

**Tex Holdings plc**

**Annual Report and Financial Statements**

31st December 2019

Registered number 00405838



## **Annual Report and Financial Statements**

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## **CHAIRMAN'S STATEMENT**

### **Results for year ended 31st December 2019**

#### **Results and operations**

During the financial year to 31st December 2019, Tex Group sales were £43.1m (2018 restated: £40.1m). Gross margins reduced from 26% to 25%.

Profits for the Plastics Division remained stable, with increased operating costs being offset by a modest increase in sales. The Engineering Division experienced another challenging year resulting in a further loss. However, the Division has entered 2020 with an order book in excess of £10m with the conversion rate of enquiries improving as a degree of certainty has returned to the market. As a result of delays in delivery of a new Edging Machine, the Boards & Panels Division experienced a loss due to the reduction in capacity and productivity in 2019.

The Group reported a pre-tax trading loss of £945k for the year (2018: restated loss £877k), this is after exceptional costs of staff redundancies and additional professional fees. The underlying trading loss was £709k.

Following the approval by shareholders, the Group has drawn down a term loan from the major shareholder thus allowing the bank overdraft to be cleared and the commencement of a restructuring exercise to be initiated.

Application has been made for the restoration of listing of the shares and a decision is awaited from the FCA.

The Group's net assets per share have increased from 127p to 135p, driven by the Pension Scheme moving into surplus.

#### **Prospects and dividends**

The Plastics Division has continued to trade profitably, however the performance for the year will now be reduced by the impact of COVID-19, which is expected to reduce volumes for a period of time.

The Group has taken advantage of support from the Government, including the deferral of the VAT payment to March 2021, and the Coronavirus Job Retention Scheme. Currently 50% of the Group's staff are furloughed, with 10% working from home.

The diversity of the Group means that some operations are either closed or significantly reduced whilst others are operating almost normally. QK Honeycomb Products Limited is virtually closed as in line with its main customer base, being the UK caravan industry. G&M TEX and the ATC Division are trading in line with their respective budgets. The Plastics Division is currently trading at about 70% of the budgeted production levels, supplying critical line supplies to the medical and hygiene industries.

The Group is using this period of downturn in operations to revisit working practices and to restructure the organisation in preparation for future trading opportunities. A plan has been initiated that could result in an estimated annualised saving of up to approximately £1.5m.

The current cash balance is relatively strong, with in excess of £2,000,000 in the bank. A revised budget through to June 2021 has been prepared which indicates that if the forecasts are met, the Group should remain cash positive during this period.

## **CHAIRMAN'S STATEMENT continued**

The Group currently has a record order book of in excess of £14m, which assists in underpinning the budget trading expectations.

The overall Group performance for the first four months is in line with budget.

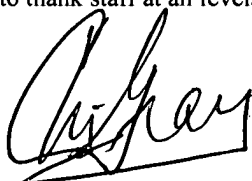
The Board previously considered that, subject to the current global situation, the Group would have reported an improved position for 2020. This has now been superseded by the COVID-19 pandemic. The outturn for the year now depends upon how swiftly trading returns and how long the current restrictions remain in place. There is expected to be an improvement on the 2019 result, with a number of the projects in stock at the 2019 year-end being completed during 2020.

We recommend a final dividend of Nil (2018: Nil), making an overall payment in respect of the year of Nil (2018: 2.5 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  
23rd June 2020



## RESULTS IN BRIEF

	Year ended 31/12/19  £000	Year ended 31/12/18 (restated) £000
Revenue	43,080	40,176
Loss before taxation	(945)	(877)
Taxation	(191)	123
Loss after taxation	(1,136)	(754)
Total equity	8,548	8,104
Net assets per share	135p	127p
Basic earnings per share	(17.9p)	(11.9p)
Diluted earnings per share	(17.9p)	(11.9p)
Dividends per share (based on interim dividend in the year, special dividend and final dividend proposed)	Nil	2.5p

## STRATEGIC REPORT

The Directors present their strategic report for the year ended 31st December 2019

### BUSINESS REVIEW & PRINCIPAL ACTIVITIES

#### 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 product design changes to reduce noise levels and emissions.

Turnover was down by £300k from 2018 as a result of the conversion rate from quotations being worse than historic levels. Conversion rates have seen a small improvement, but this was too late in 2019 to improve the turnover. Gross profit improved over 2018 as a result of the mix of sales being biased to the better margin products.

Overheads increased in comparison with 2018, as a result of reorganisation costs. The improved margins noted above and the reorganisation costs, resulted in a modest reduction in the loss reported compared to 2018.

The opening four months trading has been above budget as there has been some improvement in the confidence in the marketplace.

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

Turnover reduced by £300k from the 2018 level which, combined with a 12% reduction in the gross margin, resulted in a significant loss of £900k. The Company is currently undergoing a reorganisation to realign the overhead and cost base to a reduced turnover level.

2020 opened below the budget expectations, with a number of anticipated projects being delayed.

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

Turnover for 2019 consisted of spares and service support operations. An engine build was in progress at the year end and will underpin the first half trading in 2020. With the increase in turnover over the 2018 figures, the pre-tax loss for the year was reduced to £49k.

The Company is currently quoting for a further engine build project, which could underwrite the 2020 figures.

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

The Company turnover in 2019 was more than double the turnover in 2018. This increase in turnover resulted in the loss for the year coming in at £178k compared to the 2018 result of a loss of £617k.

G&M TEX has entered the new year with an order book in excess of £3.5m. This should provide a solid foundation to the 2020 trading.

## **STRATEGIC REPORT continued**

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

Tex A.T.C. Services provides the staff and support for Tex Special Projects and Tex Air Traffic Control Rooms Limited.

***Tex Special Projects Limited*** – Design and manufacture of bespoke and modular structures; radio frequency-blocking glazing for both civilian and military applications.

The supply of glass to a sovereign navy noted in last year's report is in progress and is due for shipment in 2020. The installation team have been on site in preparation of the glass being delivered.

The Company recently won an award for a small glazing project for portable control rooms, which was shipped in the first quarter of 2020.

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 has won a number of supply-only contracts for Nigeria and some cash deposits have been received. The initial deposit of funds was received in August 2018 and following a 12-month hiatus, additional funds have subsequently been received. The Company now anticipates the remittance of further funds, subject to the effect of oil prices on the Nigerian economy. It is anticipated that two control rooms will now be delivered in 2020, with a further four for delivery in 2021.

In addition, the Company has recently won a contract to supply a control room to the Middle East. This is scheduled for delivery by the end of 2020.

The Company currently has an order book in excess of £2.3m and continues to quote further projects, with enquiries now being generated for the MV range of control rooms.

### **Engineering Division summary**

Turnover for the Division increased from £12,840,000 to £15,447,000 largely as a result of the increased sales in G&M TEX as noted above.

The operating loss for the year of £1,139,000 (2018: loss £1,263,000) is an improvement over the 2018 position as a result of the increased turnover in G&M TEX.

## **STRATEGIC REPORT continued**

### **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 2019 showed a marginal increase. The profit for the year was also stable. This performance has continued in the year to date, in line with expectations. The Division has been supplying a number of NHS entities during recent weeks.

### **Boards & Panels Division**

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

Turnover for the year dropped by £250,000. Gross margins reduced by one percentage point to the 2017 level.

Overheads were controlled even though the company had the costs of the new factory which was not in full production due to the delays in the delivery of the new equipment.

Finance costs further increased as a result of the capital expenditure on the completion and fit out of the new factory development at Brigg, which was completed in 2019.

Overall, the reported pre-tax loss was £398k reflecting the effect of the matters noted above.

## **CORPORATE SUMMARY**

The Plastics Division traded well with its overall profitability higher than the previous year at £686,128 (2018: £531,772)

The Engineering and Boards & Panels Division incurred losses due to projects being delayed, which were in progress at the year end. This has given the opening months of 2020 a boost as a number of these projects have been despatched. This has also assisted in the cash situation as these projects are despatched.

The Group reported an overall pre-tax trading loss of £945k, and this was after exceptional items of £236k in respect of additional professional fees incurred in respect of the 2018 audit and redundancy costs.

The pension deficit has been eliminated and the pension scheme is now in surplus. Following the 5th April 2019 triennial valuation, the pension scheme trustees have agreed contributions can be stopped with effect from 31st December 2019.

The first quarter of 2020 has opened in line with budget, with the exception of the shipment of glass to a sovereign Navy which is now due to be shipped in the second half of the year. COVID-19 has affected trading, with certain subsidiaries suffering limited effects, whilst others such as QK Honeycomb Products as a supplier to the leisure vehicle industry seeing an almost complete shut down in sales.

Cash control and profitability remain priorities.



## STRATEGIC REPORT continued

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £1,136k (2018 restated: £754k). The Directors have not recommended a final dividend (2018: £Nil). No interim dividends were paid in the year (2018: £0.025).

### KEY PERFORMANCE INDICATORS AND PERFORMANCE REVIEW

The Group's key financial performance indicators during the year were as follows:

	2019	2018
Revenue (£k)	43,080	40,176
Gross Profit (£k)	10,634	10,402
Gross Profit Margin (%)	25	26
Operating Loss (£k)	(273)	(723)
Loss after tax (£k)	(1,136)	(754)
Cash and cash equivalents (£k)	1,017	(2,105)
Capital expenditure (£k)	3,138	2,783

The Group monitors non-financial factors including Human Resources and Health and Safety. We also monitor sales and orders levels on a weekly basis.

### 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. We are 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. Currently the suppliers of the plant and equipment are unable to provide the carbon "cost" of manufacturing their equipment. 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.

### EMPLOYEES

Employee numbers by gender at 31st December 2019:

	Group		Company	
	Male	Female	Male	Female
Directors	20	1	5	-
Senior managers	31	9	-	3
Other employees	310	91	-	4
	361	101	5	7

#### 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.

## **STRATEGIC REPORT continued**

### **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 preventing discrimination against sexual orientation or gender identification.

### **FUTURE DEVELOPMENTS**

- Deliver Transformational Projects including consolidation of subsidiaries and sites
- Restructuring of the workforce
- Enhancement of the existing product portfolio
- Concentrate on profitable product lines
- Continue to grow Revenue
- Continuation of the capital investment programme

The main trends and factors likely to affect future development, performance and position will be the global economy after the COVID-19 pandemic and the UK Government's investment in UK infrastructure projects.

### **STRATEGY**

A restructuring exercise is currently underway to analyse where staff can be utilised and where they cannot. Costs are estimated to be in the region of £250k with the resulting savings amounting to £1.5m per annum. The restructuring is expected to be completed by the end of the third quarter of 2020.

There is also analysis ongoing as to which locations we wish to continue working from and which we can relocate to other sites. There are plans for consolidation of subsidiaries where possible, and liquidation of some dormant subsidiaries. The timing of the plans are expected to be in the next 2 years.

The restructuring plans are in place to ensure that revenue levels can remain high, costs are cut, and profits return to the Group. The Group has sufficient cash to be able to service all projects that are forecast, and careful cash management will ensure that continuation of good customer service remains. Should cash flow deteriorate over the next 12 to 18 months, then we have the option to defer PAYE payments. We have negotiated a deferral of loan repayment with RBS until next year to allow cash to be preserved. This amounted to £300k of repayments that were meant to be paid in 2020, now being paid in 2021.

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, offers some protection from the effects of economic shocks such as COVID-19.

The return to normal working after lockdown will be phased in, depending on government advice and customer requirements. All subsidiaries have continued working throughout the lockdown with the exception of one. We have implemented health and safety measures to ensure staff have appropriate PPE and are maintaining the social distancing rules. We have been rotating staff on and off of furlough to ensure that less staff are in the factories at any one time. We will also continue to work from home, where practicable to do so.

## STRATEGIC REPORT continued

### BUSINESS MODEL

The Group generates value by increasing profitability year on year by cost control and margin improvement. The Group buys new equipment such as machines to ensure that we are ahead of our competitors and able to offer facilities and services to customers that other companies cannot. There are separate subsidiaries set up in order to concentrate on separate areas of the business. Support is given from the Holdings company to each of the subsidiaries by way of loan, as and when required.

### PRINCIPAL RISKS AND UNCERTAINTIES

#### 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.

#### *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 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.

## STRATEGIC REPORT continued

### *Risk matrix*

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

### SECTION 172 (1) STATEMENT

The Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172. The likely consequences of any decision in the long-term is covered in the strategy section of this report (see above), the interests of the Company's employees are in the Employee's section of this report (see above) and also in the Directors' Report. The need to foster the Company's business relationships with suppliers, customers and others is covered in the Directors' report. The impact of the Company's operations on the community and the environment is covered in the Environment section above. The Group wishes to maintain a reputation for high standards of business conduct and does have the need to act fairly as between members of the Company.



**CA Parker**  
Executive Director  
23rd June 2020

## **FIVE YEAR FINANCIAL SUMMARY**

	<b>Year ended 31/12/19</b>	<b>Year ended 31/12/18 (restated)</b>	<b>Year ended 31/12/17</b>	<b>Year ended 31/12/16</b>	<b>Year ended 31/12/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revenue	<b>43,080</b>	40,176	41,505	41,386	36,046
(Loss)/profit before taxation	<b>(945)</b>	(877)	927	1,107	1,493
(Loss)/profit before taxation as a percentage of revenue	<b>(2.2%)</b>	(2.2%)	2.2%	2.7%	4.1%
(Loss)/profit after taxation	<b>(1,136)</b>	(754)	730	908	1,164
Basic earnings per share	<b>(17.9p)</b>	(11.9p)	11.5p	14.3p	18.3p
Diluted earnings per share	<b>(17.9p)</b>	(11.9p)	11.5p	14.3p	18.3p
Dividend per share (based on interim dividend in the year, special dividend in the year and final dividend proposed)	<b>Nil</b>	2.5p	8.5p	8.5p	22.0p
Total equity	<b>8,548</b>	8,104	10,639	9,830	9,438
(Loss)/profit before taxation as a percentage return on average total equity	<b>(11.3%)</b>	(9.4%)	9.1%	11.5%	16.4%
Net assets per share	<b>135p</b>	127p	168p	155p	149p

## **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)

\* (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**

GP Chadwick

SP Codd

J Davies

J Durrant (appointed 01/09/2019)

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**

Price Bailey LLP

#### **Bankers**

National Westminster Bank PLC

#### **Legal advisors**

Birketts LLP

## **Directors' Report** for the year ended 31st December 2019

The Directors have pleasure in submitting their Annual Report and financial statements for the year ended 31st December 2019.

### **Principal activities**

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

The Board consider the following as key performance indicators (KPIs) for the Group: revenue, gross profit, gross profit margin, operating profit, profit after tax, 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 pages 1 and 2, Strategic Report by Division on pages 4 to 6 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.

### **Results and dividends**

Revenue amounted to £43,080,000 (2018 restated: £40,176,000). Loss before taxation was £945,000 (2018 restated: Loss £877,000).

The Directors have proposed a final ordinary dividend in respect of the current financial year of Nil pence per share (2018: Nil pence per share).

Dividends paid during the year comprise a dividend of Nil pence per share in respect of the previous year, together with an interim dividend in respect of the year ended 31st December 2019 of Nil pence per share.

### **Going concern**

The Directors have reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the financial statements.

The Board continues to carefully manage the Group's funding and liquidity position. The main sources of debt funding are loans. The bank balance is carefully monitored to ensure that it remains positive and loan repayments are made where there is excess cash available to do so.

Since 31st December 2019, the consequences of the COVID-19 outbreak have materially and adversely affected the supply and demand for the Group's primary products and therefore, its operating results have been negatively impacted. The Directors have prepared forecasts to June 2021 which take the pandemic into account and forecast what the impact is likely to be.

The Board's considerations have included a drop in revenue, partial shutdown of some factories and receipts from the government for staff placed on Furlough.

The Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

## **Directors' Report continued** for the year ended 31st December 2019

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the Financial Statements.

### **Employee involvement**

During the year, the Directors have maintained the ability to provide employees systematically with information on employee matters of concern by way of a dedicated Human Resource Manager who lets the individual Managing Directors of the subsidiaries know any information that is relevant to their staff.

The Directors have consulted with the employees or their representatives on a regular basis so that their views can be taken into account in making decisions which affect their interests. This is maintained either in person or via telephone or e-mail.

The Directors hold regular meetings with the Managing Directors of each subsidiary in order to discuss the financial and economic factors affecting the performance of the company and the part that employees can make in regard to this. The Managing Directors then pass information that is relevant down to the employees in order to enact change.

Due to the size of the Group, the Directors are able to regularly visit the subsidiary companies and meet face to face with employees. Any points raised by staff are taken up by the Managing Directors and escalated up to the Board to discuss if their input is required.

### **Suppliers, customers and others**

The Directors have had regard to the need to foster business relationships with suppliers, customers and others. We have many long-term suppliers which we have continued to work with. With Brexit occurring we now are looking to many UK suppliers in order to mitigate foreign exchange risk. We have some customers that we work closely with and this has influenced decisions such as the purchase of the machine for QK Honeycomb Products Limited in order to supply products to the customer as required. We have had a close working relationship with our bankers, and they are regularly sent management information.

### **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.

### **Research and Development**

The Group continues to research new ways of designing products so that they are manufactured in the most efficient way. One of the subsidiaries is looking into environmentally friendly power generation in co-operation with its existing products. We continue to invest in machinery that includes robotics (in the Plastics Division) which can lead to new and innovative ways to produce products.

### **Directors**

The names of the Directors of the Company, including those who act in a Non-Executive capacity, appear on page 12. All the Directors served for the whole year.

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

ARB Burrows (age 81) is an industrialist. He is a Director of Le Bas Limited and IS&G (Holdings) Limited.

CA Parker (age 58) is a Chartered Accountant. He joined Tex in 1992 having previously worked for Ernst & Young.



**Directors' Report** continued  
for the year ended 31st December 2019

D Redhead (age 73) 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 Make UK Regional Council (formerly EEF), having been past president of the EEF East Anglian branch. He also sits on the Greater Ipswich Chamber of Commerce.

CD Palmer-Tomkinson (age 78) 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.

GC Gray (age 76) 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.

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.

CA 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.

**Political and charitable contributions**

The Group made no political contributions during the year. Donations by the Group to UK charities amounted to £1,893 (31st December 2018: £2,527), none of which were individually over £200. All donations were made by the Company.

**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.

## **Directors' Report continued** for the year ended 31st December 2019

### **Corporate Governance statement**

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

Throughout the year to 31st December 2019, the Company complied with the provisions of the UK Corporate Governance Code ("UKCGC" and "the Code") issued by the Financial Reporting Council in July 2018, except as discussed below.

### **Substantial holdings**

Notification has been received that, as at 4th May 2020, 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:

<b>Shareholder</b>	<b>No. of shares held</b>	<b>%</b>
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) Board Leadership and Company Purpose**

Opportunities and risks to the future success of the business have been considered and addressed. The Board has assessed the sustainability of the Group's business model by thoroughly reviewing the five-year plan with the managing directors of each of each of the subsidiaries. The governance that the Group has in place contributes to the delivery of its strategy.

Details of the Directors are on pages 14 and 15. 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 2019 were held by GC Gray and CA Parker and D Redhead, respectively. CD Palmer-Tomkinson acted as senior Non-Executive Director during the year.

Of the Non-Executive Directors, CD Palmer-Tomkinson qualifies as independent within the definition of Provision 10 section 2. 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). GC Gray fulfils the role of Chairman and therefore he does not qualify as independent within the definition of Provision 9 section 2. 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.

## **Directors' Report continued** for the year ended 31st December 2019

The significant contracts that the Group has held with the director shareholders are the loan with Edward Le Bas Properties Limited, the rent agreements for both properties and equipment with Edward Le Bas Properties Limited and the purchase of steel from IS&G Steel Stockholders Limited. See the related party transactions note 25 for further details.

So far as the listed company is aware, the procurement obligation (as set out in LR 6.5.5R(2)(a) or LR 9.2.2BR (2)(a)) included in any agreement entered into under LR 6.5.4R or LR 9.2.2ADR(1) has been complied with during the period under review by a controlling shareholder.

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

	<b>Board</b>	<b>Remuneration Committee</b>	<b>Audit Committee</b>
<b>Total meetings in 2019</b>	16	1	2
ARB Burrows	16	1	2
GC Gray	16	1	N/A
CD Palmer-Tomkinson	16	1	2
CA Parker	16	N/A	N/A
D Redhead	16	N/A	N/A
CT Varley (resigned 30/04/2019)	6	1	N/A

The Board understands the views of the Group's other key stakeholders and their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making. The Board keep engagement mechanisms under review so that they remain effective.

For engagement with the workforce (section 1 provision 5) a designated executive director maintains regular contact with the workforce. The Group's approach to investing in and rewarding its workforce is to manage training requirements of the employees and to pay remuneration in line with market levels.

### **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. However, this matter is considered on an informal basis by the Board.

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

The Company does not have a Nomination Committee as the Board consists of only five Directors. The Board therefore fulfils the role of the Nomination Committee and therefore the Company has not complied with Provision 17 Section 3 during the year.

## **Directors' Report continued** for the year ended 31st December 2019

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, 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 24 Section 4) in respect of "recent and relevant financial experience".

The duties of the Audit Committee include:

- monitoring of the integrity of the financial statements and formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements;
- providing advice (where requested by the Board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- reviewing the Company's internal financial controls and internal control and risk management systems;
- reviewing the need for an internal audit function and making a recommendation to the Board if it feels there should be one;
- conducting the tender process and making recommendations to the Board about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required; and
- reporting to the Board on how it has discharged its responsibilities.

The Committee met formally twice during the year. Regular informal meetings occurred during the year.

During the year ended 31st December 2019, 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.

## **Directors' Report continued** for the year ended 31st December 2019

The members of the Audit Committee maintain regular dialogue with the auditors and regularly monitor 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 has assessed auditor independence by ensuring that no one from the firm selected is connected in any way to any of the staff from the Group. The Audit Committee have monitored the effectiveness of the audit process by having regular updates with the CFO and Group Financial Controller along with the External Auditors.

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 26 Section 4). The current conclusion of the Audit Committee is that this is not necessary given the straightforward nature of the Group's activities. The Directors review management accounts provided on a monthly basis by the Finance team to ensure that there are no anomalies in expectations. The newly appointed Group Financial Controller reviews working papers, accounts and banking transactions of the subsidiaries and reports to the Directors as to any anomalies.

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 4 of the Code relating to Audit Committee and auditors have been met throughout the year except for Provision 24 Section 4 as the Audit Committee did not comprise of at least two independent Non-Executive Directors throughout 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 confirms that it has completed a robust assessment of the Group's emerging and principal risks. These are highlighted on pages 9 and 10 of the Strategic Report.

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.

## **Directors' Report continued** for the year ended 31st December 2019

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 25 Section 4 requires that the Board should at least annually conduct a review of the Group's system of internal controls. The formal presentation of the control review occurs at the Board meeting to approve the annual budget.

### **d) Remuneration**

The Directors' Remuneration Committee continued to operate throughout the period and formally met once.

The work of the Remuneration Committee includes the following:

- They explain the strategic rationale for Executive Directors' remuneration policies, structures and any performance metrics;
- They give the reasons as to why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
- They address the factors in Provision 40 such as clarity, simplicity, risk, predictability, proportionality and alignment to culture;
- They state whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
- what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
- what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and
- to what extent discretion has been applied to remuneration outcomes and the reasons why.

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 24 and 25.

Provision 32 Section 5 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 ARB Burrows.

**Directors' Report** continued  
for the year ended 31st December 2019

**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 2020, 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.

An additional budget was prepared to June 2021, to take into account the anticipated effects of COVID-19. As with the detailed Group budget, this budget was reviewed by the Directors and considered the cashflow implications and the committed and expected borrowing facilities.

**g) Viability**

Taking account of the Group's current position and principal risks, the Directors maintain a five-year plan which is reviewed regularly, covering matters such as available bank facilities and capital investment plans. The five-year plan helps the Directors assess the prospects for the Group over a five-year period. The Directors consider five years to be appropriate as it is a timeframe in which reasonable estimation and forecasts can be made. On the basis of the five-year plan review, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years.

In completing the assessment, the Board has taken into consideration the potential impact of the risks on page 10 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.

## **Directors' Report continued** for the year ended 31st December 2019

### **Statement of Directors' responsibilities**

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

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

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

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

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

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



**Directors' Report continued**  
for the year ended 31st December 2019

The Directors that are making this Responsibility statement are:

ARB Burrows  
GC Gray  
CA Parker  
CD Palmer-Tomkinson  
D Redhead

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

The Directors confirm that to the best of their knowledge:

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

**Audit information**

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

**Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Price Bailey 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 23rd June 2020 at 12.15pm.

The Notice of an Extraordinary General Meeting to adopt the financial statements is set out on page 95.

By order of the Board



**CA Parker**  
Secretary  
23rd June 2020

## Directors' Remuneration Report for the year ended 31st December 2019

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**

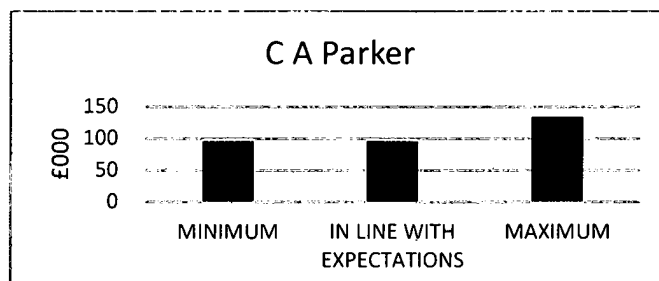
The policy of the Committee is to review the Executive Director's remuneration package for forthcoming years such that the structure will retain and motivate the Executive Directors. Of the remuneration package, bonuses are performance related. Bonuses are based on the achievement of specific criteria 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 the 2018 annual report and is not expected to change.

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

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

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

### *Illustration of application of remuneration policy*



The above chart assumes the Group achieves the budgeted result for 2020.

## Directors' Remuneration Report continued for the year ended 31st December 2019

### Annual Report on Remuneration

At the last general meeting the Remuneration report and remuneration policy received 3,260,839 votes for and 4,571 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 (31st December 2018: £5,250) to the Executive Director's money purchase scheme.

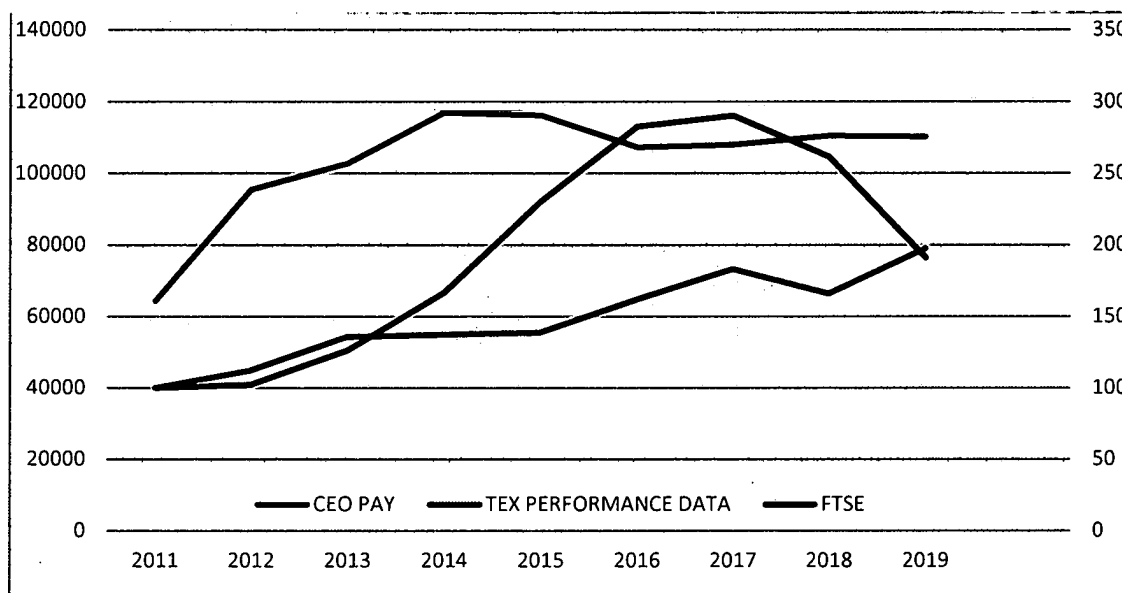
### Directors' remuneration (audited)

	Financial year	Salary/fees £	Defined contribution pension £	Bonus £	Other benefits £	Healthcare £	Total £
ARB Burrows	FY2019	-	-	-	-	3,928	3,928
	FY2018	-	-	-	-	3,944	3,944
CD Palmer-Tomkinson	FY2019	20,000	-	-	-	-	20,000
	FY2018	20,000	-	-	-	-	20,000
D Redhead	FY2019	55,000	-	-	1,539	3,811	60,350
	FY2018	41,820	-	-	1,542	3,564	46,926
CA Parker	FY2019	100,200	5,250	-	3,268	1,439	110,156
	FY2018	100,200	5,250	-	3,628	1,370	110,448
CT Varley	FY2019	13,940	-	-	-	1,112	15,052
	FY2018	41,820	-	-	-	3,195	45,015
GC Gray	FY2019	50,000	-	-	-	-	50,000
	FY2018	35,577	-	-	-	-	35,577

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 2019



The above graph shows the CEO pay in 2011 and the sole Executive Director pay for the years 2011 to 2017 and the highest paid executive director pay in 2018 and 2019.

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.

### Pay Ratios table

Year	Method	25 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile pay ratio
2019	Option A	5.64:1	4.86:1	3.90:1

The above table is based on the highest paid Executive Director's pay as the company does not have a designated CEO.

The Remuneration of the Executive Directors has increased by 8.3% in the year (2018: an increase of 2.4%). This compares to an average increase for all Group employees of 5.5% (2018: an increase of 4.8%) 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 2020 as it has for 2019 as described above.

## Directors' Remuneration Report continued for the year ended 31st December 2019

### Directors' remuneration compared to certain other distributions:

	2019 £000	2018 £000	Percentage change %
Directors' remuneration	259	276	(6.2)
Other employee remuneration	12,892	12,224	5.5
Dividend payments to shareholders (excluding special dividend)	-	533	(100.0)

### Share options

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

### Directors' share interests (audited)

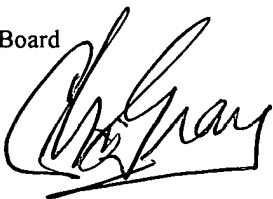
	Ordinary Shares	
	31/12/19	31/12/18
ARB Burrows	-	-
CD Palmer-Tomkinson	180,000	180,000
CA Parker	100	100
D Redhead	3,000	3,000
CT Varley	3,000	3,000
GC Gray	-	-

There were no changes in Directors' interests between 31st December 2019 and the date of this report.

At 31st December 2019, the Company's shares remained suspended; the share price at the date of suspension was 73.0 pence.

Approved by the Board

G C Gray  
Director  
23rd June 2020



## Audit Committee Report

The Audit Committee is made up of two Non-Executive Directors, CD Palmer-Tomkinson (Chairman) and ARB Burrows. Their biographies, qualifications and experience are included on pages 14 and 15.

### **The Committee's purpose:**

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

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

### **What 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, Price Bailey 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 22, 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.

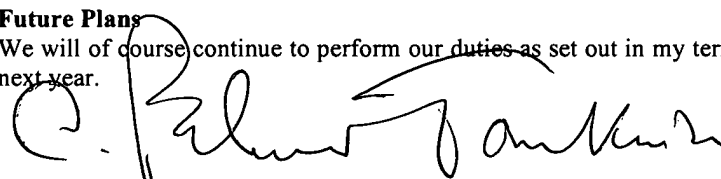
In order to be able to advise the Board that the Annual Report is fair, balanced and understandable, we spent some time deciding what we felt this meant and who our key stakeholders were and what this would mean for them. We decided that the Annual Report should be free from bias, tell the story of the 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 21.

### **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.



**CD Palmer-Tomkinson**  
Audit Committee  
23rd June 2020

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

### **Qualified opinion**

We have audited the financial statements of Tex Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31st December 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regards the Group financial statements, article 4 of the IAS Regulation.

### **Basis for qualified opinion**

We have been unable to obtain sufficient appropriate audit evidence on points 1 to 3 below:

#### *1. Investments in subsidiary undertakings and amounts receivable from related parties*

Investments in subsidiary undertakings recorded in the Parent Company balance sheet at £1,851,000 have been assessed for impairment in accordance with IAS 36, and the amounts due from related parties included within receivables of £13,548,000 in accordance with IFRS 9 for the inter-company loans. The underlying assumptions for both of these impairment reviews are subject to significant uncertainty and judgement. The assumptions include judgements in respect of future cash flows and recovery of residual assets. 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 provision for impairment recorded.

#### *2. Existence and value of inventories*

We were not appointed as auditor of the Group in respect of the financial statements for the year ended 31st December 2018 and thus did not observe the counting of physical inventory at that year end.

The auditors appointed for that year qualified their audit report in respect of the inventories of a number of the Engineering subsidiaries as they were unable to resolve differences from the year-end inventory count and/or in the calculation of production and labour overheads allocated to inventory. We were unable to satisfy ourselves by alternative means concerning the inventory quantities and valuation at 31st December 2018, which are included in the Group balance sheet at £4,436,331 by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount as at 31st December 2018 was necessary or whether there was any consequential effect on the costs of sales for the year ended 31st December 2019. In addition, were any adjustment to the Inventory balance or cost of sales balance to be required, the Strategic Report would also need to be amended.



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

The Company was unable to provide us with a complete and detailed inventory listing at 31st December 2019 in respect of one of the Engineering subsidiaries as the stock report was lost. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held or valuation at 31st December 2019 which are included in the balance sheet at £2,407,509 by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary or whether there was any consequential effect on cost of sales. In addition, were any adjustment to the Inventory balance or cost of sales balance to be required, the Strategic Report would also need to be amended.

In respect of the two Plastics companies, the companies value inventory using a method of sales price less a margin to estimate cost. Due to the nature of the company records in regard to the cost of inventory we have been unable to obtain sufficient appropriate audit evidence on which to confirm the valuation of inventory due to the levels of estimation within the method employed. We were unable to satisfy ourselves by using alternative means concerning the inventory valuation at 31st December 2018 which are included in the balance sheet at £2,356,071 and the valuation at 31st December 2019, which are included in the balance sheet at £2,080,609 or whether there was any consequential effect on cost of sales for the year ended 31st December 2019 by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount was necessary. In addition were any adjustment to the Inventory balance or cost of sales balance to be required, the Strategic Report would also need to be amended.

### **3. Debtors**

We have not been able to conclude whether debtors were overstated at 31st December 2018. Amounts receivable from the sale of goods included £189,000 on extended terms from a customer that had already been granted extended terms. Whilst the customer acknowledged the debt there was no available evidence to confirm the debt would be paid. During 2019, a full credit note was issued to the customer and the goods returned to stock. We have not been provided with conclusive evidence as to whether the customer had a right to return the goods and obtain a credit note as a result of conditions existing at 31st December 2018 or whether this arose as a result of a change in conditions after this date. Consequently, we are unable to determine whether the transactions are reflected in the correct accounting period. In addition were any adjustment to the period the transactions were recorded in to be required, the Strategic Report would also need to be amended.

### **Material uncertainty relating to going concern**

We draw attention to note 1 and note 29 in the financial statements, which describes the Directors' assessment of the current and future effect of the COVID-19 pandemic on the Group and Company. As stated in note 1 and note 29, the Group and Company has cash reserves and has continued to trade since the pandemic started, albeit adhering to the Government policy to limit social interaction. Although the Directors have assessed the impact of COVID-19 on the Group and Company, the effects are subject to unprecedented levels of uncertainty of outcomes with the full range of possible effects unknown. These events or conditions along with the other matters as set forth in notes 1 and 29 indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### **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*

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the works, including the UK.

The Directors' consideration of the non-adjusting post balance sheet events that have been caused by the pandemic, COVID-19, on the current and future operations of the Group are disclosed within the going concern policy and subsequent events notes.

Whilst the situation is still evolving, based on the information available at this point in time the Directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate and that COVID-19 is a non-adjusting post balance sheet event.

We assessed the Directors' conclusion that the matter be treated as a non-adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

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

We considered:

- The timing of the development of the outbreak across the world and in the UK; and
- How the financial statements and business operations of the Group might be impacted by the disruption.

In forming our conclusions over going concern, we evaluated how the Directors' going concern assessment considered the impacts arising from COVID-19 as follows:

- We reviewed the Directors' going concern assessment including COVID-19 implications based on a 'most likely' scenario. We made enquiries of Directors to understand the period of assessment considered by the Directors, the completeness of the adjustments taken into account and implication of those when assessing the 'most likely' scenario;
- We evaluated the key assumptions in the forecasts and considered whether these appeared reasonable;
- We examined the maximum borrowing facility headroom under the monthly cash flow forecasts and evaluated whether the Directors' conclusion that liquidity headroom remained in all events was reasonable; and
- We evaluated and assessed the adequacy and appropriateness of the Directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks and uncertainties, post balance sheet events and going concern.

Based on our work performed, we are satisfied that the matter has been appropriately reflected in the financial statements. However, as highlighted in our going concern conclusion above, the effects of COVID-19 are subject to unprecedented levels of uncertainty of outcomes with the full range of possible effects unknown and a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern.

### **2. Revenue recognition**

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

The testing we performed in relation to product sales was to confirm the validity of sales recorded and the point of transfer of the risks and rewards of ownership through identification of the timing of delivery/collection and revenue recognition by sampling a number of transactions in the days prior to and subsequent to year end, as well as a sample of contracts throughout the year.

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

### *3. Impairment of investments in subsidiaries*

Several of the subsidiaries have made losses for the year and had net current 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 and investments requires a high degree of management judgement and is disclosed as a judgement and estimate under note 1.

Under IFRS 9, management are required to consider the intercompany receivable and equity investment for impairment and calculate either a lifetime or 12 month 'expected credit loss' depending on the credit risk of the receivable. The matter was considered to be of significance due to the level of judgement and estimation involved.

Management have considered the equity investment and receivable valuation and provided detailed workings in respect of each subsidiary together with an assessment of impairment at 31st December 2019 and details of underlying assumptions.

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. A revised impairment assessment was subsequently performed in accordance with these standards. After discussions with management the assessment was updated and, 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.

### *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 that tangible fixed assets could be impaired.

Management performed tangible fixed asset impairment assessments where appropriate and sufficient evidence was provided to support the carrying value of tangible fixed assets based on possible resale values.

### *5. Inventory*

We identified the existence and valuation of the Group's inventory balance as having a heightened risk of material misstatement due to its size and the use of management judgement in respect of final valuation and due to issues being raised by the previous auditors over the quantity and valuation of stock in a number of the subsidiaries.

We attended the year-end stock counts and our test counts identified several variances which were corrected within the final valuation reports provided in support of the financial statements.

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. We were unable to conclude on the reasonableness of this approach for all of entities. Further details are given in the basis for qualified opinion section.

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

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. Further details are given in the basis for qualified opinion section.

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.

### **6. 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. We identified one significant customer balance at 31st December 2018 which was on extended payment terms and on which a credit note was raised in 2019. We have been unable to ascertain whether the credit note was raised as a consequence of a contractual breach or whether the sale was incorrectly recorded in 2018. Further details are given in the basis for qualified opinion section.

### **7. Provisions**

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

We confirmed that both the Group and Parent Company dilapidations provisions have been reserved based on available information and historic experience of previous dilapidation settlements. We also confirmed that the Group has not recognised any other dilapidations in respect of its other leased premises on the basis of landlord confirmation that no liability arises where the intention is to renew existing leases on identical terms.

### **8. Transition to new accounting standards**

The Group has adopted IFRS16 "leases" with effect from 1st January 2019. The standard requires a lessee to recognise a right-of-use asset representing its right-to-use the underlying leased asset, and a leased liability representing the obligation to make leased payments. The Group applied the modified retrospective approach, with the cumulative effect of adopting IFRS16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. The Comparatives have not been restated. The rights-of-use assets leased payments are estimated based on future lease payments discounted. The management applied judgement in determining the discount rate to be used.

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

We assessed the completeness of the population of leases by reviewing the operating lease commitments at 31st December 2018 and the lease liability recognised in 2019. We tested a sample of leases, and checked the calculations performed by management and the reasonableness of the discount rate applied, challenging the client on the assumptions used.

### ***9. Defined benefit pension scheme***

The valuation of the asset is a significant accounting estimate. Therefore, we identified there are risks that the value could be misstated.

We reviewed the valuation, which had been provided by an actuary, as well as the treatment and disclosures in the financial statements. We confirmed that the valuation and underlying assumptions appear reasonable.

### **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.

We assessed planning materiality for the Group's financial statements as a whole based on 7.5% of the Group's operating profit. 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 and the nature of prior period qualifications.

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 £11,250.

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 was 50% of overall materiality.

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.

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

### **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 they did not exceed Group materiality.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements. We considered the Group structure, their processes and their policies. The Group has two main operating segments Engineering and Plastics. There are a number of legal entities in each of these segments.

We performed audits on 10 of the subsidiaries within the Group.

### **Other information**

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

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the following:

- the value of the provision for impairment recorded on the Investments in subsidiaries of £1,851,000 and amounts due from related parties of £13,548,000 in the Company balance sheet, at 31st December 2019.
- the inventory quantities and valuation of £4,436,331 at 31st December 2018, and of £2,407,509 at 31st December 2019 and the possible consequential effect on the costs of sales for the year ended 31st December 2019.
- The valuation of further inventory of £2,356,071 at 31st December 2018, and of £2,080,609 at 31st December 2019 and the possible consequential effect on the costs of sales for the year ended 31st December 2019.
- Whether a credit note of £189,000 for items returned on an unpaid debt has been recorded in the correct period.

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

We have concluded that where the other information refers to the investment or amounts due from subsidiaries, inventory balance or related balances such as cost of sales, or sales, it may be materially misstated for the same reason.

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

- Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – 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 – 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.

Except for the matters described in the basis for qualified opinion section of our report, and that in our opinion, based on the work undertaken during 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.

In our opinion the Strategic Report and Directors' Report have not been fully prepared in accordance with applicable legal requirements.



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

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

Except for the matters described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained during the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Arising solely from the limitation on the scope of our work relating to inventory, investment in subsidiaries, amounts due from Group undertakings, sales and cost of sales referred to above:

- we have not received all the information and explanations we require for our audit.

We were unable to determine whether adequate accounting records have been kept by the Parent Company.

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.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 22 and 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

Following the recommendation of the Audit Committee, we were appointed by the Directors on 24th September 2019 to audit the financial statements for the year ending 31st December 2019 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.

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

### **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.

**Paul Cullen FCCA (Senior Statutory Auditor)**

for and on behalf of  
**Price Bailey LLP**

Chartered Accountants  
Statutory Auditors

Tennyson House  
Cambridge Business Park  
Cambridge  
CB4 0WZ

23rd June 2020

Price Bailey LLP is a limited liability partnership registered in England and Wales (with registered number OC307551).

**Consolidated Income Statement**  
for the year ended 31st December 2019

	Notes	Year ended 31/12/19 £000	Year ended 31/12/18 (restated) £000
<b>Revenue</b>	2	<b>43,080</b>	40,176
Cost of sales		<b>(32,446)</b>	(29,774)
<b>Gross profit</b>		<b>10,634</b>	10,402
Distribution costs		<b>(1,118)</b>	(1,069)
Administrative expenses	7	<b>(9,789)</b>	(10,056)
<b>Operating loss</b>	2-7	<b>(273)</b>	(723)
Finance costs	8	<b>(672)</b>	(154)
<b>Loss before taxation</b>		<b>(945)</b>	(877)
Taxation	9	<b>(191)</b>	123
<b>Loss for the year attributable to the equity holders of the Parent Company</b>		<b>(1,136)</b>	(754)
<b>Earnings per share attributable to the equity holders of the Parent Company</b>			
Basic and diluted	11	<b>(17.9p)</b>	(11.9p)

**Consolidated Statement of Comprehensive Income**  
for the year ended 31st December 2019

		Year ended 31/12/19	Year ended 31/12/18 (restated)
	Note	£000	£000
<b>Loss for the year attributable to the equity holders of the Parent Company</b>		<b>(1,136)</b>	<b>(754)</b>
<b>Other comprehensive income</b>			
<b>Items that will not subsequently be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pension plans	24	2,149	(713)
Deferred taxation recognised on actuarial (gain)/loss on defined benefit pension plan recognised directly in equity		(493)	135
		<b>1,656</b>	<b>(578)</b>
<b>Other comprehensive income/(expense) for the year</b>		<b>1,656</b>	<b>(578)</b>
<b>Total comprehensive income/(loss) for the year attributable to the equity holders of the Parent Company</b>		<b>520</b>	<b>(1,332)</b>

**Balance Sheets**  
at 31st December 2019

	Notes	Consolidated 31/12/19	31/12/18 (restated)	Company 31/12/19	31/12/18 (restated)
		£000	£000	£000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	12,780	7,818	227	10
Investments	13	-	-	1,851	2,957
Deferred taxation assets	14	-	213	-	468
		12,780	8,031	2,078	3,435
<b>Current assets</b>					
Inventories	15	7,946	8,110	-	-
Trade and other receivables	16	10,860	10,444	14,386	13,328
Cash and cash equivalents	17	1,017	-	53	-
		19,823	18,554	14,439	13,328
<b>Total assets</b>		<b>32,603</b>	<b>26,585</b>	<b>16,517</b>	<b>16,763</b>
<b>Equity</b>					
<b>Capital and reserves attributable to the equity holders of the Parent Company</b>					
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		4,329	3,885	3,773	4,594
<b>Total equity</b>		<b>8,548</b>	<b>8,104</b>	<b>8,291</b>	<b>9,112</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Other interest-bearing loans and borrowings	19	12,722	1,451	7,293	-
Deferred taxation	14	446	-	70	-
Employee benefits	24	-	1,833	-	1,833
Provisions	21	530	530	-	-
		13,698	3,814	7,363	1,833
<b>Current liabilities</b>					
Bank overdraft	17	-	2,105	-	2,865
Other interest-bearing loans and borrowings	19	1,310	2,762	526	2,298
Trade and other payables	20	8,954	9,525	248	272
Provisions	21	68	128	68	68
Taxation payable		25	147	21	315
		10,357	14,667	863	5,818
<b>Total liabilities</b>		<b>24,055</b>	<b>18,481</b>	<b>8,226</b>	<b>7,651</b>
<b>Total equity and liabilities</b>		<b>32,603</b>	<b>26,585</b>	<b>16,517</b>	<b>16,763</b>

The Company loss for the year amounted to £2,486,000 (2018: loss £1,862,000).

These financial statements were approved by the Board of Directors on 23rd June 2020 and were signed on its behalf by:

GC Gray  
Director



Registered number: 00405838

CA Parker  
Director



## Statements of Changes in Equity at 31st December 2019

<b>Consolidated</b>	Share capital £000	Capital Redemption reserve £000	Other reserves £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2018	635	16	678	2,890	6,420	10,639
Prior year adjustment - dilapidations (note 28)	-	-	-	-	(530)	(530)
Prior year adjustment - other (note 28)	-	-	-	-	(49)	(49)
Restated balance at 1st January 2018	635	16	678	2,890	5,841	10,060
Loss for the year	-	-	-	-	(754)	(754)
IFRS 15 adjustment to opening reserves	-	-	-	-	(91)	(91)
Pension fund actuarial movement net of taxation	-	-	-	-	(578)	(578)
Total comprehensive expense	-	-	-	-	(1,423)	(1,423)
Contributions by and distributions to owners:						
Dividends paid (note 10)	-	-	-	-	(533)	(533)
<b>Balance at 31st December 2018 and 1st January 2019</b>	<b>635</b>	<b>16</b>	<b>678</b>	<b>2,890</b>	<b>3,885</b>	<b>8,104</b>
Loss for the year	-	-	-	-	(1,136)	(1,136)
IFRS16 adjustment to opening reserves	-	-	-	-	(76)	(76)
Pension fund actuarial movement net of taxation	-	-	-	-	1,656	1,656
Total comprehensive income	-	-	-	-	444	444
Contributions by and distributions to owners:						
Dividends paid (note 10)	-	-	-	-	-	-
<b>Balance at 31st December 2019</b>	<b>635</b>	<b>16</b>	<b>678</b>	<b>2,890</b>	<b>4,329</b>	<b>8,548</b>

The aggregate current and deferred taxation relating to items that are released to equity is £271,000 (2018: charged £138,000). All the amounts are attributable to the equity holders of the Parent Company.

**Statements of Changes in Equity**  
at 31st December 2019

<b>Company</b>	<b>Share capital £000</b>	<b>Capital reserve £000</b>	<b>Share premium account £000</b>	<b>Retained earnings £000</b>	<b>Total £000</b>
Balance at 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)
<b>Balance at 31st December 2018 and 1st January 2019</b>	<b>635</b>	<b>993</b>	<b>2,890</b>	<b>4,594</b>	<b>9,112</b>
Loss for the year	-	-	-	(2,486)	(2,486)
IFRS 16 adjustment to opening reserves	-	-	-	9	9
Pension fund actuarial movement net of taxation	-	-	-	1,656	1,656
Total comprehensive income	-	-	-	(821)	(821)
Contributions by and distributions to owners:					
Dividends paid (note 10)	-	-	-	-	-
<b>Balance at 31st December 2019</b>	<b>635</b>	<b>993</b>	<b>2,890</b>	<b>3,773</b>	<b>8,291</b>

The aggregate current and deferred taxation relating to items that are released to equity is £271,000 (2018: charged £138,000).

## Cash Flow Statements

for the year ended 31st December 2019

	Notes	Consolidated		Company	
		Year ended 31/12/19	Year ended 31/12/18 (restated)	Year ended 31/12/19	Year ended 31/12/18 (restated)
		£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Loss profit for the year		(1,136)	(754)	(2,566)	(1,862)
Adjustments for:					
Dividends received		-	-	(499)	(359)
Interest received from subsidiaries		-	-	(1,225)	(1,126)
Depreciation	12	1,978	1,309	83	5
GMP equalisation		-	543	-	543
Impairment of investments		-	-	1,106	2,508
Restatement of opening reserves		-	-	-	-
Loss on sale of fixed assets		(7)	(15)	-	-
Financial expense	8	672	154	342	96
Taxation	9	191	(123)	-	45
		<b>1,698</b>	<b>1,114</b>	<b>(2,759)</b>	<b>(150)</b>
(Increase)/decrease in trade and other receivables	16	(48)	948	(690)	(26)
Decrease/(increase) in inventories	15	164	(1,452)	-	-
(Decrease)/increase in trade and other payables	20	(571)	1,341	(24)	9
Decrease in provisions		(60)	(71)	-	(44)
Decrease in employee benefits		(100)	(100)	(100)	(100)
<b>Cash generated from operations</b>		<b>1,083</b>	<b>1,780</b>	<b>(3,573)</b>	<b>(311)</b>
Taxation paid	9	(147)	(4)	(249)	28
<b>Net cash generated from operating activities</b>		<b>936</b>	<b>1,776</b>	<b>(3,822)</b>	<b>(283)</b>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	12	(3,138)	(2,594)	(211)	(8)
Proceeds from sale of property, plant and equipment		212	39	-	-
Dividends received		-	-	499	359
Interest received		-	-	1,225	1,126
Advances of loans to subsidiaries		-	-	-	(1,792)
<b>Net cash used in investing activities</b>		<b>(2,926)</b>	<b>(2,555)</b>	<b>1,513</b>	<b>(315)</b>
<b>Cash flows from financing activities</b>					
New borrowings	27	8,765	1,954	7,221	1,300
Repayments of borrowings	27	(2,698)	(416)	(1,700)	(416)
Lease payments	27	(331)	(455)	-	-
Interest paid		(624)	(139)	(294)	(81)
Dividends paid	10	-	(533)	-	(533)
<b>Net cash generated from financing activities</b>		<b>5,112</b>	<b>411</b>	<b>5,227</b>	<b>270</b>
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>3,122</b>	<b>(368)</b>	<b>2,918</b>	<b>(328)</b>
Cash and cash equivalents at beginning of the year	17	(2,105)	(1,737)	(2,865)	(2,537)
<b>Cash and cash equivalents at end of the year</b>	<b>17</b>	<b>1,017</b>	<b>(2,105)</b>	<b>53</b>	<b>(2,865)</b>



## **Notes to the Consolidated Financial Statements** for the year ended 31st December 2019

### **1. Accounting policies**

Tex Holdings plc (the “Company” or the “Parent”) is a public limited company incorporated and domiciled in England and Wales. The accounts are presented in Pounds Sterling, which is the functional currency of each entity in the Group. The registered office is at Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk, IP6 0NL.

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**

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons:

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Since 31st December 2019, the consequences of the COVID-19 outspread have affected the supply and demand for the Company’s primary products. Each of the subsidiaries (apart from one) has managed to continue to operate, be it on a reduced basis. The initial Budget for 2020 showed a profit for the Group. The revised Budgets to June 2021, show the profit deteriorating to a loss (before tax) for the year to 31st December 2020. The pre-tax management accounts result for April 2020 is below Budget as the result of one project being delayed until the third quarter. The Group anticipates to return to normal levels of production for the second half of 2020.

### **Judgements and estimates**

The preparation of financial statements in conformity with EU 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 below. These are areas of estimation that we feel are necessary to highlight to the reader of these financial statements.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 1. Accounting policies continued

#### Judgements and estimates continued

##### *Loans to Group undertakings (note 13)*

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.

##### *Notional discount rate (note 12)*

For the calculation of the net present value of the leases under IFRS 16. We have assumed a discount rate of 7.5% which is based on the interest charged to the subsidiaries in relation to finance lent to them from Tex Holdings plc. This is a new standard that is being applied from 1st January 2019 and so the first time that this is disclosed.

##### *Dilapidation provision (note 21)*

Where dilapidation provisions are made, the landlord is contacted, and the rate used has been taken at the average of the rates provided by the landlord. This figure is sensitive as it can fluctuate dependent on the landlord's estimates. The resolution of this uncertainty would be to carry out a full survey on the properties. This is the first year that a dilapidation provision has been quantified in this manner.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 1. Accounting policies continued

#### Changes in accounting policies

- a) New standards, interpretations and amendments effective from 1st January 2019

#### **IFRS 16 Leases**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1st January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 7.5%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 1. Accounting policies continued

#### *IFRS 16 Leases* continued

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1st January 2019:

	Carrying amount at 31st December 2018 £000	Remeasurement £000	IFRS 16 carrying amount at 1st January 2019 £000
<b>Consolidated</b>			
Property, plant and equipment	8,007	4,007	12,014
Current other interest-bearing loans & borrowings	(2,941)	(661)	(3,602)
Non-current other interest- bearing loans & borrowings	(1,275)	(3,422)	(4,697)
<b>Total</b>	<b>3,791</b>	<b>(76)</b>	<b>3,715</b>

	Carrying amount at 31st December 2018 £000	Remeasurement £000	IFRS 16 carrying amount at 1st January 2019 £000
<b>Company</b>			
Property, plant and equipment	10	89	99
Current other interest-bearing loans & borrowings	(2,298)	(80)	(2,378)
<b>Total</b>	<b>(2,288)</b>	<b>9</b>	<b>(2,279)</b>

#### *Impact on retained earnings as at 1st January 2019*

<b>Consolidated</b>	<b>£000</b>
Operating lease commitment at 31st December 2018	8,839
Short-term leases and leases of low value assets	(194)
Effect of discounting the above amounts	(4,562)
<b>Lease liabilities recognised at 1st January 2019</b>	<b>4,083</b>

The Group has recognised £4,007k of right-of-use assets and £4,083k of lease liabilities upon transition to IFRS 16. The difference of £76k is recognised in retained earnings.

<b>Company</b>	<b>£000</b>
Operating lease commitment at 31st December 2018	168
Short-term leases and leases of low value assets	-
Effect of discounting the above amounts	(88)
<b>Finance lease liabilities recognised under IAS 17 at 31st December 2018</b>	<b>-</b>
<b>Lease liabilities recognised at 1st January 2019</b>	<b>80</b>

The Company has recognised £89k of right-of-use assets and £80k of lease liabilities upon transition to IFRS 16. The difference of £1k is recognised in retained earnings.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 1. Accounting policies continued

#### *IFRS 16 Leases* continued

##### b) New standards, interpretations and amendments not yet effective:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1st January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting
- In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1st January 2022. Tex Holdings plc is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

#### **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 at amortised cost**

##### *Classification*

The Group classifies all of its financial assets as financial assets at amortised cost. Management determines the classification of its financial assets at initial recognition.

##### *Recognition*

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

##### *Impairment of financial assets*

The 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.

## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **1. Accounting policies continued**

#### **Financial assets at amortised cost continued**

The probability weighted outcomes are based on three different scenarios. Scenario 1 is to realise the assets in full, Scenario 2 would be to achieve the management forecasts for the current year and Scenario 3 looks at an average of 8 years of cash flows which span the period of the past 3 financial years based on actual results and then the following 5 years which are based on the 5 year plan for the Group.

The percentages applied to each Scenario are set as 5% for Scenario 1, Scenario 2 is set at 25% probability and the most heavily weighted is Scenario 3 at 70%. The reason that Scenario 3 is heavily weighted is because we believe that each subsidiary has had positive cash flows when you review a longer time period.

Each scenario has 3 assumptions applied – the “worst” is no growth in cash flows, the “average” is set at 1% growth in cash flows and “optimistic” is 2% uplift in cash flows.

The gross cash flows for each subsidiary are weighted as follows:

<i>Gross cashflows</i>	<i>Probability weight</i>
Scenario 1	5%
Scenario 2 worst	10%
Scenario 2 average	10%
Scenario 2 optimistic	5%
Scenario 3 worst	28%
Scenario 3 average	28%
Scenario 3 optimistic	14%
Total	100%

The discount rate used is the weighted average based on current borrowing rates and set at 7.5%. We currently have a loan from Edward Le Bas Properties Limited at 8% and then the small RBS loan at 2.7% and so this rate is a blend of these two rates.

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.

The impairment of trade receivables is based on a provision matrix based on aging.

#### *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.

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.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 1. Accounting policies continued

#### Financial liabilities

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

Financial liabilities issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments, or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

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

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

##### *Trade and other payables*

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

##### *Interest-bearing borrowings*

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

##### *Intra-group financial instruments*

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

## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **1. Accounting policies continued**

#### **Leases**

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

#### *Policies applicable from 1st January 2019*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.



## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 1. Accounting policies continued

#### Leases continued

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

#### *Policies applicable prior to 1st January 2019*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 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.

## **Notes to the Consolidated Financial Statements continued**

for the year ended 31st December 2019

### **1. Accounting policies continued**

#### **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.

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**

The Group contacts all property landlords and asks for estimations of dilapidation costs. Where the landlord indicates nil dilapidations if the lease is renewed on the same terms, then no provision is made.

Where an estimate is obtained for the costs, the mid-point of this range is taken and applied to the square footage of property rented in order to calculate a potential provision.

#### **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.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 1. Accounting policies continued

#### **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.

#### **Retirement benefits**

##### *Defined contribution plans*

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

##### *Defined benefit plans*

The Group 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.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 1. Accounting policies continued

#### 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:

BPS International Foundations Limited – revenue from the design and manufacture of piling and drilling equipment. Payment is usually a deposit with the remaining on shipment. There are no obligations for returns or refunds. There is a one-year warranty offered to customers. We estimate this at 1% of turnover for the year. Revenue is recognised on either despatch or acceptance of the risks and rewards of ownership by the customer.

Tex Engineering Limited – revenue from the manufacture and sale of road-making and associated equipment is recognised on despatch to the customer. Payment is often with a deposit with the remaining on despatch for the larger sales. All other sales are 30 day terms from date of despatch. There are no obligations re returns or refunds.

Eurotex – revenue from marine diesel engine and governor rebuilding and parts supply is recognised on completion of the project. Revenue from technical support, engineering and procurement services is recognised over time as performance milestones are completed. Terms are normally 30 days after despatch.

G&M TEX – 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. Terms are normally 30 days after despatch. Warranties are offered for one year.

Tex A.T.C. Division – 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.

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. Terms are different based on each customer.

Boards & Panels – revenue from the manufacture and sale of lightweight boards and panels is recognised on despatch to the customer. Terms are different based on each customer.

#### Expenses

##### *Net financing costs*

Net financing costs comprise bank interest payable 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.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 1. Accounting policies continued

#### Dividends

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

#### Taxation

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

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

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

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

### 2. Revenue

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

	Year ended 31/12/19	Year ended 31/12/18 (restated)
	£000	£000
Plastics	23,175	22,636
Engineering	15,447	12,840
Boards & Panels	4,458	4,700
	<b>43,080</b>	<b>40,176</b>

The practical expedient in IFRS 15.121 has been applied as the performance obligations are part of a contract that has an original expected duration of one year or less.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 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 Directors 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.

Unallocated consolidation - These represent the Holding company results and consolidation adjustments.

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

2019	Plastics £000	Engineering £000	Boards & Panels £000	Total £000
<b>Revenue</b>				
External sales	23,175	15,447	4,458	43,080
Inter-segment sales	-	-	-	-
<b>Total revenue</b>	<b>23,175</b>	<b>15,447</b>	<b>4,458</b>	<b>43,080</b>
<b>Result</b>				
Segment result	1,269	(1,139)	(159)	(29)
Unallocated expenses being expenses pertaining to the Company				(244)
Operating loss				(273)
Finance costs				(672)
Loss before taxation				(945)
Taxation				(191)
<b>Loss for the year</b>				<b>(1,136)</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 3. Business and geographical segments continued

#### Other information

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
<b>2019</b>					
Capital additions	751	783	1,717	(113)	3,138
Depreciation	636	409	214	719	1,978

#### Balance Sheet 31st December 2019

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
<b>Assets</b>					
Segment assets	13,109	10,105	4,315	5,074	32,603
<b>Liabilities</b>					
Segment liabilities	11,746	17,052	5,052	(9,795)	24,055

	Plastics £000	Engineering £000	Boards & Panels £000	Total £000
<b>2018 (restated)</b>				
<b>Revenue</b>				
External sales	22,636	12,840	4,700	40,176
Inter-segment sales	-	-	-	-
Total revenue	22,636	12,840	4,700	40,176

<b>Result</b>				
Segment result	1,161	(1,263)	47	(55)
Unallocated expenses being expenses pertaining to the Company				(668)
Operating loss				(723)
Finance costs				(154)
Loss before taxation				(877)
Taxation				123
Loss for the year				(754)

#### Other information

	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
<b>2018 (restated)</b>					
Capital additions	1,184	585	817	8	2,594
Depreciation	635	409	214	51	1,309

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 3. Business and geographical segments continued

#### Balance Sheet 31st December 2018

2018 (restated)	Plastics £000	Engineering £000	Boards & Panels £000	Unallocated consolidation £000	Total £000
<b>Assets</b>					
Segment assets	13,571	9,835	3,710	(531)	26,585
<b>Liabilities</b>					
Segment liabilities	12,395	15,096	4,006	(13,016)	18,481

#### 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 31/12/19 £000	Year ended 31/12/18 (restated) £000
Eurozone	3,807	1,270
UK	33,803	33,819
US	1,905	2,126
Other countries	3,565	2,961
	<b>43,080</b>	<b>40,176</b>

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 31/12/19 £000	Year ended 31/12/18 £000
Research expensed as incurred included in administrative expenses	208	250
Exchange gain included in administrative expenses	(40)	(84)
Movement in impairment of financial assets	(201)	265
Depreciation of property, plant and equipment	1,337	1,309
Depreciation of right-of-use assets	641	-
Audit of Parent Company and consolidated financial statements	5	5
Audit of financial statements of subsidiaries	130	110
Audit of financial statements of subsidiaries additional re 2018	149	-



## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 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:

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
Administration	112	103	11	12
Manufacturing	374	372	-	-
	<b>486</b>	<b>475</b>	<b>11</b>	<b>12</b>

The aggregate payroll costs of these persons were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	11,702	11,132	500	438
Social security costs	1,062	999	47	39
Defined contribution pension costs	387	369	61	61
	<b>13,151</b>	<b>12,500</b>	<b>608</b>	<b>538</b>

### 6. Directors' emoluments

	<b>Year ended</b>	<b>Year ended</b>
	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	254	257
Social security costs	28	28
Company contributions to money purchase pension plans	5	5
	<b>287</b>	<b>290</b>

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

The aggregate of emoluments of the highest paid Director was £110,156 (2018: £110,448), including company pension contributions of £5,250 (2018: £5,250) which were made to a money purchase scheme on his behalf.

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

	<b>Year ended</b>	<b>Year ended</b>
	<b>31/12/19</b>	<b>31/12/18</b>
Money purchase schemes	1	1

### 7. Administrative expenses

During the year to 31st December 2019, the Group incurred exceptional costs relating to the audit of the Group's financial statements to 31st December 2018 of £180,000 and redundancy costs of £56,000. These costs amounted to £236,000.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 8. Finance expenses

	Year ended 31/12/19 £000	Year ended 31/12/18 £000
Interest on bank overdrafts and loans	224	81
Interest on pension scheme deficit	48	15
Interest on obligations under leases (Note 12)	400	58
<b>Finance expense</b>	<b>672</b>	<b>154</b>

Further details of the interest on the pension scheme deficit are disclosed in note 24.

### 9. Taxation

	Year ended 31/12/19 £000	Year ended 31/12/18 (restated) £000
<b>Current taxation</b>		
Current year	-	(27)
Adjustments for prior years	25	(38)
	25	(65)
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	-	(58)
Derecognition of deferred tax assets	166	-
	166	(58)
<b>Total taxation in income statement</b>	<b>191</b>	<b>(123)</b>

The current tax charge for the year is higher than (31st December 2018: lower) the standard rate of corporation tax in the UK 19.00% (31st December 2018: 19.25%). The differences are explained below:

	Year ended 31/12/19 £000	Year ended 31/12/18 £000
Loss before taxation	(945)	(714)
Taxation at the domestic income taxation rate of 19.00% (2018: 19.25%)	(180)	(135)
Fixed asset differences	9	-
Non-deductible expenses	2	47
Adjustments to tax charge in respect of change in tax rate	(6)	-
Unrecognised deferred tax	312	-
Other differences	(112)	3
Derecognition of deferred tax assets	166	(38)
<b>Taxation expense and effective taxation rate for the year</b>	<b>191</b>	<b>(123)</b>

In addition to the income taxation expense charged to profit or loss, a deferred taxation credit of £493,000 (2018: debit of £135,000) has been recognised in equity in the year.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 10. Dividends

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.

### 11. Earnings per share

Basic loss per share of 17.9 pence (2018: loss 11.9 pence) is based on the following data:

#### Earnings

	Year ended 31/12/19	Year ended 31/12/18 (restated)
	£000	£000
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Parent)	<b>(1,136)</b>	<b>(754)</b>

#### Number of shares

	Year ended 31/12/19	Year ended 31/12/18
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>6,351,452</b>	<b>6,351,452</b>

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 2019

**12. Property, plant and equipment**

<b>Consolidated</b>	<b>Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Vehicles £000</b>	<b>Furniture, fittings and equipment £000</b>	<b>Total £000</b>
<b>Cost or deemed cost</b>					
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
Restatement	27	(34)	(35)	(121)	(163)
Balance at 1st January 2019	5,155	18,030	76	933	24,194
Adjustment on transition to IFRS 16	3,658	258	16	75	4,007
Additions	713	2,313	22	90	3,138
Disposals	-	(2,870)	(3)	(117)	(2,990)
<b>Balance at 31st December 2019</b>	<b>9,526</b>	<b>17,731</b>	<b>111</b>	<b>981</b>	<b>28,349</b>
<b>Depreciation and impairment</b>					
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
Restatement	27	136	(35)	(102)	26
Balance at 1st January 2019	2,300	13,258	68	750	16,376
Charge for the year	555	1,256	29	138	1,978
Disposals	-	(2,666)	(3)	(116)	(2,785)
<b>Balance at 31st December 2019</b>	<b>2,855</b>	<b>11,848</b>	<b>94</b>	<b>772</b>	<b>15,569</b>
<b>Net book value</b>					
At 1st January 2018	2,281	4,149	13	114	6,557
At 31st December 2018	2,855	4,942	8	202	8,007
At 1st January 2019	2,855	4,772	8	183	7,818
<b>At 31st December 2019</b>	<b>6,671</b>	<b>5,883</b>	<b>17</b>	<b>209</b>	<b>12,780</b>

No interest was capitalised during the year (2018: £Nil).

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 12. Property, plant and equipment continued

#### Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

<b>Consolidated</b>	<b>Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Vehicles £000</b>	<b>Furniture, fittings and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1st January 2019 (initial recognition)	3,658	258	16	75	4,007
Additions	204	742	22	22	989
<b>At 31st December 2019</b>	<b>3,862</b>	<b>1,000</b>	<b>38</b>	<b>97</b>	<b>4,996</b>
<b>Depreciation</b>					
Charge for the year	459	143	14	25	641
<b>At 31st December 2019</b>	<b>459</b>	<b>143</b>	<b>14</b>	<b>25</b>	<b>641</b>
<b>Carrying amount</b>					
<b>At 31st December 2019</b>	<b>3,403</b>	<b>857</b>	<b>24</b>	<b>72</b>	<b>4,355</b>

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned. The nature of the leasing activities are for rentals of all properties except those that the Group owns. Plant and machinery - the majority of these leases are for the Plastics Division. Other minor leases for water coolers for the offices and some vehicles. There are no variable lease payments, extension options or termination options, residual value guarantees or leases not yet commenced to which we are committed.

#### Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	<b>31st December 2019 £000</b>	<b>31st December 2018 £000</b>
Current	910	464
Non-Current	5,524	1,451
	<b>6,434</b>	<b>1,915</b>

The lease liabilities are secured by the related underlying assets.

## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **12. Property, plant and equipment continued**

The undiscounted maturity analysis of lease liabilities at 31st December 2019 is as follows:

	<b>31st December 2019</b>
<b>Maturity analysis – contractual undiscounted cash flows</b>	<b>£000</b>
Less than one year	<b>1,058</b>
One to five years	<b>3,927</b>
Over five years	<b>15,709</b>
<b>Total undiscounted lease liabilities</b>	<b>20,694</b>

#### **Other leases**

The Group leases buildings on rolling monthly terms. These are short-term leases and therefore the Group has elected not to recognise right-of-use assets and lease liabilities for these assets. There are no other short-term leases (i.e. those that are less than a year in length) and we also have no low value leases. All leases have been included in the IFRS 16 adoption apart from the ones on rolling monthly terms.

#### **Interest charge**

See note 8 for details of the lease interest charges.

#### **Cash outflow for leases**

The cash outflow for the leases was £222k (2018: £452k).

**Notes to the Consolidated Financial Statements continued**  
for the year ended 31st December 2019

**12. Property, plant and equipment continued**

<b>Company</b>	<b>Land and buildings £000</b>	<b>Furniture, fittings and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
Balance at 1st January 2018	10	57	67
Additions	-	8	8
Disposals	-	(5)	(5)
Balance at 31st December 2018	10	60	70
Balance at 1st January 2019	10	60	70
Adjustment on transition to IFRS 16	80	9	89
Additions	204	7	211
Disposals	-	-	-
<b>Balance at 31st December 2019</b>	<b>294</b>	<b>76</b>	<b>370</b>
<b>Depreciation and impairment</b>			
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
Balance at 1st January 2019	10	50	60
Charge for the year	74	9	83
Disposals	-	-	-
<b>Balance at 31st December 2019</b>	<b>84</b>	<b>59</b>	<b>143</b>
<b>Net book value</b>			
At 1st January 2018	-	7	7
At 31st December 2018 and 1st January 2019	-	10	10
<b>At 31st December 2019</b>	<b>210</b>	<b>17</b>	<b>227</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 12. Property, plant and equipment continued

#### Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

Company	Land and buildings £000	Furniture fittings and equipment £000	Total £000
<b>Cost</b>			
At 1st January 2019 (initial recognition)	80	9	89
Additions	204	-	204
<b>At 31st December 2019</b>	<b>284</b>	<b>9</b>	<b>293</b>
<b>Depreciation</b>			
Charge for the year	74	2	76
<b>At 31st December 2019</b>	<b>74</b>	<b>2</b>	<b>76</b>
<b>Carrying amount</b>			
<b>At 31st December 2019</b>	<b>210</b>	<b>7</b>	<b>217</b>

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned. The nature of the leasing activities are for rentals of offices and storage facilities. Other leases are for photocopiers for the offices. There are no variable lease payments, extension options or termination options, residual value guarantees or leases not yet commenced to which we are committed.

#### Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31st December 2019 £000	31st December 2018 £000
Current	126	-
Non-Current	95	-
	<b>221</b>	<b>-</b>

The lease liabilities are secured by the related underlying assets.

The undiscounted maturity analysis of lease liabilities at 31st December 2019 is as follows:

	31st December 2019 £000
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	108
One to five years	235
Over 5 years	541
<b>Total undiscounted lease liabilities</b>	<b>884</b>

#### Other leases

There are no short-term leases (i.e. those that are less than a year in length) and we also have no low value leases. All leases have been included in the IFRS16 adoption for the Company.



## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **13. Subsidiaries**

The Company has the following investments in active subsidiaries:

<b>Name of subsidiary</b>	<b>Principal activity</b>
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 2019

### 13. Subsidiaries continued

<b>Company</b>	Shares in Group undertakings £000
<b>Cost</b>	
At 1st January 2019	3,621
Loan movement	-
<b>At 31st December 2019</b>	<b>3,621</b>
<b>Provisions</b>	
At 1st January 2019	664
Movement	1,106
<b>At 31st December 2019</b>	<b>1,770</b>
<b>Net book value</b>	
<b>At 31st December 2019</b>	<b>1,851</b>
At 31st December 2018	2,957

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

### 14. Deferred taxation

#### Consolidated

*Recognised deferred taxation assets and liabilities*

Deferred taxation assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, plant and equipment	-	-	264	132
Provisions	-	-	21	32
Employee benefits	-	(377)	161	-
Taxation (assets)/liabilities	-	(377)	446	164
Net of taxation liabilities/(assets)	-	164	-	(164)
Net taxation (assets)/liabilities	-	(213)	446	-

## Notes to the Consolidated Financial Statements continued

### for the year ended 31st December 2019

#### 14. Deferred taxation continued

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

	01/01/19 £000	Recognised in income £000	Recognised in equity £000	31/12/19 £000
Property, plant and equipment	132	177	-	309
Provisions	32	(11)	-	21
Employee benefits	(377)	-	493	116
	(213)	166	493	446

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

At the 31st December 2019, the Group has unused tax losses of £2,066,000 (2018: £94,943) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses for the year ended 31st December 2019 (2018: £Nil) as it is not considered probable that there will be future taxable profits available.

#### Company

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

Deferred taxation assets and liabilities are attributable to the following:

	<b>Assets</b>		<b>Liabilities</b>	
	31/12/19	31/12/18 (restated)	31/12/19	31/12/18 (restated)
	£000	£000	£000	£000
Property, plant and equipment	-	(12)	5	-
Provisions	-	(32)	-	-
Employee benefits	-	(424)	65	-
Taxation (assets)/liabilities	-	(468)	70	-
Net of taxation liabilities/(assets)	-	-	-	-
Net taxation (assets)/liabilities	-	(468)	70	-

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

	01/01/19 £000	Recognised in income £000	Recognised in equity £000	31/12/19 £000
Property, plant and equipment	(12)	17	-	5
Provisions	(32)	32	-	-
Employee benefits	(424)	-	489	65
	(468)	49	489	70

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 14. Deferred taxation continued

*Movement in deferred taxation during the prior 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)	(126)	(138)	(424)
	(229)	(126)	(113)	(468)

### 15. Inventories

	Consolidated		Company	
	31/12/19	31/12/18 (restated)	31/12/19	31/12/18
	£000	£000	£000	£000
Raw materials	3,424	3,923	-	-
Work-in-progress	1,015	878	-	-
Finished goods	3,507	3,309	-	-
	7,946	8,110	-	-

During 2019 stock expensed was £32,446,000 (2018: £29,774,000) and the amount of additional provision in the year was £8,000 (2018: reduction in provision £179,000). The stock provision is £1,501,000 (2018: £1,493,000). In 2018 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	
	31/12/19	31/12/18 (restated)	31/12/19	31/12/18 (restated)
	£000	£000	£000	£000
Amounts receivable from the sale of goods	8,420	9,351	-	-
Amounts receivable from related parties	-	-	13,548	13,233
Employee benefits	368	-	368	-
Other debtors and prepayments	2,072	1,093	470	95
	10,860	10,444	14,386	13,328

The Directors consider that the carrying amount of trade and other receivables for the Group approximates their fair value, after incorporating an impairment provision of £145,000 (2018: £346,000).

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.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 16. Trade and other receivables continued

#### Credit risk

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

The Group's credit risk on liquid funds is limited because the Group currently operates a positive cash balance.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Eurozone	70	368	-	-
UK	7,713	8,484	-	-
US	426	389	-	-
Other countries	356	456	-	-
	<b>8,565</b>	<b>9,697</b>	<b>-</b>	<b>-</b>

The ageing of trade receivables at the reporting date was:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not past due	4,301	5,232	-	-
Past due 0-30 days	2,563	2,853	-	-
Past due 31-120 days	1,534	1,491	-	-
Balance up to one year	99	95	-	-
More than one year	68	26	-	-
	<b>8,565</b>	<b>9,697</b>	<b>-</b>	<b>-</b>

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1st January	346	81	-	-
Impairment (profit)/loss recognised	(201)	265	-	-
Balance at 31st December	<b>145</b>	<b>346</b>	<b>-</b>	<b>-</b>

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables up to 90 days past due. Balances over 90 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 2019

### 16. Trade and other receivables continued

#### Credit risk continued

##### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 16. Trade and other receivables continued

#### Credit risk continued

##### (i) *Significant increase in credit risk* continued

The Group does not believe that the credit risk of financial instruments has increased significantly since initial recognition. Financial instruments are considered to have low credit risk, such as amounts receivable from the sale of goods and employee benefits. The presumption in paragraph 5.5.11 of IFRS 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted.

##### (ii) *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### (iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

##### (iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## Notes to the Consolidated Financial Statements continued

### for the year ended 31st December 2019

#### 16. Trade and other receivables continued

##### Credit risk continued

##### (v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets:

<b>Company</b>	<b>Lifetime ECL – not credit impaired loans to related parties £000</b>
Balance at 31st December 2018	13,233
Increase in loss allowance arising from new financial assets recognised in the year	(2,242)
Decrease in loss allowance from derecognition of financial assets in the year	2,557
<b>Balance at 31st December 2019</b>	<b>13,548</b>



## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 17. Cash and current bank overdrafts and loans

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand at the end of the year	537	-	53	-
Short-term deposits at the end of the year	480	-	53	-
	<b>1,017</b>	<b>-</b>	<b>53</b>	<b>-</b>

	<b>Consolidated</b>		<b>Company</b>	
	<b>31/12/19</b>	<b>31/12/18</b>	<b>31/12/19</b>	<b>31/12/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
		(restated)		(restated)
Bank overdrafts: being cash and cash equivalents as reported in the cash flow statements	-	2,105	-	2,865
Bank loans and finance lease liabilities (note 19)	1,576	2,762	400	998
	<b>1,576</b>	<b>4,867</b>	<b>400</b>	<b>3,863</b>

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:

	<b>31/12/19</b>	<b>31/12/18</b>
Bank overdrafts	<b>3.25%</b>	3.25%
Bank loans	<b>4.60%</b>	4.60%

Bank loans of £600,000 (2018: £998,000) 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 £Nil (2018: £2,105,000) 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 one bank loan:

- (a) a loan of £600,000 (2018: £1,000,000). The loan was raised on 20th May 2016. Repayments commenced on 2nd September 2016 and will continue until 2nd September 2021. The loan is secured by a floating charge over the Group's assets. The loan carries interest at 2.76%.

There were no defaults of the loans during the year.

At 31st December 2019, the Group had available £Nil (2018: £895,000) of undrawn committed borrowing facilities.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 18. Share capital

	31/12/19 £000	31/12/18 £000
<b>Consolidated and Company</b>		
<b>Authorised:</b>		
8,000,000 ordinary shares of 10 pence each	800	800
<b>Issued and fully paid:</b>		
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 31/12/19 £000	31/12/18 (restated) £000	Company 31/12/19 £000	31/12/18 £000
<b>Non-current liabilities</b>				
Secured bank loans	198	598	198	-
Other secured loans	7,000	-	7,000	-
Lease liabilities	5,524	853	95	-
	12,722	1,451	7,293	-
<b>Current liabilities</b>				
Current portion of secured bank loans	400	400	400	998
Current portion of lease liabilities	910	1,062	126	-
Loan	-	1,300	-	1,300
	1,310	2,762	526	2,298

	Carrying amount 31/12/19 £000	31/12/18 £000	Undiscounted future commitment 31/12/19 £000	31/12/18 £000
<b>Amounts repayable under secured loans:</b>				
Within one year	400	400	400	400
In the second to fifth years inclusive	198	598	198	598
Beyond five years	7,000	-	7,000	-
	7,598	998	7,598	998

	Minimum lease payments 31/12/19 £000	31/12/18 £000	Present value of minimum lease payments 31/12/19 £000	31/12/18 £000
<b>Amounts payable under leases:</b>				
Within one year	478	297	478	644
In the second to fifth years inclusive	541	744	541	853
Beyond five years	-	422	-	422
	1,019	1,463	1,019	1,919

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 19. Other interest-bearing loans and borrowings continued

It is the Group's policy to lease certain of its premises, fixtures and equipment under leases. The average lease term is three years. For the year ended 31st December 2019, the average effective borrowing rate was 7.5% (2018: 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 leases are secured by the lessors' title to the leased assets.

### 20. Trade and other payables

	Consolidated		Company	
	31/12/19	31/12/18 (restated)	31/12/19	31/12/18 (restated)
	£000	£000	£000	£000
Trade payables	4,987	6,748	172	159
Amounts due to related parties	-	-	-	-
Social security and other taxes	825	815	14	30
Accrued expenses	3,142	1,962	62	83
	<b>8,954</b>	<b>9,525</b>	<b>248</b>	<b>272</b>

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

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

All of the above amounts are financial liabilities of the Group and Parent Company except social security and other taxes.

### 21. Provisions for other liabilities and charges

	Consolidated		Company	
	2019	2018 (restated)	2019	2018
	£000	£000	£000	£000
At 1st January	658	729	68	112
Movement in provisions (release of provision)	(60)	(71)	-	(44)
At 31st December	<b>598</b>	<b>658</b>	<b>68</b>	<b>68</b>
Non-current	530	530	-	-
Current	68	128	68	68
At 31st December	<b>598</b>	<b>658</b>	<b>68</b>	<b>68</b>

Provisions comprise the following:

Dilapidations on rented premises	598	598	68	68
Warranty provision	-	60	-	-
At 31st December	<b>598</b>	<b>658</b>	<b>68</b>	<b>68</b>

## Notes to the Consolidated Financial Statements continued

### for the year ended 31st December 2019

#### 21. Provisions for other liabilities and charges continued

The dilapidation provision is calculated by taking the mid-point of the range of cost that the landlord estimated as to the dilapidations costs for the properties that Tex Plastics (Derby) Limited rent. This has then been multiplied by each square foot occupied for the older buildings. The nature of the payment would be that the landlord would expect payment if notice was given on any of the properties. This would be negotiated with the Directors of the company. At the moment, no expected amount is expected to be paid as we keep the properties repaired on a regular basis. We do not expect the payments to be made in the short-term, as the leases run to 2061 (earliest renewal date). There is uncertainty as to the amount or timing of outflows in relation to this.

#### 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 2019 was being utilised by other Group companies to the extent of £Nil (31st December 2018: £2,105,000);
  - (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 2019 amounted to £Nil (31st December 2018: £170,000).

#### 23. Capital Commitments

At 31st December 2019, the Group had capital commitments of £174,000 (31st December 2018: £603,000). The Company had no capital commitments for the year ended 31st December 2019 (2018: £Nil).

#### 24. 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 2019 showed that the market value of the Scheme's assets was £15,206,000 which represented 102% of the benefits that had accrued to members. As recommended by the Actuary, the contribution rate was reduced to zero per month from December 2019.

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

	31/12/19	31/12/18
Discount rate	2.00%	2.70%
Inflation	3.10%	3.50%
Pension cost of living increase	3.60%	3.70%

In valuing the liabilities of the pension fund at 31st December 2019, mortality assumptions have been made as indicated below.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 24. Retirement benefit plans continued

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: 21.5 years (male), 23.4 years (female).
- Future retiree upon reaching 65: 22.9 years (male), 25.0 years (female).

The average duration of the defined benefit obligation at the period ended 31st December 2019 is 14 years (2018: 15 years).

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

	31/12/19 £000	31/12/18 £000
Present value of funded obligations	(14,838)	(14,966)
Fair value of plan assets	15,206	13,133
Net asset/(liability) recognised in the balance sheet	368	(1,833)

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

	31/12/19 £000	31/12/18 £000
Interest on obligation	(394)	(363)
Interest income	346	348
	(48)	(15)

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

	31/12/19 £000	31/12/18 £000
Return on plan assets (excluding amounts included in net interest cost) – gain/(loss)	2,350	(1,358)
Experience gains and losses arising on the defined benefit obligation – gain/(loss)	194	(20)
Effects of changes in demographic assumptions underlying the present value of the defined benefit obligation – gain	1,009	95
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (gain)/loss	(1,404)	570
Total amount recognised in other comprehensive income – gain/(loss)	2,149	(713)

Cumulative actuarial gains and losses reported in the statement of recognised income and expenses since 1st April 2004, the transition date to adopted IFRSs, are gains of £1,346,000 (2018 losses: £803,000).

The effect of GMP equalisation of a gain of £Nil (2018: loss £534,000) has been included in the income statement.

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 24. Retirement benefit plans continued

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

	31/12/19 £000	31/12/18 £000
Opening defined benefit obligation	14,966	15,493
Interest cost	394	363
Benefit paid	(723)	(788)
Past service cost : GMP Equalisation	-	(534)
Actuarial gain (including experience gains arising)	201	432
Defined benefit obligation at end of year	14,838	14,966

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

	31/12/19 £000	31/12/18 £000
Fair value of plan assets at beginning of year	13,133	14,831
Interest income	346	348
Total contributions – employer	100	100
Benefits paid	(723)	(788)
Return on plan assets (excluding interest)	2,350	(1,358)
Fair value of plan assets at end of year	15,206	13,133

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

	31/12/19 £000	31/12/18 £000
Equities	13,243	10,861
Bonds	1,118	1,541
Cash	845	731
	15,206	13,133

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:

	31/12/19 £000	31/12/18 £000	31/12/17 £000	31/12/16 £000	31/12/15 £000	31/12/14 £000
Present value of defined benefit obligation	14,838	14,966	15,493	15,789	14,790	15,897
Fair value of plan assets	(15,206)	(13,133)	(14,831)	(14,297)	(13,302)	(13,306)
	(368)	1,833	662	1,492	1,488	2,591
Experience gains/(losses) arising	194	(29)	75	1,331	41	45

The Group does not expect to contribute to its defined benefit plan in 2020 (2019: £100,000).

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 24. Retirement benefit plans continued

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

		2019	2018
	Change in assumption	Change in liabilities	Change in liabilities
Discount rate	Decrease of 0.25% p.a.	<b>Increase by 3.5%</b>	Increase by 3.5%
Rate of inflation	Increase of 0.25% p.a.	<b>Increase by 1.25%</b>	Increase by 1.0%
Rate of mortality	Increase of life expectancy of one year	<b>Increase by 3.8%</b>	Increase by 4.0%
Commutation	Members commute an extra 10% of Post-A Day pension on retirement	<b>Decrease by 0.3%</b>	Decrease by 0.4%

#### Defined contribution scheme

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

The pension cost charge for the year represents contributions payable by the Group to the Scheme and amounted to £360,000 (2018: £369,000).

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

### 25. 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 and machines. Transactions during the period ended 31st December 2019 that require disclosure are detailed below:

Rentals and other property related expenditure	£686,401 (31st December 2018: £647,288)
Trade payables	£21,715 (31st December 2018: £22,333)
Rentals of machinery	£65,885 (31st December 2018: £Nil)

ARB Burrows has an interest in IS&G Steel Stockholders Limited through which the Group purchases steel. Transactions during the period ended 31st December 2019 that require disclosure are detailed below:

Purchases	£201,170 (31st December 2018: £193,151)
Trade payables	£33,236 (31st December 2018: £62,109)

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 2019 that require disclosure are detailed below:

Interest (3.75%)	£13,556 (31st December 2018: £4,675)
Loan balance	£Nil (31st December 2018: £1,300,000)

## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **25. Related party transactions continued**

ARB Burrows has an interest in Edward Le Bas Properties Limited through which the Group has borrowed a term loan. Transactions during the period ended 31st December 2019 that require disclosure are detailed below:

Interest (8.00%)	£52,165 (31st December 2018: £Nil)
Loan organisation fees	£2,166 (31st December 2018: £Nil)
Loan balance	£7,000,000 (31st December 2018: £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 24 to 27 in the Directors' Remuneration Report.

During the year ended 31st December 2019 the Company received interest income from subsidiary undertakings of £1,225,000 (2018: £1,126,000), management charges of £151,000 (2018: £128,000), dividends of £499,000 (2018: £359,000) and provisions for doubtful debts from related parties of £3,242,000 (2018: £2,508,000)

### **26. Financial instruments and risk management**

Financial assets and liabilities are measured at amortised cost.

#### **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 is not subject to externally imposed capital requirements.

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

<b>Reserve</b>	<b>Description and purpose</b>
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.
Other reserves	Non distributable reserves.
Retained earnings	Cumulative net gains and losses recognised in the Statement of Comprehensive Income; net of dividends paid.



## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **26. Financial instruments and risk management continued**

#### **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 2019 and its equity at 31st December 2019 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 2019

**27. Notes supporting statement of cashflows**

<b>Consolidated</b>	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
At 1st January 2019	1,451	2,762	4,213
Cashflows	-	(3,029)	(3,029)
New borrowings	7,000	-	7,000
Non-cash flows			
- New leases	1,765	-	1,765
- IFRS 16 take on	4,083	-	4,083
- Loans and borrowings classified as non-current at 31st December 2018 becoming current during 2019	(1,577)	1,577	-
<b>At 31st December 2019</b>	<b>12,722</b>	<b>1,310</b>	<b>14,032</b>

	Non-current loans and borrowings £000	Current loans and borrowings £000	Total £000
At 1st January 2018	2,159	971	3,130
Cashflows	-	(871)	(871)
New borrowings	-	1,300	1,300
Non-cash flows			
- New finance leases	654	-	654
- Loans and borrowings classified as non- current at 31st December 2017 becoming current during 2018	(1,362)	1,362	-
<b>At 31st December 2018</b>	<b>1,451</b>	<b>2,762</b>	<b>4,213</b>

**Notes to the Consolidated Financial Statements continued**  
for the year ended 31st December 2019

**27. Notes supporting statement of cashflows continued**

<b>Company</b>	<b>Non-current loans and borrowings £000</b>	<b>Current loans and borrowings £000</b>	<b>Total £000</b>
At 1st January 2019	698	1,600	2,298
Cashflows	7000	(1,754)	5,246
Non-cash flows			
- New finance leases	275	-	275
- Loans and borrowings classified as non-current at 31st December 2018 becoming current during 2019	(680)	680	-
<b>At 31st December 2019</b>	<b>7,293</b>	<b>526</b>	<b>7,819</b>

	<b>Non-current loans and borrowings £000</b>	<b>Current loans and borrowings £000</b>	<b>Total £000</b>
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	-
<b>At 31st December 2018</b>	<b>-</b>	<b>2,298</b>	<b>2,298</b>

**28. Prior period adjustments**

The effect on basic and diluted Earnings Per Share at 31st December 2018 was a reduction from (11.9p) to (23.6p).

The effect on basic and diluted Earnings Per Share at 1st January 2018 was a reduction from 11.5p to 1.2p.

**Notes to the Consolidated Financial Statements continued**  
for the year ended 31st December 2019

**28. Prior period adjustments continued**

<b>Consolidated Balance Sheet</b>	31/12/18 (restated) £000	Restatement £000	31/12/18 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (see Note b) below)	7,818	(189)	8,007
Deferred taxation assets	213	-	213
	8,031	(189)	8,220
<b>Current assets</b>			
Inventories (see Note c) below)	8,110	(161)	8,271
Trade and other receivables (see Note d) below)	10,444	433	10,011
	18,554	272	18,282
<b>Total assets</b>	26,585	83	26,502
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the Parent Company</b>			
Share capital	635	-	635
Capital redemption reserve	16	-	16
Other reserve	678	-	678
Share premium account	2,890	-	2,890
Retained earnings	3,885	(743)	4,628
<b>Total equity</b>	8,104	(743)	8,847
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings (see Note d) below)	1,451	176	1,275
Employee benefits	1,833	-	1,833
Provisions (see Note a) below)	530	530	-
	3,814	706	3,108
<b>Current liabilities</b>			
Bank overdraft	2,105	-	2,105
Other interest-bearing loans and borrowings	2,762	(179)	2,941
Trade and other payables	9,525	299	9,226
Provisions	128	-	128
Taxation payable	147	-	147
	14,667	120	14,547
<b>Total liabilities</b>	18,481	826	17,655
<b>Total equity and liabilities</b>	26,585	83	26,502

**Notes to the Consolidated Financial Statements continued**  
for the year ended 31st December 2019

**28. Prior period adjustments continued**

- a) We have introduced a dilapidation provision of £530k based on estimation of cost from the landlord. This is to comply with rules on provisions.
- b) We have reclassified between fixed assets and prepayments for correct treatment in QK of a machine bought.
- c) We have reduced the stock valuation by £111k due to an amendment to the stock valuation methodology. This was to reflect the more accurate stock margin in closing stock.

We have reclassified an amount of stock, finished goods to cost of sales due to the reversal of minimum stock agreements. This was for £50k. This has reduced the value of finished goods stock and increased cost of sales. The reason for the adjustment is that in the prior year accounts, the value of stock held for minimum stock agreements had been recognised at its sales value, meaning the stock was not valued at the lower of cost or net realisable value.

- d) Much of this adjustment is reclassification from current liabilities.

## Notes to the Consolidated Financial Statements continued for the year ended 31st December 2019

### 28. Prior period adjustments continued

<b>Company Balance Sheet</b>	<b>31/12/18 (restated) £000</b>	<b>Restatement £000</b>	<b>31/12/18 £000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	-	10
Investments	2,957	(13,051)	16,008
Deferred taxation assets	468	-	468
	<b>3,435</b>	<b>(13,051)</b>	<b>16,486</b>
<b>Current assets</b>			
Trade and other receivables	13,328	13,051	277
	<b>13,328</b>	<b>13,051</b>	<b>277</b>
<b>Total assets</b>	<b>16,763</b>	<b>-</b>	<b>16,763</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the Parent Company</b>			
Share capital	635	-	635
Capital redemption reserve	16	-	16
Other reserve	977	-	977
Share premium account	2,890	-	2,890
Retained earnings	4,594	-	4,594
<b>Total equity</b>	<b>9,112</b>	<b>-</b>	<b>9,112</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employee benefits	1,833	-	1,833
	<b>1,833</b>	<b>-</b>	<b>1,833</b>
<b>Current liabilities</b>			
Bank overdraft	2,865	-	2,865
Other interest-bearing loans and borrowings	2,298	-	2,298
Trade and other payables	272	-	272
Provisions	68	-	68
Taxation payable	315	-	315
	<b>5,818</b>	<b>-</b>	<b>5,818</b>
<b>Total liabilities</b>	<b>7,651</b>	<b>-</b>	<b>7,651</b>
<b>Total equity and liabilities</b>	<b>16,763</b>	<b>-</b>	<b>16,763</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2019

### 28. Prior period adjustments continued

The position at 1st January 2018 is as follows:

<b>Consolidated Balance Sheet</b>	01/01/18 (restated) £000	Restatement £000	01/01/18 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6,557	-	6,557
Deferred taxation assets	20	-	20
	6,577	-	6,577
<b>Current assets</b>			
Inventories	6,749	(49)	6,798
Trade and other receivables	11,392	-	11,392
	18,141	(49)	18,190
<b>Total assets</b>	24,718	(49)	24,767
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the Parent Company</b>			
Share capital	635	-	635
Capital redemption reserve	16	-	16
Other reserve	678	-	678
Share premium account	2,890	-	2,890
Retained earnings	5,841	(579)	6,420
<b>Total equity</b>	10,060	(579)	10,639
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	2,159	-	2,159
Employee benefits	662	-	662
Provisions	530	530	-
	3,351	530	2,821
<b>Current liabilities</b>			
Bank overdraft	1,737	-	1,737
Other interest-bearing loans and borrowings	971	-	971
Trade and other payables	8,184	-	8,184
Provisions	199	-	199
Taxation payable	216	-	216
	11,307	-	11,307
<b>Total liabilities</b>	14,658	530	14,128
<b>Total equity and liabilities</b>	24,718	(49)	24,767

The company balance sheet at 1st January 2018 was not restated.

## **Notes to the Consolidated Financial Statements continued** for the year ended 31st December 2019

### **29. Post balance sheet events**

Since 31st December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The Group has placed 201 members of staff on Furlough in order to respond in the slowdown of production. The Group has had 206 members of staff safely working on site and 49 staff working from home. It is anticipated that this will continue until the end of June 2020, at the earliest.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31st December 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.




## **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 27th July 2020 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 2019.
2. To approve the Directors' Remuneration Report for the financial year ended 31st December 2019.
3. To re-appoint Price Bailey 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 23rd June 2020 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 31st July 2019 to 23rd June 2020; and
  - (b) A copy of the Executive Directors' contracts of service with the Company.