

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014 ("MAR"). Upon the publication of this announcement via a regulatory information service, this information is now considered to be in the public domain.

13 September 2019

Tex Holdings plc

Proposed related party transaction, proposed transfer of the Company's listing category on the official list from premium listing to standard listing and notice of extraordinary general meeting

The Board of Tex Holdings plc ("Company") today announces a proposed related party transaction with Mr A R B Burrows, a director of the Company ("Proposed Transaction") and in addition the Company's intention to seek shareholder approval for the transfer of the Company's listing from Premium Listing to Standard Listing ("Proposed Transfer").

A circular will be published today setting out the background to and the reasons for the Proposed Transaction and Proposed Transfer and the implications for the Company's Shareholders ("Circular"). The Circular will also contain a notice convening an extraordinary general meeting of the Company ("General Meeting") at which Shareholders are invited to consider the Proposed Transaction and Proposed Transfer. The General Meeting will be held at Tex Holdings plc, Claydon Business Park, Gipping Road, Great Blakenham, Ipswich, Suffolk IP6 0NL at 12.30 pm on 11 October 2019.

Proposed Transaction

In announcements made on 15 April 2019 and 29 April 2019, the Company stated that because of weak trading, it had breached certain financial performance covenants contained in the banking documentation with its bank, National Westminster Bank PLC. Following this, NatWest informed the Company that it would be withdrawing the Company's overdraft facility of £3.2 million ("NatWest Overdraft").

The directors of the Company (excluding Mr A R B Burrows) ("Independent Directors") have approached other debt funders to obtain replacement sources of funding for this facility but without success. However, Mr A R B Burrows has agreed that Edward Le Bas Properties will provide the Company with up to £7 million in secured loan facilities in order to replace the NatWest Overdraft and to provide additional finance to build a new factory and associated working capital.

Edward Le Bas Properties is a Related Party under Chapter 11 of the Listing Rules by virtue of it being an associate of Mr Burrows. Mr Burrows is an existing Director, was previously for many years Chairman of the Company and Mr Burrows' associates are currently interested in approximately 40 per cent. of the ordinary shares in the Company.

Therefore the availability and draw down of the Edward Le Bas Properties loan facility and the grant of security in respect of it ("Proposed Transaction"), are conditional upon the approval of Shareholders of the Company in accordance with Chapter 11 of the Listing Rules.

Under the Listing Rules, Edward Le Bas Properties and Mr Burrows, as related parties of the Company, cannot vote on the Proposed Transaction. Accordingly, Edward Le Bas Properties has undertaken to abstain and Edward Le Bas Properties and Mr Burrows (who does not hold any Ordinary Shares personally and would therefore not be entitled to vote) have undertaken to ensure that their associates will abstain, from voting on the relevant Resolution.

The Board believes that it is in the interests of the Company and the Shareholders as a whole to have the financial certainty that committed long term debt of this quantum provides. Consequently there is no immediate plan to refinance the loan facility with a bank or financial lending institution and given the repayment schedule, the proposed Edward Le Bas Properties loan facility is likely to be in place in whole or in part for at least 7 years. The Board will continue to review the financing arrangements going forward to assess whether there is any benefit in refinancing the Edward Le Bas Properties loan facility.

Background to and reasons for the Proposed Transfer from Premium Listing to Standard Listing

The listing of the Company's Ordinary Shares was suspended on 30 April 2019 at the Company's request pending clarification of its financial position. At the time, the Company could not publish its financial statements for the year ended 31 December 2018 within the period stated in the Listing Rules. The Company has now published its financial statements for the year ended 31 December 2018 and has had discussions with the FCA as to whether it would meet the requirements for a Premium Listed Company prior to or following the Proposed Transaction.

In order to restore the Company's listing prior to the approval of the Proposed Transaction the FCA required comfort as to the ongoing viability of the Company. This was not possible to provide without the Proposed Transaction being entered into. Should the Proposed Transaction be approved by Shareholders, the FCA also required that the Company demonstrate that, despite having a controlling shareholder, it is able to carry on an independent business as its main activity. One of the criteria to satisfy this is that the Company can access financing other than from its controlling shareholder. Given in particular the scale of the Company's asset base and that the Company does have some other funding in place and in prospect, the Independent Directors believe this to be the case. However the Company will not be able to access other funding of a similar scale for a period of time following receipt of the Edward Le Bas Properties loan facility.

Under the Listing Rules, there are two principal categories of listing available for the equity shares of commercial companies traded on the Main Market of the London Stock Exchange, where the Company has had its primary listing for over 40 years. There is the Standard segment that complies fully with the relevant European directives, as adopted by all member states in the European Union; and the Premium segment to which the FCA applies a wide range of additional 'super-equivalent' provisions.

The Directors have previously considered that a transfer to the Standard segment could be more consistent with the Company's size and structure due to the reduction in compliance costs and the greater degree of regulatory flexibility that a Standard listing would provide. However the Company has not wanted to incur the cost involved with a circular to Shareholders. As Shareholders are required to vote on the Proposed Transaction and taking into account the issues described above for the Company to restore its Premium Listing, the Directors believe that it is an appropriate time to also ask Shareholders to vote on the transfer to the Standard segment of the Official List ("Proposed Transfer").

The Company's current size means that as a Premium listed company possible transactions, in particular those involving its Controlling Shareholder, are likely to require Shareholder approval requiring the production of a shareholder circular, the calling of a general meeting and the involvement of advisers such as a sponsor, accountants and lawyers. This also takes up significant management resource and leads to significant additional costs and delays. Because of the Company's reduced market capitalisation (approximately £4.6 million as at 29 April 2019, being the latest practicable date prior the date when the Company's shares were suspended), while the Company remains admitted to the Premium segment, even very small transactions could be classified as class 1 transactions or fall under Chapter 11, Related Party transactions. The Board has carefully considered the commercial requirements of the Company in the medium term and believes that the additional regulatory requirements imposed by maintaining its listing on the Premium segment are no longer in the best interests of the Company.

Under the Listing Rules, the Proposed Transfer requires the Company to first obtain the prior approval of the Shareholders. The approval of a majority of not less than 75 per cent. of all Shareholders voting (whether in person or by proxy) at the General Meeting will be required. In addition, as the Company has a controlling shareholder, approval is also required from a majority of votes attaching to the Ordinary Shares excluding Mr Burrows (who is the Controlling Shareholder) and his associates. Accordingly, Mr Burrows (who does not hold any Ordinary Shares personally and would therefore not be entitled to vote) has undertaken to ensure that his associates will abstain, from voting on Resolution 2.

Pursuant to the Listing Rules, the date of transfer of listing category must not be less than 20 business days after the passing of the Resolutions. The Board proposes to apply as soon as possible for the transfer to be effected and so, subject to the passing of the Resolutions and agreement by the FCA, it is anticipated that the date of transfer will be on or around 12 November 2019. The Ordinary Shares will, on completion of the Proposed Transfer, continue to be traded on the Main Market, but under the designation "Listed: Standard".

The Proposed Transaction and the Proposed Transfer, will only go ahead if both proceed and therefore both Resolutions need to be approved by Shareholders by the requisite majority.

The transfer to the Standard Listing still requires the Company to provide comfort with regard to its ongoing viability and also to satisfy the FCA with regard to its obligations under the Listing Rules. The Directors believe this will be possible once the Resolutions have been approved by Shareholders, however the Proposed Transfer is not certain and it may be that the FCA do not agree that the Company can maintain a listing on the Official List.

Further details of both the Proposed Transaction and Proposed Transfer is provided in the Circular.

A copy of the Circular will be shortly available at www.tex-holdings.co.uk/investors/ and it will also be submitted to the National Storage Mechanism and, once submitted, will be available for inspection at www.morningstar.co.uk/uk/NSM.

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