



ENGINEERING

BOARDS & PANELS

PLASTICS

**Tex Holdings plc** is a manufacturing group supplying plastic injection moulding and tooling, engineering products and boards and panels to a wide spectrum of industries, with the ambition to meet our clients' expectations in providing the best possible quality, service, choice and value products through continuous improvement and customer interaction.



#### Mike McCarthy

1977 – 2017

In August 2017 Mike sadly passed away. Mike was instrumental in the development of the innovative Flying Control Room solution ("FLYCO") for the Royal Navy QEC Aircraft Carriers. Mike won a BAE Systems Chairman's Bronze Design Innovation Award for the QEC FLYCO glass in recognition of his work.

Mike was a respected designer, highly professional, kind man who is sorely missed within the Tex Group.



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# CHAIRMAN'S STATEMENT

## Results and operations

Tex Group sales increased to £42,000,000 from £41,000,000. Gross margins increased marginally as a result of the increase to prices to reflect increased costs and a richer mix of sales.

The Plastics Division profits have increased marginally as a result of increased volumes. The Engineering Division has slipped after incurring £268,000 of costs re the relocation of G&M TEX and Eurotex International to Claydon Business Park, completing the consolidation of the Engineering operations onto one site. The Boards & Panels Division also improved its performance through increased trading volumes.

The Group's net assets per share have increased to 168p from 155p, mainly driven this year by the reduction in the pension scheme deficit.

## Prospects and dividends

Orders for 2018 have been strong in a number of the companies, but some continue to await decisions on various projects.

We recommend a final dividend of 6.0 pence (2016: 6.0 pence), making an overall payment in respect of the year of 8.5 pence (2016: 8.5 pence) per share.

The final dividend will be paid, subject to shareholder approval, on 20th July 2018 to members on the register as at 22nd June 2018.

## Staff

I would like to thank staff at all levels in the Group for their contribution to the result for the year.

## ARB Burrows

Chairman

16th April 2018

# CORPORATE SUMMARY

Turnover for the year was consistent with the previous year. The year had opened with modest trading levels, the bulk of the sales occurring in the second half of the year with the associated cost pressures of overtime to meet customer delivery requirements.

Gross profit percentage improved as the mix of sales was richer.

Overheads for the year include the balance of the relocation costs of G&M TEX establishing itself on the Claydon Business Park. Costs have also been incurred this year relocating Eurotex International to the Claydon site. This completes the centralisation of the Engineering Division to one site, which is expected to improve efficiencies in that division.

After the costs of relocation and reorganisation (£268,000) the Group made a reduced pre-tax profit of £927,000 (2016: £1,107,000) representing an 8.9% return, compared to the five year average of 12.5%.

During 2017, the Group has continued to pay down its term borrowings. At the year end, the overdraft was increased over the previous year as a result of the timing of sales late in the year. Since the year end, the overdraft has reduced following receipt of debtor balances.

The accounting deficit on the Group's defined benefit pension scheme recorded in the Group and Parent Company balance sheet has reduced by £830,000, primarily as a result of more favourable returns on the plan's assets than anticipated by the Scheme's Actuary in applying IAS 19 requirements. The Group continues to make contributions in line with the schedule agreed with the Scheme's Trustees.

The strategy of being a balanced conglomerate, with the range of products offered and territories supplied that are at different points on their trading cycle, is expected to offer some protection from the current economic and political risks.

Cash control and profitability remain priorities.

Employee gender diversity at the year end is summarised on page 16 of the Directors' Report.

**CA Parker**

Executive Director

16th April 2018

## RESULTS IN BRIEF

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Revenue	<b>41,505</b>	41,386
Profit before taxation	<b>927</b>	1,107
Taxation	<b>(197)</b>	(199)
Profit after taxation	<b>730</b>	908
Total equity	<b>10,639</b>	9,830
Net assets per share	<b>168p</b>	155p
Basic earnings per share	<b>11.5p</b>	14.3p
Diluted earnings per share	<b>11.5p</b>	14.3p
Dividends per share (based on interim dividend in the year and final dividend proposed)	<b>8.5p</b>	8.5p

## FIVE YEAR FINANCIAL SUMMARY

	Year ended 31/12/17 £000	Year ended 31/12/16 £000	Year ended 31/12/15 £000	Year ended 31/12/14 £000	Year ended 31/12/13 £000
Revenue	<b>41,505</b>	41,386	36,046	36,021	38,379
Profit before taxation	<b>927</b>	1,107	1,493	1,179	744
Profit before taxation as a percentage of revenue	<b>2.2%</b>	2.7%	4.1%	3.3%	1.9%
Profit after taxation	<b>730</b>	908	1,164	867	580
Basic earnings per share	<b>11.5p</b>	14.3p	18.3p	13.7p	9.1p
Diluted earnings per share	<b>11.5p</b>	14.3p	18.3p	13.7p	9.1p
Dividend per share (based on interim dividend in the year, special dividend in the year and final dividend proposed)	<b>8.5p</b>	8.5p	22.0p	6.0p	4.0p
Total equity	<b>10,639</b>	9,830	9,438	8,730	9,209
Profit before taxation as a percentage return on average total equity	<b>9.1%</b>	11.5%	16.4%	13.1%	9.1%
Net assets per share	<b>168p</b>	155p	149p	137p	145p

## STRATEGIC REPORT

This should be read in conjunction with the Directors' Report, where matters relating to principal risks and uncertainties and employee matters are discussed.

### Our clients:

Al Osais Contracting Co  
Jinnings Equipment  
Megatron EAD  
Keller Foundations Pte Ltd  
Liebherr Werk Nenzing GmbH  
PTC  
Thyssenkrupp Infrastructure  
S & R Co Ltd  
Watson & Hillhouse Ltd  
Menard Middle East Cont Co LLC  
CRH  
Clee Hill Plant  
Tayside Council  
Toppesfield  
Roofing Tools Supplies Ltd  
Local Authorities and training centres  
RNLI  
Clark Mast Systems  
Cadent  
Technolog  
Honeywell  
Elster Metering

# ENGINEERING DIVISION

### BSP International Foundations Limited

Design and manufacture of a proprietary range of piling and dynamic compaction equipment for the ground engineering sector.

Turnover was £1,000,000 down on the previous year following a slow start to the year. The second half trading returned to higher levels, but the profit was not sufficient to recover the losses from the first half.

Overheads increased as a result of the costs incurred, such as overtime, in achieving the customer delivery schedules in the second half of the year.

The Company continues to work on the reduction of noise level and emissions from the piling hammers and power packs.

The second half of the year improvement in sales has continued into 2018 as customer confidence has improved.

2018 opened ahead of budget expectations as a result of a delayed shipment slipping from December. The opening order book for 2018 was four times the level at the beginning of 2017.

### Tex Engineering Limited

Manufacture and sale of road-making and associated equipment, trailers and steel enclosures.

Turnover dropped marginally from 2016, but the gross profit margin improved by 1%. Overheads increased as a result of increased labour costs, partly relating to the further development of in-house painting facilities to reduce subcontracting costs.

2018 has opened in line with expectations with the 2017 revenue momentum being maintained. The Company opened the year with an order book in excess of £750,000 (2016: £200,000).





**TOP:**

BSP JX Piling Rig driving 200mm concrete piles, UK.

**ABOVE LEFT:**

Shock tested emergency generator for UK Royal Navy T45 Destroyer.

**ABOVE RIGHT:**

Bitumen 'hot sprayer' enters service as part of the hire fleet expansion programme at Tex Engineering.

## STRATEGIC REPORT

### Our clients:

Various sovereign navies and coastguards around the world

Leaffield Logistics Ltd

BAE Systems Ltd

Sri Lankan Government Railway

Malaysian Railway

Parkinson Limited

National Grid

Cummins

G.E. Alstom – Grid Solutions

Siemens Energy Management

Bilgin Yachts

Wärtsilä

Babcock Marine

### G&M TEX Ltd Significant projects

RRS Sir David Attenborough  
Polar Research Vessel

Hinckley Point Nuclear  
Power Station

Ipswich Hospital 'Green'  
BIO-FUEL Power Station

Hayes Data Centre 10MVA high  
voltage installation

Bilgin Yachts new '263' 80m  
super yacht

# ENGINEERING DIVISION

### Eurotex International Limited

Marine diesel engine and governor rebuilding; parts supply and technical support; engineering and procurement services.

The 2017 year benefited from the long-awaited project reported as being signed in the 2016 Strategic Report, being shipped. This resulted in the Company making a profit for the year.

Overheads were up as a result of the costs of the relocation of Eurotex to the Claydon Business Park, joining its sister companies. It is anticipated that this move will allow improved inter-subsidiary co-operation.

The 2018 year has opened in line with the budget.

### G&M TEX Ltd

Design and assembly of bespoke high-quality diesel powered electrical generator sets.

The Company achieved a turnover consistent with 2016, but the timing of the sales and the balance of the relocation costs increased the overheads, moving the Company into loss for the year.

Even though the 2017 year opened with a strong order book, delays in shipments resulted in a poor first half trading.

The 2018 year has opened with a modest order book, but this is as anticipated in the budget for 2018. There are a number of significant projects being quoted for, which should allow the Company to achieve the 2018 budgeted profit.





**TOP:**

Revolutionary Solar Powered Defibrillator Cabinet developed by Tex Engineering Ltd in conjunction with CHBT.

**ABOVE LEFT:**

Six Scania powered BIO-FUEL generators designed and installed by G&M TEX at Ipswich Hospital providing 2.4mWe from a very low carbon footprint.

**ABOVE RIGHT:**

Yanmar engine in a PAC 22 sea boat being serviced at Eurotex International.

## STRATEGIC REPORT

### Our clients:

Thales UK

Federal Aviation Authority Nigeria  
(FAAN)

NATS

Royal Air Force of Oman

Iskan Contracting Co LLC, Oman

The Oman Ministry of Defence  
Engineering Services

# ENGINEERING DIVISION

### Tex A.T.C. Services Limited

Design, manufacture and installation of air traffic control rooms.

The formal acceptance of the two projects in Oman still remain outstanding and the final settlement figures have yet to be agreed. During 2017, Tex A.T.C. Services provided support to its sister companies in the Tex A.T.C. division.

The Company is tendering for a number of projects worldwide.

### Tex Special Projects Limited

Design and manufacture of bespoke and modular structures; radio frequency-blocking glazing for both civilian and military applications.

The "FLYCO" control room contract continues, with limited progress during the year. The turnover for the year represents the income from additional scopes of work added to our commitment to the project.

Quotes remain live with a number of sovereign navies for the sale of radio frequency-blocking glass.

### Tex Air Traffic Control Rooms Limited

Design, manufacture and installation of air traffic control rooms.

During the year, the Company completed the installation of one project. The Company has been recharged with the operating costs from its sister company relating to projects quoted in the year. As a result of this, the Company made a loss.

The Company continues to be supported by the Group whilst quoting for a number of other projects.

### Engineering Division summary

Turnover for the Division reduced from £16,123,000 to £15,233,000 as a result of the reduced sales in BSP International Foundations, as noted on page 4.

The loss for the year of £182,000 (2016: profit £171,000) is after the costs of £268,000 (2016: £185,000) relating to the relocation of Eurotex International Ltd and G&M TEX Ltd to the Claydon Business Park and the additional overheads within the Tex A.T.C. companies to support their increased future plans.





**TOP:**

HMS Queen Elizabeth as she sailed into her home port of Portsmouth for the first time, August 2017.

**ABOVE LEFT:**

Tex Special Projects, Eurotex International and G&M TEX are now represented in India by Pratex Power Vision. Attending INMEX SMM India in 2017.

**ABOVE RIGHT:**

Paxman engine under load test at Eurotex International.

## STRATEGIC REPORT

### Key Sectors:

Medical

Life Critical

Electronics

Buildings and Interiors

Construction and Exteriors

# PLASTICS DIVISION

## Tex Plastics (Derby) Limited

Precision injection moulding, assembly and finishing services, tooling procurement.

## Tex Plastics (Barnstaple) Limited

Precision injection moulding, assembly and finishing services, tooling procurement.

The year to December 2017 saw the divisional turnover increase marginally from £21,265,000 to £21,587,000 and margins were 1% up from the 2016 rate. Overheads remain under control. These resulted in the Division increasing profit by £119,000 to £1,342,000. 2017 has been a stable year, with the Division controlling the cost implications of the living wage.

The management at our Plastics Division is further developing the use of robotics as part of the control of costs and the upskilling of staff.

2018 has opened in line with expectations.



**TOP:**

Project completed by Tex Plastics for ultra-widefield retinal medical imaging devices.

**ABOVE LEFT:**

Significant investment at both Tex Plastics facilities continues to ensure latest technologies are available to their customer base.

**ABOVE RIGHT:**

Storage containers reverse engineered by Tex Plastics for a major European brand.



## STRATEGIC REPORT

### Our clients:

Bailey of Bristol

Coachman Caravans

The Swift Group

Auto-sleepers

Karndean Designflooring

Clip Ltd

# BOARDS & PANELS DIVISION

## QK Honeycomb Products Limited

Manufacture and sale of lightweight boards and panels.

Turnover increased by £700,000 moving from £3,998,000 to £4,676,000, with margins being maintained at the 2016 level, which was down on historic levels.

Overheads have increased as a result of the living wage and the pressures on pay rates to maintain a differential between roles. The Company also suffered a bad debt, which pulled the gain from the additional turnover back, resulting in the profit rising from the 2016 figure of £97,000 to £138,000. Finance costs were also increased as a result of the capital expenditure in 2016 and 2017 as part of the project to increase the mechanisation of the production facilities.

2018 has opened below the budgeted level as a result of the softening of demand in the caravan market, resulting in the reduction in call-offs from the Company's customers in the industry.

The Company is currently exploring closer ties with a major customer which would result in a significant increase in turnover, requiring substantial capital investment to support the increased sales, which we expect to return the Company to a satisfactory level of profit.



**TOP:**  
Locker doors made by QK Honeycomb Products for Coachman Caravans.

**ABOVE LEFT:**  
Bailey of Bristol 'Pamplona' caravan worktops made by QK Honeycomb Products.

**ABOVE RIGHT:**  
Quikaboard panels used in internal signage for Asda Stores Ltd.

# Geographical Presence



## Tex Holdings plc worldwide projects

15% of the Group's total products are directly exported throughout the world. Some products supplied to the UK are eventually incorporated in overseas contracts.

A selection of the product types and destinations is shown on this page.



**1. BSP**  
Hammer operating in the Maldives.



**2. Eurotex**  
Refurbished engine for the Chilean Navy.



**3. QK Honeycomb Products**  
Worktops for Bailey of Bristol caravans sold to the UK market.



**4. BSP**  
Dynamic compactor operating in Dammam, Saudi Arabia.



**5. G&M TEX**  
Packaged generators providing AC power to Australian Navy Cape Class OPVs.



**6. Tex Engineering**  
Chipspreader supplied to a customer in the Republic of Ireland.



**7. Tex Plastics**  
Swimming pool pumps supplied to Puerto Rico.



**8. Tex A.T.C. Services**  
Air Traffic Control Room at Kano, Nigeria.



**9. Tex Special Projects**  
HMS Queen Elizabeth sailing into Portsmouth.



**10. Tex Plastics**  
Supply of plastic components to Triumph Motorcycles in Thailand.

# Directors' Report

## for the year ended 31st December 2017

The Directors have pleasure in submitting their Annual Report and financial statements for the year ended 31st December 2017.

### Principal activities

The Group's principal activities are the manufacture and supply of proprietary piling equipment, generators, engineering products, plastic injection moulding and tooling procurement and boards and panels. The names of subsidiaries and their principal activities are set out in note 13 to the financial statements.

The Board consider the following as key performance indicators (KPIs) for the Group: revenue, operating profit, cash flow and capital investment. The Board members review these for each of the businesses on a monthly basis. Individual subsidiaries have additional key performance indicators specific to their operations and the industry in which they operate. Sales and orders are also monitored against budget on a weekly basis by the executive management team. These are discussed more fully in the Chairman's Statement on page 1, Strategic Report by Division on pages 4 to 13 and note 3 to the financial statements, and below. The Directors consider this fulfils the statutory requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The reviews are addressed solely to shareholders and their purpose is to provide a review of the business and to explain the principal risks and uncertainties facing the Group, as well as those financial and non-financial KPIs that the Directors consider relevant.

As noted in the Strategic Report, the Group has centralised the Engineering Division to the Claydon site, which is expected to bear efficiency improvements.

### Results and dividends

Revenue amounted to £41,505,000 (2016: £41,386,000). Profit before taxation was £927,000 (2016: £1,107,000).

The Directors have proposed a final ordinary dividend in respect of the current financial year of 6.0 pence per share (2016: 6.0 pence). This has not been included as an obligation as it was not approved before the year end.

Dividends paid during the year comprise a dividend of 6.0 pence per share in respect of the previous year, together with an interim dividend in respect of the year ended 31st December 2017 of 2.5 pence per share.

### Research and development

Expenditure on research and development is written off to the income statement in the period in which it is incurred, as the criteria for capitalising such expenditure are not met.

### 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. This policy continues to be applied.

### Directors

The names of the Directors of the Company, including those who act in a Non-Executive capacity, appear on page 60. All the Directors served for the whole year with the exception of GC Gray who was appointed on 5th September 2017.

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

ARB Burrows (age 79) is an industrialist. He is a Director of Le Bas Limited and IS&G (Holdings) Limited.

CA Parker (age 56) is a Chartered Accountant. He joined Tex in 1992 having previously worked for Ernst & Young.

D Redhead (age 71) is Chairman of the Engineering Division. He retired as Managing Director of BSP International Foundations in June 2013, following 40 years' service with the Company. He is International Trade Ambassador for the Construction Equipment Trade Association, Council member of the Ipswich Chamber of Commerce and sits on the Engineering Employers Federation (EEF) Regional Council. He is a Governor of Easton & Otley College.

CD Palmer-Tomkinson (age 76) graduated from Oxford University with a degree in jurisprudence. He was a partner in Cazenove & Co. He was Chairman of Chaarat Gold Holdings Limited and was a Director of Goodenough College.

CT Varley (age 69) retired as Managing Director of Tex Plastics Division in December 2014, having served the Group for nearly 30 years.

# Directors' Report continued

## for the year ended 31st December 2017

GC Gray (age 73) has spent more than 45 years in the international transportation, ports and shipping industry. He is a former Chairman of the UK Major Ports Group, a former board member of the Harwich Haven Authority and a former Council member of the CBI Eastern Region and Invest East of England. He was Executive Chairman of the Noatum Ports Group of companies, stepping down from this position on 31st December 2017. Mr Gray is a Non-Executive Director of Red Funnel Limited and Red Funnel Holdings Limited.

D Redhead, CT Varley, CD Palmer-Tomkinson and GC Gray serve on the Board as independent Non-Executive Directors. CD Palmer-Tomkinson acts as the senior independent Non-Executive Director.

CT Varley 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.

### Employees

Employee numbers by gender at 31st December 2017:

	Group		Company	
	Male	Female	Male	Female
Directors	14	1	6	–
Senior managers	28	5	–	2
Other employees	316	93	–	2
	358	99	6	4

### 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 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.

### Social community and human rights issues

The Group is committed to respecting the human rights of both its workforce and those who may be affected by its operations and continues to seek to implement the guiding principles throughout its operations. The Group's human rights commitment includes a prohibition on modern slavery in all its forms, including human trafficking and forced or compulsory labour.

### 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 avoidable adverse effect on the environment by its activities. The Directors' Report is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible.

The Directors do not consider it practical to obtain the information in question as the Group considers the "whole life" carbon footprint, rather than purely looking at the emissions in a particular year. The Group continues but has been unsuccessful in obtaining the carbon footprint of the machinery and other assets. The Group takes a responsible "whole life" view of its carbon footprint and a strategic approach to utilising its assets effectively and managing energy costs.

### Financial risk management objectives and policies

The three key risks the Company monitors are interest rate risk, liquidity risk and credit risk.

The Board reviews and agrees policies for managing 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 19).

The interest rates charged are reviewed and re-negotiated periodically.



### 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 through overdraft facilities.

### Credit risk

The credit rating of significant customers is monitored using a third party agency.

### Risk management

The Board is responsible for ensuring that the Group effectively manages risk. It determines the Group's approach to risk, its policies and procedures that are implemented to mitigate exposure to risk.

### Process for managing risk

The Board continually assesses and monitors the key risks in the business and has carried out a robust assessment of the principal risks facing the Company. These are summarised in the table below. The table describes the principal risks and uncertainties that could have a material impact on the Group's performance and prospects and the mitigating activities which are aimed at reducing the impact or likelihood of a major risk materialising. The Board does recognise, however, that it will not always be possible to eliminate these risks entirely.

### Risk matrix

Risk	Potential impact	Mitigations
<b>Business disruption</b> The Group's manufacturing operations could be subject to disruption due to factors including incidents such as a major fire or failure of key suppliers.	Incidents such as a fire at key premises or failure of key suppliers could result in the temporary cessation in activity or disruption of the Group's production facilities impeding the Group's ability to deliver its products to its customers, adversely affecting its financial results.	The Group has developed business continuity and disaster recovery plans.  The Group also maintains insurance to cover business interruption and damage to property from such events.
<b>Economic conditions</b> The Group is dependent on the level of activity in various markets and countries. It is therefore susceptible to any changes in economic conditions.	Lower levels of activity in key markets in which the Group operates could reduce sales and production volumes adversely, thus affecting the Group's financial results.	The Group monitors trends in the key industries and markets in which it operates.  The Group level of diversity provides a degree of protection from downturns in particular markets or industries.
<b>Political conditions</b> The Engineering Division in particular could be impacted by delays in infrastructure projects.	Significant downward trends in government spending could have an adverse impact on the infrastructure industry, which could impact on sales and production volumes affecting the Group's financial results.	The Group structures its operations so that it has a balanced exposure to various industries, thus mitigating the overall exposure of the Group.
The decision to leave the European Union could have an impact on the Group's business in the UK and Europe.	Imports and exports of goods and raw materials with the EU could be subject to tariffs or other charges, which increase costs and reduce the Group's profit margins.	The Group will monitor the UK and EU negotiations to ensure pricing reflects the increased cost of operations.

### Political and charitable contributions

The Group made no political contributions during the year. Donations by the Group to UK charities amounted to £1,492 (31st December 2016: £1,229), none of which were individually over £200. All donations were made by the Company.

### Corporate Governance Statement

The Company's Corporate Governance Statement follows and forms part of the Directors' Report.

Throughout the year to 31st December 2017, the Company complied with the provisions of the UK Corporate Governance Code ("UKCGC" and "the Code") issued by the Financial Reporting Council in April 2016, except as discussed below.

# Directors' Report continued

## for the year ended 31st December 2017

### Substantial holdings

Notification has been received that, as at 31st March 2018, the latest practicable date prior to signing the financial statements, the following shareholders have an interest of more than 3.0% in the issued share capital of the Company:

Shareholder	No. of shares held	%
Edward Le Bas Limited	1,180,789	18.59
Le Bas Investment Trust Limited	812,028	12.78
Redmayne (Nominees) Limited	385,000	6.06
Value Investments Limited	317,574	5.00
WB Nominees Limited A/C ISA Max	309,204	4.87
Rock (Nominees) Limited A/C ISA	272,165	4.29
Pershing Keen Nominees Limited	269,500	4.24
W B Nominees	208,260	3.28

The statements hereunder set out how the principles are applied to the Group.

The Company's share capital consists only of ordinary share capital.

### a) Leadership

Details of the Directors are on pages 15 and 16. The Group does not have a Chief Executive Officer but has a single Executive Director. Given the small size and flat group management structure, the Board considers this to be appropriate.

The posts of Chairman and Executive Director during 2017 were held by ARB Burrows and CA Parker respectively. CD Palmer-Tomkinson acted as senior Non-Executive Director during the year.

Of the Non-Executive Directors, CD Palmer-Tomkinson, D Redhead, CT Varley and GC Gray qualify as independent within the definition of Provision B.1.1. The Board considers D Redhead and CT Varley independent, notwithstanding the fact that they had been employees of the Group within the last five years as directors of subsidiary companies and they participate in a bonus scheme (Provision D.1.3), as they resigned their directorships on joining the Company's Board and the bonus scheme relates to the specific companies they act as Chairman for, and CD Palmer-Tomkinson's interest in the shares of the Company does not represent a material interest (less than 3% of the issued share capital). ARB Burrows fulfils the role of Chairman and therefore he does not qualify as independent within the definition of Provision B.1.1. However, the Board has considered the independence of this Director with care. He contributes significantly through his skill and knowledge of the Company, provides continuity, having served on the Board for more than nine years, and balance to the Board and continues to demonstrate a strong independence of management in the manner in which he discharges his responsibilities as Director.

The membership of the Committees of the Board and attendance at meetings for the year under review are set out in the table below:

	Board	Remuneration Committee	Audit Committee
Total meetings	4	1	2
ARB Burrows	4	1	N/A
CD Palmer-Tomkinson	4	1	2
CA Parker	4	N/A	N/A
D Redhead	4	1	N/A
CT Varley	4	1	N/A
GC Gray	2	1	N/A

### b) Effectiveness

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. 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 induction, training, development and performance evaluation of the Board as required by Provisions B.4. and B.6. However, this matter is considered on an informal basis by the Board.

Given the size and nature of the business, the Board has no formal policy on diversity, including gender, and appointments to the Board are made on merit.

The Company does not have a Nomination Committee as the Board consists of only six Directors. The Board therefore fulfils the role of the Nomination Committee and therefore the Company has not complied with Provision B.2.1 during the year.

Formal terms of appointment have not been issued to the Non-Executive Directors 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. No Executive Director has a contract of service for more than one year's duration.

### c) Accountability

The Directors acknowledge that they are ultimately responsible for the Group's Annual Report and financial statements, as well as the Group's system of internal control and for reviewing its effectiveness. 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 Directors consider the Annual Report and financial statements, taken as a whole, as fair, balanced, understandable and provide the information necessary for shareholders to assess performance, position, business model and strategy.

#### *Audit Committee and auditors*

The Board has established an Audit Committee consisting of the senior independent Non-Executive Director, who had 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 UKCGC (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 and formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements, reviewing the need for an internal audit function, reviewing the process around appointment and remuneration of the external auditor, the consideration and scope of the audit and matters arising from the audit and the review of internal control procedures. In addition, the Audit Committee considers the independence and objectivity of the auditors. The Committee met formally twice during the year. Regular informal meetings occurred during the year.

During the year ended 31st December 2017, the Audit Committee discharged its responsibilities as detailed within the following paragraphs and by these specific actions:

- reviewing the consolidated 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.

The member of the Audit Committee maintains regular dialogue with the auditors and monitors 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 Audit Committee periodically reviews the need for such a function (Provision C.3.6). The current conclusion of the Audit Committee is that this is not necessary given the straightforward nature of the Group's activities.

There is an ongoing process, by way of management reports and regular involvement of the Executive Director and Chairman in the Group's operations, 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 financial statements were signed. This process is subject to review by the Board and accords with the Turnbull Guidance.

The Directors believe that the provisions of Section C3 of the Code relating to Audit Committee and auditors have been met throughout the year except for C.3.1 as the Audit Committee does not comprise of at least two independent Non-Executive Directors. This has been reviewed by the Board, and given the size and lack of complexity of the Group, it is considered reasonable to not have two independent Non-Executive Directors on the Audit Committee.

# Directors' Report continued

## for the year ended 31st December 2017

### *Risk management and internal control*

The Board encourages a culture of integrity and quality and is committed to maintaining 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 to assist in the review of procedures and documentation in the field of health and safety and employment law, which are seen as potential risk areas. The procedures are monitored on an ongoing basis.

Divisional management are responsible for identifying the risks facing their operations, 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 Board on a quarterly basis using management information.

The Group goes through a detailed annual budgeting process with a Group budget 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 KPIs 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 and weekly sales and orders 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.

Internal control procedures exist throughout the Group's operations, and were in place throughout 2017 and to the date of approval of the accounts, to safeguard the assets from loss or misuse and to ensure that financial records are reliable and the consolidated financial statements are properly prepared as required by the Companies Act 2006 and applicable IFRSs. There are clear divisions of responsibility amongst employees and appropriate authorisation limits regarding transactions.

Compliance with controls is continuously monitored by management, including close involvement by the Board. The Executive Director 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 Executive Director and the Chairman in the Group's operations. Provision C.2.3 requires that 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.

### **d) 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 on pages 22 and 23.

Provision D.2.1 requires that the Remuneration Committee should exclusively consist of independent Non-Executive Directors. The Company has not complied with this provision as ARB Burrows cannot be considered independent as a result of his substantial indirect interest in the Company and given his role as Chairman. The Company considers that the Remuneration Committee benefits from the additional input by the Chairman.

### **e) Relations with shareholders**

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.

### **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 2018 projections for at least 12 months from the approval of the financial statements 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.

### **g) Viability**

The Directors maintain a five-year plan which is reviewed regularly, covering matters such as available bank facilities and capital investment plans. On the basis of this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for five years.

In completing the assessment, the Board has taken into consideration the potential impact of the risks on page 17 in evaluating expected financial performance of the Group. Other factors the Board considered in its medium-term planning included the funding requirement of the five-year plan not significantly increasing the corporate gearing ratio.

### Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the consolidated financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and financial statements are made available on a website.

The Directors are responsible for the maintenance and integrity of the Company's website. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' statement pursuant to the Disclosure and Transparency Rules

The Directors, confirm that to the best of their knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, and Article 4 of the IAS regulation, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

### 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 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 489 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP 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 Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL on 25th June 2018 at 12.15pm. The Notice of Meeting is set out on page 59.

By order of the Board

### CA Parker

Secretary  
16th April 2018



# Directors' Remuneration Report

## for the year ended 31st December 2017

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

### Remuneration Committee

The Company's Remuneration Committee consists of ARB Burrows, CD Palmer-Tomkinson, D Redhead, CT Varley and GC Gray.

ARB Burrows cannot be considered independent as a result of his substantial indirect interest in the Company and given his role as Chairman. The Company considers that the Remuneration Committee benefits from the additional input by the Chairman.

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.

### Annual statement

There were no major decisions on Directors' remuneration taken in the year, nor any substantial changes made.

### Policy report

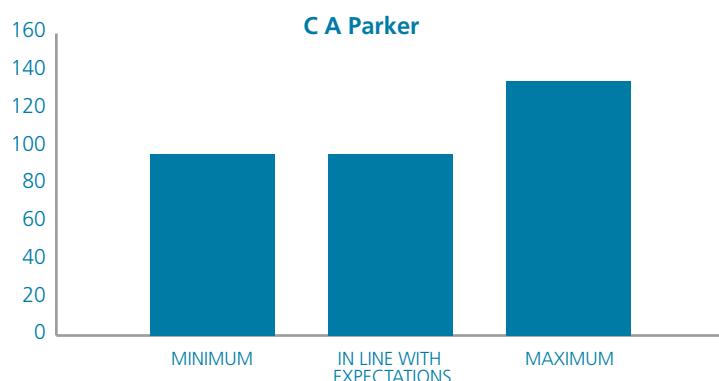
The policy of the Committee is to review the Executive Director's remuneration package for forthcoming years such that the structure will retain and motivate the Executive Director. Of the remuneration package, bonuses are performance related. Bonuses are based on the achievement of specific criteria and Group return on capital employed. They are paid in cash and the Remuneration Committee has overriding discretion in determining the payment of bonuses. This policy is unchanged since it was last published in the 2016 Annual Report and is not expected to change.

The components of the remuneration package for Directors include basic salary, pension contributions, healthcare, fuel benefit and bonus as set out in the table below. This remuneration package ensures that Directors can be appropriately rewarded.

There is no defined policy in relation to remuneration on recruitment of new Board members or payment on loss of office.

Shareholder views are considered by virtue of the fact that the Group's most substantial shareholder is a member of the Remuneration Committee.

### Illustration of application of remuneration policy



The above chart assumes the Group achieves the budgeted result for 2018.

### Annual report on remuneration

At the last general meeting the Remuneration Report and Remuneration Policy, published in the 2016 Annual Report, received 2,584,682 votes for and 230 votes against.

### 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 contract currently in place for the Executive Director who served during the period are as follows:

CA Parker's service contract dated 19th March 2013 provides for a rolling 12-month notice period and is available for inspection at the Company's registered office.

### Pension scheme

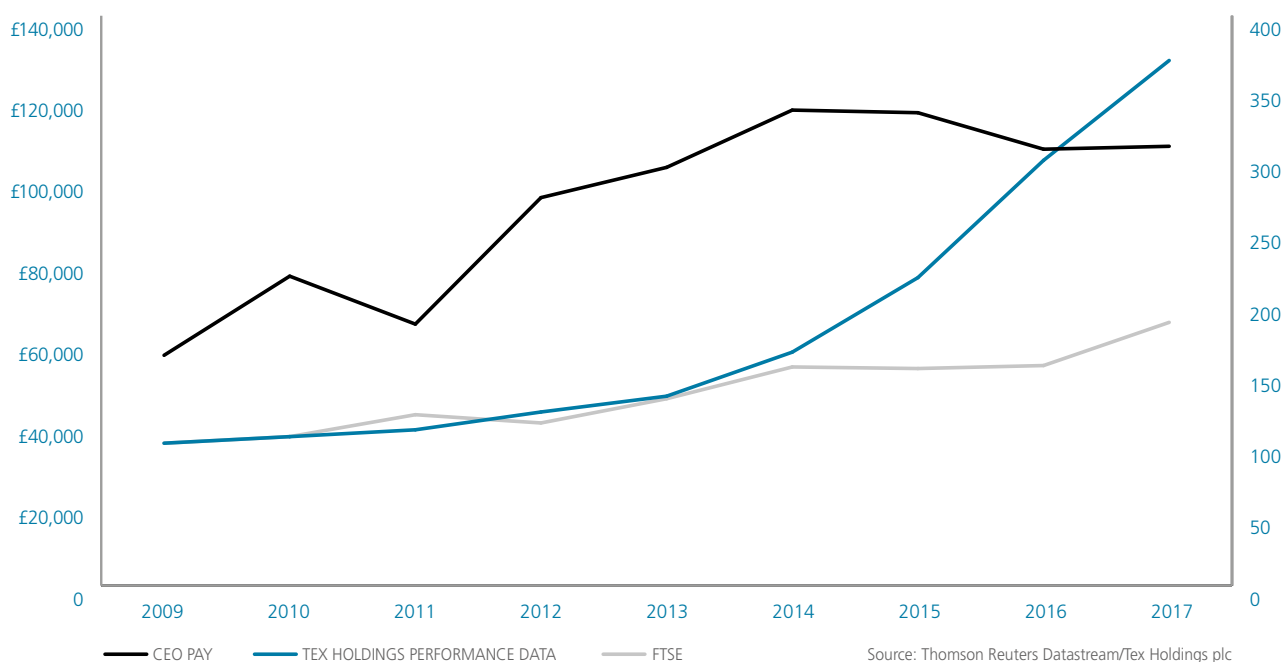
The Group operates a defined contribution pension scheme. The Company has made contributions of £5,250 (31st December 2016: £5,250) to the Executive Director's money purchase scheme.

## Directors' remuneration (audited)

	Financial year	Salary/fees £	Pension benefits £	Bonus £	Taxable benefits		Total £
					Other benefits £	Healthcare £	
ARB Burrows	<b>FY2017</b>	–	–	–	–	<b>3,860</b>	<b>3,860</b>
	FY2016	–	–	–	–	3,890	3,890
CD Palmer-Tomkinson	<b>FY2017</b>	<b>20,000</b>	–	–	–	–	<b>20,000</b>
	FY2016	20,000	–	–	–	–	20,000
D Redhead	<b>FY2017</b>	<b>40,800</b>	–	–	<b>1,488</b>	<b>3,472</b>	<b>45,760</b>
	FY2016	40,600	–	–	1,261	3,449	45,310
CA Parker	<b>FY2017</b>	<b>97,823</b>	<b>5,250</b>	–	<b>3,496</b>	<b>1,363</b>	<b>107,932</b>
	FY2016	97,823	5,250	–	2,760	1,383	107,216
CT Varley	<b>FY2017</b>	<b>40,800</b>	–	–	–	<b>3,009</b>	<b>43,809</b>
	FY2016	40,600	–	–	–	2,870	43,470
GC Gray	<b>FY2017</b>	<b>6,370</b>	–	–	–	–	<b>6,370</b>
	FY2016	–	–	–	–	–	–

The amounts disclosed in respect of pension benefits in the table above are the Group's defined contribution payments in respect of the Directors. In addition, two of the Directors are current beneficiaries of the Tex Holdings plc defined benefit pension scheme. No other Directors are currently accruing or will accrue benefits under that scheme.

## Performance graph



The above graph shows the CEO pay in years 2009 to 2011 and the sole Executive Director pay for the years 2012 to 2017.

The index selected was FTSE All-Share as it was considered to be the most appropriate comparison for the Tex Holdings plc Group performance, as the Group operations cover a range of industries.

The Remuneration of the Executive Director has increased by 0.7% in the year (2016: a decrease of 7.7%). This compares to an average increase for all Group employees of 5.8% (2016: an increase of 0.0%) and this increase was taken into account when setting Directors' base salaries, although employees were not consulted when drawing up the remuneration policy.

The remuneration policy will apply to the Executive Director's remuneration in the same way in 2018 as it has for 2017 as described above.

# Directors' Remuneration Report continued

for the year ended 31st December 2017

## Directors' remuneration compared to certain other distributions

	2017 £000	2016 £000	Percentage change %
Directors' remuneration	<b>228</b>	220	3.6
Other employee remuneration	<b>11,665</b>	11,053	5.5
Dividend payments to shareholders	<b>540</b>	476	13.4

## Share options

No options were granted to any Directors or employees during the year and none are currently exercisable or in issue.

## Directors' share interests (audited)

	Ordinary Shares	
	31/12/17	31/12/16
ARB Burrows	—	—
CD Palmer-Tomkinson	<b>180,000</b>	180,000
CA Parker	<b>100</b>	100
D Redhead	<b>3,000</b>	3,000
CT Varley	<b>3,000</b>	3,000
GC Gray	—	—

There were no changes in Directors' interests between 31st December 2017 and the date of this report.

The market price of the Company's shares at 31st December 2017 was 118.5 pence and the range during the year was 113.0 pence to 144.5 pence.

Approved by the Board

## ARB Burrows

Director

16th April 2018

# Audit Committee Report

The Audit Committee is made up of one independent Non-Executive Director, Christopher Palmer-Tomkinson (Chairman). His biography, qualifications and experience are included on page 15.

## The Committee's purpose:

The key purpose of the Audit Committee is to monitor and review the formal arrangements established by the Board in respect of:

- the financial reporting and narrative reporting of the Group;
- the effectiveness of the internal controls and the risk management framework; and
- whistleblowing.

## What I did – major responsibilities during the year:

- review of interim and final financial statements, and announcements relating to the financial performance of the Group;
- recommending the appointment of external auditors, agreeing the scope of their work and their remuneration, and reviewing their effectiveness and independence;
- consideration of the requirement for an internal audit programme; and
- advising the Board on whether the financial statements are fair, balanced and understandable and if they provide the information necessary for the shareholders to assess the Group performance, business model and strategy.

## External audit

The Committee met twice with the external auditors, BDO LLP, to discuss the nature and scope of the audit, to review (in some detail) the audit plan and, lastly, to review the outcome of the audit and to discuss issues arising and their resolution.

The 2017 audit was the second year of BDO LLP's tenure, following the last tender for audit services in advance of the 2016 year end audit. Gareth Singleton has been the audit partner since that time.

When meeting with the auditors I reviewed the Group's accounting policies to ensure that they remained appropriate and discussed in broad terms the major risks that the auditors were likely to consider during their work. These are set out in the auditors' own report, but included stock provisions, overhead absorption and revenue recognition including profits recognised on contract.

I also discussed the judgements and uncertainties inherent in the preparation of the financial statements with the auditors and how these areas should be dealt with by the Group.

These matters are as follows:

### *Recognition of revenue and attributable profit on contracts*

I anticipated this to be an area of significant risk because the extent of revenue and profit or loss recognised on a partially completed contract represents an area of judgement and there are differences in the delivery and shipment practices in the sale of goods to customers which requires careful consideration and evaluation.

### *Inventory valuation*

I anticipated this to be an area of significant judgement with regard to labour and overhead absorption and provision for slow-moving stock. These are areas in which the choice of accounting policy, as well as how that policy is applied in different subsidiaries across the Group, has a material effect on the carrying value of the Group's assets.

### *Audit matters*

The Committee agreed the audit plan with the auditors, having paid particular regard to issues of scope and materiality.

The Committee also agreed the external auditors' remuneration. The external auditor has not and is not currently providing any non-audit services.

At my final meeting with the auditors, prior to signing the Annual Report, I discussed the resolution of the risks that the auditors had identified above.

The Audit Committee noted and considered all items raised by the auditors and asked the executives to respond with an ongoing action plan where appropriate.

# Audit Committee Report continued

## Financial Statements

The financial statements, and the Annual Report as a whole, are the responsibility of the entire Board. Their responsibility statement is contained in the Directors' Report on page 21, but the Board looks to the Audit Committee to advise them in relation to the financial statements both as regards their form and content, issues which might arise, and on specific areas which require judgement, such as the going concern presumption.

The Board believes the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In order to be able to advise the Board that the Annual Report is fair, balanced and understandable, I spent some time deciding what we felt this meant and who our key stakeholders were and what this would mean for them. I decided that the Annual Report should be free from bias, tell the story of the Company for this financial year accurately and make sense to the reader but kept brief and uncluttered.

## Going concern review

The Committee reviews the going concern and viability position. Particular attention was given to both the liquidity and solvency position envisaged by the report for the period 12 months from this date and the foreseeable future as set out in the Board's strategic plan and budget as noted on page 20.

## Future plans

I will continue to perform my duties as set out in my terms of reference over the course of the next year.

## CD Palmer-Tomkinson

Audit Committee Chairman

16th April 2018



# Independent Auditors' Report to the Members of Tex Holdings plc

## Opinion

We have audited the financial statements of Tex Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31st December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Basis for opinion

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

## Use of our report

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

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 17 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 17 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 20 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 20 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# Independent Auditors' Report to the Members of Tex Holdings plc continued

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition

In our assessment of audit risk, we determined that the existence and timing of revenue recognition give rise to a significant risk of material misstatement. The Group has a variety of revenue streams including long-term contracts and tooling manufacturing contracts which involve the selection and application of consistent accounting policies which require the Group's finance teams to make detailed calculations and, in some cases, estimates. A heightened risk of misstatement through error or fraud exists as a result. In addition, certain engineering sales transacted under a "bill and hold" arrangement when sales are recognised on factory acceptance testing or, for other engineering and manufacturing sales, on delivery, gave rise to a risk that sales recorded around the year end may be improperly included within the financial statements. The Group's revenue recognition accounting policy is included at note 1.

For each of the long-term contracts we obtained a copy of the contract documentation and critically assessed and challenged the recognition of revenue and estimates of costs to complete the contract based on a review of the performance of the contract to date and post-year end. We substantively tested the revenue figures as applied to the contracts throughout the year, agreeing revenue and costs to supporting evidence. We assessed the stage of completion of the contract adopted by management at the year end as compared to external evidence, being customer correspondence and records of works performed. We challenged assumptions which appeared inconsistent with the year end and current status of customer negotiations in our work to corroborate management estimations relevant to the measurement of costs and revenues, for example, in relation to the agreement of contract variations being assessed and the assessment of the recovery of claims being considered to be virtually certain.

We re-performed calculations on a sample of tooling transactions, to confirm the accuracy of revenue and profit recognition by reference to underlying terms of business and contracts. We further confirmed the completeness and existence of this revenue stream by the performance of cut-off testing of transactions around the year end, sampling contracts entered into to ensure revenues had been recorded and reconciling invoices raised with revenues recognised.

The testing we performed in relation to product sales was to confirm the validity of sales recorded and the point of transfer of the risks and rewards of inventory ownership through identification of the timing of delivery/collection and revenue recognition by sampling a number of transactions in the days prior to and subsequent to year end, as well as a sample of contracts throughout the year. Furthermore, we examined the Group's terms of business with its customers to ensure the accounting policy adopted properly takes account of the point of transfer of risk, reward and beneficial ownership of the goods supplied.

## Inventory

We identified the carrying value of the Group's inventory balance as carrying a heightened risk of material misstatement due to its size, the use of management judgements in respect of provisioning for slow moving and obsolete inventory and management judgements in respect of methods of absorption of labour and other overheads. This is disclosed as a judgement and estimate in notes 1 and 15.

As part of our audit of inventory provisioning, we reviewed historical profit margins to determine whether business performance indicated that the Group's inventory may be stated at an amount higher than its net realisable value. We conducted substantive procedures to a) examine the values of sales invoices subsequent to the year end and b) test a sample of stock lines included in the provision to ensure that inventory was appropriately held at the lower of cost and net realisable value to determine whether the extent of the provision recorded was sufficient.

As part of our audit of inventory costing, we re-performed the calculation through which production-related costs are absorbed into inventory balances. This included recalculation of the underlying inputs in management calculations. We compared the policies to our expectations formed from an assessment of the nature of the types of production costs incurred and the activity conducted during the production process to prepare inventory for sale.

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence when evaluating their effect on the financial statements as a whole.

Our work was conducted using a Group materiality threshold of £62,000 (2016: £100,000) representing 7% (2016: 9%) of the Group's profit before tax. The performance materiality threshold we applied in our Group audit was £37,800 based on 60% of Group materiality.

Audits of significant components were carried out using a single financial statement materiality of £41,000 (2016: £10,000 to £60,000) and component performance materiality of £24,500 (2016: £5,000 to £45,000). These component materiality thresholds were also applied in our audit of the Parent Company.

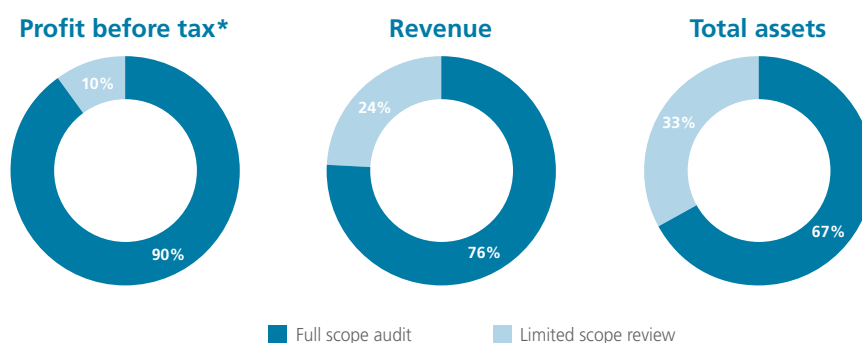
### Agreement with the Audit Committee

We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of £3,200 (2016: £5,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### An overview of the scope of our audit

We performed full scope audits on the Group's trading and non-trading subsidiaries that we considered to be significant components of the Group on the grounds of size or based on our assessment of the risk of material misstatement in the Group financial statements. On certain non-significant components, we performed targeted audit procedures in certain areas according to our assessment of audit risk across the Group, as well as analytical procedures at all non-significant components.

The significant components we selected comprised Tex Holdings plc, Tex Plastics (Derby) Limited, Tex Plastics (Barnstaple) Limited, G&M TEX Ltd and QK Honeycomb Products Limited. The coverage we obtained over the Group's profit before tax, revenue and total assets is summarised as follows:



\* Excluding loss-making components

# Independent Auditors' Report to the Members of Tex Holdings plc continued

## Other information

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- [Fair, balanced and understandable set out on page 21](#) – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge obtained in the audit; or
- [Audit Committee reporting set out on page 25](#) – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- [Directors' statement of compliance with the UK Corporate Governance Code set out on page 17](#) – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

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

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

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

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

## Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

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

### **Other matters which we are required to address**

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 22nd December 2016 to audit the financial statements for the year ending 31st December 2016 and subsequent financial periods. In respect of the year ended 31st December 2017 we were re-appointed by the members of the Parent Company at the Annual General Meeting held on 26th June 2017. The period of total uninterrupted engagement is 2 years, covering the years ending 31st December 2016 and 31st December 2017.

The non-audit services which are prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

### **Gareth Singleton (Senior Statutory Auditor)**

for and on behalf of BDO LLP, Statutory Auditor  
Nottingham  
United Kingdom

30th April 2018

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



# Consolidated Income Statement

for the year ended 31st December 2017

	Notes	Year ended 31/12/17 £000	Year ended 31/12/16 £000
<b>Revenue</b>	2	<b>41,505</b>	41,386
Cost of sales		<b>(29,681)</b>	(30,358)
<b>Gross profit</b>		<b>11,824</b>	11,028
Distribution costs		<b>(1,073)</b>	(1,072)
Administrative expenses	7	<b>(9,668)</b>	(8,702)
<b>Operating profit</b>	2-6	<b>1,083</b>	1,254
Finance costs	8	<b>(156)</b>	(147)
<b>Profit before taxation</b>		<b>927</b>	1,107
Taxation	9	<b>(197)</b>	(199)
<b>Profit for the year attributable to the equity holders of the Parent Company</b>		<b>730</b>	908
<b>Earnings per share attributable to the equity holders of the Parent Company</b>			
Basic and diluted	11	<b>11.5p</b>	14.3p

# Consolidated Statement of Comprehensive Income

for the year ended 31st December 2017

	Note	Year ended 31/12/17 £000	Year ended 31/12/16 £000
<b>Profit for the year attributable to the equity holders of the Parent Company</b>		<b>730</b>	908
<b>Other comprehensive income</b>			
<b>Items that will not subsequently be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pension plans		<b>767</b>	(50)
Deferred taxation recognised on actuarial (gain)/loss on defined benefit pension plan recognised directly in equity	25	<b>(148)</b>	10
		<b>619</b>	(40)
<b>Other comprehensive income/(expense) for the year</b>		<b>619</b>	(40)
<b>Total comprehensive income for the year attributable to the equity holders of the Parent Company</b>		<b>1,349</b>	868

# Balance Sheets

at 31st December 2017

	Notes	Consolidated 31/12/17 £000	31/12/16 £000	Company 31/12/17 £000	31/12/16 £000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	<b>6,557</b>	5,864	<b>7</b>	9
Investments	13	<b>–</b>	–	<b>15,735</b>	14,177
Deferred taxation assets	14	<b>20</b>	187	<b>229</b>	411
		<b>6,577</b>	6,051	<b>15,971</b>	14,597
<b>Current assets</b>					
Inventories	15	<b>6,798</b>	6,883	<b>–</b>	–
Trade and other receivables	16	<b>11,392</b>	10,620	<b>251</b>	212
		<b>18,190</b>	17,503	<b>251</b>	212
<b>Total assets</b>		<b>24,767</b>	23,554	<b>16,222</b>	14,809
<b>Equity</b>					
<b>Capital and reserves attributable to the equity holders of the Parent Company</b>					
Share capital	18	<b>635</b>	635	<b>635</b>	635
Capital redemption reserve		<b>16</b>	16	<b>16</b>	16
Other reserve		<b>–</b>	–	<b>977</b>	977
Share premium account		<b>2,890</b>	2,890	<b>2,890</b>	2,890
Retained earnings		<b>7,098</b>	6,289	<b>6,578</b>	5,406
<b>Total equity</b>		<b>10,639</b>	9,830	<b>11,096</b>	9,924
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Other interest-bearing loans and borrowings	19	<b>2,159</b>	2,621	<b>994</b>	1,416
Employee benefits	25	<b>662</b>	1,492	<b>662</b>	1,492
		<b>2,821</b>	4,113	<b>1,656</b>	2,908
<b>Current liabilities</b>					
Bank overdraft	17	<b>1,737</b>	243	<b>2,537</b>	925
Other interest-bearing loans and borrowings	19	<b>971</b>	887	<b>420</b>	532
Trade and other payables	20	<b>8,184</b>	8,021	<b>263</b>	294
Provisions	21	<b>199</b>	199	<b>112</b>	99
Taxation payable		<b>216</b>	261	<b>138</b>	127
		<b>11,307</b>	9,611	<b>3,470</b>	1,977
<b>Total liabilities</b>		<b>14,128</b>	13,724	<b>5,126</b>	4,885
<b>Total equity and liabilities</b>		<b>24,767</b>	23,554	<b>16,222</b>	14,809

The Company profit for the year amounted to £1,093,000 (2016: £16,000).

These financial statements were approved by the Board of Directors on 16th April 2018 and were signed on its behalf by:

**ARB Burrows**  
Director

**CA Parker**  
Director

Registered number: 00405838

# Statements of Changes in Equity

## at 31st December 2017

<b>Consolidated</b>	Share capital £000	Capital reserve £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2016	635	16	2,890	5,897	9,438
Profit for the year	–	–	–	908	908
Pension fund actuarial movement net of taxation	–	–	–	(40)	(40)
Total comprehensive income	–	–	–	868	868
Contributions by and distributions to owners: Dividends paid (note 10)	–	–	–	(476)	(476)
<b>Balance at 31st December 2016 and 1st January 2017</b>	<b>635</b>	<b>16</b>	<b>2,890</b>	<b>6,289</b>	<b>9,830</b>
Profit for the year	–	–	–	730	730
Pension fund actuarial movement net of taxation	–	–	–	619	619
Total comprehensive income	–	–	–	1,349	1,349
Contributions by and distributions to owners: Dividends paid (note 10)	–	–	–	(540)	(540)
<b>Balance at 31st December 2017</b>	<b>635</b>	<b>16</b>	<b>2,890</b>	<b>7,098</b>	<b>10,639</b>

The aggregate current and deferred taxation relating to items that are charged to equity is £84,000 (2016: credited £63,000).

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

<b>Company</b>	Share capital £000	Other reserves £000	Capital reserve £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2016	635	977	16	2,890	5,906	10,424
Profit for the year	–	–	–	–	16	16
Pension fund actuarial movement net of taxation	–	–	–	–	(40)	(40)
Total comprehensive income	–	977	–	–	(24)	(24)
Contributions by and distributions to owners: Dividends paid (note 10)	–	–	–	–	(476)	(476)
<b>Balance at 31st December 2016 and 1st January 2017</b>	<b>635</b>	<b>977</b>	<b>16</b>	<b>2,890</b>	<b>5,406</b>	<b>9,924</b>
Profit for the year	–	–	–	–	1,093	1,093
Pension fund actuarial movement net of taxation	–	–	–	–	619	619
Total comprehensive income	–	–	–	–	1,712	1,712
Contributions by and distributions to owners: Dividends paid (note 10)	–	–	–	–	(540)	(540)
<b>Balance at 31st December 2017</b>	<b>635</b>	<b>977</b>	<b>16</b>	<b>2,890</b>	<b>6,578</b>	<b>11,096</b>

The aggregate current and deferred taxation relating to items that are charged to equity is £84,000 (2016: credited £63,000).

<b>Reserve</b>	<b>Description and purpose</b>
Capital reserve	The capital reserve arose from past business combinations and is held separately to record the historic increase in assets from those business combinations.
Share premium account	Amounts subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the Statement of Comprehensive Income.

# Cash Flow Statements

for the year ended 31st December 2017

		Consolidated		Company	
	Notes	Year ended 31/12/17 £000	Year ended 31/12/16 £000	Year ended 31/12/17 £000	Year ended 31/12/16 £000
<b>Cash flows from operating activities</b>					
Profit for the year		730	908	1,093	16
Adjustments for:					
Dividends received		–	–	(530)	(500)
Interest received		–	–	(1,111)	(1,021)
Depreciation	12	1,135	1,082	6	5
Impairment of investments		–	–	–	1,000
Loss on sale of fixed assets		10	–	–	–
Financial expense	8	156	147	106	101
Taxation	9	197	199	154	108
		2,228	2,336	(282)	(291)
Increase in trade and other receivables	16	(772)	(1,079)	(39)	(2)
Decrease/(increase) in inventories	15	85	(337)	–	–
Increase/(decrease) in trade and other payables	20	163	540	(31)	156
Increase in provisions		–	–	13	–
Contribution to defined benefit scheme		(100)	(100)	(100)	(100)
<b>Cash generated from operations</b>		1,604	1,360	(439)	(237)
Taxation paid	9	(223)	(254)	(108)	(115)
<b>Net cash generated from operating activities</b>		1,381	1,106	(547)	(352)
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	12	(1,188)	(837)	(4)	(6)
Proceeds from sale of property, plant and equipment		39	16	–	–
Dividends received		–	–	530	500
Interest received		–	–	1,111	1,021
Advances of loans to subsidiaries		–	–	(1,558)	(2,506)
<b>Net cash used in investing activities</b>		(1,149)	(821)	79	(991)
<b>Cash flows from financing activities</b>					
New borrowings		–	2,000	–	2,000
Repayments of borrowings		(534)	(632)	(534)	(632)
Finance lease payments		(532)	(339)	–	–
Interest paid		(120)	(93)	(70)	(48)
Dividends paid	10	(540)	(476)	(540)	(476)
<b>Net cash (used in)/generated from financing activities</b>		(1,726)	460	(1,144)	844
<b>Net (decrease)/increase in cash and cash equivalents</b>		(1,494)	745	(1,612)	(499)
Cash and cash equivalents at beginning of the year	17	(243)	(988)	(925)	(426)
<b>Cash and cash equivalents at end of the year</b>	17	(1,737)	(243)	(2,537)	(925)



# Notes to the Consolidated Financial Statements

for the year ended 31st December 2017

## 1. Accounting policies

Tex Holdings plc (the “Company” or the “Parent”) is a public limited company incorporated in England and Wales. The accounts are presented in Pounds Sterling, which is the functional currency of each entity in the Group.

These 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 Company and consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as endorsed by the EU (“Adopted IFRSs”). On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and statement of comprehensive income and related notes.

Production costs of £0.9m in 2016, previously included in administrative expenses, are now included in cost of sales to achieve a more consistent presentation. The Group’s reported profits and its balance sheet are unaffected.

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

## 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 2017 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.

## Judgements and estimates

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis of making adjustments to carrying values of assets and liabilities based on information not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

### Accounting estimates:

- Note 2 – Long-term contract accounting revenue and profit recognition. Contract revenue and profit is monitored against progress reports received and milestones reached on a regular basis. This information is used by management to inform estimates of contract progress and therefore revenue and profit recognition.
- Note 15 – Provision for obsolete inventory. The Group reviews its inventory on a regular basis and, where appropriate, makes provision for slow-moving stock based on length of time held. Estimation uncertainty arises in evaluating the likely recoverable amount of inventory held for extended periods.
- Note 16 – Impairment of trade receivables. These are reviewed on a regular basis and provision made for identified doubtful receivables.
- Note 25 – Retirement benefit plans. These may affect the profit and loss in future periods if there is a movement in the actuarial estimate of returns on plan assets and the present value of the Scheme’s obligations.

With the exception of the revision to IAS 7, there have been no new standards in the year which impact the Group. Furthermore, there are no relevant new amendments to existing standards or interpretations, which came into force for the current year which would have had a material impact on the Group’s results, assets and liabilities.

The following more important new standards and amendments to existing standards have been published and are relevant for later accounting periods:

- IFRS 15 – Revenue from contracts with customers. IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The change in accounting standard is applicable from 1st January 2018, with retrospective effect, and will be applied in the Group’s 2018 interim financial statements. The Group is currently evaluating the impact of the requirement to determine different performance obligations within its contracts with customers as well as the timing of revenue recognition.

# Notes to the Consolidated Financial Statements *continued*

for the year ended 31st December 2017

## 1. Accounting policies *continued*

- IFRS 16 – Leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The distinction between operating leases and finance leases is removed from the perspective of a lessee. The change in accounting standard is applicable from 1st January 2019, with retrospective effect. The Group leases the majority of its land and buildings on operating leases which may under IFRS 16 be reported in a similar way to the Group's existing finance lease for land and buildings, which would affect fixed assets, lease liabilities, depreciation and interest expense.
- IFRS 9 – Financial Instruments. A project is underway to review the impact of this standard. The Group has commenced its assessment of the impact of this standard but is not yet in a position to state whether this standard would have a material impact on its results of operations and financial position.

## 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 investee so as to obtain benefits from its activities, has exposure, or rights, to variable returns and can use its power to affect those returns. 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.

## Financial assets

### *Classification*

The Group classifies its financial assets as loans and receivables based on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### *Recognition*

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

### *Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the cumulative loss is measured as the difference between the acquisition cost and the current recoverable amount, less any impairment loss on that financial asset previously recognised in profit or loss and is removed from equity and recognised in profit or loss.

### *Calculation of recoverable amount*

The recoverable amount of the Group's receivables 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.

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.

## 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.

## Financial liabilities

### *Classification of financial liabilities issued by the Group*

Financial liabilities 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 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.

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.

The types of financial liabilities held by the Group and Parent Company are all classified as financial liabilities at amortised cost and are summarised as follows:

#### Trade and other payables

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

#### 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.

#### Intra-group financial instruments

Where the Company enters into financial 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 is 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.

Property, plant and equipment is subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying value of the asset exceeds its recoverable amount (being the higher of its value in use and fair value less costs to sell) the asset is written down accordingly with the impairment charge being included in profit or loss.

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 recognised 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, and subsequently measured 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 reassessed at least annually.

# Notes to the Consolidated Financial Statements *continued*

## for the year ended 31st December 2017

### 1. Accounting policies *continued*

#### Research expenditure

Expenditure on research activities is recognised in the income statement as an expense as incurred. No development expenditure meeting the criteria for recognition as an asset has been incurred throughout each accounting period.

#### Inventories

Inventories are stated at the lower cost and net realisable value.

The cost of inventories includes expenditure incurred in acquiring the inventories and, where the additional cost can be recovered on sale of the inventory, the costs incurred in 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. Impairment is determined on the basis of the Directors' evaluation of the net realisable value of the investment in each subsidiary undertaking.

#### Employee benefits

##### *Holiday pay*

A charge to the income statement is made for holiday accrued but not taken and is recorded as an accrual where the amount can be determined with a high degree of accuracy or in provisions where the liability is of an uncertain timing or amount.

##### *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 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.

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 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.

The net interest expense/income is provided by the Actuary.

The Group recognises actuarial gains and losses that arise in the period they occur directly into equity.

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.

Related deferred taxation is netted against other deferred taxation assets.

#### Revenue

Revenue 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, on contractual acceptance of the goods or when title has transferred to the buyer.

#### Long-term contracts

Revenue on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. This assessment is made by management and is updated throughout the course of the contract. The revenue included is calculated to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Amounts recoverable on contracts included within other debtors arise as a result and are reduced to the extent invoices are raised or received by the Group in respect of these contracts. Invoices are typically raised to customers on agreed contractual milestones.

Revenue is calculated as that proportion of total contract value, which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

## 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.

### *Net financing costs*

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

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

## Dividends

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

## Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation 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 taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years.

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided for the following temporary differences: 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 taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

A deferred taxation 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.

## 2. Revenue

An analysis of the Group's revenue from the sale of goods for the year is as follows:

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Plastics	21,587	21,265
Engineering	15,242	16,123
Boards & Panels	4,676	3,998
	<b>41,505</b>	41,386



# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 3. Business and geographical segments

For management purposes, the Group is organised into three divisions – Engineering, Plastics and Boards & Panels. These divisions constitute the Group's operating segments and are those which are regularly reviewed by the Executive Director and the Board.

Principal activities are as follows:

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 and associated equipment and spares, Mobility Scooter Stores, Allied Kiosks and Enclosures, Industrial Gas Burners, Springwood white lining equipment, trailers, marketing and distribution of Fibertex Geotextiles; marine diesel engine and governor rebuilding, parts supply and technical support; design, manufacture and installation of air traffic control rooms and radio frequency-blocking glazing; and design and assembly of bespoke high-quality diesel-powered electrical generator sets.
Plastics	–	Precision injection moulding, assembly and finishing services.
Boards & Panels	–	Manufacture and sale of boards and panels.

Information about the Group's operating segments is presented below:

2017	Plastics £000	Engineering £000	Boards & Panels £000	Total £000
<b>Revenue</b>				
External sales	21,587	15,242	4,676	41,505
Inter-segment sales	–	–	–	–
<b>Total revenue</b>	<b>21,587</b>	<b>15,242</b>	<b>4,676</b>	<b>41,505</b>
<b>Result</b>				
Segment result	1,356	(168)	137	1,325
Unallocated expenses being expenses pertaining to the Company				(242)
Operating profit				1,083
Finance costs				(156)
Profit before taxation				927
Taxation				(197)
<b>Profit for the year</b>				<b>730</b>

## Other information

2017	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
Capital additions	709	788	376	4	1,877
Depreciation	618	289	178	50	1,135

## Balance Sheet 31st December 2017

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
<b>Assets</b>					
Segment assets	12,853	9,204	3,394	(684)	24,767
<b>Liabilities</b>					
Segment liabilities	11,196	13,017	3,572	(13,657)	14,128
2016		Plastics £000	Engineering £000	Boards & Panels £000	Total £000
<b>Revenue</b>					
External sales		21,265	16,123	3,998	41,386
Inter-segment sales		–	–	–	–
Total revenue		21,265	16,123	3,998	41,386
<b>Result</b>					
Segment result		1,223	171	97	1,491
Unallocated expenses being expenses pertaining to the Company					(237)
Operating profit					1,254
Finance costs					(147)
Profit before taxation					1,107
Taxation					(199)
Profit for the year					908

## Other information

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
2016					
Capital additions	937	295	147	6	1,385
Depreciation	610	263	158	51	1,082

## Balance Sheet 31st December 2016

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
<b>Assets</b>					
Segment assets	12,426	9,450	2,521	(843)	23,554
<b>Liabilities</b>					
Segment liabilities	10,906	12,738	2,677	(12,597)	13,724

## 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 31/12/17 £000	Year ended 31/12/16 £000
Eurozone	1,494	2,712
UK	35,387	33,826
US	1,100	1,861
Other countries	3,524	2,987
	<b>41,505</b>	41,386

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

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 4. Expenses and auditors' remuneration

Included in profit or loss are the following:

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Research expensed as incurred included in administrative expenses	279	259
Exchange gain included in administrative expenses	(24)	(158)
Depreciation	1,135	1,082
Audit of Parent Company and consolidated financial statements	5	5
Audit of financial statements of subsidiaries	80	70
Amounts receivable by auditors and their associates in respect of:		
– Other services relating to taxation	–	–
– Audit of the Group pension scheme	–	–

## 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 31/12/17	Year ended 31/12/16	Year ended 31/12/17	Year ended 31/12/16
Administration	97	97	10	10
Manufacturing	373	366	–	–
	470	463	10	10

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	Year ended 31/12/17 £000	Year ended 31/12/16 £000	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Wages and salaries	10,605	10,064	385	360
Social security costs	936	891	38	40
Defined contribution pension costs	352	327	58	56
	11,893	11,282	481	456

## 6. Directors' emoluments

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Directors' emoluments	223	215
Social security costs	24	20
Company contributions to money purchase pension plans	5	5
	252	240

The Directors of the Company are considered the key management personnel of the Group.

The aggregate of emoluments of the highest paid Director was £107,932 (2016: £107,216), including company pension contributions of £5,250 (2016: £5,250) made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of Directors under:

	Year ended 31/12/17	Year ended 31/12/16
Money purchase schemes	1	1

## 7. Administrative expenses

During the year to 31st December 2017, the Group incurred exceptional costs relating to the relocation of the G&M TEX Ltd operation to a new site and the relocation of Eurotex International Ltd. These amounted to £268,000 (2016: £185,000).

## 8. Finance expenses

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Interest on bank overdrafts and loans	69	48
Interest on pension scheme deficit	37	54
Interest on obligations under finance leases	50	45
<b>Finance expense</b>	<b>156</b>	<b>147</b>

Further details of the interest on the pension scheme deficit are disclosed in note 25.

## 9. Taxation

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
<b>Current taxation</b>		
Current year	167	240
Adjustments for prior year	11	(29)
	<b>178</b>	<b>211</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	19	(12)
Adjustments for prior years	–	–
	<b>19</b>	<b>(12)</b>
<b>Total taxation in income statement</b>	<b>197</b>	<b>199</b>

Domestic income taxation is calculated at 19.25% (2016: 20.0%) 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 31/12/17 £000	Year ended 31/12/16 £000
Profit before taxation	927	1,107
Taxation at the domestic income taxation rate of 19.25% (2016: 20.0%)	178	221
Non-deductible expenses	3	–
Other differences	5	7
Adjustments for prior years	11	(29)
<b>Taxation expense and effective taxation rate for the year</b>	<b>197</b>	<b>199</b>

In addition to the income taxation expense charged to profit or loss, a deferred taxation debit of £148,000 (2016: credit of £10,000) has been recognised in equity in the year.

## 10. Dividends

On 22nd July 2016, a dividend of 5.0 pence per share (total dividend £317,573) was paid to shareholders.

On 7th October 2016, a dividend of 2.5 pence per share (total dividend £158,786) was paid to shareholders.

On 21st July 2017, a dividend of 6.0 pence per share (total dividend £381,087) was paid to shareholders.

On 6th October 2017, a dividend of 2.5 pence per share (total dividend £158,786) was paid to shareholders.

In respect of the current year, the Directors propose that a dividend of 6.0 pence per share will be paid to shareholders on 20th July 2018. 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 2018. The total estimated dividend to be paid is £381,087.

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 11. Earnings per share

Basic earnings per share of 11.5 pence (2016: 14.3 pence) is based on the following data:

### Earnings

	Year ended 31/12/17 £000	Year ended 31/12/16 £000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Parent)	730	908

### Number of shares

	Year ended 31/12/17	Year ended 31/12/16
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,351,452	6,351,452

The Group had no dilutive or potentially dilutive equity instruments at any point during either of the years presented.

## 12. Property, plant and equipment

Consolidated	Land and buildings £000	Plant and machinery £000	Vehicles £000	Furniture, fittings and equipment £000	Total £000
<b>Cost or deemed cost</b>					
Balance at 1st January 2016	4,471	13,982	99	767	19,319
Additions	–	1,280	14	91	1,385
Disposals	–	(199)	–	(21)	(220)
Balance at 31st December 2016	4,471	15,063	113	837	20,484
Balance at 1st January 2017	4,471	15,063	113	837	20,484
Additions	35	1,718	25	99	1,877
Disposals	(47)	(263)	(33)	(65)	(408)
<b>Balance at 31st December 2017</b>	<b>4,459</b>	<b>16,518</b>	<b>105</b>	<b>871</b>	<b>21,953</b>
<b>Depreciation and impairment</b>					
Balance at 1st January 2016	2,046	10,909	58	729	13,742
Charge for the year	90	918	24	50	1,082
Disposals	–	(183)	–	(21)	(204)
Balance at 31st December 2016	2,136	11,644	82	758	14,620
Balance at 1st January 2017	2,136	11,644	82	758	14,620
Charge for the year	89	940	23	83	1,135
Disposals	(47)	(215)	(13)	(84)	(359)
<b>Balance at 31st December 2017</b>	<b>2,178</b>	<b>12,369</b>	<b>92</b>	<b>757</b>	<b>15,396</b>
<b>Net book value</b>					
At 1st January 2016	2,425	3,073	41	38	5,577
At 31st December 2016 and 1st January 2017	2,335	3,419	31	79	5,864
<b>At 31st December 2017</b>	<b>2,281</b>	<b>4,149</b>	<b>13</b>	<b>114</b>	<b>6,557</b>

The carrying amount of the Group's fixtures, equipment, plant and machinery includes an amount of £2,038,000 (2016: £1,560,000) in respect of assets held under finance leases and depreciation of £287,000 (2016: £175,000).

No interest was capitalised during the year (2016: £Nil).



Company	Land and buildings £000	Furniture, fittings and equipment £000	Total £000
<b>Cost</b>			
Balance at 1st January 2016	10	54	64
Additions	–	6	6
Disposals	–	–	–
Balance at 31st December 2016	10	60	70
Balance at 1st January 2017	10	60	70
Additions	–	4	4
Disposals	–	(7)	(7)
<b>Balance at 31st December 2017</b>	<b>10</b>	<b>57</b>	<b>67</b>
<b>Depreciation and impairment</b>			
Balance at 1st January 2016	10	46	56
Charge for the year	–	5	5
Disposals	–	–	–
Balance at 31st December 2016	10	51	61
Balance at 1st January 2017	10	51	61
Charge for the year	–	6	6
Disposals	–	(7)	(7)
<b>Balance at 31st December 2017</b>	<b>10</b>	<b>50</b>	<b>60</b>
<b>Net book value</b>			
At 1st January 2016	–	8	8
At 31st December 2016 and 1st January 2017	–	9	9
<b>At 31st December 2017</b>	<b>–</b>	<b>7</b>	<b>7</b>

### 13. Subsidiaries

The Company has the following investments in active subsidiaries:

Name of subsidiary	Principal activity
BSP International Foundations Ltd	Design and manufacture of a proprietary range of piling and dynamic compaction equipment for the ground engineering sector.
Tex Engineering Ltd	Manufacture and sale of Trojan Asphalt Mixers, road surfacing and associated equipment and spares, Mobility Scooter Stores, Allied Kiosks and Enclosures, Industrial Gas Burners, Springwood white lining equipment, trailers and marketing and distribution of Fibertex Geotextiles.
Eurotex International Ltd	Marine diesel engine and governor rebuilding, parts supply and technical support; engineering and procurement services.
G&M TEX Ltd	Design and assembly of bespoke high quality diesel powered electrical generator sets.
Tex A.T.C. Services Ltd	Design, manufacture and installation of air traffic control rooms.
Tex Air Traffic Control Rooms Ltd	Design, manufacture and installation of air traffic control rooms.
Tex Special Projects Ltd	Design and manufacture of bespoke and modular structures and radio frequency-blocking glazing for both civilian and military applications.
Tex Plastics (Derby) Ltd	Precision injection moulding and finishing services and tooling procurement.
Tex Plastics (Barnstaple) Ltd	Precision injection moulding and assembly services and tooling procurement.
QK Honeycomb Products Ltd	Manufacture and sale of boards and panels.
UK Mex and Associates Ltd	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.

The Company has the following investments in dormant subsidiaries:

Tex A.T.C. Ltd, Tex Engineering Products Ltd, Tex Group Ltd, Tex Industrialised Construction Systems Ltd, Tex Tooling Ltd, Triplego Ltd, QK (Humburside) Limited and Woolaway Homes Ltd.

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. All companies are registered at the Tex Holdings plc registered address.

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 13. Subsidiaries continued

	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
<b>Cost</b>			
At 1st January 2017	3,621	17,094	20,715
Loan movement	–	1,558	1,558
<b>At 31st December 2017</b>	<b>3,621</b>	<b>18,652</b>	<b>22,273</b>
<b>Provisions</b>			
At 1st January 2017	2,232	4,306	6,538
Movement	–	–	–
<b>At 31st December 2017</b>	<b>2,232</b>	<b>4,306</b>	<b>6,538</b>
<b>Net book value</b>			
<b>At 31st December 2017</b>	<b>1,389</b>	<b>14,346</b>	<b>15,735</b>
At 31st December 2016	1,389	12,788	14,177

The Group considers impairment of its subsidiaries annually, comparing the carrying value of the investment in the Company balance sheet to the respective subsidiary's net assets. This is assessed in the context of the Group's divisional structure, and if appropriate, an impairment provision is made.

## 14. Deferred taxation

### Consolidated

#### *Recognised deferred taxation assets and liabilities*

Deferred taxation assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>31/12/17 £000</b>	<b>31/12/16 £000</b>	<b>31/12/17 £000</b>	<b>31/12/16 £000</b>
Property, plant and equipment and other timing differences	–	–	<b>140</b>	132
Employee benefits	<b>(160)</b>	(319)	–	–
Taxation (assets)/liabilities	<b>(160)</b>	(319)	<b>140</b>	132
Net of taxation liabilities/(assets)	<b>140</b>	132	<b>(140)</b>	(132)
Net taxation (assets)/liabilities	<b>(20)</b>	(187)	–	–

#### *Movement in deferred taxation during the year*

	01/01/17 £000	Recognised in income £000	Recognised in equity £000	<b>31/12/17 £000</b>
Property, plant and equipment and other timing differences	132	8	–	<b>140</b>
Employee benefits	(319)	12	147	<b>(160)</b>
	(187)	20	147	<b>(20)</b>

#### *Movement in deferred taxation during the prior year*

	01/01/16 £000	Recognised in income £000	Recognised in equity £000	<b>31/12/16 £000</b>
Property, plant and equipment and other timing differences	144	(12)	–	132
Employee benefits	(309)	–	(10)	(319)
	(165)	(12)	(10)	(187)

## Company

### Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
Property, plant and equipment and other timing differences	(69)	(92)	—	—
Employee benefits	(160)	(319)	—	—
Taxation (assets)/liabilities	(229)	(411)	—	—
Net of taxation liabilities/(assets)	—	—	—	—
Net taxation (assets)/liabilities	(229)	(411)	—	—

### Movement in deferred taxation during the year

	01/01/17 £000	Recognised in income £000	Recognised in equity £000	31/12/17 £000
Property, plant and equipment and other timing differences	(92)	23	—	(69)
Employee benefits	(319)	12	147	(160)
	(411)	35	147	(229)

### Movement in deferred taxation during the prior year

	01/01/16 £000	Recognised in income £000	Recognised in equity £000	31/12/16 £000
Property, plant and equipment and other timing differences	(92)	—	—	(92)
Employee benefits	(308)	—	(11)	(319)
	(400)	—	(11)	(411)

## 15. Inventories

	Consolidated		Company	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
Raw materials	3,521	3,313	—	—
Work-in-progress	740	1,101	—	—
Finished goods	2,537	2,469	—	—
	6,798	6,883	—	—

During 2017 stock expensed was £29,725,000 (2016: £30,358,000) and the amount of additional provision in the year was £40,000 (2016: Released from provision £34,000). The stock provision is £1,672,000 (2016: £1,632,000).

## 16. Trade and other receivables

	Consolidated		Company	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
Amounts receivable from the sale of goods	10,127	8,808	—	—
Amounts receivable from related parties	—	—	224	173
Other debtors and prepayments	1,265	1,812	27	39
	11,392	10,620	251	212

The Directors consider that the carrying amount of trade and other receivables approximates their fair value, after incorporating an impairment provision of £81,000 (2016: £83,000).

All of the above amounts are financial assets of the Group and Parent Company, classified as loans and receivables carried at amortised cost, except amounts recoverable on contracts included in other debtors and certain prepayments of £1,265,000 (2016: £1,812,000) which are not financial assets.

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 16. Trade and other receivables continued

### 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 Company currently operates in overdraft.

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.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/17</b>	<b>31/12/16</b>	<b>31/12/17</b>	<b>31/12/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Eurozone	<b>153</b>	381	—	—
UK	<b>8,732</b>	7,911	—	—
US	<b>122</b>	286	—	—
Other countries	<b>1,201</b>	313	—	—
	<b>10,208</b>	8,891	—	—

Contracts in progress at balance sheet date:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/17</b>	<b>31/12/16</b>	<b>31/12/17</b>	<b>31/12/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Progress billings and applications for payment included in trade and other receivables	—	36	—	—
Amounts due to contract customers included in trade and other payables	—	—	—	—
	—	36	—	—
Contract costs incurred plus recognised profits less recognised losses to date	<b>1,408</b>	1,391	—	—
Less: Progress billings and applications for payment	<b>(1,221)</b>	(981)	—	—
Amounts recoverable on long-term contracts	<b>187</b>	410	—	—

Amounts recoverable on contracts are included in other debtors.

The ageing of receivables at the reporting date was:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/17</b>	<b>31/12/16</b>	<b>31/12/17</b>	<b>31/12/16</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not past due	<b>4,427</b>	5,238	—	—
Past due 0-30 days	<b>3,436</b>	2,374	—	—
Past due 31-120 days	<b>2,160</b>	1,202	—	—
Balance up to one year	<b>124</b>	19	—	—
More than one year	<b>61</b>	58	—	—
	<b>10,208</b>	8,891	—	—

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1st January	<b>83</b>	189	—	—
Impairment (profit)/loss recognised	<b>(2)</b>	(106)	—	—
Balance at 31st December	<b>81</b>	83	—	—

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 180 days past due. Balances over 180 days overdue are reviewed on a case-by-case basis, taking into account receivables post year-end.

All of the Group's impairment allowance arises from full provision against specific balances.

## 17. Current bank overdrafts and loans

	Consolidated		Company	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
Bank overdrafts; being cash and cash equivalents as reported in the cash flow statements	<b>1,737</b>	243	<b>2,537</b>	925
Bank loans and finance lease liabilities (note 19)	<b>971</b>	887	<b>420</b>	532
	<b>2,708</b>	1,130	<b>2,957</b>	1,457

The Directors consider that the carrying amount of bank overdrafts and loans approximates their fair value.

All the Group's borrowings are denominated in Pounds Sterling.

The average effective interest rates paid were as follows:

	31/12/17	31/12/16
Bank overdrafts	<b>3.25%</b>	3.25%
Bank loans	<b>4.60%</b>	4.60%

Bank loans of £1,420,000 (2016: £1,884,000) 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 £1,737,000 (2016: £243,000) have been secured by a floating charge over the Group's assets. The average effective interest rate is determined based on 2.75% over bank base rate.

The Group has three principal bank loans:

- a loan of £20,000 (2016: £52,000). 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.
- a loan of £Nil (2016: £100,000). The loan was raised on 12th March 2012. Repayments commenced on 12th June 2012 and will continue until 12th March 2017. The loan is secured by a floating charge over the Group's assets. The loan carries interest at 4.1825%.
- a loan of £1,400,000 (2016: £1,800,000). The loan was raised on 20th May 2016. Repayments commenced on 2nd September 2016 and will continue until 2nd September 2021. The loan is secured by a floating charge over the Group's assets. The loan carries interest at 2.76%.

There were no defaults of the loans during the year.

At 31st December 2017, the Group had available £763,000 (2016: £2,257,000) of undrawn committed borrowing facilities.

## 18. Share capital

Consolidated and Company	31/12/17 £000	31/12/16 £000
<b>Authorised:</b>		
8,000,000 ordinary shares of 10 pence each	<b>800</b>	800
<b>Issued and fully paid:</b>		
At the beginning and end of the year	<b>635</b>	635

The Company has one class of ordinary share.

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 19. 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.

	Consolidated		Company	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
<b>Non-current liabilities</b>				
Secured bank loans	994	1,415	994	1,416
Finance lease liabilities	1,165	1,206	–	–
	<b>2,159</b>	<b>2,621</b>	<b>994</b>	<b>1,416</b>
<b>Current liabilities</b>				
Current portion of secured bank loans	420	532	420	532
Current portion of finance lease liabilities	551	355	–	–
	<b>971</b>	<b>887</b>	<b>420</b>	<b>532</b>
	Carrying amount		Undiscounted future commitment	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
<b>Amounts repayable under secured bank loans:</b>				
Within one year	420	532	453	578
In the second to fifth years inclusive	994	1,416	1,036	1,489
Beyond five years	–	–	–	–
	<b>1,414</b>	<b>1,948</b>	<b>1,489</b>	<b>2,067</b>
	Minimum lease payments		Present value of minimum lease payments	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
<b>Amounts payable under finance leases:</b>				
Within one year	551	355	551	355
In the second to fifth years inclusive	1,165	950	1,165	829
Beyond five years	–	256	–	176
	<b>1,716</b>	<b>1,561</b>	<b>1,716</b>	<b>1,360</b>

It is the Group's policy to lease certain of its premises, fixtures and equipment under finance leases. The average lease term is three years. For the year ended 31st December 2017, the average effective borrowing rate was 6.5% (2016: 6.5%). 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. The increase in financial lease liabilities is a non-cash transaction which is not included in the consolidated statement of cash flows.

The fair value of the Group's lease obligations approximates their carrying amount. All borrowings held by the Group are financial liabilities carried at amortised cost.

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

## 20. Trade and other payables

	Consolidated		Company	
	31/12/17 £000	31/12/16 £000	31/12/17 £000	31/12/16 £000
Trade payables	5,431	5,410	157	16
Amounts due to related parties	–	–	–	–
Social security and other taxes	917	684	45	26
Accrued expenses	1,836	1,927	61	252
	<b>8,184</b>	<b>8,021</b>	<b>263</b>	<b>294</b>

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.

All of the above amounts are financial liabilities of the Group and Parent Company, carried at amortised cost, except social security and other taxes.



## 21. Provisions for other liabilities and charges

	Consolidated		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
At 1st January	199	199	99	99
Movement in provisions	–	–	13	–
At 31st December	199	199	112	99
Non-current	199	199	99	99
Current	–	–	13	–
At 31st December	199	199	112	99

Provisions comprise the following:

Dilapidations on rented premises	112	99	112	99
Holiday pay expenses	87	100	–	–
At 31st December	199	199	112	99

Due to the nature of the provision at the date of approval of the financial statements, it is not known when the provisions will be settled. The Board expect this will occur in the next five years and any discounting to reflect the time value of money would not be material.

## 22. 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 borrowing 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 2017 was being utilised by other Group companies to the extent of £1,737,000 (31st December 2016: £26,000);
  - (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 2017 amounted to £15,000 (31st December 2016: £154,372).

## 23. Capital Commitments

There were no Group or Company capital commitments at the end of the current or previous financial year.

## 24. Operating lease arrangements

The Group leases the majority of its properties through operating and finance leases as well as other assets.

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

	Land and buildings 31/12/17 £000	Other 31/12/17 £000	Land and buildings 31/12/16 £000	Other 31/12/16 £000
Consolidated				
Operating leases rental payments due:				
Within one year	326	35	228	18
In the second to fifth years inclusive	1,419	62	1,102	66
Over five years	3,593	–	3,186	–
	5,338	97	4,516	84
	Land and buildings 31/12/17 £000	Other 31/12/17 £000	Land and buildings 31/12/16 £000	Other 31/12/16 £000
Company				
Operating leases rental payments due:				
In the second to fifth years inclusive	9	–	9	–

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 24. Operating lease arrangements continued

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.

### Consolidated

During the year £637,000 was recognised as an expense in the income statement in respect of operating leases (2016: £541,000).

### Company

During the year £27,000 was recognised as an expense in the income statement in respect of operating leases (2016: £27,000).

## 25. 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. The Scheme is operated within the regulatory framework operated by the Pensions Regulator and under the Pensions Act 2004. 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 most recent funding valuation at 6th April 2016 showed that the market value of the Scheme's assets was £12,957,000 which represented 94% 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 £8,333 per month.

The major assumptions used in this valuation were updated for IAS 19 purposes and are as follows:

	31/12/17	31/12/16
Discount rate	<b>2.40%</b>	2.60%
Expected return on plan assets	<b>N/A</b>	N/A
Expected rate of salary increases	<b>N/A</b>	N/A
Inflation	<b>3.40%</b>	3.50%
Pension cost of living increase	<b>3.60%</b>	3.70%

In valuing the liabilities of the pension fund at 31st December 2017, 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: 22.9 years (male), 24.7 years (female).
- Future retiree upon reaching 65: 24.3 years (male), 26.2 years (female).

The average defined benefit obligation at the period ended 31st December 2017 is 15 years (2016: 14 years).

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

	31/12/17 £000	31/12/16 £000
Present value of funded obligations	<b>(15,493)</b>	(15,789)
Fair value of plan assets	<b>14,831</b>	14,297
Net liability recognised in the balance sheet	<b>(662)</b>	(1,492)

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

	31/12/17 £000	31/12/16 £000
Interest on obligation	<b>(398)</b>	(537)
Interest income	<b>361</b>	483
	<b>(37)</b>	(54)

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

	31/12/17 £000	31/12/16 £000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	876	1,019
Experience gains and losses arising on the defined benefit obligation – gain/(loss)	75	1,331
Effects of changes in demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	192	–
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	(376)	(2,400)
Total amount recognised in other comprehensive income – gain/(loss)	767	(50)

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 gains of £453,000 (2016 losses: £314,000).

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

	31/12/17 £000	31/12/16 £000
Opening defined benefit obligation	15,789	14,790
Interest cost	398	537
Benefit paid	(803)	(607)
Actuarial gain (including experience gains arising)	109	1,069
Defined benefit obligation at end of year	15,493	15,789

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

	31/12/17 £000	31/12/16 £000
Fair value of plan assets at beginning of year	14,297	13,302
Interest income	361	483
Total contributions - employer	100	100
Benefits paid	(803)	(607)
Return on plan assets (excluding interest)	876	1,019
Fair value of plan assets at end of year	14,831	14,297

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

	31/12/17 £000	31/12/16 £000
Equities	12,410	11,546
Bonds	1,777	2,212
Cash	644	539
	14,831	14,297

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 9%.

The history of the plan for the current and prior periods, which is used by the Directors as a high-level sensitivity analysis, is as follows:

	31/12/17 £000	31/12/16 £000	31/12/15 £000	31/12/14 £000	31/12/13 £000
Present value of defined benefit obligation	15,493	15,789	14,790	15,897	14,325
Fair value of plan assets	(14,831)	(14,297)	(13,302)	(13,306)	(12,955)
	662	1,492	1,488	2,591	1,370
Experience gains/(losses) arising	75	1,331	41	45	(446)

The Group expects to contribute approximately £100,000 to its defined benefit plan in 2018.

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 25. Retirement benefit plans continued

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation:

Change in assumption		2017 Change in liabilities	2016 Change in liabilities
Discount rate	Decrease of 0.25% p.a.	<b>Increase by 3.5%</b>	Increase by 3.7%
Rate of inflation	Increase of 0.25% p.a.	<b>Increase by 1.0%</b>	Increase by 1.1%
Rate of mortality	Increase of life expectancy of 1 year	<b>Increase by 3.8%</b>	Increase by 3.9%
Commutation	Members commute an extra 10% of Post-A Day pension on retirement	<b>Decrease by 0.4%</b>	Decrease by 0.4%

### 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 £351,000 (2016: £227,000).

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

## 26. Related party transactions

The Company has a related party relationship with its subsidiaries and Directors.

ARB Burrows has an interest in Edward Le Bas Properties Limited through which the Group rents properties. Transactions during the period ended 31st December 2017 that require disclosure are detailed below:

Rentals paid (excluding recharge of ancillary costs)	£383,904 (31st December 2016: £308,485)
Other property related expenditure	£144,162 (31st December 2016: £115,841)
Trade payables	£17,777 (31st December 2016: £14,208)

ARB Burrows has an interest in IS&G Steel Stockholders Limited through which the Group purchases steel. Transactions during the period ended 31st December 2017 that require disclosure are detailed below:

Purchases	£173,391 (31st December 2016: £105,911)
Trade payables	£52,305 (31st December 2016: £26,782)

ARB 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 Group's key management personnel. Details regarding Directors' remuneration can be found on pages 22 and 23 in the Directors' Remuneration Report.

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

During the year ended 31st December 2017 the Company received interest income from subsidiary undertakings of £1,111,000 (2016: £1,021,000), management charges of £103,000 (2016: £103,000) and dividends of £530,000 (2016: £500,000).

## 27. Financial instruments and risk management

### Capital risk management

Capital risk is the risk that the Company/Group may lose value on its capital.

The Company/Group manages its capital to ensure that entities in the Company/Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Company/Group consists of debt, which includes the borrowings disclosed in notes 17 and 19, cash and cash equivalents and equity attributable to equity holders of the Parent disclosed in the Statement of Changes in Equity. The structure is managed to minimise the Group's cost of capital and to provide ongoing returns to shareholders and service debt obligations.

Surplus cash is either reinvested in the business or used to repay debt. The Group maintains a conservative level of debt.

The Group is not subject to externally imposed capital requirements.

A description of each reserve in equity is set out below:

Reserve	Description and purpose
Capital redemption reserve	The capital redemption reserve contains the nominal value of own shares that have been acquired by the Company and cancelled.
Share premium account	Amounts subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the Statement of Comprehensive Income, net of dividends paid.

### Interest rate risk

Interest rate risk is the risk that the Company profits will be impacted by rises in interest rate.

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings.

If interest rates had been 1.0% higher or lower and all other variables were held constant, the Group's profit for the year ended 31st December 2017 and its equity at 31st December 2017 would decrease or increase by £42,000 in each case. This calculation applies a 1.0% variance in the average interest rate for the year on the variable rate borrowings. A 1.0% increase or decrease represents management's assessment of a reasonably possible change in interest rates.

### Liquidity risk

Liquidity risk is the risk that the company does not have the liquid funds available to meet liabilities when they fall due.

The Group manages liquidity risk by maintaining adequate borrowing facilities and by regularly monitoring forecast and actual cash flows.

A summary of the maturity of the Group's borrowing is presented in note 19.

### Foreign currency risk

The Group has limited exposure to foreign currency risk.

# Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2017

## 28. Notes supporting statement of cashflows

	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
<b>Consolidated</b>			
At 1st January 2017	2,621	887	3,508
Cashflows	–	(1,066)	(1,066)
Non-cash flows			
– New finance leases	459	229	688
– Loans and borrowings classified as non-current at 31st December 2016 becoming current during 2017	(921)	921	–
<b>At 31st December 2017</b>	<b>2,159</b>	<b>971</b>	<b>3,130</b>
	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
At 1st January 2016	1,155	776	1,931
Cashflows	1,600	(571)	1,029
Non-cash flows			
– New finance leases	365	183	548
– Loans and borrowings classified as non-current at 31st December 2015 becoming current during 2016	(499)	499	–
At 31st December 2016	2,621	887	3,508
	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
<b>Company</b>			
At 1st January 2017	1,416	532	1,948
Cashflows	–	(534)	(534)
Non-cash flows			
– New finance leases	–	–	–
– Loans and borrowings classified as non-current at 31st December 2016 becoming current during 2017	(422)	422	–
<b>At 31st December 2017</b>	<b>994</b>	<b>420</b>	<b>1,414</b>
	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
At 1st January 2016	149	431	580
Cashflows	1,600	(232)	1,368
Non-cash flows			
– New finance leases	–	–	–
– Loans and borrowings classified as non-current at 31st December 2015 becoming current during 2016	(333)	333	–
At 31st December 2016	1,416	532	1,948



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventy-second Annual General Meeting of the Company will be held at Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL on 25th June 2018 at 12.15pm for the following purposes:

1. To receive and adopt the consolidated financial statements, together with the reports of the Directors and auditors, for the year ended 31st December 2017.
2. To approve the payment of a dividend of 6.0 pence per share to shareholders on the register as at 22nd June 2018 with payment to be made on 20th July 2018.
3. To approve the Directors' Remuneration Report for the financial year ended 31st December 2017.
4. To re-elect as a Director CT Varley who retires by rotation.

CT Varley (age 69) retired as Managing Director of Tex Plastics Division in December 2014, having served the Group for nearly 30 years. Mr Varley brings 30 years of knowledge of the plastics industry to the Board.

5. A resolution will be proposed that ARB Burrows who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be re-appointed as Director of the Company for a further period of one year. Mr Burrows brings continuity to the Board and has many years knowledge of the Group.
6. A resolution will be proposed that CD Palmer-Tomkinson who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be re-appointed as Director of the Company for a further period of one year. Mr Palmer-Tomkinson brings knowledge of the city to the Board to complement the Board's practical knowledge.
7. A resolution will be proposed that D Redhead who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be re-appointed as Director of the Company for a further period of one year. Mr Redhead brings knowledge of the Engineering operations and international sales experience to the Board.
8. A resolution will be proposed that GC Gray who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be re-appointed as Director of the Company for a further period of one year. Mr Gray brings management experience at a senior level to the Board.
9. To re-appoint BDO LLP as auditors and to authorise the Directors to fix their remuneration.

By order of the Board

**CA 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 16th April 2018 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 15 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 10th April 2017 to 16th April 2018; and
  - (b) A copy of the Executive Director's contract of service with the Company.

# Directors and Advisors

## **TEX HOLDINGS plc**

Parent Company

### **Directors**

ARB Burrows\* (Chairman)

GC Gray\* (appointed 05/09/2017)

CA Parker (Executive Director)

CD Palmer-Tomkinson\*\*

D Redhead\*

CT Varley\*

\* (Non-Executive Director, Member of Remuneration Committee)

\*\* (Non-Executive Director, Member of Audit Committee, Member of Remuneration Committee)

### **Registered number**

00405838

### **Registrars**

Computershare Investor Services PLC

### **Auditors**

BDO LLP

### **Bankers**

National Westminster Bank PLC

### **Legal advisors**

Birketts LLP

## **Company Secretary**

CA Parker

## **TEX GROUP LIMITED**

Management Company

### **Directors**

EB Burrows (appointed 01/09/2017)

SP Codd

J Davies

JM Field

MJ McCarthy (died 30/08/2017)

RJ Melton

DJ Ogden

CA Parker

### **Registered office**

Claydon Business Park

Gipping Road

Great Blakenham

Ipswich

Suffolk

IP6 0NL

United Kingdom

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# Group Addresses

## Tex Holdings plc

Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Executive Director: Mr CA Parker

Tel: 01473 830144

[www.tex-holdings.co.uk](http://www.tex-holdings.co.uk)

## BSP International Foundations Limited

Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Managing Director: Mr RJ Melton

Tel: 01473 830431

[www.bsp-if.com](http://www.bsp-if.com)

## Tex Engineering Limited

Unit 35, Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Director: Mr DJ Ogden

Tel: 01473 830030

[www.tex-engineering.co.uk](http://www.tex-engineering.co.uk)

## Tex Air Traffic Control Rooms Ltd

Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Director: Mr SP Codd

Tel: 01473 830144

[www.tex-atc.co.uk](http://www.tex-atc.co.uk)

## Tex A.T.C. Services Limited

Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Director: Mr SP Codd

Tel: 01473 830144

[www.tex-atc.co.uk](http://www.tex-atc.co.uk)

## Tex Special Projects Limited

Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Director: Mr SP Codd

Tel: 01473 830144

[www.tex-atc.co.uk](http://www.tex-atc.co.uk)

## Eurotex International Limited

Unit 99, Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

Managing Director: Mr SP Codd

Tel: 01473 917959

[www.eurotex-intl.com](http://www.eurotex-intl.com)

## G&M TEX Ltd

Unit 69, Claydon Business Park, Gipping Road,  
Great Blakenham, Ipswich, Suffolk IP6 0NL,  
United Kingdom

General Manager: Mr G Chadwick

Tel: 01473 662777

[www.gmtex.co.uk](http://www.gmtex.co.uk)

## Tex Plastics (Derby) Limited

Wetherby Road, Derby DE24 8HL,  
United Kingdom

Managing Director: Mr J Davies

Tel: 01332 363249

[www.tex-plastics.co.uk](http://www.tex-plastics.co.uk)

## Tex Plastics (Barnstaple) Limited

Aviemoore Industrial Estate,  
Barnstaple, North Devon EX31 2EU,  
United Kingdom

Managing Director: Mr J Davies

Tel: 01271 378528

[www.tex-plastics.co.uk](http://www.tex-plastics.co.uk)

## QK Honeycomb Products Limited

Creeping Road West, Stowmarket,  
Suffolk IP14 5AS,  
United Kingdom

Managing Director: Mr JM Field

Tel: 01449 612145

[www.qkhoneycomb.co.uk](http://www.qkhoneycomb.co.uk)



Claydon Business Park,  
Gipping Road, Great Blakenham,  
Ipswich, Suffolk IP6 0NL,  
United Kingdom

Tel: 01473 830144

[www.tex-holdings.co.uk](http://www.tex-holdings.co.uk)