

TEX HOLDINGS PLC
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

For the 6 months ended 30 June 2020

TEX HOLDINGS PLC

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TEX HOLDINGS PLC CHAIRMAN'S STATEMENT

The business overall has been adversely impacted by the COVID-19 situation. As such, the board and senior management team have taken swift and timely action to mitigate the impact caused by the pandemic. The business has made use of the Government furlough scheme and has managed costs tightly in all areas. It is expected that the results of these measures will provide a solid base for recovery and growth in 2021 although cashflow continues to be critical.

The Plastics Division is trading at approximately 70% of expected levels which is thanks to the increase in business from the medical and hygiene sectors compensating for the slowdown in other orders. With lockdown restrictions easing, business has started showing signs of recovery. The cost control initiatives previously announced have been implemented.

Tex Engineering is having a difficult year and a root and branch review is being made of the cost and pricing structures to provide a more efficient, lean and profitable operation. The orders are improving with June intake recovering to pre COVID-19 levels, with certain capital plant sales secured. The prospect of future investment in major infrastructure projects gives grounds for cautious optimism.

Eurotex trading during the first half of the year has been better than budgeted levels with orders being received from a number of sovereign navies. Work continues on the River class vessels and the maintenance periods scheduled during lockdown are now confirmed for the second half of the year.

The A.T.C. division continues to progress current contracts to supply major international customers with seven Visual Control Rooms which are in the final stages of completing the structural calculations and design. Upon receipt of site-specific information and client design approval, manufacturing will commence. Contracts are ongoing in support of the Queen Elizabeth Class aircraft carriers. The division is also working on a number of additional tenders to supply specialist glass and Visual Control Rooms.

BSP started 2020 with a strong order book and continued to gain good traction with order intake in Q1, which has resulted in us completing the first half of the year slightly ahead of budgeted sales despite the challenges of the pandemic. Cash collection has been strong throughout the period and the second half of the year is expected to be in line with budgeted levels.

G&M TEX has experienced a slowdown in orders, however the orders for generators on six crab fishing vessels are expected to be placed in Q3. The project for Colchester NHS Trust, whilst delayed, is now expected to complete testing in July with installation in August. Generally, the experience has been that orders will still materialise but at a slower rate than pre-pandemic expectations.

QK Honeycomb Products has been the one Group company hardest hit by COVID-19. During the 1st quarter of the year trading was at above budgeted levels. However, due to COVID-19, the majority of QK's regular customers suspended production, resulting in a significant drop in demand during the 2nd quarter. The easing of government lockdown restrictions has seen a gradual return of some customers, although normal operations are not anticipated to resume until late August, after the annual summer shutdown period. The main customer base - the 'leisure vehicle manufacturers' - are reporting positive news from their dealers, advising a surge of interest from new and existing customers as people consider the 'staycation' holiday.

As a Group, 2020 is no longer a year of planned growth, but a year to review and consolidate the businesses, minimise costs wherever possible and put measures in place to use COVID-19 as a catalyst for change. This will build a far more lean and agile business for when the recovery eventually materialises. In light of the current uncertainties around COVID-19, the global economy and Brexit, the Board has decided it needs additional working capital and has approached the major shareholder for further funding.

The Board is not proposing to pay an interim dividend (2019: £Nil).

G.C. Gray
Chairman
12th August 2020

TEX HOLDINGS PLC RESPONSIBILITY STATEMENT

In respect of the interim financial report

We confirm that to the best of our knowledge:

- the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU;
- the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (“DTR”) 4.2.7R (indication of the important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

G. C. Gray
Chairman
12th August 2020

TEX HOLDINGS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 30.06.20 (Unaudited) £000	6 months ended 30.06.19 (Unaudited & restated) £000	Year ended 31.12.19 (Audited) £000
	Notes			
Revenue	3	18,532	21,805	43,080
Cost of sales		(13,425)	(15,275)	(32,446)
Gross profit		5,107	6,530	10,634
Selling and marketing costs		(321)	(502)	(1,118)
Administrative expenses		(5,663)	(6,001)	(9,789)
Operating (loss)/profit		(877)	27	(273)
Finance costs		(487)	(378)	(672)
Loss before taxation		(1,364)	(351)	(945)
Taxation	4	-	(1)	(191)
Loss for the period		(1,364)	(352)	(1,136)
Other comprehensive income:				
Actuarial (loss)/gain arising on defined benefit pension scheme		(1,886)	-	2,149
Tax recognised on actuarial loss/(gain) on defined pension scheme		359	-	(493)
Total comprehensive (loss)/income for the period		(2,891)	(352)	520
Basic and diluted earnings per share		(21.5p)	(5.5p)	(17.9p)

TEX HOLDINGS PLC
CONSOLIDATED BALANCE SHEET

	Notes	As at 30.06.20 (Unaudited) £000	As at 30.06.19 (Unaudited and restated) £000	As at 31.12.19 (Audited) £000
ASSETS				
Non-current assets				
Property, plant and equipment	7	12,265	12,931	12,780
Deferred tax assets		-	213	-
		12,265	13,144	12,780
Current assets				
Inventories		7,790	8,272	7,946
Trade and other receivables		7,999	9,935	10,860
Corporation tax asset		-	3	-
Cash in hand		2,536	-	1,017
		18,325	18,210	19,823
Total assets		30,590	31,354	32,603
EQUITY				
Capital and reserves attributable to the equity holders of the parent				
Share capital		635	635	635
Capital redemption reserve		16	16	16
Other reserve		678	678	678
Share premium account		2,890	2,890	2,890
Retained earnings		1,438	3,457	4,329
Total equity		5,657	7,676	8,548
LIABILITIES				
Non-current liabilities				
Other interest-bearing loans and borrowings		11,896	5,759	12,722
Deferred taxation		90	-	446
Employee benefits		1,511	1,843	-
Provisions		530	530	530
		14,027	8,132	13,698
Current liabilities				
Bank overdraft		-	3,166	-
Other interest-bearing loans and borrowings		1,291	2,677	1,310
Trade and other payables		9,568	9,575	8,954
Provision for other liabilities and charges		-	128	68
Taxation payable		47	-	25
		10,906	15,546	10,357
Total liabilities		24,933	23,678	24,055
Total equity and liabilities		30,590	31,354	32,603

TEX HOLDINGS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Capital Redemption Reserve £000	Other Reserve £000	Share Premium Account £000	Retained Earnings £000	Total Equity £000
Balance at 1st January 2019 (restated)	635	16	678	2,890	3,885	8,104
Loss for the period (restated)	-	-	-	-	(352)	(352)
IFRS 16 adjustment	-	-	-	-	(76)	(76)
Dividends paid	-	-	-	-	-	-
	-	-	-	-	(428)	(428)
Balance at 30th June 2019	635	16	678	2,890	3,457	7,676
Balance at 1st January 2019 (restated)	635	16	678	2,890	3,885	8,104
Loss for the period	-	-	-	-	(1,136)	(1,136)
IFRS16 adjustment to opening reserves	-	-	-	-	(76)	(76)
Pension fund actuarial movement net of tax	-	-	-	-	1,656	1,656
Dividends paid	-	-	-	-	-	-
	-	-	-	-	444	444
Balance at 31st December 2019	635	16	678	2,890	4,329	8,548
Balance at 1st January 2020	635	16	678	2,890	4,329	8,548
Loss for the period	-	-	-	-	(1,364)	(1,364)
Pension fund actuarial movement net of tax	-	-	-	-	(1,527)	(1,527)
Dividends paid	-	-	-	-	-	-
	-	-	-	-	(2,891)	(2,891)
Balance at 30th June 2020	635	16	678	2,890	1,438	5,657

TEX HOLDINGS PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30.06.20 (Unaudited) £000	6 months ended 30.06.19 (Unaudited & restated) £000	Year ended 31.12.19 (Audited) £000
Cash flows from operating activities			
Loss for the period	(1,364)	(352)	(1,136)
Adjustments for:			
Depreciation	1,070	926	1,978
Profit on sale of fixed assets	(12)	(2)	(7)
Finance costs	487	378	672
Taxation	-	1	191
Operating profit before changes in working capital and provisions	181	951	1,698
Movement in trade and other receivables	2,494	509	(48)
Movement in inventories	156	(162)	164
Movement in trade and other payables	613	50	(571)
Decrease in provisions	(68)	-	(60)
Movement in employee benefits	-	(50)	(100)
Cash generated from operations	3,376	1,298	1,083
Tax received/(paid)	25	(151)	(147)
Net cash generated from operating activities	3,401	1,147	936
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)	(690)	(2,032)	(3,138)
Proceeds from sale of PPE	19	2	212
Net cash used in investing activities	(671)	(2,030)	(2,926)
Cash flows from financing activities			
New borrowings	349	1,058	8,765
Repayments of borrowings	(894)	(671)	(2,698)
Finance lease payments	(172)	(247)	(331)
Interest paid	(494)	(318)	(624)
Net cash used in financing activities	(1,211)	(178)	5,112
Net decrease in cash and cash equivalents	1,519	(1,061)	3,122
Cash and cash equivalents at beginning of the period	1,017	(2,105)	(2,105)
Cash and cash equivalents at end of the period	2,536	(3,166)	1,017

TEX HOLDINGS PLC
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

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 and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. 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 comparative figures for the financial year ended 31st December 2019 are the statutory financial statements for that financial year. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) a disclaimer of opinion, (ii) did include a reference to any matters to which the auditors drew attention by way of emphasis, and (iii) did contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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 2019.

3. Segment information

The following is an analysis of the revenue and results for the period analysed by business segment, the Group's primary basis of segmentation.

6 months to 30th June 2020	Plastics £000	Engineering £000	Boards & Panels £000	Total for continuing operations £000
Revenue				
Total revenue from continuing operations	10,196	6,970	1,366	18,532
Result				
Segment result from continuing operations	372	(504)	(219)	(351)
Expenses pertaining to the Company				(526)
Operating loss				(877)
Finance costs				(487)
Profit before taxation				(1,364)
Taxation				-
Loss for the period from continuing operations				(1,364)

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3. Segment information (continued)

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

6 months to 30th June 2019	Plastics £000	Engineering £000	Boards & Panels £000	Total for continuing operations £000
Revenue				
Total revenue from continuing operations	11,843	7,575	2,387	21,805
Result				
Segment result from continuing operations	652	(604)	82	130
Expenses pertaining to the Company				(103)
Operating profit				27
Finance costs				(378)
Loss before taxation				(351)
Taxation				(1)
Loss for the period from continuing operations				(352)

4. Taxation

Interim period corporation tax is accrued based on the estimated average annual effective income tax rate of 19% (6 months ended 30th June 2019: 19%). We have not put in corporation tax assets into the balance sheet as we do not believe that we will receive refunds in relation to corporation tax. Losses will be utilised within the Group.

5. Earnings per share

Basic earnings per share of (21.5p) (2019: (5.5p)) is based on the following data.

Earnings	6 months ended 30.06.20 (Unaudited) £000	6 months ended 30.06.19 (Unaudited) £000
Earnings for the purposes of basic earnings per share	(1,364)	(352)
Number of shares		
	6 months ended 30.06.20 (Unaudited)	6 months ended 30.06.19 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,351,452	6,351,452

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. Dividends

During the interim period, no dividends were paid (2019: £Nil).

7. Property, plant and equipment

During the period, the Group spent £474,000 on additions.

It also disposed of certain machinery and equipment with a carrying value of £7,000 for proceeds of £19,000.

8. 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 at normal commercial rates. Transactions during the period ended 30th June 2020 that require disclosure are detailed below:

Rentals paid	£308,000 (30th June 2019: £257,000)
Other property related expenditure	£84,000 (30th June 2019: £93,000)
Trade payables	£30,943 (30th June 2019: £14,692)
Rental of machinery	£64,104 (30th June 2019: £Nil)

ARB Burrows has an interest in IS&G Steel Stockholders Limited through which the Group purchases steel. Transactions during the period ended 30th June 2019 that require disclosure are detailed below:

Purchases	£54,137 (30th June 2019: £139,274)
Trade payables	£2,566 (30th June 2019: £63,074)

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.

All intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group and therefore in accordance with IAS 24 related party disclosures are not disclosed.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Significant events and transactions

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30th January 2020. Since then, Tex Holdings plc has experienced significant disruption to its operations in the following respects:

Closure or partial closure of some of the Group's factories;
Disruptions in the supply of inventory from major suppliers; and
Decreased demand for certain products.

The significant events and transactions that have occurred since 31st December 2019 relate to the effects of the global pandemic on the Tex Holdings plc interim consolidated financial statements for the six months ended 30th June 2020 and are summarised as follows.

(a) Decrease in sales and cash flows

As disclosed in Note 3, most revenue streams have experienced significant reductions since the pandemic's effects became widespread.

(b) Government grants

Tex Holdings plc applied for various government support programs introduced in response to the global pandemic. Included in profit or loss is £688k of government grants obtained relating to supporting the payroll of Tex Holdings plc employees. Tex Holdings plc had to commit to spending the assistance on payroll expenses.

10. Approval of interim financial statements

The interim financial statements were approved by the Board of Directors on 12th August 2020.