

Tex Holdings plc
Preliminary Announcement

31st December 2019
Registered number 00405838

The Company also includes below extracts from the Annual Report:

CHAIRMAN'S STATEMENT

Results for year ended 31st December 2019

Results and operations

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

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

The Group reported a pre-tax trading loss of £897k for the year (2018: restated loss £877k), this is after exceptional costs of staff redundancies and additional professional fees. The underlying trading loss was £661k.

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

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

The Group's net assets per share have increased from 127p to 134p, driven by the Pension Scheme moving into surplus.

Prospects and dividends

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

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

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

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

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

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

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

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

We recommend a final dividend of Nil (2018: Nil), making an overall payment in respect of the year of Nil (2018: 2.5 pence).

Staff

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

G C Gray
Chairman
1st June 2020

RESULTS IN BRIEF

	Year ended 31/12/19 £000	Year ended 31/12/18 (restated) £000
Revenue	43,080	40,176
Loss before taxation	(897)	(877)
Taxation	(140)	123
Loss after taxation	(1,037)	(754)
Total equity	8,526	8,104
Net assets per share	134p	127p
Basic earnings per share	(16.3p)	(11.9p)
Diluted earnings per share	(16.3p)	(11.9p)
Dividends per share (based on interim dividend in the year, special dividend and final dividend proposed)	Nil	2.5p

Consolidated Income Statement
for the year ended 31st December 2019

	Year ended 31/12/19	Year ended 31/12/18 (restated)
	£000	£000
Revenue	43,080	40,176
Cost of sales	(32,446)	(29,774)
Gross profit	10,634	10,402
Distribution costs	(1,118)	(1,069)
Administrative expenses	(9,937)	(10,056)
Operating loss	(421)	(723)
Finance costs	(476)	(154)
Loss before taxation	(897)	(877)
Taxation	(140)	123
Loss for the year attributable to the equity holders of the Parent Company	(1,037)	(754)
Earnings per share attributable to the equity holders of the Parent Company		
Basic and diluted	(16.3p)	(11.9p)

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

	Year ended 31/12/19	Year ended 31/12/18 (restated)
	£000	£000
Loss for the year attributable to the equity holders of the Parent Company	(1,037)	(754)
Other comprehensive income		
Items that will not subsequently be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension plans	2,149	(713)
Deferred taxation recognised on actuarial (gain)/loss on defined benefit pension plan recognised directly in equity	(409)	135
	1,740	(578)
Other comprehensive income/(expense) for the year	1,740	(578)
Total comprehensive income/(loss) for the year attributable to the equity holders of the Parent Company	703	(1,332)

Balance Sheets
at 31st December 2019

	Consolidated	
	31/12/19	31/12/18 (restated)
	£000	£000
Assets		
Non-current assets		
Property, plant and equipment	14,430	7,818
Investments	-	-
Deferred taxation assets	-	213
	14,430	8,031
Current assets		
Inventories	7,946	8,110
Trade and other receivables	10,860	10,444
Cash and cash equivalents	1,017	-
	19,823	18,554
Total assets	34,253	26,585
Equity		
Capital and reserves attributable to the equity holders of the Parent Company		
Share capital	635	635
Capital redemption reserve	16	16
Other reserve	678	678
Share premium account	2,890	2,890
Retained earnings	4,307	3,885
Total equity	8,526	8,104
Liabilities		
Non-current liabilities		
Other interest-bearing loans and borrowings	8,695	1,451
Deferred taxation	315	-
Employee benefits	-	1,833
Provisions	530	530
	9,540	3,814
Current liabilities		
Bank overdraft	-	2,105
Other interest-bearing loans and borrowings	7,145	2,762
Trade and other payables	8,949	9,525
Provisions	68	128
Taxation payable	25	147
	16,187	14,667
Total liabilities	25,727	18,481
Total equity and liabilities	34,253	26,585

Consolidated Statements of Changes in Equity
at 31st December 2019

Consolidated	Share capital £000	Capital reserve £000	Other reserves £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1st January 2018	635	16	678	2,890	6,420	10,639
Prior year adjustment - dilapidations	-	-	-	-	(530)	(530)
Prior year adjustment - other	-	-	-	-	(49)	(49)
Restated balance at 1st January 2018	635	16	678	2,890	5,841	10,060
Loss for the year	-	-	-	-	(754)	(754)
IFRS15 adjustment to opening reserve	-	-	-	-	(91)	(91)
Pension fund actuarial movement net of taxation	-	-	-	-	(578)	(578)
Total comprehensive expense	-	-	-	-	(1,423)	(1,423)
Contributions by and distributions to owners:						
Dividends paid	-	-	-	-	(533)	(533)
Balance at 31st December 2018 and 1st January 2019	635	16	678	2,890	3,885	8,104
Loss for the year	-	-	-	-	(1,037)	(1,037)
IFRS16 adjustment to opening reserves	-	-	-	-	(281)	(281)
Pension fund actuarial movement net of taxation	-	-	-	-	1,740	1,740
Total comprehensive income	-	-	-	-	422	422
Contributions by and distributions to owners:						
Dividends paid	-	-	-	-	-	-
Balance at 31st December 2019	635	16	678	2,890	4,307	8,526

Consolidated Cash Flow Statements
for the year ended 31st December 2019

	Year ended 31/12/19	Year ended 31/12/18 (restated)
	£000	£000
Cash flows from operating activities		
Loss for the year	(1,037)	(754)
<i>Adjustments for:</i>		
Dividends received	-	-
Interest received from subsidiaries	-	-
Depreciation	2,398	1,309
GMP equalisation	-	543
Impairment of investments	-	-
Restatement of opening reserves	(281)	(671)
Loss on sale of fixed assets	(8)	(15)
Financial expense	476	154
Taxation	140	(123)
	1,688	443
(Increase)/decrease in trade and other receivables	(48)	948
Decrease/(increase) in inventories	164	(1,312)
(Decrease)/increase in trade and other payables	(576)	1,338
(Decrease)/increase in provisions	(60)	459
(Decrease) in employee benefits	(100)	(100)
Cash generated from operations	1,068	1,776
Taxation paid	(143)	(3)
Net cash generated from operating activities	925	1,773
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,258)	(2,594)
Proceeds from sale of property, plant and equipment	212	39
IFRS16 take on	(5,956)	-
Dividends received	-	-
Interest received	-	-
Advances of loans to subsidiaries	-	-
Net cash used in investing activities	(9,002)	(2,555)
Cash flows from financing activities		
New borrowings	14,547	1,954
Repayments of borrowings	(2,698)	(416)
Finance lease payments	(222)	(452)
Interest paid	(428)	(139)
Dividends paid	-	(533)
Net cash generated from financing activities	11,199	414
Net increase/(decrease) in cash and cash equivalents	3,122	(368)
Cash and cash equivalents at beginning of the year	(2,105)	(1,737)
Cash and cash equivalents at end of the year	1,017	(2,105)

1. Basis of preparation

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted by EU. The condensed consolidated financial statements have not been audited or reviewed.

They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 annual report.

The financial information set out in the announcement does not constitute the Company's statutory accounts for the years ended 31st December 2019 or 2018. The financial information for the year ended 31st December 2018 is derived from the statutory accounts for that year but has been restated. The statutory accounts for the year ended 31st December 2018 have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was a disclaimer of opinion, did not draw attention to any matters by way of emphasis but did contain statements under s498(2) and (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31st December 2019 is not yet complete, but the Directors expect this to be completed within the next week.

2. Significant accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31st December 2018, with the exception of the application of IFRS 15 which resulted in a £90,782 decrease to profit and retained earnings as at 1st January 2018, reflecting the re-allocation of the profit recognition on the aircraft carrier project, now based on completion rather than percentage of expenditure at the average margin on the project.

3. Related party transactions

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

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

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

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

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

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

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

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

Interest (8.00%)	£52,165 (31st December 2018: £Nil)
Loan organisation fees	£2,166 (31st December 2018: £Nil)
Loan balance	£7,000,000 (31st December 2018: £Nil)

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