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CORPORATE OVERVIEW

CHAIRMAN'S STATEMENT

RESULTS AND OPERATIONS

Tex Group sales to December 2012 showed a 6% increase over 2011. Profitability, however, was down as a result of the costs of absorbing additional production facilities and new products. Delays in the completion of long-term contracts also reduced the profits for the year.

The Plastics Division remained relatively stable, returning an operating profit of £1,198,000. The Engineering Division was impacted by delays on long-term contracts and the slowdown in the road surfacing equipment orders. The Boards & Panels Division again contracted at the sales level, but as a result of efficiency gains and cost control, moved from an operating loss to a £15,000 operating profit.

PROSPECTS AND DIVIDEND

The orders for the first quarter are ahead of expectations but, as stated previously and in light of the third quarter of 2012 in the Engineering Division, we remain cautious of the impact of the current economic circumstances.

Our pre-tax results have remained in excess of £1,000,000 for the second year running and we recommend a modest increase in the final dividend from 2.5 pence to 3.0 pence, making an overall payment for the year of 4.5 pence.

The term loan taken out in March 2012 has provided working capital support for the delayed long-term projects and the increase in trading.

The final dividend will be paid, subject to shareholder approval, on 19th July 2013 to members on the register as at 21st June 2013.

STAFF

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

A R B BURROWS

Chairman
8th April 2013

BUSINESS REVIEW

ENGINEERING DIVISION

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

Revenue returned to more “normal” levels having benefited from customers placing orders for multiple units in 2011. Gross margins improved as a result of the return to in-house machining. However, on the lower trading levels, the additional overheads in respect of the machine shop eliminated the margin benefit. These overheads are under review and it is expected from 2013 onwards that these margin benefits will flow to the profit line.

The level of enquiries has been maintained and, to date, the Company is on schedule to meet the budgeted level of trading.

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

Revenue remained at £2.2m. Until August, the Company was on track to achieve the budgeted performance but order intake dramatically reduced in the third quarter, returning the Company to loss.

However, 2013 has opened with orders for some product ranges already at 40% of the annual target. It is anticipated this will give the Company a solid start to the year when combined with the results of the recent overhead reductions. Management continues to monitor the trading conditions, and are prepared to respond to market changes.

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

The Company maintained revenue at the 2011 levels, continuing its market share increase but, as a result of mix variances, the gross margin achieved was down on the 2011 levels. The Company has also been investing in technology and has upgraded existing test bed facilities.



Our clients:

Van Elle Ltd

PTC (Fayat Group)

Traylor Bros Inc

Liebherr

Ledcor

Red Deer Piling

ThyssenKrupp Steelcom

Kurt Fredrich

R.N.L.I.

National Grid

Saudi Royal Air Force

Breedon Aggregates

White Mountain Quarries

Lanarkshire Council

LEFT:

Bespoke trailer designed to accept Tex Engineering's Springwood white lining pots. En route to Cyprus.

RIGHT:

3D CAD modelling of new components at BSP.

FAR RIGHT:

Tex Engineering's extensive range of road construction equipment for Laying – Spraying – Lining.

MAIN IMAGE:

BSP CX50 mounted on a Liebherr piling rig, constructing an oil pipeline in Siberia, Russia.



BUSINESS REVIEW

ENGINEERING DIVISION continued

Eurotex International Limited – continued

2013 has opened in line with budget and it can be reported that a contract has been signed with a Government Railway Corporation for the supply of replacement engines. In 2013, the Company should also benefit from the long-term spares supply agreements with a number of key customers.

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

The Company continues to work towards the completion of the control room for Muscat International Airport, which is now expected to be completed in May 2013. There are outstanding tenders for a number of projects around the world.

Tex Special Projects Limited – Design and manufacture of bespoke and modular structures and Radio Frequency-blocking glazing for both civilian and military applications.

The ongoing contract for the “flying” control rooms continues. In addition to supplying the glass for these vessels, the Company has been awarded the contract to install the glazing. The first of the forward islands was completed in December 2012. Manufacture of the flying control room has commenced and is due for delivery in the first quarter of 2013. In addition, the Company has supplied the window wipers for this project.

2013, as noted above, will see the production of the flying control rooms. The Company continues to promote its RF screened glass and is in talks with a number of sovereign navies.

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

During the year, the Company won the contract for the design and build of the air traffic control room for Manchester International Airport. The construction of the control room has been completed.

There are a number of live quotations in the UK and management expect the Company will be successful in winning one or more of these projects.



Our clients:

Carillion-Alawi LLC

Babcock Marine

Bohamet

Thales Naval/Aircraft Carrier Alliance

Debut (South West) Ltd

Morgan Sindall

BAE Systems Limited

Various navies and coastguards around the world

Leaffield Logistics Limited

Malaysian Railway

Sri Lankan Government Railway

LEFT:

Paxman Valenta remanufactured cylinder heads as part of rotatable pool for a sovereign navy.

RIGHT:

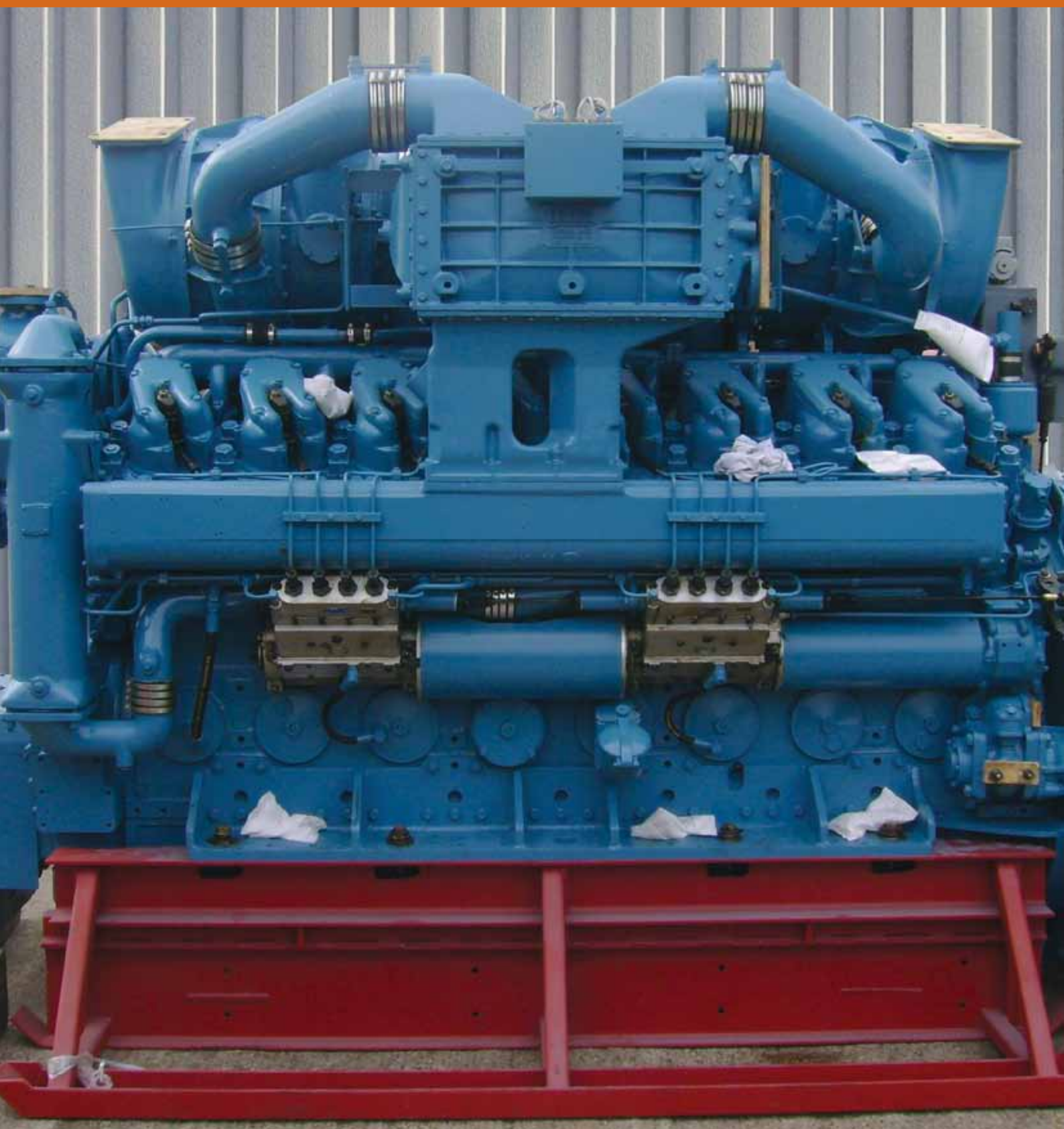
The 'Maxi-View' glass installed in the new Tex ATC Visual Control Room at Manchester Airport offers air traffic controllers an unparalleled field of view to safely oversee the UK's third largest airport.

FAR RIGHT:

Manchester Airport's new Air Traffic Control Tower, complete with state-of-the-art Tex Maxi-View Control Room, is set to go live in the summer of 2013.

MAIN IMAGE:

Paxman Ventura 16YJ generator engine refurbished for an overseas sovereign navy.



BUSINESS REVIEW

PLASTICS DIVISION

Tex Plastics (Derby) Limited – Precision injection moulding, assembly and finishing services, and tooling procurement.

Tex Plastics (Barnstaple) Limited – Precision injection moulding and assembly services, and tooling procurement.

Revenue increased by 8% (2011: 10%) but the profit performance was impacted by the costs and delays in absorbing a large tranche of moulding work from a blue chip customer. This was compensated by the profits from a one-off project, resulting in the 8% revenue improvement, translating into a 16% improvement in pre-tax profit.

The opening months of 2013 have been in line with budget expectations.



Our clients:

Baxi Heating UK Ltd

Kennedy Hygiene Products Ltd

Pall Corporation

Rociale Healthcare

Indesit Company UK Ltd

Triton Showers

Colson Castors Limited

Triumph Motorcycles Limited

Zodiac Aerospace

LEFT:
Safety headware moulded by Tex Plastics.

RIGHT:
Castor wheel manufacture moulded by Tex Plastics.

FAR RIGHT:
Marine safety equipment moulded by Tex Plastics.

MAIN IMAGE:
Emergency services lighting clusters moulded by Tex Plastics.



BUSINESS REVIEW

BOARDS & PANELS DIVISION

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

There was a further contraction in revenue during 2012. However, as a direct consequence of the strategic work to improve efficiency and therefore strengthen margins, combined with the tight control of overheads, the result for the year has improved over the 2011 result.

The Company anticipates the improvement will be maintained and the progress towards profitable trading will continue. The 2013 year has opened just ahead of the budget expectations.



Our clients:

Karndean International

The Swift Group

Senator International Ltd

Bailey Caravans

Clip Ltd

Auto-Sleepers

Coachman Caravan Company Ltd

The Explorer Group Ltd

LEFT:

Her Majesty The Queen viewing a Bailey Unicorn II Caravan interior which includes work surfaces supplied by QK Honeycomb Products Ltd.

RIGHT:

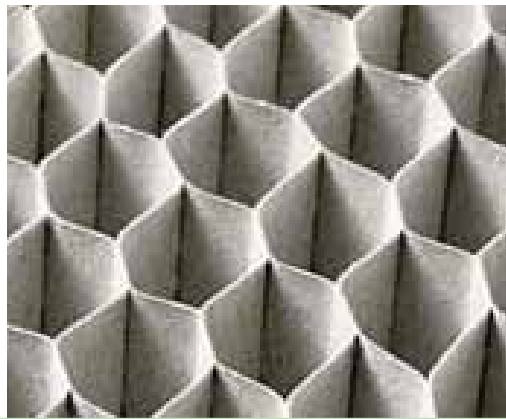
A section of paper honeycomb which QK Honeycomb Products Ltd incorporate in the majority of their products to make the panels as light as possible whilst still retaining incredible strength.

FAR RIGHT:

Karndean flooring display unit made from panels supplied by QK Honeycomb Products Ltd.

MAIN IMAGE:

Tops and glazed doors supplied by QK Honeycomb Products Ltd for Bailey Caravan's new Pegasus GT65 Caravan.



CORPORATE OVERVIEW

CORPORATE SUMMARY

The Group, whilst not achieving the 2011 level of performance, has maintained pre-tax profits in excess of £1,000,000.

With its diversity of operations and world-wide trading experience, the Group remains prepared to take advantage of trading opportunities wherever they arise. It is expected that any recovery will initially not be global, but in localised pockets.

Looking ahead to 2013, cash control and profitability remain priorities.

C A Parker
Executive Director
8th April 2013

RESULTS IN BRIEF

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|---|--------------------------------|--------------------------------|
| Revenue | 38,997 | 36,829 |
| Profit before taxation | 1,109 | 1,541 |
| Taxation | (233) | (220) |
| Profit on ordinary activities after taxation | 876 | 1,321 |
| Total equity | 7,176 | 6,753 |
| Net assets per share | 113p | 106p |
| Basic earnings per share | 13.8p | 20.8p |
| Diluted earnings per share | 13.8p | 20.8p |
| Dividends per share (based on interim dividend in the year and final dividend proposed) | 4.5p | 4.0p |

FIVE YEAR FINANCIAL SUMMARY

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 | Year ended 31/12/10 £000 | Year ended 31/12/09 £000 | Year ended 31/12/08 £000 |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Revenue | 38,997 | 36,829 | 33,103 | 33,013 | 35,761 |
| Profit before tax | 1,109 | 1,541 | 688 | 418 | 399 |
| Profit before tax as a percentage of revenue | 2.8% | 4.2% | 2.1% | 1.3% | 1.1% |
| Profit after taxation | 876 | 1,321 | 558 | 284 | 119 |
| Basic earnings per share | 13.8p | 20.8p | 8.8p | 4.5p | 1.9p |
| Diluted earnings per share | 13.8p | 20.8p | 8.8p | 4.5p | 1.9p |
| Dividends per share (based on interim dividend in the year and final dividend proposed) | 4.5p | 4.0p | 2.0p | 2.0p | 5.5p |
| Period end total equity | 7,176 | 6,753 | 7,438 | 6,329 | 6,113 |
| Profit before tax as a percentage return on average total equity | 15.9% | 21.7% | 10.0% | 6.7% | 5.5% |
| Net assets per share | 113p | 106p | 117p | 100p | 96p |

Directors' Report

for the year ended 31st December 2012

The Directors have pleasure in submitting their Annual Report and the audited financial statements for the year ended 31st December 2012.

Principal activities and business review

The Group's principal activities are plastic injection moulding and tooling procurement, the manufacture and supply of proprietary piling equipment, engineering products and boards and panels. The names of subsidiaries and their principal activities are set out in note 12 to the accounts.

The Board consider the following as key performance indicators for the Group: revenue, operating profit, cash flow and capital investment. These are discussed in the Chairman's Statement on page 1 and Business Review by division on pages 2 to 9. 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 in the Business Review, note 3 to the financial statements and below.

The Chairman's Statement on page 1 and Business Review on pages 2 to 9, together with note 28, contain information that fulfils the requirements of the statutory business review and are incorporated in this Directors' Report by reference. The Business Review is addressed only to shareholders and its purpose is to provide a review of the business and to explain the principal risks and uncertainties facing the Group.

The Annual Report contains certain forward-looking statements with regard to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing contained in this Annual Report should be construed as a profit forecast.

Results and dividends

Revenue amounted to £38,997,000 (31st December 2011: £36,829,000). Profit before taxation was £1,109,000 (31st December 2011: £1,541,000).

The Directors have proposed a final ordinary dividend in respect of the current financial year of 3.0 pence per share (31st December 2011: 2.5 pence). This has not been included within current liabilities as it was not approved before the year end.

Dividends paid during the year comprise a dividend of 2.5 pence per share in respect of the previous year ended 31st December 2011, together with an interim dividend in respect of the year ended 31st December 2012 of 1.5 pence per share.

Research

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

Creditor payment policy

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

At the year end, there were 1 day's (31st December 2011: 1 day) purchases in trade payables within the Company.

Directors

The names of the Directors of the Company, including those who act in a non-executive capacity, appear on page 50. All the Directors served for the whole year.

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

A R B Burrows (age 74) is an industrialist. He is a Director of Le Bas Limited and I S & G (Holdings) Limited.

C A Parker (age 51) is a Chartered Accountant. He joined Tex Holdings plc in 1992 having previously worked for Ernst & Young.

M J Cadbury (age 53) is a qualified engineer, MBA and Chartered Director. He has had a number of commercial positions both in the UK and overseas. He is a Director of Globescan Inc and the LJC Fund Ltd.

C D Palmer-Tomkinson (age 71) graduated from Oxford University with a degree in jurisprudence. He was a partner in Cazenove & Co. He is Chairman of Chaarat Gold Holdings Ltd and a Governor of Goodenough College.

M J Cadbury and C D Palmer-Tomkinson served on the Board as independent Non-Executive Directors. C D Palmer-Tomkinson acts as the senior independent Non-Executive Director.

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

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

Directors' share interests

| | Ordinary shares | |
|----------------------|-----------------|----------|
| | 31/12/12 | 31/12/11 |
| A R B Burrows | – | – |
| M J Cadbury | 97,435 | 97,435 |
| C D Palmer-Tomkinson | 28,000 | 28,000 |
| C A Parker | 100 | 100 |

There were no changes in Directors' interests between 31st December 2012 and the date of this report.

The market price of the Company's shares at 31st December 2012 was 63.5 pence and the range during the period was 54.0 pence to 109.0 pence.

Substantial holdings

Notification has been received that, as at 18th March 2013, the latest practicable date prior to signing the accounts, the following shareholders have an interest of more than 3.0% in the issued share capital of the Company:

| Shareholder | No. of shares held | % |
|-----------------------------------|--------------------|-------|
| Edward Le Bas Limited | 1,180,789 | 18.59 |
| Le Bas Investment Trust Limited | 812,028 | 12.78 |
| WB Nominees Limited A/C ISA Max | 537,880 | 8.47 |
| Rock (Nominees) Limited A/C ISA | 403,670 | 6.36 |
| Rock (Nominees) Limited <0501448> | 385,000 | 6.06 |
| W B Nominees Limited | 312,873 | 4.93 |
| Pershing Keen Nominees Limited | 269,500 | 4.24 |
| Atlantis Vest | 200,000 | 3.15 |

Disabled employees

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

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

Employee involvement

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

Environment

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

Financial instruments

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

During the year, the Company purchased traded financial instruments, which are being held as available-for-sale financial assets on the balance sheet.

Directors' Report continued

for the year ended 31st December 2012

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

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's borrowings consist of variable rate overdraft facilities, finance lease/HP arrangements and fixed rate term loans (as disclosed in note 20).

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

Liquidity risk

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

Political and charitable contributions

The Group made no political contributions during the year. Donations by the Group to UK charities amounted to £1,052 (31st December 2011: £694), none of which were over £200. All donations were made by the Company.

Corporate Governance

The Company's statement on Corporate Governance is contained within the Corporate Governance report on pages 14 to 16 of these financial statements. The Corporate Governance report forms part of the Directors' Report and is incorporated into it by cross-reference.

Throughout the year to 31st December 2012, the Company complied with the provisions of the UK Corporate Governance Code ("UKCGC" and the "Code") issued by the Financial Reporting Council in May 2010, except as discussed below. The statements hereunder set out how the principles are applied to the Group.

a) Directors

Details of the Directors are listed above. The posts of Chairman and Executive Officer during 2012 were held by A R B Burrows and C A Parker respectively. C D Palmer-Tomkinson acts as senior Non-Executive Director.

Of the Non-Executive Directors, C D Palmer-Tomkinson qualifies as independent within the definition of Provision A.3.1. A R B Burrows fulfils the role of Chairman and therefore he does not qualify as independent within the definition of Provision A.3.1. However, the Board has considered the independence of this Director with care. He contributes significantly through his skill and knowledge of the Group, provides continuity 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.

b) The Board

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

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

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

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

Formal terms of appointment have not been issued to the Non-Executive Directors but they will be eligible for re-election at intervals of no more than three years and due consideration will be given on an annual basis as to the need for each Director to stand for re-election.

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

| | Board | Remuneration Committee | Audit Committee |
|----------------------|-------|------------------------|-----------------|
| Total meetings | 6 | 1 | 2 |
| A R B Burrows | 6 | 1 | 2 |
| M J Cadbury | 6 | N/A | N/A |
| C D Palmer-Tomkinson | 6 | 1 | 2 |
| C A Parker | 6 | N/A | N/A |

c) The Directors' Report on Remuneration

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

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

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

d) Relations with shareholders and institutional investors

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

e) Accountability and audit: internal control

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

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

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

During the year ended 31st December 2012, 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.

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

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

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

Directors' Report continued

for the year ended 31st December 2012

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

Control environment

The Board encourages a culture of integrity and quality and is committed to 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.

Risk identification and management

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 Group Board on a quarterly basis using management information (Code principle C2).

Information and communication

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 key performance indicators and review of operations is considered, and performance reviewed against budget, with variances closely monitored and investigated by management.

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

Control procedures

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

Monitoring and corrective action

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

The Directors believe that the provisions of Section C3 of the Code relating to Accountability and Audit have been met throughout the year.

f) Going concern

In arriving at their decision to prepare the financial statements on a going concern basis, the Directors have reviewed the Group budget for 2013 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. This has been prepared in accordance with Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009, published by the Financial Reporting Council.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the 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 Consolidated and Parent 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 applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on page 50, confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, 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 individually unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Larking Gowen Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company is to be held at Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL on 20th June 2013 at 12.15pm. The Notice of Annual General Meeting is set out on page 49.

By order of the Board

C A Parker

Secretary
8th April 2013

Directors' Remuneration Report

for the year ended 31st December 2012

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

Remuneration Committee

The Company's Remuneration Committee consists of A R B Burrows (Non-Executive) and C D Palmer-Tomkinson (Non-Executive).

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

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

Policy

The policy of the Committee is to review the Executive Director's remuneration package for forthcoming years such that the structure will retain and motivate the Executive Director. Of the remuneration package, bonuses are performance related. Bonuses are based on the achievement of specific criteria and Group return on capital employed. They are paid in cash and the Committee has overriding discretion in determining the payment of bonuses.

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 twelve months. Provision for loss of office is not included within the contracts. Details of the contract currently in place for the Executive Director who served during the period are as follows:

C A Parker's service contract dated 19th March 2013 provides for a rolling twelve month notice period.

Pension scheme

The Group operates a defined contribution pension scheme; the Company has made contributions of £4,350 (31st December 2011: £3,699) to the Executive Director's money purchase scheme.

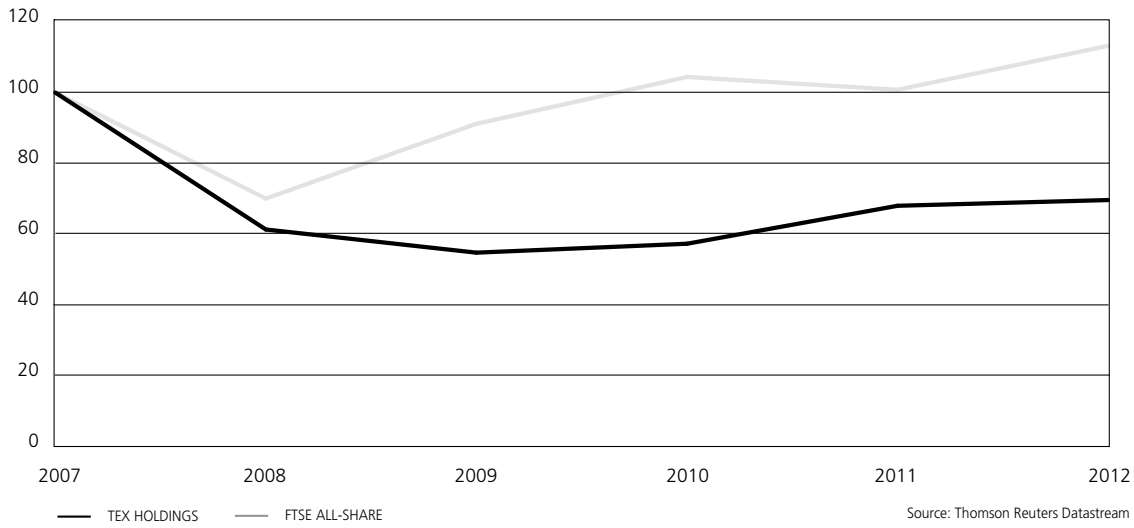
Directors' remuneration

| | A R B Burrows | | M J Cadbury | | C D Palmer-Tomkinson | | C A Parker | |
|----------------|----------------------|-------------------|--------------------|-------------------|-----------------------------|-------------------|-------------------|-----------------|
| | Year ended | Year ended | Year ended | Year ended | Year ended | Year ended | Year ended | |
| | 31/12/12 | 31/12/11 | 31/12/12 | 31/12/11 | 31/12/12 | 31/12/11 | 31/12/12 | 31/12/11 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Salary/fees | – | – | 24,222 | 51,382 | 18,720 | 18,000 | 85,000 | – |
| Bonus | – | – | – | 11,562 | – | – | – | – |
| Other benefits | – | – | – | – | – | – | 4,385 | – |
| Healthcare | 4,453 | 2,892 | 1,373 | 1,307 | – | – | 1,590 | – |
| | 4,453 | 2,892 | 25,595 | 64,251 | 18,720 | 18,000 | 90,975 | – |

Share options

No options were granted to C A Parker, any other Director, or any other employee during the year.

Performance graph



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

Approved by the Board

A R B Burrows
 Director
 8th April 2013

Independent Auditors' Report to the Members of Tex Holdings plc

We have audited the financial statements of Tex Holdings plc for the year ended 31st December 2012 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes. 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.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 16 and 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2012 and of the Group's profit for the year then ended;
- the consolidated 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 consolidated financial statements, Article 4 of the IAS Regulation.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 16, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board of Directors on remuneration.

**Luke Morris ACA (Senior Statutory Auditor)
for and on behalf of Larking Gowen Limited**

Chartered Accountants and
Statutory Auditors
1 Claydon Business Park
Great Blakenham
Ipswich
Suffolk IP6 0NL

18th April 2013

Consolidated Income Statement

for the year ended 31st December 2012

| | Notes | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|---|-------|--------------------------------|--------------------------------|
| Revenue | 2 | 38,997 | 36,829 |
| Cost of sales | | (29,646) | (27,540) |
| Gross profit | | 9,351 | 9,289 |
| Selling and marketing costs | | (906) | (834) |
| Administrative expenses | | (7,159) | (6,855) |
| Operating profit | 2-6 | 1,286 | 1,600 |
| Finance costs | 7 | (177) | (59) |
| Profit before tax | | 1,109 | 1,541 |
| Taxation | 8 | (233) | (220) |
| Profit for the year attributable to the equity holders of the Parent | | 876 | 1,321 |
| Earnings per share | | | |
| Basic and diluted | 10 | 13.8p | 20.8p |

Statements of Recognised Income and Expense

for the year ended 31st December 2012

| Consolidated | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|---|---|--------------------------------|
| Profit for the year | 876 | 1,321 |
| Change in value of available-for-sale financial assets | 24 | – |
| Actuarial losses on defined benefit pension plans | (295) | (2,496) |
| Tax recognised on expenses and income recognised directly in equity | 72 | 649 |
| Net income recognised directly in equity | (223) | (1,847) |
| Total recognised income and expense attributable to the equity holders of the Parent | 677 | (526) |

| Company | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|---|---|--------------------------------|
| Profit for the year | 2,931 | 512 |
| Change in value of available-for-sale financial assets | 24 | – |
| Actuarial losses on defined benefit pension plans | (295) | (2,496) |
| Tax recognised on expenses and income recognised directly in equity | 72 | 649 |
| Net income recognised directly in equity | (223) | (1,847) |
| Total recognised income and expense attributable to the equity holders of the Parent | 2,732 | (1,335) |

Balance Sheets

at 31st December 2012

| | Notes | Consolidated | | Company | |
|--|-------|------------------|------------------|------------------|------------------|
| | | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 5,764 | 5,934 | 8 | 7 |
| Investments | 12 | – | – | 15,162 | 11,423 |
| Deferred tax assets | 13 | 873 | 811 | 965 | 927 |
| | | 6,637 | 6,745 | 16,135 | 12,357 |
| Current assets | | | | | |
| Inventories | 14 | 6,296 | 6,309 | – | – |
| Trade and other receivables | 15 | 11,205 | 8,190 | 234 | 394 |
| Available-for-sale financial assets | 16 | 495 | – | 495 | – |
| | | 17,996 | 14,499 | 729 | 394 |
| Total assets | | 24,633 | 21,244 | 16,864 | 12,751 |
| Equity | | | | | |
| Capital and reserves attributable to the equity holders of the Parent | | | | | |
| Share capital | 19 | 635 | 635 | 635 | 635 |
| Other reserves | | 2,906 | 2,906 | 3,883 | 3,883 |
| Retained earnings | | 3,635 | 3,212 | 3,647 | 1,169 |
| Total equity | | 7,176 | 6,753 | 8,165 | 5,687 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Other interest-bearing loans and borrowings | 20 | 2,867 | 1,755 | 1,449 | 184 |
| Employee benefits | 26 | 3,636 | 3,430 | 3,636 | 3,430 |
| | | 6,503 | 5,185 | 5,085 | 3,614 |
| Current liabilities | | | | | |
| Bank overdraft | 17 | 1,525 | 653 | 2,472 | 2,045 |
| Other interest-bearing loans and borrowings | 20 | 776 | 737 | 432 | 366 |
| Trade and other payables | 21 | 7,933 | 7,369 | 230 | 770 |
| Provisions for other liabilities and charges | 22 | 473 | – | 413 | – |
| Tax payable | | 247 | 547 | 67 | 269 |
| | | 10,954 | 9,306 | 3,614 | 3,450 |
| Total liabilities | | 17,457 | 14,491 | 8,699 | 7,064 |
| Total equity and liabilities | | 24,633 | 21,244 | 16,864 | 12,751 |

These financial statements were approved by the Board of Directors on 8th April 2013 and were signed on its behalf by:

A R B Burrows
Director

C A Parker
Director

Registered number: 00405838

Statement of Changes in Equity

at 31st December 2012

| Consolidated | Share capital £000 | Capital reserve £000 | Share premium account £000 | Retained earnings £000 | Total £000 |
|--|-----------------------|-------------------------|-------------------------------|---------------------------|---------------|
| Balance at 1st January 2011 | 635 | 16 | 2,890 | 3,897 | 7,438 |
| Profit for the year | – | – | – | 1,321 | 1,321 |
| Change in value of available-for-sale financial assets | – | – | – | – | – |
| Pension fund actuarial movement net of tax | – | – | – | (1,847) | (1,847) |
| Dividends paid | – | – | – | (159) | (159) |
| Balance at 1st January 2012 | 635 | 16 | 2,890 | 3,212 | 6,753 |
| Profit for the year | – | – | – | 876 | 876 |
| Change in value of available-for-sale financial assets | – | – | – | 24 | 24 |
| Pension fund actuarial movement net of tax | – | – | – | (223) | (223) |
| Dividends paid | – | – | – | (254) | (254) |
| Balance at 31st December 2012 | 635 | 16 | 2,890 | 3,635 | 7,176 |

The aggregate current and deferred tax relating to items that are charged or credited to equity is £72,000 (2011: £649,000).

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

| Company | Share capital £000 | Capital reserve £000 | Share premium account £000 | Retained earnings £000 | Total £000 |
|--|-----------------------|-------------------------|-------------------------------|---------------------------|---------------|
| Balance at 1st January 2011 | 635 | 993 | 2,890 | 2,663 | 7,181 |
| Profit for the year | – | – | – | 512 | 512 |
| Change in value of available-for-sale financial assets | – | – | – | – | – |
| Pension fund actuarial movement net of tax | – | – | – | (1,847) | (1,847) |
| Dividends paid | – | – | – | (159) | (159) |
| Balance at 1st January 2012 | 635 | 993 | 2,890 | 1,169 | 5,687 |
| Profit for the year | – | – | – | 2,931 | 2,931 |
| Change in value of available-for-sale financial assets | – | – | – | 24 | 24 |
| Pension fund actuarial movement net of tax | – | – | – | (223) | (223) |
| Dividends paid | – | – | – | (254) | (254) |
| Balance at 31st December 2012 | 635 | 993 | 2,890 | 3,647 | 8,165 |

The aggregate current and deferred tax relating to items that are charged or credited to equity is £72,000 (2011: £649,000).

Cash Flow Statement

for the year ended 31st December 2012

| | Consolidated | | Company | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
| Cash flows from operating activities | | | | |
| Profit for the year | 876 | 1,321 | 2,931 | 512 |
| Adjustments for: | | | | |
| Dividends received | – | – | (2,975) | (150) |
| Depreciation | 1,086 | 1,045 | 4 | 4 |
| Investment impairment | – | – | 689 | – |
| Financial expense | 177 | 59 | 115 | (5) |
| Taxation | 233 | 220 | 111 | 269 |
| | 2,372 | 2,645 | 875 | 630 |
| (Increase)/decrease in trade and other receivables | (3,015) | (436) | 160 | (6) |
| Decrease/(increase) in inventories | 13 | (683) | – | – |
| (Decrease)/increase in trade and other payables | 564 | 478 | (545) | 249 |
| Increase in provisions | 473 | – | 413 | – |
| Decrease in employee benefits | (100) | (112) | (100) | (112) |
| Cash generated from operations | 307 | 1,892 | 803 | 761 |
| Income tax paid | (523) | (255) | (275) | (87) |
| Net cash generated from operating activities | (216) | 1,637 | 528 | 674 |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | (955) | (1,448) | (5) | (5) |
| Proceeds from sale of property, plant and equipment | 39 | 68 | – | – |
| Dividends received | – | – | 2,975 | 150 |
| Investment loans to subsidiaries | – | – | (4,428) | (503) |
| Available-for-sale financial assets | (471) | – | (471) | – |
| Net cash used in investing activities | (1,387) | (1,380) | (1,929) | (358) |
| Cash flows from financing activities | | | | |
| New borrowings | 2,258 | 700 | 2,000 | – |
| Repayments of borrowings | (669) | (700) | (669) | (700) |
| Finance lease payments | (438) | (317) | – | – |
| Interest paid | (166) | (149) | (103) | (85) |
| Dividends paid to Company's shareholders | (254) | (159) | (254) | (159) |
| Net cash used in financing activities | 731 | (625) | 974 | (944) |
| Net decrease in cash and cash equivalents | (872) | (368) | (427) | (628) |
| Cash and cash equivalents at beginning of the year | (653) | (285) | (2,045) | (1,417) |
| Cash and cash equivalents at end of the year | (17) | (653) | (2,472) | (2,045) |

Notes to the Consolidated Financial Statements

for the year ended 31st December 2012

1. Accounting policies

Tex Holdings plc is a company incorporated in the UK.

The Consolidated 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, (the "Company").

Both the Parent Company financial statements and the Consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent Company financial statements here together with the 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 related notes that form a part of these approved financial statements.

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

The preparation of financial statements in conformity with Adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The 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 the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgements and estimates

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

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

Note 1 – Measurement of the recoverable amounts of cash-generating units (CGUs) containing goodwill

Note 14 – Provision of obsolete inventory

Note 15 – Impairment of trade receivables

Note 26 – Retirement benefit plans

There have been no new standards in the year and no relevant new amendments to existing standards or interpretations which came into force for the current year which would have a material impact on the Group's results, assets and liabilities.

The following new standards and amendments to existing standards, which will affect the Group, have been published and are effective for accounting periods commencing on or after 1st January 2013 that have not yet been adopted, are:

- Amendments to IAS 1 Presentation of financial statements;
- IFRS 10 Consolidated financial statements;
- IFRS 12 Disclosures of interest in other entities; and
- IFRS 13 Fair value measurement.

IAS 19 Employee benefits – amended in June 2011

The interest cost and the expected return on assets elements of the income statement pension expense calculation will, in future, be combined. Net interest will be charged to the income statement and will be calculated by applying the AA corporate bond yield discount rate to the balance sheet or liability.

The Group is yet to assess the full impact of the amendments.

Measurement convention

The financial statements are prepared on the historical cost basis.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

1. Accounting policies continued

Basis of consolidation

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

Classification of financial instruments issued by the Group

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

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

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

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

Intra-group financial instruments

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

Foreign currency

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

Property, plant and equipment

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

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

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

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

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

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

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

Intangible assets and goodwill

Goodwill represents the excess of the cost of the acquisition of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Impairment

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

Calculation of recoverable amount

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

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

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

Research

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

Trade and other receivables

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

Inventories

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

Investments

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

1. Accounting policies continued

Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

Revenue

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

Sales of goods are recognised when goods are delivered or title has transferred to the buyer.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording revenue and related costs as contract activity progresses. Revenue is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Expenses

Operating lease payments

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

Finance lease payments

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

Net financing costs

Net financing costs comprise interest payable and finance leases 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.

Segment reporting

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

Dividends

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

Taxation

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

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

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

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

Derivative financial instruments

Derivative financial instruments are recognised at fair value, with any gain or loss arising from re-measurement of the fair value being recognised in the profit and loss account.

Financial assets

Classification

The Group classifies its financial assets as available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

Recognition

Regular purchases and sales of financial assets are recognised on the trade dates. The trade date is the date on which the Group commits to the purchase or sale of the asset. Investments are initially recognised at fair value plus transaction cost. Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets are carried at fair value.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income.

Impairment of financial assets

The Group assesses at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security, below its cost, is evidence that the assets are impaired. If such evidence exists, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

2. Revenue

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

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|-----------------|--------------------------------|--------------------------------|
| Plastics | 22,316 | 20,737 |
| Engineering | 13,590 | 12,544 |
| Boards & Panels | 3,091 | 3,548 |
| | 38,997 | 36,829 |

3. Business and geographical segments

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

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 manufacture of specialist engineering equipment for the in-situ production of battery cast concrete building panels.

Plastics – Precision injection moulding, assembly and finishing services.

Boards & Panels – Manufacture and sale of boards and panels.

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

| 2012 | Plastics £000 | Engineering £000 | Boards & Panels £000 | Total for continuing operations £000 |
|---|------------------|---------------------|----------------------------|---|
| Revenue | | | | |
| External sales | 22,316 | 13,590 | 3,091 | 38,997 |
| Inter-segment sales | – | – | – | – |
| Total revenue from continuing operations | 22,316 | 13,590 | 3,091 | 38,997 |
| Result | | | | |
| Segment result from continuing operations | 1,198 | 144 | 15 | 1,357 |
| Expenses pertaining to the Company | | | | (71) |
| Operating profit | | | | 1,286 |
| Finance costs | | | | (177) |
| Profit before tax | | | | 1,109 |
| Taxation | | | | (233) |
| Profit for the year from continuing operations | | | | 876 |

Other information

| 2012 | Plastics £000 | Engineering £000 | Boards & Panels £000 | Company £000 | Total for continuing operations £000 |
|-------------------|------------------|---------------------|----------------------------|-----------------|---|
| Capital additions | 602 | 228 | 120 | 5 | 955 |
| Depreciation | 753 | 169 | 160 | 4 | 1,086 |

Balance Sheet 31st December 2012

| | Plastics £000 | Engineering £000 | Boards & Panels £000 | Company £000 | Total for continuing operations £000 |
|--|------------------|---------------------|----------------------------|-----------------|---|
| Assets | | | | | |
| Segment assets | 12,455 | 8,431 | 2,460 | 1,287 | 24,633 |
| Liabilities | | | | | |
| Segment liabilities | 11,320 | 9,461 | 2,698 | (6,022) | 17,457 |
| 2011 | | | | | |
| Revenue | | | | | |
| External sales | | 20,737 | 12,544 | 3,548 | 36,829 |
| Inter-segment sales | | – | – | – | – |
| Total revenue from continuing operations | | 20,737 | 12,544 | 3,548 | 36,829 |
| Result | | | | | |
| Segment result from continuing operations | | 1,068 | 549 | (3) | 1,614 |
| Expenses pertaining to the Company | | | | | (14) |
| Operating profit | | | | | 1,600 |
| Finance costs | | | | | (59) |
| Profit before tax | | | | | 1,541 |
| Taxation | | | | | (220) |
| Profit for the year from continuing operations | | | | | 1,321 |

Other information

| | Plastics £000 | Engineering £000 | Boards & Panels £000 | Company £000 | Total for continuing operations £000 |
|-------------------|------------------|---------------------|----------------------------|-----------------|---|
| 2011 | | | | | |
| Capital additions | 984 | 221 | 238 | 5 | 1,448 |
| Depreciation | 686 | 146 | 164 | 49 | 1,045 |

Balance Sheet 31st December 2011

| | Plastics £000 | Engineering £000 | Boards & Panels £000 | Company £000 | Total for continuing operations £000 |
|---------------------|------------------|---------------------|----------------------------|-----------------|---|
| Assets | | | | | |
| Segment assets | 10,982 | 7,716 | 2,391 | 155 | 21,244 |
| Liabilities | | | | | |
| Segment liabilities | 8,471 | 7,796 | 2,482 | (4,258) | 14,491 |

Geographical segments

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

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

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|-----------------|--------------------------------|--------------------------------|
| Eurozone | 2,693 | 2,679 |
| UK | 30,350 | 27,538 |
| US | 1,331 | 668 |
| Other countries | 4,623 | 5,944 |
| | 38,997 | 36,829 |

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

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

4. Expenses and auditors' remuneration

Included in profit/loss are the following:

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|--|--------------------------------|--------------------------------|
| Research expensed as incurred included in administrative expenses | 259 | 258 |
| Exchange (gain)/loss included in administrative expenses | (63) | (59) |
| Audit of Parent Company and consolidated financial statements | 5 | 5 |
| Audit of financial statements of subsidiaries | 46 | 43 |
| Amounts receivable by auditors and their associates in respect of: | | |
| – Other services relating to taxation | 5 | 5 |
| – Audit of the Group pension scheme | 3 | 3 |
| Hire of plant and machinery – rentals payable under operating leases | 78 | 104 |
| Hire of other assets – operating leases | 399 | 339 |
| Impairment loss on goodwill | – | – |

5. Staff numbers and costs

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

| | Group | | Company | |
|----------------|------------------------|------------------------|------------------------|------------------------|
| | Year ended 31/12/12 | Year ended 31/12/11 | Year ended 31/12/12 | Year ended 31/12/11 |
| Administration | 85 | 85 | 8 | 8 |
| Manufacturing | 357 | 327 | – | – |
| | 442 | 412 | 8 | 8 |

The aggregate payroll costs of these persons was as follows:

| | Group | | Company | |
|-----------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
| Wages and salaries | 8,817 | 8,267 | 265 | 372 |
| Social security costs | 720 | 669 | 30 | 34 |
| Other pension costs | 323 | 324 | 165 | 170 |
| | 9,860 | 9,260 | 460 | 576 |

6. Directors' emoluments

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|---|--------------------------------|--------------------------------|
| Directors' emoluments | 140 | 85 |
| Company contributions to money purchase pension plans | 4 | 4 |
| | 144 | 89 |

The aggregate of emoluments of the highest paid Director was £90,975 (2011: £64,250), and company pension contributions of £4,350 (2011: £3,700) were made to a money purchase scheme on his behalf.

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

| | Year ended 31/12/12 | Year ended 31/12/11 |
|-------------------------|------------------------|------------------------|
| Money purchase schemes | 1 | 1 |
| Defined benefit schemes | – | – |

All the Directors benefit from Directors' and Officers' third party insurance cover.

7. Finance expenses

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|--|--------------------------------|--------------------------------|
| Interest on bank overdrafts and loans | 99 | 85 |
| Interest on pension scheme deficit | 11 | (90) |
| Interest on obligations under finance leases | 67 | 64 |
| Finance expense | 177 | 59 |

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

8. Taxation

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|---|--------------------------------|--------------------------------|
| Current tax | | |
| Current year | 326 | 446 |
| Adjustments for prior year | (103) | (52) |
| | 223 | 394 |
| Deferred tax (note 13) | | |
| Origination and reversal of temporary differences | 28 | (106) |
| Adjustments for prior years | (18) | (68) |
| | 10 | (174) |
| Total tax in income statement | 233 | 220 |

Domestic income tax is calculated at 24.5% (2011: 26.0%) of the estimated assessable profit for the year.

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

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|--|--------------------------------|--------------------------------|
| Profit before tax | 1,109 | 1,541 |
| Tax at the domestic income tax rate of 24.5% (2011: 26.0%) | 272 | 401 |
| Non-deductible expenses | 6 | 14 |
| Capital allowances in excess of depreciation | (28) | 106 |
| Other | 76 | (2) |
| Goodwill impairment | – | (73) |
| Adjustments for prior years | (103) | (52) |
| Tax expense and effective tax rate for the year | 223 | 394 |

In addition to the income tax expense charged to profit or loss, a deferred tax credit of £72,000 (2011: credit of £649,000) has been recognised in equity in the year.

9. Dividends

On 22nd July 2011, a dividend of 1.0 pence per share (total dividend £63,500) was paid to shareholders.
On 10th October 2011, a dividend of 1.5 pence per share was paid (total dividend £95,250).

On 20th July 2012, a dividend of 2.5 pence per share (total dividend £158,750) was paid to shareholders.
On 8th October 2012, a dividend of 1.5 pence per share was paid (total dividend £95,250).

In respect of the current year, the Directors propose that a dividend of 3.0 pence per share will be paid to shareholders on 19th July 2013. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 21st June 2013. The total estimated dividend to be paid is £190,500.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

10. Earnings per share

Basic earnings per share of 13.8 pence (2011: 20.8 pence) is based on the following data:

Earnings

| | Year ended 31/12/12 £000 | Year ended 31/12/11 £000 |
|--|--------------------------------|--------------------------------|
| Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Parent) | 876 | 1,321 |

Number of shares

| | Year ended 31/12/12 | Year ended 31/12/11 |
|--|------------------------|------------------------|
| Weighted average number of shares for the purposes of basic earnings per share | 6,351,452 | 6,351,452 |

11. Property, plant and equipment

| Consolidated | Land and buildings £000 | Plant and machinery £000 | Vehicles £000 | Furniture, fittings and equipment £000 | Total £000 |
|--|-------------------------------|--------------------------------|------------------|---|---------------|
| Cost or deemed cost | | | | | |
| Balance at 1st January 2011 | 4,536 | 12,317 | 52 | 682 | 17,587 |
| Additions | 4 | 1,379 | 12 | 53 | 1,448 |
| Disposals | – | (505) | (3) | – | (508) |
| Balance at 31st December 2011 | 4,540 | 13,191 | 61 | 735 | 18,527 |
| Balance at 1st January 2012 | 4,540 | 13,191 | 61 | 735 | 18,527 |
| Additions | – | 910 | 22 | 23 | 955 |
| Disposals | – | (1,389) | (11) | – | (1,400) |
| Balance at 31st December 2012 | 4,540 | 12,712 | 72 | 758 | 18,082 |
| Depreciation and impairment | | | | | |
| Balance at 1st January 2011 | 1,635 | 9,695 | 26 | 632 | 11,988 |
| Charge for the year | 89 | 893 | 19 | 44 | 1,045 |
| Disposals | – | (438) | (2) | – | (440) |
| Balance at 31st December 2011 | 1,724 | 10,150 | 43 | 676 | 12,593 |
| Balance at 1st January 2012 | 1,724 | 10,150 | 43 | 676 | 12,593 |
| Charge for the year | 90 | 938 | 16 | 42 | 1,086 |
| Disposals | – | (1,357) | (4) | – | (1,361) |
| Balance at 31st December 2012 | 1,814 | 9,731 | 55 | 718 | 12,318 |
| Net book value | | | | | |
| At 1st January 2011 | 2,901 | 2,622 | 26 | 50 | 5,599 |
| At 31st December 2011 and 1st January 2012 | 2,816 | 3,041 | 18 | 59 | 5,934 |
| At 31st December 2012 | 2,726 | 2,981 | 17 | 40 | 5,764 |

The carrying amount of the Group's fixtures, equipment, plant and machinery includes an amount of £1,462,000 (2011: £1,071,000) in respect of assets held under finance leases.

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

No interest was capitalised during the year (2011: £Nil).

| Company | Land and buildings £000 | Furniture, fittings and equipment £000 | Total £000 |
|--|-------------------------------|---|---------------|
| Cost | | | |
| Balance at 1st January 2011 | 10 | 47 | 57 |
| Additions | – | 5 | 5 |
| Disposals | – | – | – |
| Balance at 31st December 2011 | 10 | 52 | 62 |
| Balance at 1st January 2012 | 10 | 52 | 62 |
| Additions | – | 5 | 5 |
| Disposals | – | – | – |
| Balance at 31st December 2012 | 10 | 57 | 67 |
| Depreciation and impairment | | | |
| Balance at 1st January 2011 | 10 | 41 | 51 |
| Charge for the year | – | 4 | 4 |
| Disposals | – | – | – |
| Balance at 31st December 2011 | 10 | 45 | 55 |
| Balance at 1st January 2012 | 10 | 45 | 55 |
| Charge for the year | – | 4 | 4 |
| Disposals | – | – | – |
| Balance at 31st December 2012 | 10 | 49 | 59 |
| Net book value | | | |
| At 1st January 2011 | – | 6 | 6 |
| At 31st December 2011 and 1st January 2012 | – | 7 | 7 |
| At 31st December 2012 | – | 8 | 8 |

12. Subsidiaries

The Company has the following investments in active subsidiaries:

| Name of subsidiary | Principal activity |
|---|--|
| Tex Plastics (Derby) Ltd ¹ | Precision injection moulding and finishing services and tooling procurement. |
| Tex Plastics (Barnstaple) Ltd ² | Precision injection moulding and assembly services and tooling procurement. |
| 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. |
| Tex A.T.C. Services Ltd | Design, manufacture and installation of air traffic control rooms (Overseas). |
| Tex Air Traffic Control Rooms Ltd | Design, manufacture and installation of air traffic control rooms (UK). |
| Tex Special Projects Ltd | Design and manufacture of bespoke and modular structures and radio frequency-blocking glazing for both civilian and military applications. |
| Tex Industrialised Construction Systems Ltd | Design and manufacture of specialist engineering equipment for the in-situ production of battery cast concrete building panels. |
| 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. |

¹ Formerly known as Tex Industrial Plastics Ltd. ² Formerly known as Tex Plastic Products 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. A full list of subsidiaries will be included in the next annual return.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

12. Subsidiaries continued

| Company | Shares in Group undertakings £000 | Loans to Group undertakings £000 | Total £000 |
|------------------------------|--|---|---------------|
| Cost | | | |
| At 1st January 2012 | 3,621 | 11,105 | 14,726 |
| Loan movement | – | 4,428 | 4,428 |
| At 31st December 2012 | 3,621 | 15,533 | 19,154 |
| Provisions | | | |
| At 1st January 2012 | 1,543 | 1,760 | 3,303 |
| Movement | 689 | – | 689 |
| At 31st December 2012 | 2,232 | 1,760 | 3,992 |
| Net book value | | | |
| At 31st December 2012 | 1,389 | 13,773 | 15,162 |
| At 31st December 2011 | 2,078 | 9,345 | 11,423 |

13. Deferred tax

Consolidated

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Property, plant and equipment | – | – | 31 | 115 |
| Provisions | (31) | (34) | – | – |
| Employee benefits | (873) | (892) | – | – |
| Tax (assets)/liabilities | (904) | (926) | 31 | 115 |
| Net of tax liabilities/(assets) | 31 | 115 | (31) | (115) |
| Net tax (assets)/liabilities | (873) | (811) | – | – |

Movement in deferred tax during the year

| | 01/01/12 £000 | Recognised in income £000 | Recognised in equity £000 | 31/12/12 £000 |
|-------------------------------|------------------|---------------------------------|---------------------------------|------------------|
| Property, plant and equipment | 115 | (84) | – | 31 |
| Provisions | (34) | 3 | – | (31) |
| Employee benefits | (892) | 91 | (72) | (873) |
| | (811) | 10 | (72) | (873) |

Movement in deferred tax during the prior year

| | 01/01/11 £000 | Recognised in income £000 | Recognised in equity £000 | 31/12/11 £000 |
|-------------------------------|------------------|---------------------------------|---------------------------------|------------------|
| Property, plant and equipment | 324 | (209) | – | 115 |
| Provisions | 2 | (36) | – | (34) |
| Employee benefits | (314) | 71 | (649) | (892) |
| | 12 | (174) | (649) | (811) |

Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Property, plant and equipment | (1) | (1) | – | – |
| Provisions | (91) | (34) | – | – |
| Employee benefits | (873) | (892) | – | – |
| Tax (assets)/liabilities | (965) | (927) | – | – |
| Net of tax liabilities/(assets) | – | – | – | – |
| Net tax (assets)/liabilities | (965) | (927) | – | – |

Movement in deferred tax during the year

| | 01/01/12 £000 | Recognised in income £000 | Recognised in equity £000 | 31/12/12 £000 |
|-------------------------------|------------------|---------------------------------|---------------------------------|------------------|
| Property, plant and equipment | (1) | – | – | (1) |
| Provisions | (34) | (57) | – | (91) |
| Employee benefits | (892) | 91 | (72) | (873) |
| | (927) | 34 | (72) | (965) |

Movement in deferred tax during the prior year

| | 01/01/11 £000 | Recognised in income £000 | Recognised in equity £000 | 31/12/11 £000 |
|-------------------------------|------------------|---------------------------------|---------------------------------|------------------|
| Property, plant and equipment | – | (1) | – | (1) |
| Provisions | – | (34) | – | (34) |
| Employee benefits | (314) | 71 | (649) | (892) |
| | (314) | 36 | (649) | (927) |

14. Inventories

| | Consolidated | | Company | |
|------------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Raw materials | 2,650 | 2,758 | – | – |
| Work-in-progress | 931 | 866 | – | – |
| Finished goods | 2,715 | 2,685 | – | – |
| | 6,296 | 6,309 | – | – |

During 2012 inventory expensed was £29,646,000 (2011: £27,083,000) and the amount provided in the year was £74,000 (2011: £131,000).

15. Other financial assets

Trade and other receivables

| | Consolidated | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Amounts receivable from the sale of goods | 9,296 | 6,898 | – | – |
| Amounts receivable from related parties | – | – | 224 | 147 |
| Other debtors and prepayments | 1,909 | 1,292 | 10 | 247 |
| | 11,205 | 8,190 | 234 | 394 |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value, after incorporating an impairment provision of £94,000 (2011: £22,000).

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

15. Other financial assets continued

Credit risk

The Group's principal financial assets are bank balances and cash, available-for-sale financial assets and trade and other receivables.

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

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

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

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

| | Consolidated | | Company | |
|-----------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Eurozone | 440 | 298 | – | – |
| UK | 7,870 | 5,302 | – | – |
| US | 114 | 75 | – | – |
| Other countries | 966 | 1,245 | – | – |
| | 9,390 | 6,920 | – | – |

The ageing of receivables at the reporting date was:

| | Consolidated | | Company | |
|------------------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Not past due | 5,400 | 4,254 | – | – |
| Past due 0 – 30 days | 2,692 | 1,948 | – | – |
| Past due 31 – 120 days | 1,075 | 650 | – | – |
| Balance up to one year | 5 | 16 | – | – |
| More than one year | 218 | 52 | – | – |
| | 9,390 | 6,920 | – | – |

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

| | Consolidated | | Company | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | 2012 £000 | 2011 £000 | 2012 £000 | 2011 £000 |
| Balance at 1st January | 22 | 80 | – | – |
| Impairment loss/(profit) recognised | 72 | (58) | – | – |
| Balance at 31st December | 94 | 22 | – | – |

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

16. Available-for-sale financial assets

| | Consolidated | | Company | |
|---------------------------------|--------------|--------------|--------------|--------------|
| | 2012 £000 | 2011 £000 | 2012 £000 | 2011 £000 |
| At 1st January | – | – | – | – |
| Additions | 471 | – | 471 | – |
| Net gains transferred to equity | 24 | – | 24 | – |
| At 31st December | 495 | – | 495 | – |

Available-for-sale financial assets include the following:

| | Consolidated | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Equity securities – UK | 50 | – | 50 | – |
| Equity securities – Europe | – | – | – | – |
| Equity securities – US | 44 | – | 44 | – |
| Debt securities with fixed interest ranging from 7.9% to 12% and maturity dates between December 2018 and May 2021 | 401 | – | 401 | – |
| | 495 | – | 495 | – |

Available-for-sale financial assets are denominated in the following currencies:

| | Consolidated | | Company | |
|-------------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| UK Pound Sterling | 452 | – | 452 | – |
| US Dollar | 43 | – | 43 | – |
| | 495 | – | 495 | – |

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available-for-sale.

None of these financial assets are either past due or impaired.

17. Cash and cash equivalents/bank overdrafts

| | Consolidated | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Cash and cash equivalents per balance sheet | – | – | – | – |
| Bank overdrafts | (1,525) | (653) | (2,472) | (2,045) |
| Cash and cash equivalents per cash flow statements | (1,525) | (653) | (2,472) | (2,045) |

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

18. Current bank overdrafts and loans

| | Consolidated | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Bank overdrafts | 1,525 | 653 | 2,472 | 2,045 |
| Bank loans and finance lease liabilities (note 20) | 776 | 737 | 432 | 366 |
| | 2,301 | 1,390 | 2,904 | 2,411 |

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

All the Group's borrowings are denominated in Sterling.

The average interest rates paid were as follows:

| | 31/12/12 | 31/12/11 |
|-----------------|----------|----------|
| Bank overdrafts | 3.25% | 3.25% |
| Bank loans | 4.60% | 4.60% |

Bank loans of £1,881,000 (2011: £550,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Bank overdrafts are repayable on demand. Overdrafts of £1,525,000 (2011: £653,000) have been secured by a charge over the Group's assets. The average effective interest rate is determined based on 2.75% over bank base rate.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

18. Current bank overdrafts and loans continued

The Group had two principal bank loans at the year end, but during the year there were three:

- (a) a loan of £181,000 (2011: £234,000). The loan was raised on 29th April 2003. Repayments commenced on 29th July 2003 and will continue until 29th April 2018. The loan is secured by a charge over certain of the Group's assets. The loan carries interest at 1.25% above the bank's base rate.
- (b) a loan of £1,700,000 (2011: £Nil). The loan was raised on 12th March 2012. Repayments commenced on 12th June 2012 and will continue until 12th March 2017. The loan is secured by a charge over certain of the Group's assets. The loan carries interest at 4.1825%.
- (c) a loan of £Nil (2011: £316,000). This loan was repaid when the new loan was taken out on 12th March 2012.

There were no defaults of the loans during the year.

At 31st December 2012, the Group had available £975,000 (2011: £1,847,000) of undrawn committed borrowing facilities.

19. Share capital

| Consolidated and Company | 31/12/12 £000 | 31/12/11 £000 |
|--------------------------------------|------------------|------------------|
| Authorised: | | |
| 8,000,000 shares of 10 pence each | 800 | 800 |
| Issued and fully paid: | | |
| At the beginning and end of the year | 635 | 635 |

The Company has one class of share which carries no right to fixed income.

20. Other interest-bearing loans and borrowings

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

| | Consolidated | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Non-current liabilities | | | | |
| Secured bank loans | 1,449 | 184 | 1,449 | 184 |
| Finance lease liabilities | 1,418 | 1,571 | – | – |
| | 2,867 | 1,755 | 1,449 | 184 |
| Current liabilities | | | | |
| Current portion of secured bank loans | 432 | 366 | 432 | 366 |
| Current portion of finance lease liabilities | 344 | 371 | – | – |
| | 776 | 737 | 432 | 366 |

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

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|------------------|---|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 344 | 371 | 344 | 371 |
| In the second to fifth years inclusive | 1,418 | 1,571 | 1,418 | 1,571 |
| | 1,762 | 1,942 | 1,762 | 1,942 |

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years. For the year ended 31st December 2012, the average effective borrowing rate was 7.3% (2011: 7.3%). Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Sterling.

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

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

21. Trade and other payables

| | Consolidated | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 31/12/12 £000 | 31/12/11 £000 | 31/12/12 £000 | 31/12/11 £000 |
| Trade payables | 5,980 | 4,774 | 174 | 9 |
| Social security and other taxes | 730 | 427 | 14 | 24 |
| Accrued expenses | 1,223 | 2,168 | 42 | 737 |
| | 7,933 | 7,369 | 230 | 770 |

Trade payables 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.

22. Provisions for other liabilities and charges

| | Consolidated | | Company | |
|-----------------------|--------------|--------------|--------------|--------------|
| | 2012 £000 | 2011 £000 | 2012 £000 | 2011 £000 |
| At 1st January | – | – | – | – |
| Additional provisions | 473 | – | 413 | – |
| At 31st December | 473 | – | 413 | – |
| Non-current | – | – | – | – |
| Current | 473 | – | 413 | – |
| At 31st December | 473 | – | 413 | – |

Provisions are made up of the following:

| | | | | |
|--|------------|---|------------|---|
| Legal claims | 408 | – | 408 | – |
| Potential costs expected on a contract | 60 | – | – | – |
| Potential premises expenses | 5 | – | 5 | – |
| At 31st December | 473 | – | 413 | – |

23. Contingent liabilities

- (a) Legal mortgages over the freehold and long leasehold properties and a charge over all fixed and floating assets have been lodged with the Group's bank in connection with the Group's facilities.
- (b) The Company, together with certain other Group companies, has agreed jointly and severally to guarantee to National Westminster Bank PLC:
 - (i) the liabilities of each and every one of the joint guarantors of the Group overdraft facility which at 31st December 2012 was being utilised by other Group companies to the extent of £1,525,000 (31st December 2011: £653,000);
 - (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 2012 amounted to £543,781 (31st December 2011: £Nil).
- (c) The Company has provided a twelve month guarantee to one of QK Honeycomb Products Ltd's suppliers for payments due on demand, up to £50,000 (31st December 2011: £70,000). The guarantee commenced on 25th July 2012.
- (d) The Company has provided a twelve month guarantee to one of Tex Plastics (Derby) Ltd's suppliers for payments due on demand, up to £100,000 (31st December 2011: £Nil). The guarantee commenced on 13th September 2012.

24. Capital commitments

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

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

25. Operating lease arrangements

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

| | Land and buildings 31/12/12 £000 | Other 31/12/12 £000 | Land and buildings 31/12/11 £000 | Other 31/12/11 £000 |
|--|---|---------------------------|---|---------------------------|
| Consolidated | | | | |
| Operating leases rental payments due: | | | | |
| Within one year | 192 | – | 254 | – |
| In the second to fifth years inclusive | 814 | – | 891 | – |
| Over five years | 4,337 | – | 4,438 | – |
| | 5,343 | – | 5,583 | – |
| <hr/> | | | | |
| | Land and buildings 31/12/12 £000 | Other 31/12/12 £000 | Land and buildings 31/12/11 £000 | Other 31/12/11 £000 |
| Company | | | | |
| Operating leases rental payments due: | | | | |
| In the second to fifth years inclusive | 36 | – | 45 | – |

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

Consolidated

During the year £501,000 was recognised as an expense in the income statement in respect of operating leases (2011: £471,000).

Company

During the year £27,000 was recognised as an expense in the income statement in respect of operating leases (2011: £27,000).

26. Retirement benefit plans

Defined benefit scheme

The Group operates a pension scheme providing benefits based on final pensionable pay. The Scheme is closed to new members and was closed to benefit accruals from 6th April 2002. The assets of the Scheme are held separately from those of the Group in trustee administered funds. Contributions to the Scheme are charged to the income statement so as to spread the cost of pensions over employees' working lives with the Group. The level of contributions is determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to member's longevity, investment performance and the removal of tax credit on dividend income. The assumption contained in the last review presumed that the investment yield would be 2.2% greater than pensionable salary increases.

The most recent funding valuation at 6th April 2010, showed that the market value of the Scheme's assets was £10,636,000 which represented 84% of the benefits that had accrued to members after allowing for expected future increases in earnings. As recommended by the Actuary, the contribution rate was reduced from £12,500 per month to £8,333 per month.

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

| | 31/12/12 | 31/12/11 |
|-----------------------------------|--------------|----------|
| Discount rate | 4.10% | 4.70% |
| Expected return on plan assets | 6.13% | 6.72% |
| Expected rate of salary increases | N/A | N/A |
| Inflation | 2.90% | 3.30% |
| Pension cost of living increase | 3.20% | 3.40% |

The expected return on plan assets at 31st December 2012 was 6.13% (2011: 6.72%).

In valuing the liabilities of the pension scheme at 31st December 2012, mortality assumptions have been made as indicated below.

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

- Current pensioner aged 65: 23.3 years (male), 25.8 years (female).
- Future retiree upon reaching 65: 25.3 years (male), 27.7 years (female).

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

| | 31/12/12 £000 | 31/12/11 £000 |
|--|------------------|------------------|
| Present value of funded obligations | (15,153) | (14,102) |
| Fair value of plan assets | 11,517 | 10,672 |
| Net liability recognised in the balance sheet | (3,636) | (3,430) |

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

| | 31/12/12 £000 | 31/12/11 £000 |
|--------------------------------|------------------|------------------|
| Interest on obligation | (644) | (664) |
| Expected return on plan assets | 633 | 754 |
| | (11) | 90 |

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

Cumulative actuarial gains and losses reported in the statements of recognised income and expense since 1st April 2004, the transition date to adopted IFRSs, are losses £2,445,000 (2011 losses: £2,150,000) and Company losses £2,445,000 (2011 losses: £2,150,000).

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

| | 31/12/12 £000 | 31/12/11 £000 |
|--|------------------|------------------|
| Opening defined benefit obligation | 14,102 | 12,578 |
| Interest cost | 644 | 664 |
| Benefit paid | (865) | (570) |
| Actuarial loss | 1,272 | 1,430 |
| Defined benefit obligation at end of year | 15,153 | 14,102 |

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

| | 31/12/12 £000 | 31/12/11 £000 |
|---|------------------|------------------|
| Fair value of plan assets at beginning of year | 10,672 | 11,441 |
| Expected return on plan assets | 633 | 754 |
| Total contributions employer | 100 | 112 |
| Benefits paid | (865) | (570) |
| Actuarial gain/(loss) occurred at end of year | 977 | (1,065) |
| Fair value of plan assets at end of year | 11,517 | 10,672 |

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

| | 31/12/12 £000 | 31/12/11 £000 |
|----------|------------------|------------------|
| Equities | 8,431 | 7,603 |
| Bonds | 2,943 | 2,830 |
| Other | 143 | 239 |
| | 11,517 | 10,672 |

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

26. Retirement benefit plans continued

The expected rate of return on individual categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio. The actual rate of return on the Scheme's investments was (6.7)%.

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

| | 31/12/12 £000 | 31/12/11 £000 | 31/12/10 £000 | 31/12/09 £000 | 31/12/08 £000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Present value of defined benefit obligation | 15,153 | 14,102 | 12,578 | 12,546 | 10,394 |
| Fair value of plan assets | (11,517) | (10,672) | (11,441) | (10,340) | (8,086) |
| | 3,636 | 3,430 | 1,137 | 2,206 | 2,308 |
| Experience (losses)/gains arising | (156) | 211 | 828 | (396) | 16 |

The Group expects to contribute approximately £100,000 to its defined benefit plan in 2013.

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 £223,000 (2011: £211,000).

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

27. Related party transactions

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

A R B Burrows has an interest in Edward Le Bas Properties Limited through which the Group rents properties. Transactions during the period ended 31st December 2012 that require disclosure are detailed below:

| | |
|----------------|---|
| Rentals paid | £266,000 (31st December 2011: £266,000) |
| Trade payables | £11,676 (31st December 2011: £11,676) |

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

Directors are considered to be the Group's key management personnel. Details regarding Directors' remuneration can be found on page 18 in the remuneration report.

Details of the principal subsidiary undertakings are shown in note 12.

During the year ended 31st December 2012 the Company received interest income from subsidiary undertakings of £981,000 (2011: £958,000) and dividends of £2,975,000 (2011: £150,000).

At 31st December 2012 amounts owed by subsidiary undertakings to the Company were £224,000 (2011: £147,000).

At 31st December 2012 loans by the Company to subsidiary undertakings were £15,533,000 (2011: £11,105,000).

28. Accounting estimates and judgements

Recoverability of certain assets/impairment calculations

Trade receivable balances more than six months old are provided for unless specific contractual terms allow for extended terms.

Pension assumptions

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

29. Financial instruments and risk management

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to the equity holders of the Parent disclosed in the statement of changes in equity. The structure is managed to minimise the Group's cost of capital and to provide ongoing returns to shareholders and service debt obligations.

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

The Group is not subject to externally imposed capital requirements.

Interest rate risk

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 2012 and its equity at 31st December 2012 would decrease or increase by £20,000 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

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

Foreign currency risk

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

| | 31/12/12 | | | 31/12/11 | | |
|------------------------------|------------|------------|-------------|------------|------------|-------------|
| | GBP 000 | USD 000 | Euro 000 | GBP 000 | USD 000 | Euro 000 |
| Trade receivables | 9,034 | 262 | – | 6,771 | 127 | – |
| Secured bank loans | (3,406) | – | – | (1,203) | – | – |
| Trade payables | (5,780) | (50) | (150) | (4,574) | (50) | (150) |
| Gross balance sheet exposure | (152) | 212 | (150) | 994 | 77 | (150) |
| Estimated forecast sales | 40,650 | 300 | – | 29,900 | 273 | – |
| Estimated forecast purchases | (38,487) | (220) | (860) | (28,112) | (210) | (750) |
| Gross exposure | 2,163 | 80 | (860) | 1,788 | 63 | (750) |
| Net exposure | 2,011 | 292 | (1,010) | 2,782 | 140 | (900) |

The following significant exchange rates applied during the year:

| GBP | Average rate | | Reporting date mid-spot rate | |
|------|--------------|--------|------------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| USD | 1.5519 | 1.6042 | 1.6246 | 1.5538 |
| Euro | 1.2345 | 1.1552 | 1.2306 | 1.1970 |

Notes to the Consolidated Financial Statements continued

for the year ended 31st December 2012

29. Financial instruments and risk management continued

Sensitivity analysis

A 10.0% strengthening of the GBP against the following currencies at 31st December 2012 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is:

| Effect in £000 31st December 2012 | Profit or loss £000 |
|--------------------------------------|------------------------|
| USD | (9) |
| Euro | 79 |
| <hr/> | |
| 31st December 2011 | |
| USD | (4) |
| Euro | 11 |

A 10.0% weakening of the GBP against the above currencies at 31st December 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Price risk

The Group is exposed to equity securities price risk because of investments classified as available-for-sale on the consolidated balance sheet. To manage this price risk, the Group diversifies its portfolio, within limits set by the Group. Management considers the impact of price risk on the UK and US equity securities currently held to be limited, given the size of the holdings (note 16), but continues to keep this under review.

The Group also has exposure to changes in commodity prices such as steel and oil, which form a constituent part of many of the products sold. It is the policy of the Group to pass on any unavoidable cost price increases to customers as appropriate. The Group does not currently hedge its exposure to commodity prices but continues to keep this policy under review.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including fixed interest debt securities classified as available-for-sale on the consolidated balance sheet) as well as credit exposure to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted in normal circumstances.

Internally, customers are rated according to financial position, history of trading and other factors. Individual credit limits are based on internal and external ratings, in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's diverse customer base.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixty-seventh Annual General Meeting of the Company will be held at Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL on 20th June 2013 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 2012.
2. To approve the payment of a dividend of 3.0 pence per share to shareholders on the register as at 21st June 2013 with payment to be made on 19th July 2013.
3. To re-elect as a Director C A Parker who retires by rotation.

C A Parker (age 51) is a Chartered Accountant. He joined Tex Holdings plc in 1992 having previously worked for Ernst & Young.

4. A resolution will be proposed that A R B Burrows who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be re-appointed as Director of the Company for a further period of one year.
5. A resolution will be proposed that C D Palmer-Tomkinson who retires by reason of his having attained the age of 70 shall, notwithstanding that fact, be re-appointed as Director of the Company for a further period of one year.
6. To pass the following ordinary resolution:
 - (i) That the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 and pursuant to Section 570 of the Companies Act 2006 to allot relevant securities within the meaning of Section 551 of the said Act up to an aggregate amount of £167,354.80 provided always that such activity (unless previously varied, revoked or reviewed) shall expire five years after the date on which the resolution is passed but shall allow the Company before such expiry to make an offer or agreement which would or might require any relevant securities that are covered by the scope of the authority to be allotted after such expiry.
7. To re-appoint Larking Gowen Limited as auditors and to authorise the Directors to fix their remuneration.

By order of the Board

C A Parker
Secretary

Notes:

1. Holders of 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 8th April 2013 to the date of the Annual General Meeting there will be available for inspection at the Company's registered office during normal business hours and also at the place of the Annual General Meeting for 15 minutes prior to the meeting and during the meeting:
 - (a) a statement of all transactions of each Director and of his family in the shares of the Company during the period 26th March 2012 to 8th April 2013; and
 - (b) a copy of the Executive Director's contract of service with the Company.

Directors and Advisors

TEX HOLDINGS plc Parent Company

Directors

A R B Burrows** (Chairman)

C A Parker

M J Cadbury*

C D Palmer-Tomkinson**

* (Non-Executive)

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

Company Secretary

C A Parker

TEX GROUP LIMITED Management Company

Directors

S P Codd

J M Field

M J McCarthy

D J Ogden

C A Parker

D Redhead

C T Varley

Registered office

Claydon Business Park

Gipping Road

Great Blakenham

Ipswich

Suffolk

IP6 0NL

United Kingdom

Registered number

00405838

Registrars

Computershare Investor Services PLC

Auditors

Larking Gowen Limited

Bankers

National Westminster Bank PLC

Legal advisors

Birketts LLP

Group Addresses

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Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Executive Director: Mr C A Parker
Tel: 01473 830144
Fax: 01473 832545
www.tex-holdings.co.uk

Tex Plastics (Derby) Ltd

Wetherby Road, Derby DE24 8HL,
United Kingdom
Managing Director: Mr C T Varley
Tel: 01332 363249
Fax: 01332 292186
www.tex-plastics.co.uk

Tex Plastics (Barnstaple) Ltd

Aviemore Industrial Estate,
Barnstaple, North Devon EX31 2EU,
United Kingdom
Managing Director: Mr C T Varley
Tel: 01271 378528
Fax: 01271 379230
www.tex-plastics.co.uk

BSP International Foundations Ltd

Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
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Managing Director: Mr D Redhead
Tel: 01473 830431
Fax: 01473 832019
www.bsp-if.com

Tex Engineering Ltd

Unit 35, Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Director: Mr D J Ogden
Tel: 01473 830030
Fax: 01473 831664
www.tex-engineering.co.uk

Tex Air Traffic Control Rooms Ltd

Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Executive Director: Mr C A Parker
Tel: 01473 830144
Fax: 01473 832545
www.tex-atc.co.uk

Tex A.T.C. Services Ltd

Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
United Kingdom
Executive Director: Mr C A Parker
Tel: 01473 830144
Fax: 01473 832545
www.tex-atc.co.uk

Tex Special Projects Ltd

Claydon Business Park, Gipping Road,
Great Blakenham, Ipswich, Suffolk IP6 0NL,
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Director: Mr M J McCarthy
Tel: 01473 830144
Fax: 01473 832545
www.tex-atc.co.uk

Eurotex International Ltd

Unit 20, Shipyard Industrial Estate,
Brightlingsea, Colchester, Essex CO7 0AR,
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Managing Director: Mr S P Codd
Tel: 01206 304063
Fax: 01206 304026
www.eurotex-intl.com

QK Honeycomb Products Ltd

Creeting Road, Stowmarket, Suffolk IP14 5AS,
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Managing Director: Mr J M Field
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Notes





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