

**Texon Non Woven Limited**

**Annual report and financial  
statements**

**Registered number 5286674**

**For the year ended 31 December 2018**



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## Strategic report

### Business review and principal activities

The company is a wholly owned subsidiary of Torque Group International Fortune Limited and operates as part of the Texon Non Woven division.

The company's principal activities are the manufacture and sale of non-woven footwear materials to the footwear industry around the globe. There have not been any significant changes in the company's principal activities in the year under review. The Directors are not, at the date of this report, aware of any likely major changes in the company's activities in the next year.

The Non Woven division of which the company is a part of invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the company, as a part of the division, in the medium to long-term future. This research and development activity has resulted in a number of updates to existing products.

As shown in the company's profit and loss account on page 8, the company's turnover has increased by 0.66% to £21,072,000 (2017: £20,934,000) over the prior year. Gross margins have continued to remain robust despite (1) challenging market conditions, (2) foreign exchange volatility and (3) pressure on raw materials. The company has made a profit after tax of £5,033,000 (2017: £4,797,000).

The balance sheet on page 9 of the financial statements shows the company's financial position at the year-end and is consistent with the prior year. Liquidity is strong, with net assets of £13,267,000.

Texon manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

### Outlook

The directors believe that demand for Texon's products will continue to increase, particularly as demand for global branded footwear products is increasing. Over the period we have suffered with higher raw material prices which the company has not been able to fully pass on to the customer. There are constant efforts in our supply chain to diversify raw material input requirements while maintaining competitive, quality products and progress continues to be made. However, Texon remains sensitive to significant swings in input prices.

### Principal risks and uncertainties

Competitive pressure in Asia is a continuing risk for the company, which could result in it losing sales to its key competitors. To manage this risk, the company strives to provide added-value products and services to its customers; prompt response times in the supply of products and services and in the handling of customer queries; and through the maintenance of strong relationships with customers and brands.

### Financial risk management

The company sells products into international markets and it is therefore exposed to currency movements on such sales. Where appropriate, the company manages this risk with the group's forward foreign exchange contracts in line with Texon International Group's treasury policies.

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing practices seek to mitigate, where practicable, such risks.

### Environment

Texon Non Woven Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with group policies, as noted in Torque Group International Fortune's Annual Report, which does not form part of this report. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

## Strategic report *(continued)*

### Employees

Employment policies throughout the company have been established to comply with relevant legislation and codes of practice relating to employment, health and safety and equal opportunities. The company's policy is to consult and discuss current developments within the company with employees and to take account of their views in making decisions likely to affect their interests.

The company makes every effort to recruit and continue the employment, training and promotion of those persons who are or become disabled.

### Dividends

A dividend of £23,478,000 (2017: £Nil) was made during the year. No further dividend was proposed at the year end.

Approved by the board and signed on behalf of the board by:



A Stansbie  
Director

28 June 2019

## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

### Principal activities

The principal activity of the company is the manufacture of footwear materials.

### Principal risks and uncertainties

The principal risks to the Group and the company are viewed as:

- The exposure to fluctuating commodity prices, which the Group mitigates by using numerous suppliers where possible;
- Foreign exchange risk which the Group seeks to reduce through natural trading hedges where possible and consideration of the use of currency hedging instruments;
- Credit risk which is controlled via tight credit control procedures;
- Exposure to fluctuating interest rates which is reduced through use of a mix of fixed and floating rate debt and consideration of the use of interest hedge instruments; and
- Unforeseen incidents such as flood and fire, which would adversely impact on production, and is mitigated by having multi-sites, up to date flood and fire prevention and safety systems and the operation of a business continuity plan throughout the Group.

### Directors

The directors serving during the financial year and up to the date of signing the financial statements were as follows:

G Hollins  
A Stansbie  
E Richardson

### Going concern

In evaluating the going concern assumption, the directors noted the strong positive cash flow of the Group and have prepared forecasts together with sensitivity analysis. They have considered the adequacy of the facilities in the light of the current and projected trading performance and are confident the Group and the Company will continue to operate within the existing facilities for the foreseeable future. Accordingly, they have applied the going concern basis of accounting in preparing the annual financial statements. More detail is given in note 1 to the financial statements.

### Dividends and future development

See strategic report for information on dividends and future development.

### Disclosure of information to auditors

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 auditor are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor are aware of that information.

### Independent Auditors

During the year KPMG LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

Approved by the board and signed on behalf of the board by:



A Stansbie  
Director

Skelton Industrial Estate  
Skelton, Saltburn by the Sea  
Cleveland. TS12 2LH

28 June 2019

## **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# **Independent auditors' report to the members of Texon Non Woven Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Texon Non Woven Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report.

## **Independent auditor's report to the members of Texon Non Woven Limited (continued)**

that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditors' responsibilities for the audit of the financial statements***

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

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

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



## **Independent auditor's report to the members of Texon Non Woven Limited (continued)**

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

*Matt Palmer*

Matt Palmer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
28 June 2019

**Profit and loss account**  
*for the year ended 31 December 2018*

	<i>Note</i>	2018 £000	2017 £000
<b>Turnover</b>	2	21,072	20,934
Cost of sales		(13,806)	(13,283)
<b>Gross profit</b>		7,266	7,651
Distribution costs		(1,504)	(1,552)
Administrative expenses		(1,754)	(1,868)
Other operating income / (expense)	3	102	(114)
<b>Operating profit</b>	4	4,110	4,117
Interest receivable and similar income	7	848	676
<b>Profit on ordinary activities</b>		4,958	4,793
Tax on profit	8	75	4
<b>Profit for the financial year</b>		5,033	4,797

All operations are continuing.

There were no recognised gains or losses or other items of comprehensive income during the current or prior year apart from the result for the financial year shown above.

The attached notes on pages 11 to 23 form part of the financial statements.

**Balance sheet**  
*as at 31 December 2018*

	<i>Note</i>	2018 £000	£000	2017 £000	£000
<b>Fixed assets</b>					
Intangible assets	9		2,840		2,840
Tangible assets	10		331		300
			<hr/>		<hr/>
			3,171		3,140
<b>Current assets</b>					
Stocks	11	2,588		2,438	
Debtors (including £7,574,000 (2017: £25,638,000) due after more than one year)	12	9,752		27,902	
Cash at bank and in hand		689		694	
		<hr/>		<hr/>	
		13,029		31,034	
<b>Creditors: Amounts falling due within one year</b>	13	(2,933)		(2,462)	
		<hr/>		<hr/>	
<b>Net current assets</b>			10,096		28,572
<b>Total assets less current liabilities, being net assets</b>			<hr/>		<hr/>
			13,267		31,712
<b>Capital and reserves</b>					
Called up share capital	15	3,000		3,000	
Profit and loss account		10,267		28,712	
		<hr/>		<hr/>	
<b>Total equity</b>			13,267		31,712
			<hr/>		<hr/>

The attached notes on pages 11 to 23 form part of the financial statements.

These financial statements on pages 8 to 10 were approved by the board of directors on 28 June 2019 and signed on its behalf by:



**A Stansbie**  
*Director*

Company number: 5286674

## Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	3,000	23,915	26,915
<b>Total comprehensive income for the year</b>			
Profit		4,797	4,797
Balance at 31 December 2017	3,000	28,712	31,712
Balance at 1 January 2018	3,000	28,712	31,712
<b>Total comprehensive income for the year</b>			
Profit		5,033	5,033
Dividends		(23,478)	(23,478)
<b>Balance at 31 December 2018</b>	<b>3,000</b>	<b>10,267</b>	<b>13,267</b>

The attached notes on pages 11 to 23 form part of the financial statements

## Notes (forming part of the financial statements)

### 1 Accounting policies

Texon Non Woven Limited (the "Company") is a private company limited by shares incorporated and domiciled in the UK. The Company's registered number is 5286674 and the registered address is Skelton Industrial Estate, Skelton, Saltburn-by-the-Sea, Cleveland, TS12 2LH.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). All amounts in the financial statements have been rounded to the nearest £1,000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Torque Group International Fortune Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Torque Group International Fortune Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Skelton Industrial Estate, Skelton, Saltburn by the Sea, Cleveland, TS12 2LH.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries.
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Torque Group International Fortune Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimate with a significant risk of material adjustments in the next year are discussed in note 22.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell, where applicable.

## Notes (continued)

### Accounting policies (continued)

#### 1.2 Going concern

Texon Non Woven Limited is 100% owned subsidiary of Torque Group International Fortune Limited.

The Group meets its day-to-day working capital requirements from cash flows generated from operations and banking facilities provided by the Group's principal bankers. The Group has committed banking facilities, which meet the Group's funding requirements.

In evaluating the going concern assumption, the directors noted the strong positive cash flow of the Group and have prepared forecasts together with sensitivity analyses. They have considered the adequacy of the facilities in the light of the current and projected trading performance and are confident the Group and Company will continue to operate within the existing facilities for the foreseeable future. Accordingly, they have applied the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency ('GBP') 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 retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### 1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company 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; 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.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

## Notes (continued)

### Accounting policies (continued)

#### 1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors and amounts owed by group undertakings*

Trade and other debtors and amounts owed by group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors and amounts owed to group undertakings*

Trade and other creditors and amounts owed to group undertakings are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in debt and equity securities*

Investments in jointly controlled entities, associates and subsidiaries are carried at cost less impairment.

##### *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 using the effective interest method, less any impairment losses.

#### 1.6 Intra-group financial instruments

Where the Company enters into financial guarantee 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.

#### 1.7 Revenue recognition

The company manufactures and sells a range of structural footwear components. Sales are recognised when control of the products has transferred, that is, when the products are delivered to the buyer, the buyer has full discretion over the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

#### 1.8 Impairment excluding inventories and deferred tax assets

##### Financial assets

The Group classifies all of its financial assets as loans and receivables and has not classified any of its financial assets as held to maturity. The Group's loans and receivables comprise trade debtors, amounts owed by group undertakings, other debtors and cash and cash equivalents in the balance sheet.

Loans and receivable assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

## Notes (continued)

### Accounting policies (continued)

#### 1.8 Impairment excluding inventories and deferred tax assets (continued)

The Group has adopted IFRS 9 with effect from 1 January 2018 and applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all financial assets. The Group has two types of financial asset that are subject to the expected credit loss model: trade debtors and amounts owed by group undertakings. In measuring expected credit losses for trade debtors, receivables have been grouped based on shared characteristics and days past due. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

#### 1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company 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 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 less accumulated 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 tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Plant, equipment and vehicles – 3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### 1.10 Intangible assets and goodwill

##### Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment.

##### Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.



## Notes (continued)

### Accounting policies (continued)

#### 1.11 Stocks

Stocks 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 stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### 1.12 Employee benefits

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

##### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 1.13 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.14 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.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

## Notes (continued)

### Accounting policies (continued)

#### 1.15 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 or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 temporary difference can be utilised.

## Notes (continued)

### Accounting policies (continued)

#### 2 Turnover

The turnover of the company is derived from the following geographical markets:

	2018 £000	2017 £000
United Kingdom	502	392
Rest of Europe	2,674	2,699
Far East	14,200	13,793
Rest of the World	3,696	4,050
	<u>21,072</u>	<u>20,934</u>

#### 3 Other operating income / (expense)

	2018 £000	2017 £000
Foreign exchange gain / (loss)	102	(114)
	<u>102</u>	<u>(114)</u>

#### 4 Operating profit

	2018 £000	2017 £000
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Included in operating profit are the following:

Depreciation:		
Owned assets	106	112
Operating leases		
Plant and equipment	2	2
Other	137	137
Auditors' remuneration	36	35
Research expenditure	311	600
	<u>582</u>	<u>886</u>

Fees paid to PricewaterhouseCoopers LLP and its associates for non-audit services to the company itself are not disclosed because Torque Group International Fortune Limited financial statements are required to disclose such fees on a consolidated basis.

## Notes (continued)

### 5 Remuneration of directors

	2018 £000	2017 £000
Directors' emoluments	279	279
Company contributions to money purchase pension schemes	27	43
	<u>306</u>	<u>322</u>

The highest paid director's emoluments were £129,000 (2017: £139,000) and company pension contributions of £13,000 (2017: £28,000).

Three directors received retirement benefit contributions to their own personal pension plan (2017: three).

None of the directors were paid by any other Texon company.

### 6 Staff numbers and costs

The average number of persons employed by the company all of whom were involved in the principal activity was:

	Number of employees	
	2018	2017
Production	74	74
Administration	11	10
Sales and distribution	4	4
	<u>89</u>	<u>88</u>

The aggregate payroll costs of these persons were:

	2018 £000	2017 £000
Wages and salaries	2,891	2,833
Social security costs	305	284
Other pension costs	124	116
	<u>3,320</u>	<u>3,233</u>

### 7 Interest receivable and similar income

	2018 £000	2017 £000
On loans to group undertakings	<u>848</u>	<u>676</u>

## Notes (continued)

### 8 Tax on profit

#### Analysis of charge in the year

	2018 £000	2017 £000
<b>Current taxation</b>		
UK corporation tax		
RDEC claims	(75)	(4)
Adjustment in respect of prior year	-	-
Total current tax	(75)	(4)
Deferred tax (see note 14)	-	-
Total tax credit on profit	(75)	(4)

#### Factors affecting tax credit for the year

The tax credit for the period is lower (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
<b>Tax reconciliation</b>		
Profit on ordinary activities before taxation	4,958	4,793
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	942	922
<b>Effects of:</b>		
Non deductible expenses	-	10
Capital allowances for the year less than / (in excess of) depreciation	20	(24)
Group relief	(962)	(926)
RDEC claims	(75)	(4)
Deferred tax not recognised	-	18
Total tax credit on profit	(75)	(4)

#### Factors that may affect future tax changes

The corporation tax main rate is 19%. This will reduce to 18% on 1<sup>st</sup> April 2020. This will reduce the company's future current tax charge accordingly.

## Notes (continued)

### 9 Intangible assets

	<b>Goodwill</b> £000
<i>Cost or deemed cost</i>	
At beginning and end of year	2,840
	<hr/>
<i>Impairment</i>	
At beginning and end of year	-
	<hr/>
<i>Net book value</i>	
At 31 December 2018 and 31 December 2017	2,840
	<hr/>

#### Impairment testing

Goodwill is tested annually for impairment on the basis of value in use or whenever there is an impairment indication.

The recoverable amount has been calculated with reference to its value in use. The directors consider that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

### 10 Tangible assets

	<b>Plant equipment and vehicles</b> £000
<i>Cost</i>	
At beginning of year	3,056
Additions	137
	<hr/>
At end of year	3,193
	<hr/>
<i>Depreciation</i>	
At beginning of year	2,756
Charge for the year	106
	<hr/>
At end of year	2,862
	<hr/>
<i>Net book value</i>	
At 31 December 2018	331
	<hr/>
At 31 December 2017	300
	<hr/>

## Notes (continued)

### 11 Stocks

	2018 £000	2017 £000
Raw materials and consumables	358	402
Work in progress	43	49
Finished goods	2,187	1,987
	<u>2,588</u>	<u>2,438</u>

Included in above figures is a stock provision of £114,000 (2017: £103,000).

### 12 Debtors

	2018 £000	2017 £000
Trade debtors	1,699	1,649
Amounts owed by group undertakings	7,773	26,044
Other debtors	79	76
Prepayments and accrued income	201	133
	<u>9,752</u>	<u>27,902</u>

Included in trade debtors is a bad debt provision of £17,000 (2017: £25,000).

Debtors include amounts owed by group undertakings of £7,574,000 (2017: £25,638,000) due after more than one year. Interest is charged at a market rate.

Other amounts due from group undertakings are unsecured and are repayable on usual commercial terms.

## Notes (continued)

### 13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	2,232	1,679
Amounts owed to group undertakings	152	198
Other creditors including tax and social security	189	183
Accruals and deferred income	360	402
	<u>2,933</u>	<u>2,462</u>

Amounts due to group undertakings are unsecured and are repayable on normal commercial terms.

### 14 Deferred taxation

A deferred tax asset of £Nil (2017: £219,000) in respect of short term timing differences has not been recognised as it is uncertain when any benefit will arise.

### 15 Called up share capital

	2018 £000	2017 £000
<i>Allotted called up and fully paid:</i> 3,000,001 ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>

### 16 Dividends

	2018 £000	2017 £000
<i>Ordinary Dividends</i> Dividend paid of £7.826 (2017: nil) per share	<u>23,478</u>	<u>-</u>

### 17 Contingent liabilities

The company has guaranteed the banking facilities of fellow group companies; the amount outstanding at the year end was £17,053,000 (2017: £20,668,000).

### 18 Operating lease commitments

As at 31 December, the company had commitments under non-cancellable operating leases as follows:

	2018 Land and buildings £000	Other £000	2017 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	137	2	137	2
Within two to five years	350	1	488	9
	<u>487</u>	<u>3</u>	<u>625</u>	<u>11</u>



## Notes (continued)

### 19 Employee benefits

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £124,000 (2017: £116,000).

No contributions were payable to the scheme at the end of the year.

### 20 Related party transactions

The company has taken advantage of the exemption available under FRS101 not to disclose transactions that have been made between the company and other wholly-owned subsidiaries of Torque Group International Fortune Limited.

### 21 Ultimate parent company

The company is a subsidiary of Texon International Group Limited, a company registered in England. Torque Group International Fortune Limited is considered to be the ultimate parent company. This is the highest level at which consolidated financial statements are prepared. Copies of the Group financial statements may be obtained from group headquarters:

Skelton Industrial Estate  
Skelton  
Saltburn by the Sea  
Cleveland  
TS12 2LH

On 31 December 2018, Navis Torque 2 Limited held 84.51% of the ultimate parent company's issued share capital and was, therefore, the majority shareholder and controlling party of the Group.

### 22 Accounting estimates and judgements

The principal accounting estimates, assumptions and judgements employed in the preparation of these Financial Statements which could affect the carrying amounts of assets and liabilities at the year end date are as follows:

#### *Impairment of goodwill*

The determination of whether goodwill should be impaired requires the estimation of future cash flows and growth factors adopted by each cash generating unit. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which the Company operates and are risk adjusted to reflect risks and opportunities existing. These factors are all affected by prevailing market and economic factors outside the Group's control. Further information is included in note 9.

#### *Taxation*

The assessments made in respect of uncertain tax positions relating to the outcome of negotiations with and enquiries from tax authorities are made following discussion with the Group's tax advisers, taking into account past experience.

Deferred taxation has been estimated using the best information available, including seeking the opinion of independent experts where applicable in note 14.

### 23 Post balance sheet events

There were no significant events to disclose to the date on which these financial statements were approved.