Remuneration Committee should exclusively consist of independent Non-Executive Directors. The Company has not complied with this provision, as A R B Burrows cannot be considered independent as a result of his substantial indirect interest in the Company and his role as Chairman, and R P Corbett cannot be considered independent as he has served as a Non-Executive Director for more than 10 years. The Company considers that the Remuneration Committee benefits from the additional input by the Chairman and R P Corbett.

d) Relations with Shareholders and Institutional Investors
The Company considers its relationship with both institutional and private investors to be important and readily enters into dialogue with investors both throughout the year and at the Annual General Meeting.

e) Accountability and Audit: Internal Control
The Directors acknowledge that they are ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board has established an Audit Committee consisting of the four Non-Executive Directors who have direct access to the Group's auditors. While the Board considers that the Audit Committee collectively has the skills and experience required to discharge its duties, the Board has determined that no single member fully meets the requirements of the revised Combined Code (provision C.3.1) in respect of 'recent and relevant financial experience'.

The duties of the Audit Committee include the monitoring of the integrity of the financial statements, formal announcements relating to the Company's financial performance, review of significant financial reporting judgements contained in them, review the need for an internal audit function, review the appointment of the auditor, the consideration and scope of audit and matters arising from the audit and the review of internal control procedures. The Committee met formally once during the year. Regular informal meetings occurred during the year.

During the year ended 31st December 2006, the Audit Committee discharged its responsibilities as detailed within the following paragraphs and by these specific actions:

- reviewing the Group's draft financial statements and interim results statement prior to Board approval;
- reviewing the appropriateness of the Group's accounting policies; and
- reviewing the matters arising from the audit.

Members of the Audit Committee maintain regular dialogue with the auditors and monitor regularly the non-audit services being provided to the Group by its external auditors to ensure that this does not impair their independence or objectivity.

The Audit Committee also monitors the Group's whistle blowing procedures, ensuring that there are appropriate arrangements in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow-up action.

The Group does not have an internal audit function. However, the Board periodically reviews the need for such a function (Provision C.3.5). The current conclusion of the Board is that this is not necessary given the scale, diversity and complexity of the Group's activities.

There is an ongoing process, by way of management reports and regular involvement of the Chief Executive and Chairman in the Group's operation, for identifying, evaluating and managing the significant risks faced by the Group, that has been in place throughout the year and remains in place at the date the accounts were signed. This process is subject to review by the Board and accords with the Turnbull Guidance.

Control Environment
The Board encourages a culture of integrity and quality and is committed to maintain the highest standards across all of its operations. The Group has defined organisational structures with clear lines of accountability and delegation of authority. There are also supporting Group policies and employee procedures for the reporting and resolution of suspected fraudulent activities. The Group has appointed external consultants in the field of Health and Safety and Employment law to assist in the review of procedures and documentation in these areas which are seen as potential risk areas. The procedures are monitored on an ongoing basis.

Risk Identification and Management
Divisional management are responsible for identifying the risks facing their operation, for initiating appropriate control procedures and for reporting any control issues and remedial action as and when they arise. These risks are assessed and monitored closely by the Group Board on an annual basis using management information.

Information and Communication
The Group goes through a detailed annual budgeting process with a Group budget and three year strategic plan being approved by the Board. Performance against budget is actively monitored at Board and divisional level and supported by re-forecasts. Monthly management information compiled from all the Group's operations incorporating key performance indicators and review of operations is considered and performance reviewed against budget, with variances closely monitored and investigated by management.

More frequent regular reporting is focused on key areas including daily cash flow, weekly sales and order reporting.

Through these mechanisms Group performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Control Procedures
Internal control procedures exist throughout the Group's operations to safeguard the assets from loss or misuse and to ensure that financial records are reliable. There are clear divisions of responsibility amongst employees, and appropriate authorisation limits regarding transactions.

Monitoring and Corrective Action
Compliance with controls is continuously monitored by management, including close involvement by the Board. The Chief Executive is ultimately responsible for monitoring the system of internal controls. The Board formally reviews the effectiveness of the Group's system of internal controls on a regular basis, by way of Management reports and regular involvement of the Chief Executive and the Chairman in the Group's operations. Provision C.2.1 requires the Board should at least annually conduct a review of the Group's system of internal controls. The formal presentation of the control review occurs at the Board meeting to approve the annual budget.

The Directors believe that the provisions of Section 1 Part D of the Code relating to Accountability and Audit have been met throughout the year.

f) Going Concern
In arriving at their decision to prepare the financial statements on a going concern basis the Directors have reviewed the Group budget for 2007 and its plans for the medium term. This included consideration of the cash flow implications of the budget including proposed capital expenditure and the Group's committed and expected borrowing facilities.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are individually unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company is to be held at 49 Glebe Place, Chelsea, London SW3 5JE on Tuesday, 19th June 2007 at 12.15pm. The Notice of Meeting is set out on page 54.

By order of the Board

C A Parker
Secretary
25th April 2007

Directors' Remuneration Report
for the year ended 31st December 2006

The following report sets out information relating to Directors' remuneration, of this information only Directors' remuneration, pension benefits and share option information are subject to audit.

Remuneration Committee
The Company's Remuneration Committee consists of A R B Burrows (non-executive), R P Corbett (non-executive), J E Greve (non-executive) and M J Cadbury (non-executive).

A R B Burrows cannot be considered independent as a result of his substantial indirect interest in the Company and R P Corbett as a result of his service as a Non-Executive Director being more than 10 years. The Company considers that the Remuneration Committee benefits from the additional input by the Chairman and R P Corbett.

The remuneration policy is set by the Board and is described below. Individual remuneration packages are determined by the Remuneration Committee within the framework of this policy.

Policy
The policy of the Committee is to review Executive Directors' remuneration package for forthcoming years such that the structure will retain and motivate the Executive Director. Of the remuneration package share options and bonuses are performance related. Bonuses are based on the achievement of specific criteria and group return on capital employed, they are paid in cash and the Committee has over-riding discretion in determining the payment of bonuses. The Company operates an Employee Share Scheme to grant options to employees or Directors of the Company where it is felt such an award is merited. The granting of share options is at the discretion of the Remuneration Committee, no performance criteria are applied to the share options as they are granted based on past performance. This policy has been adhered to in the period and has not changed from last year.

Service Contract
The Company has service contracts with its Directors. It is Company policy that such contracts should contain notice periods of not more than 12 months. Provision for loss of office is not included within the contracts. Details of the contracts currently in place for Executive Directors who have served during the period are as follows:

M Q Harrison's service contract dated 20th November 1991 provides for a rolling 12 month notice period.

Pension Scheme
The Group operates a defined benefit scheme and money purchase schemes which cover the Executive Director. Information on the pension scheme is included in note 26 to the financial statements. Following the freezing of the defined benefit scheme the Company has made contributions of £5,850 (31st December 2005: £5,850) to the Executive Director's money purchase scheme.

Pension benefit earned by M Q Harrison from the defined benefit scheme was as follows:	£
Total accrued pension at 31st December 2005	40,518
Transfer value of accrued pension at 31st December 2005	813,412
Total accrued pension at 31st December 2006	41,608
Transfer value of accrued pension at 31st December 2006	809,734
Increase in accrued pension during year (before inflation)	1,090
Increase in accrued pension during year (after inflation)	–
Transfer value of increase in accrued pension during year (after inflation)	–
Increase in transfer value during year	(3,678)

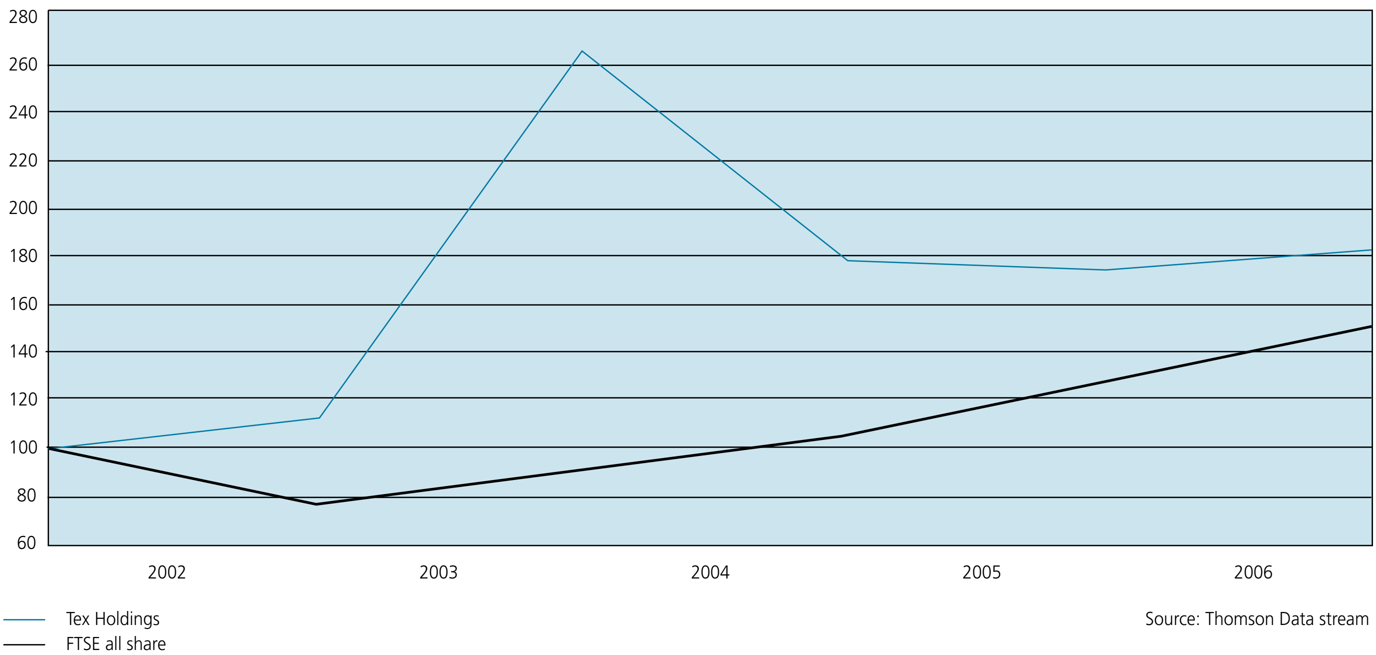
Directors' Remuneration

	A R B Burrows		R P Corbett		J E Greve		M Q Harrison		M J Cadbury	
	Year ended 31/12/06 £	Year ended 31/12/05 £	**Year ended 31/12/06 £**	Year ended 31/12/05 £	**Year ended 31/12/06 £**	Year ended 31/12/05 £	**Year ended 31/12/06 £**	Year ended 31/12/05 £	**Year ended 31/12/06 £**	Year ended 31/12/05 £
Salary/Fees	**25,000**	25,000	**14,250**	14,000	**14,250**	14,000	**119,890**	118,370	**9,167**	–
Healthcare	**–**	–	**–**	–	**–**	–	**603**	600	**–**	–
	25,000	25,000	**14,250**	14,000	**14,250**	14,000	**120,493**	118,970	**9,167**	–

Share Options

No options were granted to M Q Harrison, any other director, or any other employee during the period.

Performance graph



The index selected was FTSE all share as it was considered to be the most appropriate comparison for the Tex Holdings plc group performance.

Approved by the Board

A R B Burrows
25th April 2007

Independent Auditors’ Report

for the year ended 31st December 2006

We have audited the Group and Parent Company financial statements (the ‘‘financial statements’’) of Tex Holdings plc for the year ended 31st December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

This report is made solely to the Company’s members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors’ 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

The Directors’ responsibilities for preparing the Directors’ Report, the Directors’ Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors’ Responsibilities on page 23.

Our responsibility is to audit the financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors’ Report is consistent with the financial statements. The information given in the Directors’ Report includes information presented in the Chairman’s Statement and Managing Director’s Review that is cross referenced from the Business Review section of the Directors’ Report.

In addition, we also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors’ remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company’s compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors’ Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group’s and Company’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31st December 2006 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31st December 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Ipswich
25th April 2007

Consolidated Income Statement

for the year ended 31st December 2006

	Notes	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Turnover	2	**34,498**	31,685
Cost of sales		**(25,537)**	(23,491)
Gross Profit		**8,961**	8,194
Selling and marketing costs		**(966)**	(1,000)
Administrative expenses		**(6,730)**	(6,446)
Operating profit	2-6	**1,265**	748
Finance costs	7	**(358)**	(436)
Profit before tax		**907**	312
Taxation	8	**(308)**	(100)
Profit for the year		**599**	212
Earnings per share			
Basic	10	**9.4p**	3.3p

All of the activities of the Group relate to continuing operations.

Statements of Recognised Income and Expense

for the year ended 31st December 2006

Group	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Actuarial gains and losses on defined benefit pension plans	**1,774**	14
Tax recognised on income and expenses recognised directly in equity	**(532)**	(4)
Net income recognised directly in equity	**1,242**	10
Profit for the year	**599**	212
Total recognised income and expense	**1,841**	222

Company	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Actuarial gains and losses on defined benefit pension plans	**1,774**	14
Tax recognised on income and expenses recognised directly in equity	**(532)**	(4)
Net income recognised directly in equity	**1,242**	10
Profit for the year	**157**	625
Total recognised income and expense	**1,399**	635

Balance Sheets

at 31st December 2006

	Notes	Group 31/12/06 £000	Group 31/12/05 £000	Company 31/12/06 £000	Company 31/12/05 £000
Assets					
Non-current assets					
Property, plant and equipment	11	**7,003**	7,408	**9**	16
Goodwill	12	**252**	252	**–**	–
Investments	13	**–**	–	**11,899**	12,571
Deferred tax assets	14	**–**	216	**105**	719
		7,255	7,876	**12,013**	13,306
Current assets					
Stocks	15	**5,214**	5,412	**–**	–
Tax receivable		**–**	113	**31**	398
Trade and other receivables	16	**7,402**	8,059	**429**	388
		12,616	13,584	**460**	786
Total assets		**19,871**	21,460	**12,473**	14,092
Equity					
Capital and reserves attributable to the equity holders of the parent					
Share capital	19	**635**	635	**635**	635
Other reserves	20	**2,906**	2,906	**3,883**	3,883
Retained earnings	20	**4,378**	2,791	**3,297**	2,152
Total equity		**7,919**	6,332	**7,815**	6,670
Liabilities					
Non-current liabilities					
Other interest bearing loans and borrowings	21	**1,853**	2,423	**350**	585
Employee benefits	26	**360**	2,398	**360**	2,398
Deferred tax liabilities	14	**455**	–	**–**	–
		2,668	4,821	**710**	2,983
Current liabilities					
Bank overdraft	17	**2,014**	2,897	**3,334**	3,714
Other interest bearing loans and borrowings	21	**520**	738	**234**	402
Trade and other payables	22	**6,586**	6,672	**380**	323
Tax payable		**164**	–	**–**	–
		9,284	10,307	**3,948**	4,439
Total liabilities		**11,952**	15,128	**4,658**	7,422
Total equity and liabilities		**19,871**	21,460	**12,473**	14,092

These financial statements were approved by the Board of Directors on 25th April 2007 and were signed on its behalf by:

A R B Burrows
Director

M Q Harrison
Director

Cash Flow Statement

for the year ended 31st December 2006

	Notes	Group Year ended 31/12/06 £000	Group Year ended 31/12/05 £000	Company Year ended 31/12/06 £000	Company Year ended 31/12/05 £000
Cash flows from operating activities					
Profit for the year		**599**	212	**157**	625
Adjustments for:					
Dividends received		**–**	–	**(200)**	(225)
Depreciation		**947**	938	**7**	2
Financial expense		**358**	436	**284**	345
Provision against investment		**–**	–	**303**	–
Loss on sale of property plant and equipment		**–**	(23)	**–**	–
Taxation		**308**	100	**110**	158
		2,212	1,663	**661**	905
Decrease/(increase) in trade and other receivables		**657**	617	**(41)**	596
Decrease in stock		**198**	163	**–**	–
(Decrease)/increase in trade and other payables		**(86)**	1,316	**57**	202
Decrease in employee benefits		**(316)**	(666)	**(316)**	(666)
Cash generated from operations		**2,665**	3,093	**361**	1,037
Income tax refunded/(paid)		**108**	(656)	**339**	(470)
Net cash generated from operating activities		**2,773**	2,437	**700**	567
Cash flows from investing activities					
Proceeds from sale of PPE		**37**	77	**1**	–
Dividends received		**–**	–	**200**	225
Purchases of property, plant and equipment (PPE)	11	**(579)**	(884)	**(1)**	(10)
Investment loans to subsidiaries		**–**	–	**369**	(246)
Net cash used in investing activities		**(542)**	(807)	**569**	(31)
Cash flows from financing activities					
Interest paid		**(306)**	(336)	**(232)**	(245)
Repayments of borrowings		**(403)**	(573)	**(403)**	(573)
Finance lease payments		**(385)**	(165)	**–**	–
Dividends paid to Company's shareholders	9	**(254)**	(382)	**(254)**	(382)
Net cash used in financing activities		**(1,348)**	(1,456)	**(889)**	(1,200)
Net increase/(decrease) in cash and cash equivalents		**883**	174	**380**	(664)
Cash and cash equivalents at beginning of the year	17	**(2,897)**	(3,071)	**(3,714)**	(3,050)
Cash and cash equivalents at end of the year		**(2,014)**	(2,897)	**(3,334)**	(3,714)

Notes to the Consolidated Financial Statements

for the year ended 31st December 2006

1 Accounting Policies

Tex Holdings plc is a company incorporated in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company financial statements present information about the Company as a separate entity.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Judgments made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

Measurement Convention

The financial statements are prepared on the historical cost basis.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Classification of Financial Instruments Issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non–derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Intra-group Financial Instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Certain items of property, plant and equipment that had been revalued to fair value prior to 1st April 2004, the date of transition to Adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

• buildings	50 years
• plant and machinery	5 to 15 years
• motor vehicles	4 years
• fixtures and fittings	2 to 10 years

Depreciation methods, useful lives and residual values are re-assessed at least annually.

Intangible Assets and Goodwill

Goodwill represents the excess of the cost of the acquisition of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. There have been no acquisitions since the date of transition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1st April 2004, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On the date of transition the amortisation of goodwill ceased.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to Tex Engineering in the Engineering division (note 12).

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates, using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

1 Accounting policies (continued)

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on no estimated growth.

The rate used to discount the forecast cash flows from Tex Engineering is 13.00% (2005: 13.00%).

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of Recoverable Amount

The recoverable amount of the Group's receivables are carried at amortised cost which is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist or has decreased, as a result of a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Research

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Trade and Other Receivables

Trade and other receivables are stated initially at fair value, then subsequently at amortised cost less impairment losses.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Provision is made for obsolete or slow-moving items where appropriate.

Investments

Fixed asset investments are shown at cost less provision for impairment and less any dividends out of pre-acquisition reserves.

Trade and other payables
Trade and other payables are stated initially at fair value, then subsequently at amortised cost.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Interest-bearing Borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Employee Benefits
Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans
The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and any unrecognised past service costs, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

In respect of actuarial gains and losses that arise, the Group recognises them in the period they occur directly into equity through the statement of recognised income and expense.

Where the calculation results in a benefit to the Group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group operates a group wide defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is Tex Holdings plc.

Turnover
Turnover is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered or title has transferred to the buyer, recovery of consideration is probable and costs can be reliably estimated.

Expenses
Operating Lease Payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance Lease Payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2006

1 Accounting policies (continued)

Net Financing Costs

Net financing costs comprise interest payable and finance leases and interest receivable on funds invested that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing different products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Dividends

Dividends are recognised as a liability only in the period in which they are approved.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Estimates and judgements are disclosed in note 28.

2 Turnover

An analysis of the Group's turnover for the year is as follows:

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Plastics	**18,268**	17,855
Engineering	**9,648**	7,313
Boards & Panels	**6,582**	6,517
	34,498	31,685

3 Business and Geographical Segments

For management purposes, the Group is currently organised into three divisions – Plastics, Engineering and Boards & Panels. These Divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Plastics	– Precision injection moulding, assembly and finishing services; tooling procurement.
Engineering	– Design and manufacture of a proprietary range of piling and dynamic compaction equipment for the ground engineering sector, manufacture and sale of Trojan Asphalt Mixers, road surfacing equipment, Mobility Scooter Stores, Allied Kiosks and enclosures, marketing and distribution of Fibertex Geotextiles, Diesel engine and governor rebuilding, parts supply and technical support, design, manufacture and installation of air traffic control rooms, and design and manufacture of specialist engineering equipment for the in-situ production of battery cast concrete building panels.
Boards & Panels	– Manufacture and sale of boards and panels.

Segment information about the Group's continuing operations is presented below.

2006	Plastics £000	Engineering £000	Boards & Panels £000	Total for continuing operations £000
Revenue				
External sales	**18,268**	**9,648**	**6,582**	**34,498**
Inter segment sales	**–**	**–**	**–**	**–**
Total revenue from continuing operations	**18,268**	**9,648**	**6,582**	**34,498**
Result				
Segment result from continuing operations	**908**	**375**	**223**	**1,506**
Expenses pertaining to the Company				**(241)**
Operating profit				**1,265**
Finance costs				**(358)**
Profit before tax				**907**
Taxation				**(308)**
Profit for the year from continuing operations				**599**

Other Information

2006	Plastics £000	Engineering £000	Boards & Panels £000	Company £000	Total for continuing operations £000
Capital additions	**415**	**102**	**61**	**1**	**579**
Depreciation	**561**	**105**	**229**	**52**	**947**
Impairment losses recognised in profit and loss	**–**	**–**	**–**	**–**	**–**

Balance Sheet at 31st December 2006

	Plastics £000	Engineering £000	Boards & Panels £000	Company £000	Total for continuing operations £000
Assets					
Segment assets	**10,466**	**5,779**	**4,138**	**(512)**	**19,871**
Liabilities					
Segment liabilities	**8,906**	**6,783**	**3,163**	**(6,900)**	**11,952**

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2006

3 Business and Geographical Segments (continued)

2005	Plastics £000	Engineering £000	Boards & Panels £000	Total for continuing operations £000
Revenue				
External sales	17,855	7,313	6,517	31,685
Inter segment sales	–	–	–	–
Total revenue from continuing operations	17,855	7,313	6,517	31,685
Result				
Segment result from continuing operations	1,066	(515)	298	849
Expenses pertaining to the Company				(101)
Operating profit				748
Finance costs				(436)
Profit before tax				312
Income Tax expense				(100)
Profit for the year from continuing operations				212

Other Information

2005	Plastics £000	Engineering £000	Boards & Panels £000	Company £000	Total for continuing operations £000
Capital Additions	334	133	407	10	884
Depreciation	592	96	203	47	938
Impairment losses recognised in profit and loss	–	–	–	–	–

Balance Sheet at 31st December 2005

	Plastics £000	Engineering £000	Boards & Panels £000	Company £000	Total for continuing operations £000
Assets					
Segment assets	10,045	6,859	4,364	192	21,460
Liabilities					
Segment liabilities	8,547	7,856	3,389	(4,664)	15,128

Geographical Segments

The Group's operations are located in the United Kingdom.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin on the goods/services.

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Eurozone	**1,437**	645
UK	**28,125**	27,379
US	**1,116**	865
Other countries	**3,820**	2,796
	34,498	31,685

All the Group's assets are located in the United Kingdom.

4 Expenses and Auditors' Remuneration

Included in profit/loss are the following:

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Research expensed as incurred included in administrative expenses	**117**	128
Exchange loss included in administrative expenses	**10**	24
Audit of Parent Company financial statements	**9**	8
Audit of financial statements of subsidiaries	**82**	60
Amounts receivable by auditors and their associates in respect of:		
– Other services relating to taxation	**14**	21
– Audit of the Group pension scheme	**3**	3

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5 Staff Numbers and Costs

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

	Group		Company	
	Year ended 31/12/06	Year ended 31/12/05	Year ended 31/12/06	Year ended 31/12/05
Administration	**104**	99	**9**	9
Manufacturing	**418**	430	**–**	–
	522	529	**9**	9

The aggregate payroll costs of these persons was as follows:

	Group		Company	
	Year ended 31/12/06 £000	Year ended 31/12/05 £000	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Wages and salaries	**9,683**	9,309	**340**	308
Social security costs	**749**	750	**32**	33
Other pension costs	**345**	345	**176**	178
	10,777	10,404	**548**	519

6 Directors' Emoluments

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Directors' emoluments	**183**	178
Company contributions to money purchase pension plans	**6**	6
	189	184

The aggregate of emoluments of the highest paid director was £120,000 (2005: £119,000), and company pension contributions of £6,000 (2005: £6,000) were made to a money purchase scheme on his behalf. He is a member of a defined benefit scheme, under which his accrued pension at the year end was £42,000 (2005: £41,000).

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2006

6 Directors' Emoluments (continued)

	Year ended 31/12/06	Year ended 31/12/05
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1
Defined benefit schemes	**–**	–

No share options were exercised, received and receivable in either period.

7 Finance Expenses

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Interest on bank overdrafts and loans	**233**	245
Interest on pension scheme deficit	**52**	100
Interest on obligations under finance leases	**73**	91
Finance expense	**358**	436

Further details of the interest on the pension scheme deficit is disclosed in note 26.

8 Taxation

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Current Tax		
Current year	**271**	–
Adjustments for prior year	**(102)**	–
	169	–
Deferred tax (note 14)		
Origination and reversal of temporary differences	**–**	100
Benefit of tax losses recognised	**139**	–
	139	100
Total tax in income statement	**308**	100

Domestic income tax is calculated at 30% (2005: 30%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Profit before tax	**907**	312
Tax at the domestic income tax rate of 30% (2005: 30%)	**272**	94
Non-deductible expenses	**22**	10
Tax effect of utilisation of tax losses not previously recognised	**100**	–
Other	**16**	(4)
Adjustments for prior years	**(102)**	–
Tax expense and effective tax rate for the year	**308**	100

In addition to the income tax expense charged to profit or loss, a deferred tax charge of £532,000 (2005: charge of £4,000) has been recognised in equity in the year (see note 14).

9 Dividends

On 9th February 2005, a dividend of 1.5p per share (total dividend £95,000) was paid to shareholders. On 6th July 2005, the dividend paid was 1.5p per share (total dividend £95,000). On 12th October 2005 a dividend of 3.0p per share was paid (total dividend £191,000).

On 4th August 2006, a dividend of 1.0p per share (total dividend £63,500) was paid to shareholders. On 8th November 2006 a dividend of 3.0p per share was paid (total dividend £191,000).

In respect of the current year the Directors propose that a dividend of 4.0p per share will be paid to shareholders on 25th July 2007. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 22nd June 2007. The total estimated dividend to be paid is £254,000.

10 Earnings per Share

Basic earnings per share of 9.4p (2005: 3.3p) is based on the following data.

Earnings

	Year ended 31/12/06 £000	Year ended 31/12/05 £000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	**599**	212

Number of Shares

	Year ended 31/12/06	Year ended 31/12/05
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,351,452**	6,351,452

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2006

11 Property, Plant and Equipment

Group	Land and buildings £000	Plant and machinery £000	Vehicles £000	Furniture fittings and equipment £000	Total £000
Cost or deemed cost					
Balance at 1st January 2005	4,543	10,684	69	534	15,830
Additions	–	800	26	58	884
Disposals	(28)	(568)	(40)	(65)	(701)
Balance at 31st December 2005	4,515	10,916	55	527	16,013
Balance at 1st January 2006	4,515	10,916	55	527	16,013
Additions	–	521	6	52	579
Disposals	–	(424)	(12)	(5)	(441)
Balance at 31st December 2006	**4,515**	**11,013**	**49**	**574**	**16,151**
Depreciation and impairment					
Balance at 1st January 2005	1,129	6,689	64	432	8,314
Charge for the year	90	770	18	60	938
Disposals	(28)	(517)	(37)	(65)	(647)
Balance at 31st December 2005	1,191	6,942	45	427	8,605
Balance at 1st January 2006	1,191	6,942	45	427	8,605
Charge for the year	89	793	14	51	947
Disposals	–	(390)	(10)	(4)	(404)
Balance at 31st December 2006	**1,280**	**7,345**	**49**	**474**	**9,148**
Net book value					
At 1st January 2005	3,414	3,995	5	102	7,516
At 31st December 2005 and 1st January 2006	3,324	3,974	10	100	7,408
At 31st December 2006	**3,235**	**3,668**	**–**	**100**	**7,003**

The carrying amount of the Group's fixtures and equipment includes an amount of £1,060,000 (2005: £1,412,000) in respect of assets held under finance leases.

In accordance with IFRS 1 the Group has treated the revalued carrying value as at the transition date as the opening deemed cost for land and buildings.

Company	Land and buildings £000	Furniture fittings and equipment £000	Total £000
Cost			
Balance at 1st January 2005	10	33	43
Additions	–	10	10
Disposals	–	(11)	(11)
Balance at 31st December 2005	10	32	42
Balance at 1st January 2006	10	32	42
Additions	–	1	1
Disposals	–	(3)	(3)
Balance at 31st December 2006	**10**	**30**	**40**
Depreciation and impairment			
Balance at 1st January 2005	2	33	35
Charge for the year	2	–	2
Disposals	–	(11)	(11)
Balance at 31st December 2005	4	22	26
Balance at 1st January 2006	4	22	26
Charge for the year	2	5	7
Disposals	–	(2)	(2)
Balance at 31st December 2006	**6**	**25**	**31**
Net book value			
At 1st January 2005	8	–	8
At 31st December 2005 and 1st January 2006	6	10	16
At 31st December 2006	**4**	**5**	**9**

12 Intangible Assets – Group

	Goodwill £000
Cost	
Balance at 1st January 2005	252
Balance at 31st December 2005	252
Balance at 1st January 2006	252
Balance at 31st December 2006	**252**
Depreciation and impairment	
Balance at 1st January 2005	–
Balance at 31st December 2005	–
Balance at 1st January 2006	–
Balance at 31st December 2006	**–**
Net book value	
At 1st January 2005	252
At 31st December 2005 and 1st January 2006	252
At 31st December 2006	**252**

On 1st June 2003 the Group acquired the trade and assets of Bitmen Products Limited and Trojan Asphalt Mixers Limited. Deemed cost has been incorporated as being the net book value of goodwill at the date of transition. All of the above goodwill relates to this transaction.

The recoverable amount has been determined based on value in use. The value in use is based on the cash generating unit achieving its budgeted cash flow. The budget assumes a year of consolidation following the recent growth. This period of growth had an impact on profitability. The cash flows have been projected over a five year period assuming static sales. The discount rate applied is 13%.

13 Subsidiaries

The Company has the following investments in active subsidiaries:

Name of Subsidiary	Principal activity
Tex Industrial Plastics Limited	Precision injection moulding and finishing services; tooling procurement.
Tex Plastic Products Limited	Precision injection moulding and assembly services; tooling procurement.
BSP International Foundations Limited	Design and manufacture of a proprietary range of piling and dynamic compaction equipment for the ground engineering sector.
Tex Engineering Limited	Manufacture and sale of Trojan Asphalt Mixers, road surfacing and associated equipment, Mobility Scooter Stores, Allied Kiosks and Enclosures, marketing and distribution of Fibertex Geotextiles.
Eurotex International Limited	Diesel engine and governor rebuilding, parts supply and technical support; engineering and procurement services.
Tex A.T.C. Limited	Design, manufacture and installation of air traffic control rooms.
Tex Industrialised Construction Systems Limited	Design and manufacture of specialist engineering equipment for the in-situ production of battery cast concrete building panels.
QK Honeycomb Products Limited	Manufacture and sale of boards and panels.
UK Mex and Associates Limited	Supplier of diesel engine parts, complete engines and service exchange units, together with a technical support service to Mexico.
ADR Sales Ltd	The supply of airfield damage repair systems.

All companies are incorporated in Great Britain and carry out activities in the United Kingdom. Tex Holdings plc owns 100% of the ordinary share capital of the above companies. A full list of subsidiaries will be included in the next annual return.

Company	Shares in group undertakings £000	Loans to group undertakings £000	Total £000
Cost			
At 1st January 2006	3,621	11,950	15,571
Loan movement	–	(369)	(369)
At 31st December 2006	**3,621**	**11,581**	**15,202**
Provisions			
At 1st January 2006	1,887	1,113	3,000
Movement	(344)	647	303
At 31st December 2006	**1,543**	**1,760**	**3,303**
Net book value			
At 31st December 2006	**2,078**	**9,821**	**11,899**
At 31st December 2005	1,734	10,837	12,571

14 Deferred Tax

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2006 £000	2005 £000	**2006 £000**	2005 £000
Property, plant and equipment	**–**	–	**555**	495
Intangible assets	**–**	–	**–**	–
Provisions	**–**	–	**5**	5
Employee benefits	**(105)**	(716)	**–**	–
Tax (assets)/liabilities	**(105)**	(716)	**560**	500
Net of tax liabilities/(assets)	**105**	500	**(105)**	(500)
Net tax (assets)/liabilities	**–**	(216)	**455**	–

Movement in deferred tax during the year

	1st January 2006 £000	Recognised in income £000	Recognised in equity £000	**31st December 2006 £000**
Property, plant and equipment	**495**	60	–	**555**
Provisions	**5**	–	–	**5**
Employee benefits	**(716)**	79	532	**(105)**
	(216)	139	532	**455**

Movement in deferred tax during the prior year

	1st January 2005 £000	Recognised in income £000	Recognised in equity £000	31st December 2005 £000
Property, plant and equipment	573	(78)	–	495
Provisions	6	(1)	–	5
Employee benefits	(893)	173	4	(716)
	(314)	94	4	(216)

14 Deferred Tax (continued)

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2006 £000	2005 £000	**2006 £000**	2005 £000
Property, plant and equipment	**–**	–	**–**	–
Employee benefits	**105**	719	**–**	–
Tax (assets)/liabilities	**105**	719	**–**	–
Net of tax liabilities/(assets)	**–**	–	**–**	–
Net tax (assets)/liabilities	**105**	719	**–**	–

Movement in deferred tax during the year

	01/01/06 £000	Recognised in income £000	Recognised in equity £000	**31/12/06 £000**
Property, plant and equipment	**–**	–	–	**–**
Employee benefits	**719**	(82)	(532)	**105**
	719	(82)	(532)	**105**

Movement in deferred tax during the prior year

	01/01/05 £000	Recognised in income £000	Recognised in equity £000	31/12/05 £000
Property, plant and equipment	–	–	–	–
Employee benefits	892	(173)	–	719
	892	(173)	–	719

15 Stock

	Group		Company	
	31/12/06 £000	31/12/05 £000	**31/12/06 £000**	31/12/05 £000
Raw materials	**1,924**	1,817	**–**	–
Work-in-progress	**513**	705	**–**	–
Finished goods	**2,777**	2,890	**–**	–
	5,214	5,412	**–**	–

During 2006 stock expensed was (£404,000) (2005: (£60,000)) and the amount provided in the year was £602,000 (2005: £223,000).

16 Other financial assets

Trade and other receivables

	Group		Company	
	31/12/06 £000	31/12/05 £000	**31/12/06 £000**	31/12/05 £000
Amounts receivable from the sale of goods	**6,891**	7,201	**1**	1
Amounts receivable from related parties	**–**	–	**154**	160
Other debtors and prepayments	**511**	858	**274**	227
	7,402	8,059	**429**	388

The Directors consider that the carrying amount of trade and other receivables approximates their fair value, after incorporating an impairment provision of £315,000 (2005: £406,000). This has been determined by reference to the past default experience.

Credit risk
The Group's principal financial assets are bank balances and cash and trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

17 Cash and Cash Equivalents/Bank Overdrafts

	Group		Company	
	31/12/06 £000	31/12/05 £000	**31/12/06 £000**	31/12/05 £000
Cash and cash equivalents per balance sheet	**–**	–	**–**	–
Bank overdrafts	**(2,014)**	(2,897)	**(3,334)**	(3,714)
Cash and cash equivalents per cash flow statements	**(2,014)**	(2,897)	**(3,334)**	(3,714)

18 Current bank overdrafts and loans

	Group		Company	
	31/12/06 £000	31/12/05 £000	**31/12/06 £000**	31/12/05 £000
Bank overdrafts	**2,014**	2,897	**3,334**	3,714
Bank loans and finance lease liabilities (note 21)	**520**	738	**234**	402
	2,534	3,635	**3,568**	4,116

All the Group's borrowings are denominated in Sterling.

The average interest rates paid were as follows:

	31/12/06	31/12/05
Bank overdrafts	**6.5%**	5.5%
Bank loans	**7.3%**	7.3%

Bank loans of £684,000 (2005: £987,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank overdrafts are repayable on demand. Overdrafts of £2,014,000 (2005: £2,897,000) have been secured by a charge over the Group's assets. The average effective interest rate is determined based on 1.5% over bank base rate.

The Group has three principal bank loans:

a) A loan of £200,000 (2005: £400,000). The loan was raised on 4th December 1997. Repayments commenced on 4th March 1998 and will continue until 4th December 2007. The loan was secured by a charge over certain of the Group's assets. The loan carried interest at 8.0%.
b) A loan of £Nil (2005: £170,000). The loan was raised on 13th June 2001. Repayments commenced on 13th September 2001 and continued until 13th June 2006. The loan was secured by a charge over certain of the Group's assets. The loan carried interest at 6.9%.

18 Current bank overdrafts and loans (continued)

c) A loan of £484,000 (2005: £517,000). The loan was raised on 29th April 2003. Repayments commenced on 29th July 2003 and will continue until 29th April 2018. The loan is secured by a charge over certain of the Group's assets. The loan carries interest at 1.25% above the bank's base rate.

At 31st December 2006, the Group had available £1,986,000 (2005: £1,103,000) of undrawn committed borrowing facilities.

19 Share Capital

Group and Company	31/12/06 £000	31/12/05 £000
Authorised:		
8,000,000 ordinary shares of 10p each	**800**	800
Issued and fully paid:		
At the beginning and end of the year	**635**	635

The Company has one class of ordinary shares which carry no right to fixed income.

20 Statement of Changes in Equity

Group	Share capital £000	Capital reserve £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2005	635	16	2,890	2,951	6,492
Profit for the period	–	–	–	212	212
Pension fund actuarial movement net of tax	–	–	–	10	10
Dividends paid	–	–	–	(382)	(382)
Balance at 1st January 2006	635	16	2,890	2,791	6,332
Profit for the period	–	–	–	599	599
Pension fund actuarial movement net of tax	–	–	–	1,242	1,242
Dividends paid	–	–	–	(254)	(254)
Balance at 31st December 2006	**635**	**16**	**2,890**	**4,378**	**7,919**

The aggregate current and deferred tax relating to items that are charged or credited to equity is £532,000 (2005: £4,000).

All the amounts are attributable to the equity holders of the Parent Company.

Company	Capital £000	Share reserve £000	Share capital account £000	Premium earnings £000	Retained total £000
Balance at 1st January 2005	635	993	2,890	1,899	6,417
Profit for the period	–	–	–	625	625
Pension fund actuarial movement net of tax	–	–	–	10	10
Dividends paid	–	–	–	(382)	(382)
Balance at 1st January 2006	635	993	2,890	2,152	6,670
Profit for the period	–	–	–	157	157
Pension fund actuarial movement net of tax	–	–	–	1,242	1,242
Dividends paid	–	–	–	(254)	(254)
Balance at 31st December 2006	**635**	**993**	**2,890**	**3,297**	**7,815**

The aggregate current and deferred tax relating to items that are charged or credited to equity is £532,000 (2005: £4,000).

21 Other Interest-Bearing Loans and Borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings.

	Group		Company	
	2006 £000	2005 £000	**2006 £000**	2005 £000
Non-current liabilities				
Secured bank loans	**350**	585	**350**	585
Finance lease liabilities	**1,503**	1,838	**–**	–
	1,853	2,423	**350**	585
Current liabilities				
Current portion of secured bank loans	**233**	402	**234**	402
Current portion of finance lease liabilities	**287**	336	**–**	–
	520	738	**234**	402

For further detail relating to the bank loans above see note 18.

	Minimum lease payments		Present value of minimum lease payments	
	31/12/06 £000	31/12/05 £000	**31/12/06 £000**	31/12/05 £000
Amounts payable under finance leases:				
Within one year	**519**	336	**483**	313
In the second to fifth year inclusive	**1,503**	1,838	**1,319**	1,613
	2,022	2,174	**1,802**	1,926

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended 31st December 2006, the average effective borrowing rate was 7.3% (2005: 7.3%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Sterling.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

22 Trade and Other Payables

	Group		Company	
	31/12/06 £000	31/12/05 £000	**31/12/06 £000**	31/12/05 £000
Other trade payables	**4,804**	5,041	**10**	41
Social security and other taxes	**637**	555	**12**	11
Accrued expenses	**1,145**	1,076	**358**	271
	6,586	6,672	**380**	323

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade payables approximates their fair value.

23 Contingent Liabilities

a) Legal mortgages over the freehold and long leasehold properties and a charge over all fixed and floating assets have been lodged with the Group's bank in connection with the Group's facilities.

b) The Company together with certain other Group companies, has agreed jointly and severally to guarantee to National Westminster Bank PLC:

(i) the liabilities of each and every one of the joint guarantors of the Group overdraft facility which at 31st December 2006 was being utilised by other Group companies to the extent of £Nil (31st December 2005: £Nil);

(ii) other banking facilities in respect of documentary credits, indemnities, guarantees, etc. entered into as part of the ordinary course of the Group's businesses, which at 31st December 2006 amounted to £Nil (31st December 2005: £Nil).

24 Capital Commitments

Group capital commitments at the end of the financial period for which no provision has been made, are as follows:

	31st December 2006 £000	31st December 2005 £000
Authorised, but not contracted	45	–
Contracted	–	–

The Company had no capital commitments.

25 Operating Lease Arrangements

Future minimum lease payments under non-cancellable operating leases are as follows:

Group	31st December 2006 Land and buildings £000	31st December 2006 Other £000	31st December 2005 Land and buildings £000	31st December 2005 Other £000
Rental payments which fall due:				
Within one year	105	–	–	–
In the second to fifth years inclusive	622	76	633	297
Over five years	2,454	–	2,715	–
	3,181	76	3,348	297

Company	31st December 2006 Land and buildings £000	31st December 2006 Other £000	31st December 2005 Land and buildings £000	31st December 2005 Other £000
Rental payments which fall due:				
In the second to fifth years inclusive	70	–	70	–

Operating lease payments represent rentals payable by the Group for certain of its properties. Leases are negotiated for an average term of four years and rentals are fixed for an average of four years.

Group

During the year £330,000 was recognised as an expense in the income statement in respect of operating leases (2005: £312,000).

Company

During the year £22,000 was recognised as an expense in the income statement in respect of operating leases (2005: £22,000).

26 Retirement Benefit Plans

Defined Benefit Scheme

The Group operates a pension scheme providing benefits based on final pensionable pay. The scheme is closed to new members and was closed to benefit accruals from 6th April 2002. The assets of the scheme are held separately from those of the Group in trustee administered funds. Contributions to the scheme are charged to the income statement so as to spread the cost of pensions over employees' working lives with the Group. The level of contributions is determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to member's longevity, investment performance and the removal of tax credit on dividend income. The assumption contained in the last review presumed that the investment yield would be 3.25% greater than pensionable salary increases.

The most recent funding valuation at 6th April 2004, showed that the market value of the scheme's assets was £6,747,000 which represented 72% of the benefits that had accrued to members after allowing for expected future increases in earnings. As recommended by the Actuary, the contribution rate was left at £18,000 per month.

The major assumptions used by the Actuary in this valuation were:

	31/12/06	31/12/05
Discount rate	**5.20%**	4.80%
Expected return on plan assets	**5.95%**	5.37%
Expected rate of salary increases	**N/A**	N/A
Inflation	**3.10%**	2.90%
Pension cost of living increase	**3.30%**	3.25%

The expected return on plan assets at 31st December 2004 was 5.80%.

In valuing the liabilities of the pension fund at 31st December 2006, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 19.8 years (male), 22.8 years (female).
- Future retiree upon reaching 65: 29.8 years (male), 32.8 years (female).

The amount recognised in the balance sheet in respect of the Group's defined benefit retirement plan is as follows:

	31/12/06 £000	31/12/05 £000
Present value of funded obligations	**(11,694)**	(11,974)
Fair value of plan assets	**11,334**	9,576
Net liability recognised in the balance sheet	**(360)**	(2,398)

Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:

	31/12/06 £000	31/12/05 £000
Interest on obligation	**(566)**	(561)
Expected return on plan assets	**514**	461
	(52)	(100)

26 Retirement Benefit Plans (continued)

The charge for the year is included in the finance charges in the income statement.

Cumulative actuarial gains and losses reported in the statement of recognised income and expenses since 1st April 2004, the transition date to Adopted IFRSs, are £1,788,000 (2005: £14,000) and Company £1,788,000 (2005: £14,000).

Changes in the present value of the defined benefit obligation are as follows:

	31/12/06 £000	31/12/05 £000
Opening defined benefit obligation	**11,974**	10,716
Interest cost	**566**	561
Benefit paid	**(352)**	(249)
Actuarial (gains)/losses	**(494)**	946
Defined benefit obligation at end of period	**11,694**	11,974

Changes in the fair value of plan assets are as follows:

	31/12/06 £000	31/12/05 £000
Fair value of plan assets at beginning of year	**9,576**	7,738
Expected return on plan assets	**514**	461
Total contributions employer	**316**	666
Benefits paid	**(352)**	(249)
Actuarial gain occurred at end of period	**1,280**	960
Fair value of plan assets at end of period	**11,334**	9,576

The fair value of plan assets at the balance sheet date is analysed as follows:

	31/12/06 £000	31/12/05 £000
Equities	**6,019**	4,170
Bonds	**2,166**	2,320
Managed funds and endowments	**2,554**	2,003
Other	**595**	1,083
	11,334	9,576

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The expected rate of return on individual categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio. The actual rate of return on the Scheme's investments was 18.3%.

The history of the plan for the current and prior period is as follows:

	31/12/06 £000	31/12/05 £000	31/12/04 £000
Present value of defined benefit obligation	**11,694**	11,974	10,716
Fair value of plan assets	**(11,334)**	(9,576)	(7,738)
	360	2,398	2,978

The Group expects to contribute approximately £216,000 to its defined benefit plan in 2007. In addition the Group pays the administrative expenses of the Pension Scheme.

Defined contribution scheme
The final salary scheme has been replaced with a Group Personal Pension plan. Eligible employees take out an individual contract with Standard Life to which the Company pays a fixed contribution.

The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £129,000 (2005: £77,000).

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

27 Related Party Transactions
The Company has a related party relationship with its subsidiaries and directors.

A R B Burrows was a director of Edward Le Bas Properties Limited through which the Group rents properties at normal commercial rates. Transactions during the year ended 31st December 2006 that require disclosure are detailed below:

Rentals paid	£206,000 (31st December 2005: £206,000)
Trade Creditor	£Nil (31st December 2005: £Nil)

A R B Burrows is a trustee and a beneficiary of the Pension and Assurance Scheme of Edward Le Bas Limited which is a substantial shareholder in the Company.

Directors are considered to be the only key personnel. Details regarding Directors' remuneration can be found on pages 24 to 25 in the remuneration report.

All intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and therefore in accordance with IAS 24 related party disclosures are not disclosed.

Details of the principal subsidiary undertakings are shown in note 13.

During the year ended 31st December 2006 the Company received interest income from subsidiary undertakings of £1,006,000 (2005: £1,067,000) and dividends of £200,000 (2005: £225,000).

At 31st December 2006 amounts owed by subsidiary undertakings to the Company were £154,000 (2005: £127,000).

At 31st December 2006 loans by the Company to subsidiary undertakings were £11,582,000 (2005: £11,952,000).

28 Accounting Estimates and Judgments
Recoverability of Certain Assets/Impairment Calculations
Trade debtor balances more than 12 months old are provided unless specific contractual terms allow for extended terms.

Pension Assumptions
The assumptions re the pension deficit are set out in note 26.

29 Subsequent Events
In 2007, the effective tax rate for the Group has changed from 30% to 28%.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-first Annual General Meeting of Tex Holdings plc will be held at 49 Glebe Place, Chelsea, London, SW3 5JE on Tuesday 19th June 2007 at 12.15pm for the following purposes:

1. To receive and adopt the Group accounts, together with the reports of the Directors and auditors, for the year ended 31st December 2006.

2. To approve the payment of a dividend of 4.0p per share to shareholders on the register as at 22nd June 2007 with payment to be made on 25th July 2007.

3. To re-elect as a Director M Q Harrison who retires by rotation.
   M Q Harrison (age 59) has been a Director of Tex Holdings plc since 1988 and was appointed Group Managing Director in 1991. He previously worked for Edward Le Bas Limited (from 1979), having gained early career experience with Shell in Australia and Lucas Industries. He is a director of Acorn Securities Limited and Minnowdown Limited.

4. A resolution will be proposed that J E Greve the Director who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be reappointed as a Director of the Company for a further period of one year.

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

By order of the Board

C A Parker
Secretary

Notes:
1. Holders of ordinary shares are entitled to attend and vote at the meeting;
2. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his behalf: a proxy need not be a member. The instrument appointing a proxy must be deposited with the registrars of the Company, Computershare Investor Services PLC, not less than 48 hours before the meeting;
3. During the period 25th April 2007 to the date of the Annual General Meeting there will be available for inspection at the Company's registered office during normal business hours and also at the place of the Annual General Meeting for fifteen minutes prior to the meeting and during the meeting:
   a) A statement of all transactions of each Director and of his family in the ordinary shares of the Company during the period 28th April 2006 to 25th April 2007; and
   b) A copy of the Managing Director's contract of service with the Company.

Notes

Notes

Group Addresses

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