TEX HOLDINGS PLC

ANNUAL REPORT & ACCOUNTS 2018

PLASTICS | BOARDS & PANELS | ENGINEERING

Contents

TEX HOLDINGS plc

CHAIRMAN'S STATEMENT

Results for year ended 31st December 2018

Results and operations

Tex Group sales were £40m (2017: £42m). Gross margins reduce from 28.4% to 25%.

The Plastics Division profits have reduced marginally as a result of increased labour and power costs, partly compensated by increased volumes. The Engineering Division had a very challenging year and produced a significant loss with trading issues around sales volumes and mix in some companies, after incurring further relocation costs, write-off of design and other costs relating to contracts expected to be shipped in 2019 and provision against debtor balances. The Boards & Panels Division performance was down on the previous year as a result of increased costs of gearing up for the expanded operations within the new factory currently under construction at the Brigg site.

The Group reported a pre-tax trading loss of £180k for the year (2017: profit £927k), but this was increased by an exceptional IAS19 adjustment for GMP equalisation of £534k which took the total reported pre-tax loss for the year to £714k.

The challenging conditions in the Engineering Division were largely responsible for the Group breaching certain banking covenants and then in early 2019 having trading in its shares suspended. More detail about these events are given in the Strategic Report.

The Group's net assets per share have decreased from 168p to 140p, driven by the increase in the pension scheme deficit and the reported loss for the current year.

Prospects and dividends

The Plastics Division has continued to trade profitably as expected in 2019. Opening orders have been strong within the Engineering Division with the Group order book in excess of £10,000,000 and the Board is confident that appropriate steps have been taken to address the issues seen during 2018 referred to later. The overall Group performance for the first five months remains challenging, however the Board look forward to reporting an improved position for the full 2019 based on an anticipated improved Engineering Division performance once delayed projects go ahead.

We recommend a final dividend of Nil (2017: 6.0 pence), making an overall payment in respect of the year of 2.5 pence (2017: 8.5 pence).

Staff

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

G C Gray
Chairman
31st July 2019

RESULTS IN BRIEF

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Revenue	**40,354**	41,505
(Loss)/profit before taxation	**(714)**	927
Taxation	**124**	(197)
(Loss)/profit after taxation	**(590)**	730
Total equity	**8,869**	10,639
Net assets per share	**140p**	168p
Basic earnings per share	**(9.3p)**	11.5p
Diluted earnings per share	**(9.3p)**	11.5p
Dividends per share (based on interim dividend in the year, special dividend and final dividend proposed)	**2.5p**	8.5p

STRATEGIC REPORT

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

ENGINEERING DIVISION

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

The Company continues to work on products to reduce noise levels and emissions from the piling hammers and power packs.

The turnover recovered by over £800k from 2017 levels. Gross profit levels were lower than 2017 as a result of the mix of sales being biased to lower margin products in 2018.

Overheads remained consistent with 2017. The reduced margins resulted in the company reporting a pre-tax loss of £357k in 2018 (2017: loss of £317k). Margin pressures have continued into 2019, with further losses being incurred in the first quarter. In April 2019 the Company exhibited at the triennial plant exhibition in Munich. Verbal confirmation was received for a number of orders and a number of other enquiries were generated which are being followed up. As a result, the Directors are still confident of reporting a small operating profit for 2019.

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

Turnover increased by nearly £600k from 2017, the gross profit margin improved by four percentage points as a result of additional work being brought in-house. Overheads increased as a result of higher labour costs and the additional overheads in respect of the facilities acquired in Beccles adding powder coating to the Company's capabilities, but nonetheless the company reported a pre-tax profit of nearly £300k. The Beccles facility should drive further margin improvements going forwards as historically our powder coating work was sub-contracted out.

2019 has opened just below the budget expectations, with a small loss but this initial shortfall is expected to be recovered by the half year and the company has a very strong order book including an order for seven road surfacing chippers.

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

Turnover for 2018 consisted of spares and service support operations and in the absence of an engine build it was reduced by over £400k. This reduction in turnover resulted in the Company moving back into a pre-tax loss of just over £100k. Overheads have been reviewed in the light of reduced activity and some resource redeployed to other parts of the Group and we are confident that a very small loss in Quarter 1 of 2019 will be reversed in Quarter 2 2019.

G&M TEX Ltd – Design and assembly of bespoke high-quality diesel-powered electrical generator sets.

The Company turnover in 2018 was forty percent of the 2017 performance and this resulted in a pre-tax loss of £560k, this was partly due to timing of project awards. Overheads reduced in line with the lower turnover level.

2019 has opened with a small loss, but with combined year-to-date revenue plus known orders already well in excess of 2018 turnover, the Directors are confident of reporting an improved position for the full 2019 year.

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

As a result of delays in sign off and the demise of Carillion, provision has been made against the amounts receivable on projects, producing a pre-tax loss of £171k.

The Company has received a deposit in respect of one project in Nigeria and there are a number of further control rooms in this territory. Design costs in respect of these projects have also been written off in the 2018 year.

The Company is tendering for a number of other 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 has been completed. The turnover for the year represents the final balance in respect of the "Flyco" project and income from additional scopes of work added to our commitment to the project. The Company reported a loss of £426k in 2018, having written off over £200k relating to advanced costs and commission on contracts it hopes will come through during 2019. The Company is showing a small profit in Quarter 1 2019.

The Company has been awarded the contract to supply glass to a sovereign navy, which is expected to be shipped in 2019.

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

Tex Air Traffic Control Rooms Limited – Design, manufacture and installation of air traffic control rooms.

The Company continues to be supported by the Group whilst quoting for a number of other projects. It also incurred a bad debt of £180k in 2018 and this was a major factor in reporting a loss of £200k for the year.

Engineering Division summary

Turnover for the Division reduced from £15,233,000 to £12,842,000 largely as a result of the reduced sales in G&M TEX as noted above.

The loss for the year of £1,091,000 (2017: loss £182,000) is due to a combination of margin issues in BSP, reduced activity in Eurotex, losses in G&M TEX due to timing and weak orders and the losses in respect of the ATC projects.

PLASTICS DIVISION

Tex Plastics (Derby) Limited - Precision injection moulding, assembly and finishing services, tooling procurement. See summary of performance below.

Tex Plastics (Barnstaple) Limited - Precision injection moulding, assembly services, tooling procurement. See summary of performance below.

Plastics Division summary

Turnover for the year to December 2018 increased by £1,300,000, but margins were 2% down from the 2017 rate. Overheads remain under control. These costs were affected by increases in living wage and the Companies' electricity costs. This resulted in the profit before tax decreasing by £150,000, with the Division reporting a pre-tax profit of just under £1million for the year. This strong performance has continued in the year to date, in line with expectations.

BOARDS & PANELS DIVISION

QK Honeycomb Products Limited - Manufacture and sale of lightweight boards and panels.

Turnover remained consistent with 2017. Gross margins increased by two percentage points as a result of productivity improvements from 38% in 2017 to 40%.

Overheads continued to increase due to the living wage and the pressures on payrates to maintain a differential between roles and the recruitment of additional management to improve the company efficiency, as noted above.

Finance costs were also increased as a result of the capital expenditure on the new factory development at Brigg, which is due to be completed in 2019, and expected to be in full production by the third quarter of 2019.

Overall the reported pre-tax loss was slightly down at £148k. 2019 has opened above the budgeted level and the improvement in margins has continued producing the expected level of profit in the year to date.

CA Parker
Executive Director
31st July 2019

CORPORATE SUMMARY

Whilst both the Plastics and the Boards and Panels Divisions traded well their overall profitability was slightly down. However, the real challenge in 2018, and into the early part of 2019, was in certain parts of the Engineering Division where, for the various reasons set out in the Strategic Report, the Group incurred a significant loss. This meant that the Group reported an overall pre-tax trading loss of £180k, and this was further increased by an exceptional IAS19 adjustment for GMP equalisation to take the total pre-tax loss for the year to £714k.

The trading loss meant that the Group failed to meet certain of its banking covenants, after the write-off of costs incurred on contracts not yet confirmed.

As a result of the failure of the auditors to sign off the results, the Company was unable to meet the reporting requirements and as a result, they took the difficult decision to ask for the Company's shares to be suspended.

Subsequent to this, and having taken professional advice, the Board has reached a position where they have confirmed the exact position with regards to the reported numbers and the Group's financial forecasts. Discussions with the Group's bankers in connection with the covenant breaches have taken place and the Bank has agreed to continue the term loan secured against one of the Group's properties. The Group is sourcing alternative finance following the withdrawal of the overdraft facility by the bank.

Support has been pledged by the Group's major shareholder and these funds will be utilised to clear the bank overdraft and to finance the completion of the new facilities at Brigg.

The support pledged will take the form of a £7,000,000 term loan secured on the Group assets, allowing the Group to pay back the overdraft to the bank and to have a secure term finance in place. This loan will be subject to shareholder approval of the loan as a related party transaction.

In terms of highlights from 2018, the Group invested £2,783,000 in freehold premises and plant and machinery, most notably the investment in additional manufacturing facilities both in Suffolk and at the QK Honeycomb Brigg site referred to above.

The Group has also continued to pay down its term borrowings. At the year end the overdraft was increased over the previous year as a result of the financing of the deposit on the new equipment and the increase in stock levels supporting the increased order book and sales in the first half of 2019.

An unsecured loan was received from the major shareholder to support the property development in Brigg and further support has been confirmed as referred to above, this will be repaid and replaced by a secured loan noted above.

The accounting pension deficit recorded in the Group and Parent Company balance sheet has increased by £1,171,000 primarily as a result of the market value of the plan's assets at 31st December 2018 and the provision for the equalisation of GMP in applying IAS 19 requirements referred to above. 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. A number of the trading and other specific issues that arose in 2018 are now either under control or not expected to recur.

Cash control and profitability remain priorities.

Employee gender diversity at the year-end is summarised on page 11 of the Directors' Report.

CA Parker
Executive Director
31st July 2019

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31/12/18 £000	Year ended 31/12/17 £000	Year ended 31/12/16 £000	Year ended 31/12/15 £000	Year ended 31/12/14 £000
Revenue	**40,354**	41,505	41,386	36,046	36,021
(Loss)/profit before taxation	**(714)**	927	1,107	1,493	1,179
(Loss)/profit before taxation as a percentage of revenue	**(1.8%)**	2.2%	2.7%	4.1%	3.3%
(Loss)/profit after taxation	**(590)**	730	908	1,164	867
Basic earnings per share	**(9.3p)**	11.5p	14.3p	18.3p	13.7p
Diluted earnings per share	**(9.3p)**	11.5p	14.3p	18.3p	13.7p
Dividend per share	**2.5p**	8.5p	8.5p	22.0p	6.0p
(based on interim dividend in the year, special dividend in the year and final dividend proposed)					
Total equity	**8,869**	10,639	9,830	9,438	8,730
(Loss)/profit before taxation as a percentage return on average total equity	**(7.3%)**	9.1%	11.5%	16.4%	13.1%
Net assets per share	**140p**	168p	155p	149p	137p

Tex Holdings plc
Directors and Advisors

TEX HOLDINGS plc
Parent Company

Directors
ARB Burrows**
GC Gray* (Chairman)
CA Parker (Executive Director)
CD Palmer-Tomkinson**
D Redhead (Executive Director)
CT Varley (resigned 30/04/2019)

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

Company Secretary
CA Parker

Registered number	00405838

TEX GROUP LIMITED
Management Company

Directors
EB Burrows (resigned 04/07/2019)
GP Chadwick (appointed 17/04/2019)
SP Codd
J Davies
JM Field (resigned 30/09/2018)
RJ Melton
DJ Ogden
CA Parker

Company Secretary
CA Parker

Registered office	Claydon Business Park Gipping Road Great Blakenham Ipswich Suffolk IP6 0NL United Kingdom
Registrars	Computershare Investor Services PLC
Auditors	Scrutton Bland LLP
Bankers	National Westminster Bank PLC
Legal advisors	Birketts LLP

Directors' Report

for the year ended 31st December 2018

The Directors have pleasure in submitting their Annual Report and financial statements for the year ended 31st December 2018.

Principal activities and Strategic Report

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 3 to 5 and note 3 to the financial statements, and below to the extent necessary to give an understanding of the financial position and performance of the business. 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 £40,354,000 (2017: £41,505,000). Loss before taxation was £714,000 (2017: Profit £927,000).

The Directors have proposed a final ordinary dividend in respect of the current financial year of Nil pence per share (2017: 6.0 pence per share). 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 2018 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' Report continued
for the year ended 31st December 2018

Directors
The names of the Directors of the Company, including those who act in a non-executive capacity, appear on page 8. All the Directors served for the whole year.

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

ARB Burrows (age 80) is an industrialist. He is a Director of Le Bas Limited and IS&G (Holdings) Limited.

CA Parker (age 57) is a Chartered Accountant. He joined Tex in 1992 having previously worked for Ernst & Young.

D Redhead (age 72) is Executive Director in charge of operations. He retired as Managing Director of BSP International Foundations in June 2013, following over 40 years' service with the Company. He is International Trade Ambassador for the Construction Equipment Trade Association and sits on the Engineering Employers Federation (recently renamed MAKE) Regional Council, having been past president of the EEF East Anglian branch. He also sits on the Greater Ipswich Chamber of Commerce.

CD Palmer-Tomkinson (age 77) 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 70) retired as Managing Director of Tex Plastics Division in December 2014, having served the Group for nearly 30 years.

GC Gray (age 75) has spent more than 45 years in the International Transportation, Ports and Shipping industry. He is a former Chief Executive of Hutchinson Ports (UK) Limited, Managing Director of the Port of Felixstowe and Chairman of the UK Major Ports Group. 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 and Strategic Advisor to Turia Port Management Investment (Holdings) C.V.

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.

C A Parker retires by rotation and, being eligible, offers himself for re-election as a Director.

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

Directors' Report continued
for the year ended 31st December 2018

Employees

Employee numbers by gender at 31st December 2018:

	Group		Company	
	Male	Female	Male	Female
Directors	21	1	6	-
Senior managers	30	9	-	3
Other employees	293	100	-	3
	344	110	6	6

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 right commitment includes a prohibition on modern slavery in all its forms, including human trafficking and forced or compulsory labour.

LGBT
The Group is committed to prevent discrimination against sexual orientation or gender identification.

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 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.

Directors' Report continued
for the year ended 31st December 2018

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.

The related party refinancing referred to above will be subject to a variable rate of interest.

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.

The terms of the refinancing above include a repayment holiday of 12 months, prior to repayments terms being negotiated.

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. The table below 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.

Directors' Report continued
for the year ended 31 December 2018

Risk matrix

Risk	Potential Impact	Mitigations
Business disruption 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.
Economic conditions 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 the Group operates in. The Group level of diversity provides a degree of protection from downturns in particular markets or industries.
Political conditions 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. There may also be some disruption to the supply chain with additional delays at the ports of entry.	The Group will monitor the UK and EU negotiations to ensure pricing reflects the increased cost of operations. The Group is working with its customers and suppliers to mitigate the effect of potential delays at port of entry. A number of customers have already increased demand to stock pile goods. To prepare for a possible no deal, the Group is exploring alternative sources of supply to mitigate the effect.
	Delays in the commencement of projects as a result of the uncertainty.	The Group will where applicable produce products to a point where once decisions to go ahead with projects, the plant can be completed on a timely basis.
Financial situation The Group is dependent on banking facilities and the availability of finance.	There is a severe risk to the company's ability to continue to trade if the Board fails to negotiate finance facilities.	The Group is in the position where there is potential financial support from Le Bas Investment Trust Limited a major shareholder in the Group.

Political and charitable contributions

The Group made no political contributions during the year. Donations by the Group to UK charities amounted to £2,527 (31st December 2017: £1,492), none of which were individually over £200. All donations were made by the Company.

Directors' Report continued
for the year ended 31st December 2018

Relationship agreement
The Company has entered into a written and legally binding relationship agreement with ARB Burrows and his associates being a controlling shareholder, to address the requirements of LR9.2.2ADR(1) of the Listing Rules. The Relationship Agreement complies with the requirements of the Listing Rules, including LR 9.2.2ADR(2)(a), and LR 6.5.4R. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that the Company has complied with its obligations under the Relationship Agreement, and, so far as the Company is aware, the Controlling Shareholder has complied with the provisions of the Relationship Agreement at all times during this period under review.

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

Throughout the year to 31st December 2018, 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.

Substantial holdings
Notification has been received that, as at 24th July 2019, 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
Rock (Nominees) Limited A/C ISA	340,365	5.36
WB Nominees Limited A/C ISA Max	321,839	5.07
Value Investments Limited	317,574	5.00
Pershing Keen Nominees Limited	272,000	4.28
W B Nominees	226,260	3.56

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

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

a) Leadership
Details of the Directors are on page 8. The Group does not have a Chief Executive Officer but has two Executive Directors. Given the small size and flat group management structure, the Board considers this to be appropriate.

The posts of Chairman and Executive Directors during 2018 were held by ARB Burrows until June 2018, when GC Gray took over the post and CA Parker and D Redhead respectively. CD Palmer-Tomkinson acted as senior Non-Executive Director during the year.

Directors' Report continued
for the year ended 31st December 2018

Of the Non-Executive Directors, CD Palmer-Tomkinson, and CT Varley qualify as independent within the definition of Provision B.1.1. The Board considers CT Varley independent, notwithstanding the fact that he has been an employee of the Group within the last five years as a director of subsidiary companies and he participates in a bonus scheme (Provision D.1.3), as he resigned his directorships on joining the Company's Board and the bonus scheme relates to the specific companies he acts 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). G C Gray fulfils the role of Chairman and therefore he does not qualify as independent within the definition of Provision B.1.1. Mr Burrows due to his interests in the Company's shares does not qualify as independent. 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 in 2018	8	1	2
ARB Burrows*	6	1	N/A
GC Gray	8	1	N/A
CD Palmer-Tomkinson	8	1	2
CA Parker	8	N/A	N/A
D Redhead	8	1	N/A
CT Varley (resigned 30/04/2019)	8	1	N/A

*ARB Burrows was appointed to the Audit Committee on 28th January 2019

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.

Directors' Report continued
for the year ended 31st December 2018

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 CD Palmer-Tomkinson and ARB Burrows (appointed 28th January 2019), 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 2018, 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 members of the Audit Committee maintain regular dialogue with the auditors and monitor regularly the non-audit services being provided to the Group by its external auditors to ensure that this does not impair their independence or objectivity.

The Audit Committee also monitor 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.

Directors' Report continued
for the year ended 31st December 2018

There is an ongoing process, by way of management reports and regular involvement of the Executive Directors 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 did not comprise of at least two independent Non-Executive Directors through-out the year. 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.

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 to safeguard the assets from loss or misuse and to ensure that financial records are reliable. There are clear divisions of responsibility amongst employees and appropriate authorisation limits regarding transactions.

Compliance with controls is continuously monitored by management, including close involvement by the Board. The Executive Directors are 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 Directors and the Chairman in the Group's operations. Provision C.2.1 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.

Directors' Report continued
for the year ended 31st December 2018

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 21 and 22.

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. 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 detailed Group budget for 2019, 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 13 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.

Directors' Report continued
for the year ended 31st December 2018

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.

Directors' Report continued
for the year ended 31st December 2018

Auditors
In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Scrutton Bland LLP as auditors of the Company is to be proposed at the forthcoming Extraordinary General Meeting.

Annual General Meeting
The Annual General Meeting of the Company was held at Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL on 24th June 2019 at 12.15pm. The Notice of an Extraordinary General Meeting to adopt the financial statements is set out on page 75.

By order of the Board

CA Parker
Secretary
31st July 2019

Directors' Remuneration Report
for the year ended 31st December 2018

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 and GC Gray.

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

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

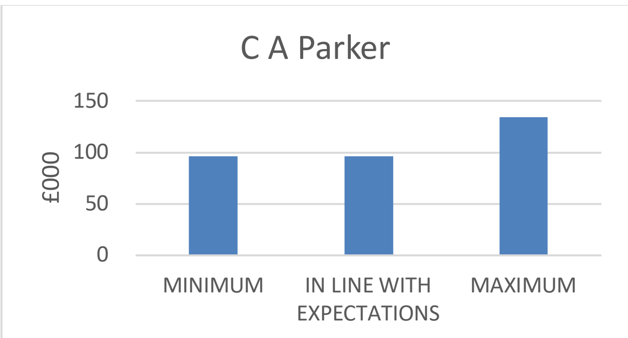
There were no major decisions on directors' remuneration taken in the year, nor any substantial changes made.

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 Directors. 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 2017's annual report and is not expected to change.

The components of the remuneration package for directors include basic salary, pension contributions, health care, 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 2019.

Directors' Remuneration Report continued
for the year ended 31st December 2018

Annual Report on Remuneration

At the last general meeting the Remuneration report and remuneration policy received 3,287,521 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 Directors 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.

D Redhead's service contract dated 17th April 2018 provides for a rolling six-month notice period and is available for inspection at the company's registered office.

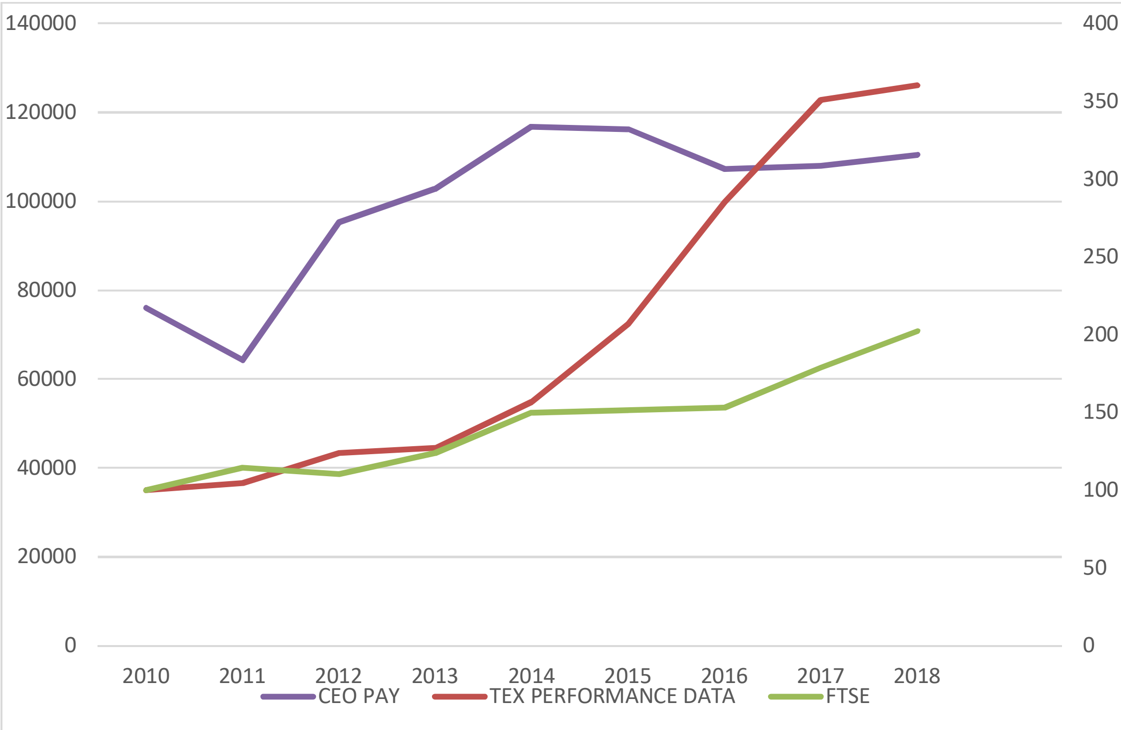
Pension scheme
The Group operates a defined contribution pension scheme. The Company has made contributions of £5,250 (31 December 2017: £5,250) to the Executive Director's money purchase scheme.

Directors' remuneration (audited)

	Financial Year	Salary/fees	Defined contribution pension	Bonus	Other benefits	Healthcare	Total
		£	£	£	£	£	£
ARB Burrows	**FY2018**	**-**	**-**	**-**	**-**	**3,944**	**3,944**
	FY2017	-	-	-	-	3,860	3,860
CD Palmer-Tomkinson	**FY2018**	**20,000**	**-**	**-**	**-**	**-**	**20,000**
	FY2017	20,000	-	-	-	-	20,000
D Redhead	**FY2018**	**41,820**	**-**	**-**	**1,542**	**3,564**	**46,926**
	FY2017	40,800	-	-	1,488	3,472	45,760
CA Parker	**FY2018**	**100,200**	**5,250**	**-**	**3,628**	**1,370**	**110,448**
	FY2017	97,823	5,250	-	3,496	1,363	107,932
CT Varley	**FY2018**	**41,820**	**-**	**-**	**-**	**3,195**	**45,015**
	FY2017	40,800	-	-	-	3,009	43,809
GC Gray	**FY2018**	**35,577**	**-**	**-**	**-**	**-**	**35,577**
	FY2017	6,370	-	-	-	-	6,370

Two of the Directors are beneficiaries of the Tex Holdings plc defined benefit pension scheme.

Directors' Remuneration Report continued
for the year ended 31st December 2018



The above graph shows the CEO pay in years 2010 to 2011 and the sole Executive Director pay for the years 2012 to 2018 and the highest paid executive director pay in 2018.

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 Directors has increased by 2.4% in the year (2017: an increase of 0.7%). This compares to an average increase for all Group employees of 4.8% (2017: an increase of 5.8%) 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 2019 as it has for 2018 as described above.

Directors' remuneration compared to certain other distributions:

	2018 £000	2017 £000	Percentage change %
Directors' remuneration	**276**	228	21.1
Other employee remuneration	**12,224**	11,665	4.8
Dividend payments to shareholders (excluding special dividend)	**533**	540	(1.3)

Share options

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

Directors' Remuneration Report continued
for the year ended 31st December 2018

Directors' share interests (audited)

	Ordinary Shares	
	31/12/18	31/12/17
ARB Burrows	**-**	-
CD Palmer-Tomkinson	**180,000**	180,000
CA Parker	**100**	100
D Redhead	**3,000**	3,000
CT Varley	**3,000**	3,000
GC Gray	**-**	-

There were no changes in Directors' interests between 31st December 2018 and the date of this report.

The market price of the Company's shares at 31st December 2018 was 100.0 pence and the range during the year was 98.5 pence to 139.0 pence.

Approved by the Board

G C Gray
Director
31st July 2019

Audit Committee Report

The Audit Committee is made up of two Non-Executive Directors, CD Palmer-Tomkinson (Chairman) and ARB Burrows (appointed 28th January 2019). Their biographies, qualifications and experience are included on page 10.

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 we 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 with the external auditors, Scrutton Bland 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.

When meeting with the auditors we 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, revenue recognition including profits recognised on contracts and going concern.

We 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
We 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
We 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.

Audit Committee Report continued

At our final meeting with the auditors, prior to signing the Annual Report, we 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.

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 19, 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.

In order to be able to advise the Board that the Annual Report is fair, balanced and understandable, we spent some time deciding what we felt this meant and who our key stakeholders were and what this would mean for them. We 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.

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 18.

Future Plans
We will of course continue to perform our duties as set out in my terms of reference over the course of the next year.

ARB Burrows
Audit Committee
31st July 2019

Independent Auditor's Report to the Members of Tex Holdings plc

Disclaimer of opinion

We were engaged to audit the financial statements of Tex Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31st December 2018 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 Consolidated 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.

We do not express an opinion on the accompanying financial statements of the Group and Parent Company. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We have been unable to obtain sufficient appropriate audit evidence on which to base an opinion on multiple matters (points 1 to 8) for which the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

1. Going concern

We have been unable to obtain sufficient appropriate audit evidence on which to base an opinion on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. Consequently, we have also been unable to obtain sufficient appropriate audit evidence on which to base an opinion on the adequacy of the disclosures made in the financial statements of the circumstances that cast significant doubt on the Group's ability to continue as a going concern and management's plans to deal with those circumstances.

The Group has made a trading loss to 31st December 2018. It has breached its banking covenants and the bank has confirmed that the Group overdraft facility will be withdrawn. The bank has an unlimited guarantee which is secured by fixed charges and floating charges over the assets of the Group.

Other banks have been approached but the Group has been unable to obtain the finance it requires to repay the existing bank overdraft and obtain sufficient funds to continue trading as a going concern. The Group is dependent on receiving the finance it requires from a Director and his connected parties, which collectively own 38% of the shares of the Parent Company and have provisionally agreed to lend the Group £7 million. As a Listed Entity, this re-financing transaction is dependent on satisfactory completion of a number of regulatory requirements which must ultimately be sanctioned by the shareholders.

We have been provided with documentation confirming that the Financial Conduct Authority has been notified of the planned transaction. Correspondence from the Company's recently appointed sponsors and discussions with management indicate that the earliest date by which all regulatory requirements can be completed is 30th August 2019.

As at 31st July 2019 it is not possible to confirm that the transaction will be sanctioned by shareholders or that all the relevant steps can be completed. With no other sources of finance forthcoming this represents a material threat to the Group's continuing operations.

Independent Auditor's Report to the Members of Tex Holdings plc continued

2. Investments in subsidiary undertakings

Investments in subsidiary undertakings recorded in the Parent Company balance sheet at £16.008 million have been assessed for impairment in accordance with IFRS 9. The underlying assumptions are subject to significant uncertainty and judgement. The assumptions include judgements in respect of future cash flows and recovery of residual assets at the end of a ten-year period. In the light of the uncertainties referred to above we are unable to obtain sufficient appropriate audit evidence on which to base an opinion on the value of the adjustment in respect of transition to IFRS 9 Financial Instruments and the value of the provision for impairment recorded.

3. Impairment of tangible fixed assets

We have been unable to obtain sufficient appropriate audit evidence on which to base an opinion on whether any provisions for impairment of tangible fixed assets are required.

Several of the subsidiaries have made operating losses and/or had operating cash outflows for the year. These are both indications that impairment provisions may be required, and which necessitate formal impairment assessments under IAS 36 Impairment of Assets. However, management has not performed any formal tangible fixed asset impairment assessments.

4. Value of inventories

We have been unable to obtain sufficient appropriate audit evidence on which to confirm that inventories valued at £8.271 million are not overstated. Primarily this relates to the calculation of production labour and overheads allocated to stock based on actual rather than normal capacity, but in the light of the uncertainties regarding normal capacity and the net realisable value of stock as a result of trading difficulties, the value of inventories cannot be ascertained with sufficient certainty. In addition, during our attendance at the year-end stocktakes we identified several variances. We were informed at the time that these were due to items being held at alternative locations. We have not been provided with conclusive evidence that this is the case and so we are unable to conclude on whether the variances represent errors and the possible impact on inventory as a whole.

5. Provisions

We have been unable to obtain sufficient appropriate audit evidence to confirm that provisions are not materially understated.

The Group's policy is not to recognise any dilapidations provisions until notice has been provided. Consequently, no such provisions have been recognised in respect of most of the Group's premises used under operating leases. This is not in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. We have been provided with some written correspondence from one of the Group's major landlords which confirms that dilapidations provisions should be recognised if this accounting standard is correctly applied. No workings are available to indicate what the year-end provision should be and where provisions have been made recent evidence suggests an understatement of £30,000.

The Group has also released in full the brought forward enhanced holiday pay provision of £87,000. Management have not provided documentation to confirm their decision or what the level of a year-end provision might be.

Independent Auditor's Report to the Members of Tex Holdings plc continued

6. Debtors

We have not been able to conclude that debtors are not overstated.

The amounts receivable from the sale of goods includes £189,000 on extended terms from a customer that had already been granted extended terms. Whilst the customer has acknowledged the debt there is no available evidence to confirm the debt will be paid.

7. Other reserves

The Statement of Changes in Equity and notes to the financial statements do not include adequate disclosures in respect of the prior year adjustment resulting in the other reserves of £678,000.

The financial statements include a prior year adjustment transferring £678,000 from retained earnings to other reserves. The adjustment does not feature in the Statement of Changes in Equity and the reason for it is not explained in the notes. The nature of the reserve, including confirmation of whether it is distributable, is not disclosed as we understand this is a historic item for which evidence is not available.

8. Deferred tax asset

The Group and Parent Company deferred tax assets may not be recoverable.

The financial statements of the Group and Parent Company include deferred tax assets of £213,000 and £443,000. The ability of the Group and Parent Company to utilise these assets is contingent on them making sufficient profits at the time the timing differences reverse. The Group made a loss for the year.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 we do not provide a separate opinion on these matters.

1. Going concern

The initial draft financial statements provided featured a draft profit before tax of £399,000. This provided marginal headroom over the Group bank loan covenants. The Group had also received three loans totalling £1,300,000 from a related party in the final quarter of the year to aid cash flow. Therefore, there appeared to be some uncertainty over the going concern status of the Group.

We assessed the inherent risk as high to reflect this and tailored our audit accordingly. During the course of the audit adjustments agreed with management reduced the profit to below the threshold required to meet the bank covenants, prompting a review of future funding including the completion of a large capital project in respect of the Boards & Panels Division. We also reviewed the cashflow forecasts which required revision for a number of matters, along with the management accounts to 31st May 2019. Further details are given in the basis for disclaimer of opinion section.

Independent Auditor's Report to the Members of Tex Holdings plc continued

2. Revenue recognition

The terms and performance obligations in respect of some of the Group's revenue streams can vary between contracts. The Group makes sales for which the revenue is recognised over time. Both the points at which revenue is recognised and its measurement are judgemental and this is disclosed as a judgement and estimate in note 1. There was deemed to be a heightened risk in the current year due to the implementation of IFRS 15.

We reviewed a sample of sales made in advance of and in progress at the year-end to ensure that the related performance obligations had been satisfied and the revenue had been measured correctly. We identified a number of instances in which there was insufficient documentation confirming the terms of the sale.

Management has changed its accounting policy in respect of contracts to manufacture and then store goods on behalf of customers. Previously, the entire revenue was recognised when the goods were dispatched. The manufacturing revenue is now recognised when the goods are complete, while the storage revenue is recognised over the periods the goods are expected to be held. The allocation of the revenue between manufacture and storage and recognition of the storage revenue over time are judgemental.

We reviewed management's workings supporting the year-end and prior year adjustments in respect of this change in policy. These were, however, not adequately detailed and supported by appropriate documentation, nor were we able to assess the impact of the change in accounting policy on the prior year.

We concluded that as certain long-term contracts in place at the prior year-end were now completed that this area is of less significance than other issues detailed above in the basis for disclaimer of opinion section.

3. Impairment of investments in subsidiaries

Several of the subsidiaries have made losses for the year and/or had net liabilities at the year-end. Balances due from subsidiaries to the Parent Company as well as investments in subsidiaries by the Parent are highly material. Consideration of the impairment of these loans requires a high degree of management judgement and is disclosed as a judgement and estimate under note 1.

We reviewed the impairment assessment prepared by management to ensure that it is reasonable and no further impairment provisions are required. The impairment assessment initially provided did not comply with the requirements of IAS 36 Impairment of Assets, and IFRS 9 Financial Instruments for the receivables element. A revised impairment assessment was subsequently performed in accordance with these standards. After discussions with management the assessment was updated to include a 10-year repayment period followed by a planned disposal of assets and final lump sum repayments. While we consider this to be a more appropriate assumption, we still do not consider the assessment to be sufficiently reliable for us to conclude on the overall appropriateness of the provision given the current status of the Group. Further details are given in the basis for disclaimer of opinion section.

4. Valuation of tangible fixed assets

Several of the subsidiaries have made operating losses and/or had operating cash outflows for the year, so there is a risk their tangible fixed assets could be overstated.

Management has not performed tangible fixed asset impairment assessments, so we have been unable to review them and form an opinion on this matter. Further details are given in the basis for disclaimer of opinion section.

Independent Auditor's Report to the Members of Tex Holdings plc continued

The Group has invested in excess of £2.5 million in fixed assets being new plant and buildings. We considered the issue of impairment of fixed assets in the light of operating results and the valuation of production labour and overheads capitalised.

We reviewed management's calculation of the production labour and overheads capitalised and agreed adjustments where the calculations were not in accordance with IAS 16 Property, Plant and Equipment. Further details with regard to any potential impairment provision required are given in the basis for disclaimer of opinion section.

5. Inventory

We identified the valuation of the Group's inventory balance as having a heightened risk of material misstatement due to its size, increase in value compared to the previous year and the use of management judgement in respect of final valuation.

We attended the year-end stock counts and our test counts identified several variances.

At the time of our test counts, we were informed by management that the variances were due to the items being held at alternative locations and that evidence confirming this would be provided. The evidence which has subsequently been provided is not conclusive, so we have been unable to conclude on whether the variances represent errors. Further details are given in the basis for disclaimer of opinion section.

The cost of some of Engineering Division inventories includes allocated production labour and overheads. The basis on which these costs are allocated is judgemental but is not currently disclosed in judgements and estimates at note 1.

We reviewed management's calculations of the production labour and overheads applied to a sample of Engineering Division inventories. These were based on hourly rates and calculated over current production capacity. Taken together with issues arising as a result of trading losses and future funding which may impact on the net realisable value of stock, we have been unable to conclude on this matter. Further details are given in the basis for disclaimer of opinion section.

The Plastics Division inventories are valued using the "retail method" whereby the expected selling prices are reduced by the gross margins. Determining the gross margins is judgemental, so there is a risk they could be manipulated.

We reviewed management's calculation supporting the valuation of the inventory of the two Plastics Division subsidiaries. We identified that a single gross margin had been applied to the inventory of each company. Management has been unable to provide details of these inventory specific gross margins, so we have been unable to conclude on the reasonableness of this approach but have concluded any adjustments are unlikely to be more than 5% of the total stock holding in those divisions and therefore not materially significant to those divisions. Further details are given in the basis for disclaimer of opinion section.

The basis for determining the provisions applicable to the Engineering Division inventories has changed from being based on any items which have not been purchased within two years to three years. The provisions are consequently relatively lower than in previous years and there is a risk that they are understated.

We agreed samples of inventories to post year-end sales or use in the construction and did not identify any significant issues related to net realisable value of inventory. We also reviewed the adequacy of the disclosures made in the financial statements in respect of the change in estimation technique.

Independent Auditor's Report to the Members of Tex Holdings plc continued

6. Contract costs

The initial draft financial statements included the design time and other costs as contract cost assets. The valuation of the design time and extent to which the costs could be recovered are both judgemental.

We reviewed information available with regard to the contracts to which the costs relate. However, we identified that certain contracts were still at the proposal stage and another where the technical specifications are still being finalised. We were therefore unable to confirm the ultimate profitability of the related contracts. Contract costs were written off with the exception of £53,000 for which a deposit has been received.

7. Debtors

We identified that the Group has previously experienced some issues regarding bad debts during our review of the previous auditors' working papers. Therefore, there is a risk that this continues to be an issue this year and trade receivables are overstated.

We confirmed that the doubtful debts identified by the previous auditors had been recovered or fully provided, in line with our planning discussions with management. We also agreed a sample of year-end balances to post year-end receipts. As part of this, we identified one significant customer balance which remains on extended payment terms and whilst this has been a feature of this customer relationship over a number of years the evidence was not sufficient to confirm recoverability. Further details are given in the basis for disclaimer of opinion section.

8. Provisions

We identified provisions as a key area of risk at the planning stage. Provisions with regard to warranties, dilapidations and holiday pay have been considered with management during the audit. Management have identified warranties under note 1: Judgements and estimates.

No warranty provisions were recognised in the initial draft financial statements, while most of the Group's sales include warranties. Thus, there is a risk that there are unrecognised warranty related liabilities.

We have reviewed the warranty related costs incurred by each of the companies for each of the last three years. Management agreed to recognise a warranty related adjustment of £60,000 in respect of one Engineering Division company for which there had been significant warranty related costs. No other significant warranty related costs were identified in any of the other companies.

The brought-forward dilapidations provision has been partially reversed. This is a significant judgement made by management so there is a risk this could be incorrect.

We confirmed that both the Group and Parent Company dilapidations provisions relate to the former premises of one of the subsidiaries. The £68,000 provision recognised in the financial statements was consistent with the values given by the Group's adviser and per a surveyor's valuation commissioned by the landlord. We later discovered, however, that the Group has provisionally offered £98,000 to the landlord. We also confirmed that the Group has not recognised any other dilapidations in respect of its other leased premises on the basis that notice has not been provided. Management has not, therefore, provided any workings in respect of what the related dilapidations should be. Further details of these matters are given in the basis for disclaimer of opinion section.

Independent Auditor's Report to the Members of Tex Holdings plc continued

We considered the reasons given by management for the full reversal of the enhanced holiday pay provision of £87,000 with reference to developments within the wider business environment. A recent related case which went to the Court of Appeal went in favour of the employees and we have advised this reversal be re-considered in the light of this but have not received sufficient audit evidence to resolve this issue. Details are given in the basis for disclaimer of opinion section.

9. Transition to new accounting standards

This is the first year IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have become effective. The cumulative financial effects of the transition to both standards have been recognised as adjustments to opening retained earnings.

Full comprehensive impact assessments had not been performed at the date of commencement of the audit on 14th February 2019 and further details are given in point 1 of our key audit matters and the basis for disclaimer of opinion section.

10. Defined benefit pension scheme

The valuation of the liability is a significant accounting estimate, and this is the first year that it needs to consider the impact of a guaranteed minimum pension equalisation. Therefore, we identified there are risks that the value could be misstated and that the impact of the guaranteed minimum pension equalisation may not be treated correctly.

We appointed an independent actuary to review the valuation, as well as the treatment and disclosures in the financial statements. He confirmed that the valuation appears reasonable. However, he also identified that the inclusion of the impact of the guaranteed minimum pension equalisation in other comprehensive income in the initial draft financial statements does not appear to comply with IAS 19 Employee Benefits and is not consistent with that adopted by most other listed entities. After discussions, management agreed to include the impact in the income statement.

11. Deferred tax asset

The Group has made a loss for the year so there is a risk that the deferred tax assets of the Group and Parent Company may not be recoverable.

We reviewed the nature of the deferred tax assets and confirmed their utilisation is contingent on the Group and Parent Company making profits when the timing differences reverse. There is significant uncertainty over when and the extent to which the deferred tax assets are recoverable. Further details are given in the basis for disclaimer of opinion section.

Our application of materiality

We have applied the concept of materiality in planning and performing the Group and Parent Company audit.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements. The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the amount and the nature of the misstatement. Thus, different materiality levels may be appropriate when considering different aspects of the financial statements.

Independent Auditor's Report to the Members of Tex Holdings plc continued

We assessed planning materiality for the Group's financial statements as a whole based on 7% of the Group's mean operating profit for the last three years. The planning materiality we applied to the Group's financial statements was £60,000. In making this assessment we considered the high level of inherent risk arising from the poor result for the year.

When it became apparent that there is significant uncertainty over the going concern status of the Group, we reviewed the basis on which final materiality is assessed. We considered whether it would be more appropriate for it to be based on 5% net assets to reflect the Group potentially not being a going concern. This resulted in a higher level of materiality, which we do not consider to be appropriate as the inherent risk has not reduced. The final materiality we have applied to the Group's financial statements is, therefore, £60,000.

We also assessed materiality for the Parent Company's financial statements as a whole on the same basis. The materiality we have applied to the Parent Company's financial statements is £11,500.

In order to minimise the risk of the aggregate of uncorrected misstatements being material, we assessed performance materiality as a basis for planning and performing our audit work. Performance materiality is a lower level than overall materiality. The degree of reduction depends on the level of risk associated with the audit, with a higher level of risk resulting in a larger reduction and thus lower performance materiality. The performance materiality we applied to most items was 50% of overall materiality.

We assessed performance materiality for accounting estimates and related party transactions on an individual basis. The levels assessed are lower on the basis that these items are more judgemental. The levels we generally applied were 25% of overall materiality for accounting estimates and 5% of overall materiality for related party transactions.

We have reported all of the errors over 5% of overall materiality that we identified during our audit work, which have not been adjusted for in the financial statements to management and the Audit Committee. The Directors have confirmed that they have duly considered these unadjusted errors and have decided not to adjust for them in the financial statements.

An overview of the scope of our audit

We planned our audit to ensure we obtained sufficient appropriate audit evidence to be able to conclude on each key audit matter and provide an opinion on the Group and Parent Company financial statements as a whole.

We have separately performed audits on the financial statements of all of the trading components. The levels of materiality assessed were limited so their weighted average did not exceed group materiality.

Other information

Notwithstanding our disclaimer of an opinion on the financial statements, we have nothing to report in regard to our responsibility to specifically address the following items and to report as uncorrected material misstatements where we concluded that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 19 –** 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, or is materially inconsistent with our knowledge obtained in the audit; or

Independent Auditor's Report to the Members of Tex Holdings plc continued

- **Audit Committee reporting set out on page 25-26 –** 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 14 –** 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.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion on the following, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and 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
- a Corporate Governance Statement has not been prepared by the Parent Company.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, 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.

Independent Auditor's Report to the Members of Tex Holdings plc continued

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 responsibility is to conduct an audit of the Group and Parent Company's financial statements in accordance with International Standards on Auditing (UK) and to issue an Auditor's Report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 21st February 2019 to audit the financial statements for the year ending 31st December 2018 and subsequent financial periods. This is the first year we have been engaged.

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.

Use of our report

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

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

Susan Gull (Senior Statutory Auditor)
for and on behalf of Scrutton Bland LLP, Statutory Auditor
Fitzroy House
Crown Street
Ipswich
Suffolk IP1 3LG

31st July 2019

Scrutton Bland LLP is a limited liability partnership registered in England and Wales (with registration number OC306226)

Consolidated Income Statement
for the year ended 31st December 2018

	Notes	**Year ended 31/12/18 £000**	Year ended 31/12/17 £000
Revenue	2	**40,354**	41,505
Cost of sales		**(30,150)**	(29,681)
Gross profit		**10,204**	11,824
Distribution costs		**(1,040)**	(1,073)
Administrative expenses	7	**(9,724)**	(9,668)
Operating (loss)/profit	2-7	**(560)**	1,083
Finance costs	8	**(154)**	(156)
(Loss)/profit before taxation		**(714)**	927
Taxation	9	**124**	(197)
(Loss)/profit for the year attributable to the equity holders of the Parent Company		**(590)**	730
Earnings per share attributable to the equity holders of the Parent Company			
Basic and diluted	11	**(9.3)p**	11.5p

Consolidated Statement of Comprehensive Income
for the year ended 31st December 2018

	Note	**Year ended 31/12/18 £000**	Year ended 31/12/17 £000
(Loss)/profit for the year attributable to the equity holders of the Parent Company		**(590)**	730
Other comprehensive income			
Items that will not subsequently be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension plans		**(713)**	767
Deferred taxation recognised on actuarial loss/(gain) on defined benefit pension plan recognised directly in equity	25	**135**	(148)
		(578)	619
Other comprehensive (expense)/income for the year		**(578)**	619
Total comprehensive (loss)/income for the year attributable to the equity holders of the Parent Company		**(1,168)**	1,349

Balance Sheets

at 31st December 2018

	Notes	Consolidated		Company	
		31/12/18	31/12/17	**31/12/18**	31/12/17
		£000	£000	**£000**	£000
Assets					
Non-current assets					
Property, plant and equipment	12	**8,007**	6,557	**10**	7
Investments	13	**-**	-	**16,008**	16,724
Deferred taxation assets	14	**213**	20	**468**	229
		8,220	6,577	**16,486**	16,960
Current assets					
Inventories	15	**8,271**	6,798	**-**	-
Trade and other receivables	16	**10,011**	11,392	**277**	251
		18,282	18,190	**277**	251
Total assets		**26,502**	24,767	**16,763**	17,211
Equity					
Capital and reserves attributable to the equity holders of the Parent Company					
Share capital	18	**635**	635	**635**	635
Capital redemption reserve		**16**	16	**16**	16
Other reserve		**678**	678	**977**	977
Share premium account		**2,890**	2,890	**2,890**	2,890
Retained earnings		**4,628**	6,420	**4,594**	7,567
Total equity		**8,847**	10,639	**9,112**	12,085
Liabilities					
Non-current liabilities					
Other interest-bearing loans and borrowings	19	**1,275**	2,159	**-**	994
Employee benefits	25	**1,833**	662	**1,833**	662
		3,108	2,821	**1,833**	1,656
Current liabilities					
Bank overdraft	17	**2,105**	1,737	**2,865**	2,537
Other interest-bearing loans and borrowings	19	**2,941**	971	**2,298**	420
Trade and other payables	20	**9, 226**	8,184	**272**	263
Provisions	21	**128**	199	**68**	112
Taxation payable		**147**	216	**315**	138
		14,547	11,307	**5,818**	3,470
Total liabilities		**17,655**	14,128	**7,651**	5,126
Total equity and liabilities		**26,502**	24,767	**16,763**	17,211

The Company loss for the year amounted to £1,862,000 (2017: profit £1,093,000).

These financial statements were approved by the Board of Directors on 31st July 2019 and were signed on its behalf by:

GC Gray
Director

CA Parker
Director

Registered number: 00405838

Statements of Changes in Equity

at 31st December 2018

Consolidated	Share capital £000	Capital reserve £000	Other reserves £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2017	635	16	678	2,890	5,611	9,830
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)
Balance at 31st December 2017 and 1st January 2018	635	16	678	2,890	6,420	10,639
Loss for the year	-	-	-	-	(590)	(590)
IFRS15 adjustment to opening reserves (note 1)	-	-	-	-	(91)	(91)
Pension fund actuarial movement net of taxation	-	-	-	-	(578)	(578)
Total comprehensive (expense)/income	-	-	-	-	(1,259)	(1,259)
Contributions by and distributions to owners:						
Dividends paid (note 10)	-	-	-	-	(533)	(533)
Balance at 31st December 2018	**635**	**16**	**678**	**2,890**	**4,628**	**8,847**

The aggregate current and deferred taxation relating to items that are charged to equity is £138,000 (2017: charged £84,000). All the amounts are attributable to the equity holders of the Parent Company.

Company	Share capital £000	Capital reserve £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2017	635	993	2,890	5,406	9,924
Profit for the year	-	-	-	1,093	1,093
Restatement (note 1)	-	-	-	989	989
Pension fund actuarial movement net of taxation	-	-	-	619	619
Total comprehensive income	-	-	-	2,701	2,701
Contributions by and distributions to owners:					
Dividends paid (note 10)	-	-	-	(540)	(540)
Balance at 31st December 2017 and 1st January 2018	635	993	2,890	7,567	12,085
Loss for the year	-	-	-	(1,862)	(1,862)
Pension fund actuarial movement net of taxation	-	-	-	(578)	(578)
Total comprehensive income	-	-	-	(2,440)	(2,440)
Contributions by and distributions to owners:					
Dividends paid (note 10)	-	-	-	(533)	(533)
Balance at 31st December 2018	**635**	**993**	**2,890**	**4,594**	**9,112**

The aggregate current and deferred taxation relating to items that are charged to equity is £138,000 (2017: charged £84,000).

Cash Flow Statements

for the year ended 31st December 2018

	Notes	Consolidated		Company	
		Year ended 31/12/18 £000	Year ended 31/12/17 £000	**Year ended 31/12/18 £000**	Year ended 31/12/17 £000
Cash flows from operating activities					
(Loss)/profit for the year		**(590)**	730	**(1,862)**	1,093
Adjustments for:					
Dividends received		**-**	-	**(359)**	(530)
Interest received from subsidiaries		**-**	-	**(1,126)**	(1,111)
Depreciation	12	**1,309**	1,135	**5**	6
GMP equalisation		**543**	-	**543**	-
Impairment of investments		**-**	-	**2,508**	-
Restatement of opening reserves		**(91)**	-	**-**	-
Loss on sale of fixed assets		**(15)**	10	**-**	-
Financial expense	8	**154**	156	**96**	106
Taxation	9	**(124)**	197	**45**	154
		1,186	2,228	**(150)**	(282)
Decrease/(increase) in trade and other receivables	16	**1,381**	(772)	**(26)**	(39)
(Increase)/decrease in inventories	15	**(1,473)**	85	**-**	-
Increase/(decrease) in trade and other payables	20	**1,042**	163	**9**	(31)
(Decrease)/increase in provisions		**(71)**	-	**(44)**	13
Decrease in employee benefits		**(100)**	(100)	**(100)**	(100)
Cash generated from operations		**1,965**	1,604	**(311)**	(439)
Taxation paid	9	**(3)**	(223)	**28**	(108)
Net cash generated from operating activities		**1,962**	1,381	**(283)**	(547)
Cash flows from investing activities					
Purchases of property, plant and equipment	12	**(2,783)**	(1,188)	**(8)**	(4)
Proceeds from sale of property, plant and equipment		**39**	39	**-**	-
Dividends received		**-**	-	**359**	530
Interest received		**-**	-	**1,126**	1,111
Advances of loans to subsidiaries		**-**	-	**(1,792)**	(1,558)
Net cash used in investing activities		**(2,744)**	(1,149)	**(315)**	79
Cash flows from financing activities					
New borrowings		**1,954**	-	**1,300**	-
Repayments of borrowings		**(416)**	(534)	**(416)**	(534)
Finance lease payments		**(452)**	(532)	**-**	-
Interest paid		**(139)**	(120)	**(81)**	(70)
Dividends paid	10	**(533)**	(540)	**(533)**	(540)
Net cash generate/(used in) from financing activities		**414**	(1,726)	**270**	(1,144)
Net (decrease)/increase in cash and cash equivalents		**(368)**	(1,494)	**(328)**	(1,612)
Cash and cash equivalents at beginning of the year	17	**(1,737)**	(243)	**(2,537)**	(925)
Cash and cash equivalents at end of the year	17	**(2,105)**	(1,737)	**(2,865)**	(2,537)

Notes to the Consolidated Financial Statements
for the year ended 31st December 2018

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.

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 2019 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2018

1. Accounting policies continued

Judgements and estimates continued

Note 13 – Loans to Group undertakings. The Parent Company assesses the impairment of loans to its subsidiary undertakings under the expected credit loss model as required by IFRS 9. Future cash flow estimates for each subsidiary are discounted and are based on management expectations about future operations, primarily comprising estimates about profitability, capital expenditures and hence cash generation, as well as subsidiaries' residual values from a planned sale at the end of the ten-year forecast period. Changes in these estimates, and the probability weightings which management attach to each of them, could impact the recoverable values of the loans, the resultant impairment charge and hence the amount of retained earnings available for distribution by the Parent Company.

Note 21 - Warranties. Management reviews the level of warranties paid and use this information to make informed estimates of the provision to be included.

Accounting judgements:
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1st January 2018 and has been endorsed by the EU. This standard replaces IAS 18 Revenue.

The adoption of this standard has resulted in the following amendment to the Group accounting policies:

Design, manufacture and installation of air traffic control room's revenue – updated to clarify that revenue is recognised over time, using the output method, as performance milestones are satisfied.

The retrospective impact of the adoption of IFRS 15 on prior reporting periods has resulted in a £90,782 decrease to profit and retained earnings as at 1st January 2018, reflecting the re-allocation of the profit recognition on the aircraft carrier project, now based on completion rather than percentage of expenditure at the average margin on the project.

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

In January 2016, the IASB published IFRS 16 Leases which will replace IAS 17 Leases. IFRS 16 introduces a definition of a lease with a single lessee accounting model eliminating the classification of either operating or finance leases. Lessees will be required to account for all leases in a similar manner to the current finance lease accounting recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice.

The impact of the adoption of IFRS 16 on the Group has been assessed. The Group has chosen to adopt the modified retrospective approach on transition permitted by IFRS 16. It is expected that the adoption of the standard will result in a reduction of retained earnings of between £200k and £250k at 1st January 2019. This arises from the value of right of use assets brought onto the balance sheet being lower than the value of lease liabilities due to the different rates of run-off.

The gross impact on assets/liabilities is expected to be between £3.4m and £3.8m. The impact on profit before tax and group adjusted operating profit is expected to be between £120k and £150k. This standard is applied to annual reporting periods beginning on or after 1st January 2019 and has been endorsed by the EU.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

1. Accounting policies continued

Judgements and estimates continued

Accounting judgements: continued

IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. The Standard was effective from 1st January 2018.

During the year the Group undertook an assessment of the impact of the adoption of IFRS 9 and concluded that it would not produce any significant changes in terms of the Group's consolidated financial position or on its reported result for the current or preceding financial year.

However, the Parent Company has provided a number of loans to its subsidiary undertakings and the impact of IFRS 9 on the calculation of impairment provisions against some of these amounts was material. At the same time the Group reviewed the original calculation of impairment provisions as at 31st December 2017 and concluded that in some cases these had not been properly undertaken in accordance with the requirements of IAS 39. The comparative information in the Parent only balance sheet has therefore been restated to correct this error. This produced a reduction in provisions against intra-group loans of £989,000 (correction of prior year error £613,000 and transition adjustment of £376,000). Following this correction, the loans have been assessed for impairment under IFRS 9, and any changes from the restated IAS 39 position been applied as at 1st January 2018 in opening retained earnings, with no further restatement of comparative information in accordance with the exemption available in IFRS 9. The adjustment to restated opening reserves as a result of adopting IFRS 9 was £989,000.

The new accounting policy under IFRS 9 and its application to the Parent Company's intra-group loans is set out under "Impairment of financial assets" later on.

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 all of 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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

1. Accounting policies continued

Financial assets continued

Impairment of financial assets
The Parent Company provides working capital via intra-group loans to all its subsidiary undertakings. These loans are repayable on demand. In accordance with IFRS 9, when any subsidiary undertaking would be unable to repay its outstanding balance if demanded at the year end, the loan is assessed as having a 100% risk of default, credit impaired and therefore within stage 3 of the expected credit loss model ("ECL") detailed in the Standard. Accordingly, the ECL for the balance is calculated by considering the difference between the carrying value of the loan and the discounted cash flows from a range of possible probability weighted outcomes, over the lifetime of the loan. The discount rate used is each loan's effective interest rate of 7.5%. The main possible outcomes considered are generally weighted towards allowing the subsidiaries to continue trading for a period of no longer than 10 years with recovery of residual assets or value at the end of that period at a rate of 50% above the "fire sale" value.

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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

1. Accounting policies continued

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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

1. Accounting policies continued

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.

Provision for dilapidations

Provisions for dilapidations are made when the decision has been made to vacate the premises.

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 of 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 likelihood, timing or amount (note 21).

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

1. Accounting policies continued

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. Revenue is recognised once the following criteria have been met:

Engineering – revenue from the design and manufacture of piling and drilling equipment is recognised on despatch to the customer. Where the Group is contractually bound to hold stock for a customer, revenue is recognised once the product has been manufactured

Engineering – revenue from the manufacture and sale of road-making and associated equipment is recognised on despatch to the customer

Engineering – revenue from marine diesel engine and governor rebuilding and parts supply is recognised on completion of the product. Revenue from technical support, engineering and procurement services is recognised over time as performance milestones are completed.

Engineering – revenue from the design and assembly of bespoke diesel-powered electrical generator sets is recognised on successful completion of the relevant factory acceptance test of the product

Engineering – revenue from the design, manufacture and installation of air traffic control rooms is recognised over time, using the output method to measure revenue, as performance milestones are satisfied. A full provision is made for losses on all contracts in the year in which they are first foreseen

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

1. Accounting policies continued

Engineering – revenue from the design and manufacture of bespoke modular structures is recognised on despatch to the customer

Plastics – revenue from precision injection moulding is recognised when the goods are despatched. Revenue from assembly and finishing services and tooling procurement is recognised over time, using the output method to measure revenue, as performance milestones are satisfied. Where the Group is contractually bound to hold stock for a customer, revenue is recognised once the product has been manufactured

Boards & Panels – revenue from the manufacture and sale of lightweight boards and panels is recognised on despatch to the customer

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 bank 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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

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

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Plastics	**22,811**	21,587
Engineering	**12,843**	15,242
Boards & Panels	**4,700**	4,676
	40,354	41,505

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:

2018	**Plastics £000**	**Engineering £000**	**Boards & Panels £000**	**Total £000**
Revenue				
External sales	**22,811**	**12,843**	**4,700**	**40,354**
Inter-segment sales	**-**	**-**	**-**	**-**
Total revenue	**22,811**	**12,843**	**4,700**	**40,354**
Result				
Segment result	**1,213**	**(1,151)**	**47**	**109**
Unallocated expenses being expenses pertaining to the Company				**(669)**
Operating loss				**(560)**
Finance costs				**(154)**
Loss before taxation				**(714)**
Taxation				**124**
Loss for the year				**(590)**

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

3. Business and geographical segments continued

Other information

2018	**Plastics £000**	**Engineering £000**	**Boards & Panels £000**	**Unallocated consolidation £000**	**Total £000**
Capital additions	**1,184**	**585**	**1,006**	**8**	**2,783**
Depreciation	**635**	**409**	**214**	**51**	**1,309**

Balance Sheet 31st December 2018

	Plastics £000	**Engineering £000**	**Boards & Panels £000**	**Unallocated consolidation £000**	**Total £000**
Assets					
Segment assets	**13,481**	**9,803**	**3,710**	**(492)**	**26,502**
Liabilities					
Segment liabilities	**11,599**	**15,042**	**4,006**	**(12,976)**	**17,671**

2017	Plastics £000	Engineering £000	Boards & Panels £000	Total £000
Revenue				
External sales	21,587	15,242	4,676	41,505
Inter-segment sales	-	-	-	-
Total revenue	21,587	15,242	4,676	41,505
Result				
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)
Profit for the year				730

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

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

3. Business and geographical segments continued

Balance Sheet 31st December 2017

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
Assets					
Segment assets	12,853	9,204	3,394	(684)	24,767
Liabilities					
Segment liabilities	11,196	13,017	3,572	(13,657)	14,128

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

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

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Eurozone	**1,462**	1,494
UK	**33,996**	35,387
US	**2,127**	1,100
Other countries	**2,769**	3,524
	40,354	41,505

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

4. Expenses and auditors' remuneration

Included in profit or loss are the following:

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Research expensed as incurred included in administrative expenses	**250**	279
Exchange gain included in administrative expenses	**(84)**	(24)
Depreciation	**1,309**	1,135
Audit of Parent Company and consolidated financial statements	**5**	5
Audit of financial statements of subsidiaries	**110**	80
Amounts receivable by auditors and their associates in respect of:		
- Other services relating to taxation	**-**	-
- Audit of the Group pension scheme	**-**	-

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

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 31/12/18	Year ended 31/12/17	**Year ended 31/12/18**	Year ended 31/12/17
Administration	**103**	97	**12**	10
Manufacturing	**372**	373	**-**	-
	475	470	**12**	10

The aggregate payroll costs of these persons were as follows:

	Group		**Company**	
	Year ended 31/12/18 £000	Year ended 31/12/17 £000	**Year ended 31/12/18 £000**	Year ended 31/12/17 £000
Wages and salaries	**11,132**	10,605	**438**	385
Social security costs	**999**	936	**39**	38
Defined contribution pension costs	**369**	352	**61**	58
	12,500	11,893	**538**	481

6. Directors' emoluments

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Directors' emoluments	**257**	223
Social security costs	**28**	24
Company contributions to money purchase pension plans	**5**	5
	290	252

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

The aggregate of emoluments of the highest paid Director was £110,448 (2017: £107,932), including company pension contributions of £5,250 (2017: £5,250) which were made to a money purchase scheme on his behalf.

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

	Year ended 31/12/18	Year ended 31/12/17
Money purchase schemes	**1**	1

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

7. Administrative expenses

During the year to 31st December 2018, 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 £68,000 (2017: £268,000).

On 26th October 2018, the High Court issued a judgement involving the Lloyds Banking Group defined benefit pension schemes. The judgement concluded that the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension ('GMP') benefits. The judgement has implications for many defined benefit schemes, including the Tex Holdings Plc defined benefit pension scheme.

We have worked with our actuarial advisors to understand the implications of the High Court judgement for the Tex Holdings Plc defined benefit pension scheme and, as a result, have recorded a £534k pre-tax exceptional expense to reflect our best estimate of the effect on our reported pension liabilities.

The change in pension liabilities recognised in relation to GMP equalisation involves estimation uncertainty. It is expected that there will be further court hearings to further clarify the application of GMP equalisation in practice. Whilst the financial statements reflect the best estimate of the impact on pension liabilities reflecting the information currently available, that estimate reflects several assumptions. The Directors will continue to monitor any further clarifications or court hearings arising from the Lloyds Banking Group case and consider the impact on pension liabilities accordingly.

The Directors have made the judgement that the estimated effect of GMP equalisation on the Group's pension liabilities is a past service cost that should be reflected through the consolidated income statement and that any subsequent change in the estimate of that should be recognised in other comprehensive income. The judgement is based on the fact that the reported pension liabilities for the Tex Holdings Plc defined benefit pension scheme did not previously include any amount in respect of GMP equalisation.

8. Finance expenses

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Interest on bank overdrafts and loans	**81**	69
Interest on pension scheme deficit	**15**	37
Interest on obligations under finance leases	**58**	50
Finance expense	**154**	156

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

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

9. Taxation

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Current taxation		
Current year	**(27)**	167
Adjustments for prior year	**(39)**	11
	(66)	178
Deferred taxation		
Origination and reversal of temporary differences	**(58)**	19
Adjustments for prior years	**-**	-
	(58)	19
Total taxation in income statement	**(124)**	197

Domestic income taxation is calculated at 19.00% (2017: 19.25%) 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 31/12/18 £000	Year ended 31/12/17 £000
(Loss)/profit before taxation	**(714)**	927
Taxation at the domestic income taxation rate of 19.00% (2017: 19.25%)	**(135)**	178
Non-deductible expenses	**47**	3
Other differences	**3**	5
Adjustments for prior years	**(39)**	11
Taxation expense and effective taxation rate for the year	**(124)**	197

In addition to the income taxation expense charged to profit or loss, a deferred taxation credit of £135,000 (2017: debit of £148,000) has been recognised in equity in the year.

10. Dividends

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.

On 20th July 2018, a dividend of 6.0 pence per share (total dividend £381,087) was paid to shareholders.
On 5th October 2018, a dividend of 2.5 pence per share (total dividend £158,786) was paid to shareholders.

In respect of the current year, the Directors do not propose a dividend.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

11. Earnings per share
Basic loss per share of 9.3 pence (2017: 11.5 pence) is based on the following data:

Earnings

	Year ended 31/12/18 £000	Year ended 31/12/17 £000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Parent)	**(590)**	730

Number of shares

	Year ended 31/12/18	Year ended 31/12/17
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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

12. Property, plant and equipment

Consolidated	Land and buildings £000	Plant and machinery £000	Vehicles £000	Furniture, fittings and equipment £000	Total £000
Cost or deemed cost					
Balance at 1st January 2017	4,471	15,063	113	837	20,484
Additions	35	1,718	25	99	1,877
Disposals	(47)	(263)	(33)	(65)	(408)
Balance at 31st December 2017	4,459	16,518	105	871	21,953
Balance at 1st January 2018	4,459	16,518	105	871	21,953
Additions	669	1,910	17	187	2,783
Disposals	-	(364)	(11)	(4)	(379)
Balance at 31st December 2018	**5,128**	**18,064**	**111**	**1,054**	**24,357**
Depreciation and impairment					
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)
Balance at 31st December 2017	2,178	12,369	92	757	15,396
Balance at 1st January 2018	2,178	12,369	92	757	15,396
Charge for the year	95	1,093	22	99	1,309
Disposals	-	(340)	(11)	(4)	(355)
Balance at 31st December 2018	**2,273**	**13,122**	**103**	**852**	**16,350**
Net book value					
At 1st January 2017	2,335	3,419	31	79	5,864
At 31st December 2017 and 1st January 2018	2,281	4,149	13	114	6,557
At 31st December 2018	**2,855**	**4,942**	**8**	**202**	**8,007**

The carrying amount of the Group's fixtures, equipment, plant and machinery includes an amount of £2,758,000 (2017: £2,038,000) in respect of assets held under finance leases and depreciation of £304,000 (2017: £287,000).

The carrying amount of the Group's land and buildings includes an amount of £3,345,000 (2017: £3,345,000) in respect of long leasehold properties and depreciation of £1,980,000 (2017: £1,912,000).

No interest was capitalised during the year (2017: £Nil).

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

12. Property, plant and equipment continued

Company	Land and buildings £000	Furniture, fittings and equipment £000	Total £000
Cost			
Balance at 1st January 2017	10	60	70
Additions	-	4	4
Disposals	-	(7)	(7)
Balance at 31st December 2017	10	57	67
Balance at 1st January 2018	10	57	67
Additions	-	8	8
Disposals	-	(5)	(5)
Balance at 31st December 2018	**10**	**60**	**70**
Depreciation and impairment			
Balance at 1st January 2017	10	51	61
Charge for the year	-	6	6
Disposals	-	(7)	(7)
Balance at 31st December 2017	10	50	60
Balance at 1st January 2018	10	50	60
Charge for the year	-	5	5
Disposals	-	(5)	(5)
Balance at 31st December 2018	**10**	**50**	**60**
Net book value			
At 1st January 2017	-	9	9
At 31st December 2017 and 1st January 2018	-	7	7
At 31st December 2018	**-**	**10**	**10**

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

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 (Humberside) 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 2018

13. Subsidiaries continued

Company	Shares in Group undertakings £000	Loans to Group undertakings £000	Total £000
Cost			
At 1st January 2018	3,621	18,652	22,273
Loan movement	-	1,792	1,792
At 31st December 2018	**3,621**	**20,444**	**24,065**
Provisions			
At 1st January 2018	664	4,885	5,549
Movement	-	2,508	2,508
At 31st December 2018	**664**	**7,393**	**8,057**
Net book value			
At 31st December 2018	**2,957**	**13,051**	**16,008**
At 31st December 2017	2,957	13,767	16,724

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. Following the adoption of IFRS9, the opening provision has been reduced by £989,000.

14. Deferred taxation

Consolidated
Recognised deferred taxation assets and liabilities
Deferred taxation assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
	31/12/18 £000	31/12/17 £000	**31/12/18 £000**	31/12/17 £000
Property, plant and equipment	**-**	-	**132**	108
Provisions	**-**	-	**32**	32
Employee benefits	**(377)**	(160)	**-**	-
Taxation (assets)/liabilities	**(377)**	(160)	**164**	140
Net of taxation liabilities/(assets)	**164**	140	**(164)**	(140)
Net taxation (assets)/liabilities	**(213)**	(20)	**-**	-

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

14. Deferred taxation continued

Movement in deferred taxation during the year

	01/01/18 £000	Recognised in income £000	Recognised in equity £000	**31/12/18 £000**
Property, plant and equipment	108	24	-	**132**
Provisions	32	-	-	**32**
Employee benefits	(160)	(79)	(138)	**(377)**
	(20)	(55)	(138)	**(213)**

Movement in deferred taxation during the prior year

	01/01/17 £000	Recognised in income £000	Recognised in equity £000	31/12/17 £000
Property, plant and equipment	100	8	-	108
Provisions	32	-	-	32
Employee benefits	(319)	12	147	(160)
	(187)	20	147	(20)

Company

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
	31/12/18 £000	31/12/17 £000	**31/12/18 £000**	31/12/17 £000
Property, plant and equipment	**(12)**	(12)	**-**	-
Provisions	**(32)**	(57)	**-**	-
Employee benefits	**(399)**	(160)	**-**	-
Taxation (assets)/liabilities	**(443)**	(229)	**-**	-
Net of taxation liabilities/(assets)	**-**	-	**-**	-
Net taxation (assets)/liabilities	**(443)**	(229)	**-**	-

Movement in deferred taxation during the year

	01/01/18 £000	Recognised in income £000	Recognised in equity £000	**31/12/18 £000**
Property, plant and equipment	(12)	-	-	**(12)**
Provisions	(57)	-	25	**(32)**
Employee benefits	(160)	(101)	(138)	**(399)**
	(229)	(101)	(113)	**(443)**

Movement in deferred taxation during the prior year

	01/01/17 £000	Recognised in income £000	Recognised in equity £000	31/12/17 £000
Property, plant and equipment	-	(12)	-	(12)
Provisions	(92)	35	-	(57)
Employee benefits	(319)	12	147	(160)
	(411)	35	147	(229)

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

15. Inventories

	Consolidated		Company	
	31/12/18	31/12/17	**31/12/18**	31/12/17
	£000	£000	**£000**	£000
Raw materials	**3,923**	3,521	**-**	-
Work-in-progress	**937**	740	**-**	-
Finished goods	**3,411**	2,537	**-**	-
	8,271	6,798	**-**	-

During 2018 stock expensed was £30,090,000 (2017: £29,725,000) and the amount of additional provision in the year was £19,000 (2017: Additional provision £40,000). The stock provision is £1,493,000 (2017: £1,672,000). Within the Engineering division the directors considered the policy should be changed from two years since last purchase to three years since last purchase, reducing the provision by £198,000.

16. Trade and other receivables

	Consolidated		Company	
	31/12/18	31/12/17	**31/12/18**	31/12/17
	£000	£000	**£000**	£000
Amounts receivable from the sale of goods	**9,351**	10,127	**-**	-
Amounts receivable from related parties	**-**	-	**182**	224
Other debtors and prepayments	**660**	1,265	**95**	27
	10,011	11,392	**277**	251

The Directors consider that the carrying amount of trade and other receivables approximates their fair value, after incorporating an impairment provision of £346,000 (2017: £81,000).

All of the above amounts are financial assets of the Group and Parent Company except amounts recoverable on contracts included in other debtors and certain prepayments.

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:

	Consolidated		Company	
	31/12/18	31/12/17	**31/12/18**	31/12/17
	£000	£000	**£000**	£000
Eurozone	**368**	153	**-**	-
UK	**8,484**	8,732	**-**	-
US	**389**	122	**-**	-
Other countries	**456**	1,201	**-**	-
	9,697	10,208	**-**	-

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

16. Trade and other receivables continued

The ageing of trade receivables at the reporting date was:

	Consolidated		**Company**	
	31/12/18	31/12/17	**31/12/18**	31/12/17
	£000	£000	**£000**	£000
Not past due	**5,232**	4,427	**-**	-
Past due 0-30 days	**2,853**	3,436	**-**	-
Past due 31-120 days	**1,491**	2,160	**-**	-
Balance up to one year	**95**	124	**-**	-
More than one year	**26**	61	**-**	-
	9,697	10,208	**-**	-

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

	Consolidated		**Company**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Balance at 1st January	**81**	83	**-**	-
Impairment loss/(profit) recognised	**265**	(2)	**-**	-
Balance at 31st December	**346**	81	**-**	-

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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

17. Current bank overdrafts and loans

	Consolidated		Company	
	31/12/18	31/12/17	**31/12/18**	31/12/17
	£000	£000	**£000**	£000
Bank overdrafts; being cash and cash equivalents as reported in the cash flow statements.	**2,105**	1,737	**2,865**	2,537
Bank loans and finance lease liabilities (note 19)	**1,641**	971	**998**	420
	3,746	2,708	**3,863**	2,957

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:

	31/12/18	31/12/17
Bank overdrafts	**3.25%**	3.25%
Bank loans	**4.60%**	4.60%

Bank loans of £998,000 (2017: £1,420,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank overdrafts are repayable on demand. Overdrafts of £2,105,000 (2017: £1,737,000) 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 two principal bank loans:

(a) a loan of £Nil (2017: £20,000). 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 floating charge over the Group's assets. The loan carries interest at 1.25% above the bank's base rate.
(b) a loan of £1,000,000 (2017: £1,400,000). 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. The Group did not meet two of the covenants relating to the loan. The Bank is currently reviewing the applicable covenants for future periods.

At 31st December 2018, the Group had available £895,000 (2017: £763,000) of undrawn committed borrowing facilities.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

18. Share capital

Consolidated and Company	31/12/18 £000	31/12/17 £000
Authorised:		
8,000,000 ordinary shares of 10 pence each	**800**	800
Issued and fully paid:		
6,351,452 ordinary shares of 10 pence each	**635**	635

The Company has one class of ordinary share.

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	
	31/12/18 £000	31/12/17 £000	**31/12/18 £000**	31/12/17 £000
Non-current liabilities				
Secured bank loans	**-**	994	**-**	994
Finance lease liabilities	**1,275**	1,165	**-**	-
	1,275	2,159	**-**	994
Current liabilities				
Current portion of secured bank loans	**998**	420	**998**	420
Current portion of finance lease liabilities	**643**	551	**-**	-
Loan	**1,300**	-	**1,300**	-
	2,941	971	**2,298**	420

	Carrying amount		Undiscounted future commitment	
	31/12/18 £000	31/12/17 £000	**31/12/18 £000**	31/12/17 £000
Amounts repayable under secured bank loans:				
Within one year	**998**	420	**998**	453
In the second to fifth years inclusive	**-**	994	**-**	1,036
Beyond five years	**-**	-	**-**	-
	998	1,414	**998**	1,489

	Minimum lease payments		Present value of minimum lease payments	
	31/12/18 £000	31/12/17 £000	**31/12/18 £000**	31/12/17 £000
Amounts payable under finance leases:				
Within one year	**297**	551	**644**	551
In the second to fifth years inclusive	**744**	1,165	**853**	1,335
Beyond five years	**422**	-	**422**	-
	1,463	1,716	**1,919**	1,886

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

19. Other interest-bearing loans and borrowings

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 2018, the average effective borrowing rate was 6.5% (2017: 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.

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

20. Trade and other payables

	Consolidated		**Company**	
	31/12/18	31/12/17	**31/12/18**	31/12/17
	£000	£000	**£000**	£000
Trade payables	**6,595**	5,431	**159**	157
Amounts due to related parties	**-**	-	**-**	-
Social security and other taxes	**815**	917	**30**	45
Accrued expenses	**1,816**	1,836	**58**	61
	9,226	8,184	**247**	263

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 except social security and other taxes.

21. Provisions for other liabilities and charges

	Consolidated		**Company**	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
At 1st January	**199**	199	**112**	99
Movement in provisions	**(71)**	-	**(44)**	13
At 31st December	**128**	199	**68**	112
Non-current	**-**	-	**-**	99
Current	**128**	199	**68**	13
At 31st December	**128**	199	**68**	112
Provisions comprise the following:				
Dilapidations on rented premises	**68**	112	**68**	112
Warranty provision	**60**	-		
Holiday pay expenses	**-**	87	**-**	-
At 31st December	**128**	199	**68**	112

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2018

21. Provisions for other liabilities and charges continued

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. The holiday pay provision probability was considered to have reduced. The dilapidations provision reflects the most recent estimate of the potential liability.

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 2018 was being utilised by other Group companies to the extent of £2,105,000 (31st December 2017: £1,737,000);

(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 2018 amounted to £170,000 (31st December 2017: £15,000).

23. Capital Commitments

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

At the 31st December 2018, the Group had capital commitments of £603,000, the Company had no capital commitments.

24. Operating lease arrangements

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

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

Consolidated	**Land and buildings 31/12/18 £000**	**Other 31/12/18 £000**	Land and buildings 31/12/17 £000	Other 31/12/17 £000
Operating leases rental payments due:				
Within one year	**765**	**110**	537	71
In the second to fifth years inclusive	**2,818**	**271**	2,916	344
Over five years	**4,958**	**7**	5,624	45
	8,541	**388**	9,077	460

Company	**Land and buildings 31/12/18 £000**	**Other 31/12/18 £000**	Land and buildings 31/12/17 £000	Other 31/12/17 £000
Operating leases rental payments due:				
Within one year	**30**	**10**	2	-
In the second to fifth years inclusive	**49**	**79**	8	9
Over five years	**-**	**-**	-	2
	79	**89**	10	11

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.

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

24. Operating lease arrangements continued

Consolidated

During the year £778,000 was recognised as an expense in the income statement in respect of operating leases (2017: £637,000).

Company

During the year £27,000 was recognised as an expense in the income statement in respect of operating leases (2017: £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 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, inflation and investment performance.

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. 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:

	31/12/18	31/12/17
Discount rate	**2.70%**	2.40%
Inflation	**3.50%**	3.40%
Pension cost of living increase	**3.70%**	3.60%

In valuing the liabilities of the pension fund at 31st December 2018, 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: 22.7 years (male), 24.6 years (female).
- Future retiree upon reaching 65: 24.1 years (male), 26.2 years (female).

The average duration of the defined benefit obligation at the period ended 31st December 2018 is 15 years (2017: 15 years).

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

	31/12/18 **£000**	31/12/17 £000
Present value of funded obligations	**(14,966)**	(15,493)
Fair value of plan assets	**13,133**	14,831
Net liability recognised in the balance sheet	**(1,833)**	(662)

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

25. Retirement benefit plans continued

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

	31/12/18	31/12/17
	£000	£000
Interest on obligation	**(363)**	(398)
Interest income	**348**	361
	(15)	(37)

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

	31/12/18	31/12/17
	£000	£000
Return on plan assets (excluding amounts included in net interest cost) – (loss)/gain	**(1,358)**	876
Experience gains and losses arising on the defined benefit obligation – (loss)/gain	**(29)**	75
Effects of changes in demographic assumptions underlying the present value of the defined benefit obligation – (loss)/gain	**95**	192
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – loss/(gain)	**570**	(376)
Total amount recognised in other comprehensive income – (loss)/gain	**(722)**	767

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 losses of £803,000 (2017 gains: £453,000).

The effect of GMP equalisation of a loss of £534,000 (2017: £ Nil) has been included in the income statement.

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

	31/12/18	31/12/17
	£000	£000
Opening defined benefit obligation	**15,493**	15,789
Interest cost	**363**	398
Benefit paid	**(788)**	(803)
Actuarial (loss)/gain (including experience gains arising)	**(102)**	109
Defined benefit obligation at end of year	**14,966**	15,493

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

	31/12/18	31/12/17
	£000	£000
Fair value of plan assets at beginning of year	**14,831**	14,297
Interest income	**348**	361
Total contributions – employer	**100**	100
Benefits paid	**(788)**	(803)
Return on plan assets (excluding interest)	**(1,358)**	876
Fair value of plan assets at end of year	**13,133**	14,831

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

25. Retirement benefit plans continued

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

	31/12/18	31/12/17
	£000	£000
Equities	**10,861**	12,410
Bonds	**1,541**	1,777
Cash	**731**	644
	13,133	14,831

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

	31/12/18	31/12/17	31/12/16	31/12/15	31/12/14	31/12/13
	£000	£000	£000	£000	£000	£000
Present value of defined benefit obligation	**14,966**	15,493	15,789	14,790	15,897	14,325
Fair value of plan assets	**(13,133)**	(14,831)	(14,297)	(13,302)	(13,306)	(12,955)
	1,833	662	1,492	1,488	2,591	1,370
Experience (losses)/gains arising	**(29)**	75	1,331	41	45	(446)

The Group expects to contribute approximately £100,000 to its defined benefit plan in 2019.

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

		2018	2017
	Change in assumption	**Change in liabilities**	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	**Increase by 3.5%**	Increase by 3.5%
Rate of inflation	Increase of 0.25% p.a.	**Increase by 1.0%**	Increase by 1.0%
Rate of mortality	Increase of life expectancy of 1 year	**Increase by 4.0%**	Increase by 3.8%
Commutation	Members commute an extra 10% of Post-A Day pension on retirement	**Decrease by 0.4%**	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 £369,000 (2017: £351,000).

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

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

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 2018 that require disclosure are detailed below:

Rentals paid (excluding recharge of ancillary costs)	£460,914 (31st December 2017: £383,904)
Other property related expenditure	£186,374 (31st December 2017: £144,162)
Trade payables	£22,333 (31st December 2017: £17,777)

ARB Burrows has an interest in IS&G Steel Stockholders Limited through which the Group purchases steel. Transactions during the period ended 31st December 2018 that require disclosure are detailed below:

Purchases	£193,151 (31st December 2017: £173,391)
Trade payables	£62,109 (31st December 2017: £52,305)

ARB Burrows has an interest in Le Bas Investment Trust Limited through which the Group has borrowed a short-term loan. Transactions during the period ended 31st December 2018 that require disclosure are detailed below:

Interest (3.75%)	£4,675 (31st December 2017: £Nil)
Loan balance	£1,300,000 (31st December 2017: £Nil)

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 21-23 in the Directors' Remuneration Report.

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

During the year ended 31st December 2018 the Company received interest income from subsidiary undertakings of £1,126,000 (2017: £1,111,000), management charges of £128,000 (2017: £103,000) and dividends of £359,000 (2017: £530,000).

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

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 share 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 2018 and its equity at 31st December 2018 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 2018

28. Notes supporting statement of cashflows

Consolidated	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
At 1st January 2018	2,159	971	3,130
Cashflows	-	422	422
Non-cash flows			
- New Finance Leases	664	-	664
- Loans and borrowings classified as non-current at 31 December 2017 becoming current during 2018	(1,548)	1,548	-
At 31st December 2018	**1,275**	**2,941**	**4,216**

	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
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	-
At 31st December 2017	2,159	971	3,130

Notes to the Consolidated Financial Statements continued
for the year ended 31st December 2018

28. Notes supporting statement of cashflows continued

Company	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
At 1st January 2018	994	420	1,414
Cashflows	-	884	884
Non-cash flows			
- New Finance Leases	-	-	-
- Loans and borrowings classified as non-current at 31st December 2017 becoming current during 2018	(994)	994	-
At 31st December 2018	**-**	**2,298**	**2,298**

	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
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	-
At 31st December 2017	994	420	1,414

29. Post Balance sheet events

Post the balance sheet date, the trading in the shares was suspended as a result of the Company not being able to publish its results within the require timetable. The Company also increased its short-term borrowings from the related party to continue to support the expansion project within QK Honeycomb Products Ltd. The Group is currently in the process of reorganising its finances. Having approached a number of banks, and having been declined, the major shareholder is willing to make a term loan to the Group, subject to approval of the shareholders at an Extraordinary General Meeting as required by the listing rules. The existing bankers have been approached to continue with the term loan and to provide a Bonds and Guarantee facility for the Group, secured on the Group freehold properties. Further details are disclosed on page 6 above.

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL on 30th August 2019 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 2018.

2. To approve the Directors' Remuneration Report for the financial year ended 31st December 2018.

3. To re-appoint Scrutton Bland 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 31st July 2019 to the date of the Extraordinary 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 Extraordinary 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 2018 to 31st July 2019; and

   (b) A copy of the Executive Directors' contract of service with the Company.

Group Addresses

Tex Holdings plc
Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Executive Directors: Mr C A Parker
Mr D Redhead
Tel: 01473 830144
www.tex-holdings.co.uk

BSP International Foundations Ltd
Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Managing Director: Mr R J Melton
Tel: 01473 830431
www.bsp-if.com

Tex Engineering Ltd
Unit 35, Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Director: Mr D J Ogden
Tel: 01473 830030
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 S P Codd
Tel: 01473 830144
www.tex-atc.co.uk

Tex A.T.C. Services Ltd
Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Director: Mr S P Codd
Tel: 01473 830144
www.tex-atc.co.uk

Tex Special Projects Ltd
Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Director: Mr S P Codd
Tel: 01473 830144
www.tex-atc.co.uk

Eurotex International Ltd
Unit 99, Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Managing Director: Mr S P Codd
Tel: 01473 917959
www.eurotex-intl.com

G&M TEX Ltd
Unit 69, Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Managing Director: Mr G Chadwick
Tel: 01473 662777
www.gmtex.co.uk

Tex Plastics (Derby) Ltd
Wetherby Road, Derby DE24 8HL,
United Kingdom
Managing Director: Mr J Davies
Tel: 01332 363249
www.tex-plastics.co.uk

Tex Plastics (Barnstaple) Ltd
Aviemore Industrial Estate,
Barnstaple, North Devon EX31 2EU,
United Kingdom
Managing Director: Mr J Davies
Tel: 01271 378528
www.tex-plastics.co.uk

QK Honeycomb Products Ltd
Creeting Road West, Stowmarket,
Suffolk IP14 5AS,
United Kingdom
Directors: Mr J Durrant
Mr N Scott
Tel: 01449 612145
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