Don & Low Limited

Annual report and consolidated financial statements

Registered number SC005657

31 December 2019

Contents

Directors and advisers

Directors	Vasilios Zairopoulos Konstantinos Halioris Colin James Johnson Keith William Galloway	(Chairman)
Secretary	Colin James Johnson	
Registered Office	Newfordpark House Glamis Road Forfar DD8 1FR	
Independent Auditors	PricewaterhouseCoopers LLP The Capitol 431 Union Street Aberdeen AB11 6DA	
Bankers	The Royal Bank of Scotland plc 65 East High Street Forfar DD8 2EP The Royal Bank of Scotland plc Corporate Banking 1 Albyn Place Aberdeen AB10 1BR	
Solicitors	Thorntons WS 40 Castle Street Dundee DD1 3AQ	
Actuaries	Mercer 7 Lochside Avenue Edinburgh EH12 9DJ	

Strategic report

Principal activities

The principal activities of the Group and the Company are the manufacture and marketing of woven and nonwoven polypropylene textiles. The main woven products include carpet backing, industrial fabrics, geotextiles, artificial grass and carpet yarns. The nonwoven products are mainly in the areas of construction, medical, furniture and bedding, and filtration.

Business model

The Group is implementing a clearly defined strategic plan that is designed to take the Group into the future on a sustainable and profitable path.

Over the past three years the Group has undertaken a significant capital investment programme that has expanded and upgraded production facilities across the business. The transition process to move from the past sales and production mix to the future structure of the business remains in progress and the major work on this will be completed in 2020. In line with the long term aims of the Group the commitment to adding value to business relationships remains strong, and this is based on product quality, service and price competitiveness.

Business review and results

The financial performance in 2019 was affected by the restructuring that is underway but also from some external factors that were not fully anticipated. In general, raw material costs and energy costs were high, and trading conditions, particularly in the carpet backing sector, were subdued.

Under the capital investment programme more than £20m has been invested in the past three years with further significant expenditure planned in 2020. During the past few years the Group has seen changing market dynamics in the carpet backing market – the size of the market has reduced due to a change in consumer tastes toward hard floors, and there has been a worldwide shift towards supply from lower cost countries. The investment plans were prepared with this market development in mind and work has been done to substitute part of the carpet backing volume with products that are more technologically advanced and in markets where the Group can add value. Although reduced in size, the Group will retain a presence in the carpet backing market.

The process to fully integrate and establish the new equipment continues but the Group is satisfied that the move to more capital intensive manufacturing is the correct one for the long term benefit of the business. As part of this process it was necessary to make a number of redundancies during the year and the effect of this is shown in the exceptional restructuring cost in the Statement of Comprehensive Income.

In summary, the reduction in margin compared to the previous year is expected to reverse as the new investments become fully operational, and all of the factors affecting performance, whether internal or external, are monitored closely by management.

Going concern

The specific economic conditions caused by the Coronavirus health emergency have introduced additional uncertainties into the level of demand for the Group's products. The Group has a diverse portfolio of products and across the range there were differing impacts in early 2020 – both positive and negative. As noted in the Directors' report, the Group has taken steps to evaluate and mitigate the effects of the pandemic, the specific areas considered were:

- People – the health and safety of staff is paramount. Steps were taken to allow staff to work from home if possible, to protect those that cannot work from home while on site, and to protect those with underlying health conditions in line with Government guidance.

- Operations – as the Group produces material that is used directly in products for the medical sector (for example, spunbond and meltblown for face masks; spunbond for medical gowns and wipes) steps were taken to ensure production of these products were prioritised. Where the Group was faced with temporary customer closures, production was suspended and procedures put in place to furlough staff and claim under the Government's Coronavirus Job Retention Scheme.

Strategic report *(continued)*

- Supply chain – the Group carried out detailed risk assessments to identify and secure supplies of key raw materials, with an overall aim of continuity of supply wherever possible. Since the Group operates mainly on a business to business basis, where customers continued to operate, maintenance of the overall supply chain was the clear objective.

- Finance – the Group prepared updated forecasts and projections to test resilience to the financial effects of the pandemic. The outcome of this process was assessed in line with the available overdraft and other borrowing facilities and this showed the Group should be able to operate within the level of these facilities.

As a result of these actions the Directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and consolidated financial statements.

Key performance indicators

The Directors and managers use a range of detailed performance indicators appropriate to the business.

The table below shows the key performance indicators for the Group.

Key performance indicator	**2019**	2018	% change
Revenue (£000's)	**66,454**	64,915	+2.4%
Operating Profit – pre-exceptional expenses (£000's)	**727**	1,867	-61.1%
Operating Profit %	**1.1%**	2.9%	-1.8%

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group include the following:

- Raw material costs: Raw materials are the main item of expenditure for the Group. Significant resources are applied to the management of this.

- Customers: The Group maintains strong relationships with key customers and has clear credit control parameters. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Specific credit terms are agreed with customers and are closely managed. Credit evaluations are also performed on all customers. Credit risk is managed by the insurance of debts and a system of internal credit limit setting is followed using trade and bank references and credit rating agencies.

- Competitive risk: The Group operates in highly competitive markets. Product and service improvements are carried out on an ongoing basis throughout the year.

- Foreign currency exchange: The Group is exposed to foreign currency risk as a result of its operations. The currencies giving rise to this are primarily Euros and US Dollars. The Group monitors closely short, medium and long-term exchange rates. However, given the size of the Group's operations, the costs of managing exposure to foreign exchange risk exceed any potential benefits. No formal hedging policy is used.

- The effect of legislation or other regulatory activities: The Group, with the assistance of its professional advisers, monitors forthcoming and current legislation regularly.

- Liquidity risk: The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the Group has sufficient available funds for operations and planned expansions.

Strategic report *(continued)*

- Interest rate cash flow risk: The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include cash balances with banking institutions.
- Brexit: The Group is monitoring the developments on Brexit and is continuously assessing any possible effects on the business.

Future developments

The Directors expect to be faced with continued challenges during 2020 mainly due to the Coronavirus health emergency as described in the Directors' report, and in the Going Concern section above. The major elements of the capital investment programme will conclude during the year and improvements in capabilities, cost structure, competitiveness and long term performance are expected. The plans, policies and procedures that are in place mean that the Directors are confident that the Group's budgeted performance will be achieved.

Section 172(1) UK Companies Act 2016 ("Act") Statement

Directors
As part of their induction a director of the company is informed of their directors' duties with specific reference to section 172(1) (a-f) and if necessary, can seek additional support and advice from an independent adviser to ensure that they are aware and know the likely consequences of any decision the company makes in the long term.

Stakeholders
The directors of the company believe it is fundamentally important that the values and principles which guide the company are clearly defined, both internally and externally, in order to ensure that all company activities are implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith which would promote the success of the company for the benefit of its members as a whole having regard to the interests of all its stakeholders: shareholders, workforce, suppliers, customers, lenders, government/tax authorities, pension schemes/trustees, community and environment. These values are embedded in the company's employee handbook and by virtue of various policy statements covering matters such as health and safety, the environment, modern slavery and gender pay. All these documents are made available to all employees by various including the company online portal

Employee Interests
The directors of the company devote the relevant resources to facilitate the necessary professional development of its staff and the continued growth of the organisation. This includes close attention to issues such as succession planning

The company is an equal opportunities employer and maintains company procedures that guarantee all employees with equal access to employment opportunities.

The company policy is to facilitate the employment of disabled people, their recruitment, training, career development and promotion, and the retention of employees who become disabled.

The company policies relating to employee involvement continue to be updated in the light of best practice. Employees and their representatives are briefed, consulted and provided with information in a variety of ways designed to ensure that they are kept fully informed about developments in the Group including health and safety and financial performance.

Community and the Environment
We recognise the environmental impact of our use of raw materials including use of energy, water and generation of waste; as well as the use and disposal of our products. We are committed to reducing our impact on the environment and improving internally, through our proactive environmental policies, energy reduction measures and various recycling programmes. The company has invested in a specific recycling technology which allows us to recycle substantially all of our scrap and waste material, re-granulating it so it can be re-used, making our manufacturing process both environmentally and financially efficient.

Strategic report *(continued)*

Business Conduct

The company recognises the importance of combating slavery, forced labour and human trafficking ("Modern Slavery"), a set of growing interest issues that affect communities and individuals across the globe. The company has a zero-tolerance approach to all forms of modern slavery within its operations and supply chain and recognises that no sector cannot be excluded.

The company is committed to acting with integrity and transparency in this sensitive matter and is conscious of its responsibility to be alert to any risks within its business and to the wider supply chain.

The company and Thrace Group do not accept under any circumstances modern slavery and is committed to act in an ethical way and with integrity in all business dealings, which is reflected to its global policies that aim to eliminate, as much as possible, the risk of modern slavery in any part of its business operation or its supply chain.

Everyone working for or on behalf of the company, including directors, employees and suppliers must adhere to the company's ethical conduct policies. One of the cornerstones of such policies is the protection of employees from being abused and exploited, either within the company itself or within its global supply chain.

The company's employees have the right and obligation to report potential violations, which include circumstances that may give rise to an enhanced risk of modern slavery incidents or practices, by contacting the representatives in the Human Resources department. These reports can be made either – in name or anonymously – in person or by phone or email.

The company recognises that the greatest risk of modern slavery incident detection is in its supply chain, where initiatives to identify and mitigate the relevant risks are actively implemented. Within this framework, the company is committed to comply with the human rights policy and take the necessary steps in order to ensure its implementation.

Shareholders

The Board of Directors consider and only approve items of business that would promote the success of the company and in the best interests of the company, the company's immediate shareholders, the ultimate parent Thrace Plastics S.A and its stakeholders.

On behalf of the Board

CJ Johnson
Director

Newfordpark House
Glamis Road
Forfar
DD8 1FR

5 May 2020

Directors' report

The Directors present their Directors' report and the audited consolidated financial statements for the year ended 31 December 2019.

Results and dividends

The consolidated statement of comprehensive income on page 11 shows a loss for the financial year of £(686,000) before the exceptional item and £(1,459,000) after the exceptional item (2018: profit of £1,084,000). No dividend was recommended or paid during 2019 (2018: £nil).

Post balance sheet subsequent event

After the closure of the 2019 financial year, there were no events that could have significant effects on the company's financial statements.

However, it should be noted that, at the date of preparation of the financial statements, the instability factor relating to the health emergency due to the spread of Coronavirus, which in the first weeks of 2020 initially affected China and subsequently other countries, should not be underestimated. This factor was considered as an event that does not trigger adjustments to the financial statements since, although the Coronavirus phenomenon occurred in China close to the balance sheet date, it is only from the end of January 2020 that the World Health Organization has declared the Coronavirus epidemic an international public health emergency. The spread of the virus that has accelerated in recent weeks, with outbreaks in the UK and a growing number of European Union countries and the rest of the world.

Taking into account the elements of absolute uncertainty regarding the effects of the spread of the epidemic and the consequent measures that have been put in place by Governments to combat it, it is not possible to exclude significant impacts on the international and UK economy, which could be reflected on the results of 2020.

The company has started, together with its Parent Company Thrace Plastics S.A, the activity of reviewing the scenario and evaluating the management actions to mitigate the impact to the business. The Company has adopted initiatives to safeguard the health of its people and actions aimed at maintaining operational activity. The repercussions on any adjustments to the financial statements are currently not determinable in light of the volatility of the scenario and the continuous evolution of the market, these will be reflected in the 2020 results.

Financial risk management

The Group's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Financial management

The Group prepares a detailed annual budget and this becomes the key document against which performance during the year is monitored.

Innovation

Product improvement and development is an essential aspect of the business and considerable resource is dedicated to this end, all costs are written off during the year where they do not meet the criteria for capitalisation under IAS38.

Directors' report *(continued)*

Directors

The directors of the Company who were in office during the year and up to the date of signing of the financial statements were:

Vasilios Zairopoulos (Chairman)

Konstantinos Halioris

Colin James Johnson

Keith William Galloway

In terms of the Articles of Association, Directors are not subject to retirement by rotation.

Health and safety

The Group uses BUPA for advice on occupational health matters and the provision of trained nursing staff. In addition, employees with training in first aid are present in all locations at all times. Environmental working conditions at all locations are monitored by trained staff.

The Group has complied with the Health and Safety at Work Act 1974 in issuing a written statement of its general policy on the health and safety of its staff, and the organisation and arrangements for carrying out that policy.

Political contributions

It is the Group's policy that no political contributions are made.

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

Independent Auditors

PricewaterhouseCoopers LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

On behalf of the Board

CJ Johnson
Director

Newfordpark House
Glamis Road
Forfar
DD8 1FR

5 May 2020

Statement of directors' responsibilities in respect of the Annual report and consolidated financial statements

The directors are responsible for preparing the Annual report and consolidated 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the group and 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 IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Don & Low Limited

Report on the audit of the financial statements

Opinion

In our opinion, Don & Low Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 December 2019; the consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements 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 group 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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 group's and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

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

Independent auditors' report to the members of Don & Low Limited (continued)

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 2019 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 group and company and their 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 annual report and the consolidated financial statements set out on page 7, 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 group's and 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 group or 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. 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 auditors' report to the members of Don & Low 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Kevin Reynard (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
5 May 2020

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019 Pre-exceptional items £000	2019 Exceptional items £000	2019 Total £000	2018 Pre-exceptional items £000	2018 Exceptional items £000	2018 Total £000
Revenue	2	**66,454**	**-**	**66,454**	64,915	-	64,915
Cost of sales		**(57,705)**	**-**	**(57,705)**	(54,587)	-	(54,587)
Gross profit		**8,749**	**-**	**8,749**	10,328	-	10,328
Other operating income	3	**565**	**-**	**565**	36	-	36
Distribution expenses		**(5,158)**	**-**	**(5,158)**	(5,070)	-	(5,070)
Administrative expenses		**(2,664)**	**-**	**(2,664)**	(2,694)	-	(2,694)
Research and development expenses	4	**(765)**	**-**	**(765)**	(733)	-	(733)
Exceptional expenses	6	**-**	**(773)**	**(773)**	-	(607)	(607)
Operating profit/(loss)	4-7	**727**	**(773)**	**(46)**	1,867	(607)	1,260
Financial income	8	**5**	**-**	**5**	6	-	6
Financial expenses	8	**(780)**	**-**	**(780)**	(678)	-	(678)
Net financing expense		**(775)**	**-**	**(775)**	(672)	-	(672)
(Loss)/Profit before tax		**(48)**	**(773)**	**(821)**	1,195	(607)	588
Taxation	9	**(638)**	**-**	**(638)**	496	-	496
(Loss)/Profit for the year		**(686)**	**(773)**	**(1,459)**	1,691	(607)	1,084

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	**2019 Pre-exceptional items £000**	**2019 Exceptional items £000**	**2019 Total £000**	2018 Pre-exceptional items £000	2018 Exceptional items £000	2018 Total £000
Other comprehensive income							
Items that will not be reclassified to profit or loss:							
Remeasurement of defined benefit liability	*20*	**768**	**-**	**768**	401	-	401
Income tax on items that will not be reclassified to profit or loss	*14*	**(170)**	**-**	**(170)**	-	-	-
Items that are or may be reclassified subsequently to profit or loss:							
Income tax on items that are or may be subsequently reclassified to profit or loss	*14*	**44**	**-**	**44**	(77)	-	(77)
Foreign operations – foreign currency translation differences		**(19)**	**-**	**(19)**	5	-	5
Other comprehensive income for the year, net of income tax		**623**	**-**	**623**	329	-	329
Total comprehensive (expense)/income for the year		**(63)**	**(773)**	**(836)**	2,020	(607)	1,413

Revenue and (loss)/profit before income tax arose wholly from continuing operations.

Consolidated Balance Sheet
at 31 December 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	*10*	**34,072**	30,299
Right of use assets	*11*	**158**	-
Intangible Assets	*12*	**428**	349
Deferred tax assets	*14*	**1,836**	2,006
		36,494	32,654
Current assets			
Inventories	*15*	**12,840**	13,153
Trade and other receivables	*16*	**12,574**	13,878
Corporation tax		**-**	598
Cash and cash equivalents	*17*	**3,882**	3,032
		29,296	30,661
Total assets		**65,790**	63,315
Current liabilities			
Trade and other payables	*19*	**(10,774)**	(10,857)
Loans and borrowings	*18*	**(2,540)**	(9,996)
		(13,314)	(20,853)
Non-current liabilities			
Loans and borrowings	*18*	**(11,137)**	(2,759)
Employee benefits	*20*	**(10,800)**	(11,800)
Deferred income		**(46)**	(49)
Deferred tax liabilities	*14*	**(2,516)**	(2,041)
		(24,499)	(16,649)
Total liabilities		**(37,813)**	(37,502)
Net assets		**27,977**	25,813
Equity			
Share capital	*21*	**5,737**	2,737
Reserves		**684**	684
Translation reserve		**(13)**	6
Retained earnings		**21,569**	22,386
Total equity		**27,977**	25,813

These financial statements on pages 11 to 52 were approved by the board of directors on 5 May 2020 and were signed on its behalf by:

CJ Johnson
Director

Company Balance Sheet
at 31 December 2019

	Note	**2019**	2018
		£000	£000
Non-current assets			
Property, plant and equipment	*10*	**34,072**	30,299
Right of use assets	*11*	**158**	-
Intangible assets	*12*	**428**	349
Investments in subsidiaries	*13*	**575**	575
Deferred tax assets	*14*	**1,836**	2,006
		37,069	33,229
Current assets			
Inventories	*15*	**12,840**	13,153
Trade and other receivables	*16*	**12,516**	13,821
Corporation tax		**-**	607
Cash and cash equivalents	*17*	**3,885**	2,974
Total current assets		**29,241**	30,555
Total assets		**66,310**	63,784
Current liabilities			
Trade and other payables	*19*	**(11,371)**	(11,414)
Loans and borrowings	*18*	**(2,540)**	(9,996)
		(13,911)	(21,410)
Non current liabilities			
Loans and borrowings	*18*	**(11,137)**	(2,759)
Employee benefits	*20*	**(10,800)**	(11,800)
Deferred income		**(46)**	(49)
Deferred tax liabilities	*14*	**(2,516)**	(2,041)
		(24,499)	(16,649)
Total liabilities		**(38,410)**	(38,059)
Net assets		**27,900**	25,725
Equity			
Share capital	*21*	**5,737**	2,737
Reserves		**684**	684
Retained earnings		**21,479**	22,304
Total equity		**27,900**	25,725

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's (loss)/profit for the year was £(1,493,000) (2018: £1,029,000).

These financial statements were approved by the board of directors on 5 May 2020 and were signed on its behalf by:

CJ Johnson
Director

Consolidated Statement of Changes in Equity
for year ended 31 December 2019

	Translation reserve £000	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2019	**6**	**2,737**	**684**	**22,386**	**25,813**
Total comprehensive income					
Loss for the year	-	-	-	(1,459)	(1,459)
Other comprehensive income					
Remeasurement of defined benefit liability, net of tax	-	-	-	642	642
Foreign operations – foreign currency translation differences	(19)	-	-	-	(19)
Total comprehensive income for the year	(19)	-	-	(817)	(836)
Increase in share capital	-	3,000	-	-	3,000
Total contributions by and distribution to owners	(19)	3,000	-	(817)	(2,164)
Balance at 31 December 2019	**(13)**	**5,737**	**684**	**21,569**	**27,977**

	Translation Reserve £000	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2018	1	2,737	684	20,978	24,400
Total comprehensive income					
Profit for the year	-	-	-	1,084	1,084
Other comprehensive income					
Remeasurement of defined benefit liability, net of tax	-	-	-	324	324
Foreign operations – foreign currency translation differences	5	-	-	-	5
Total comprehensive income for the year	5	-	-	1,408	1,413
Dividends paid	-	-	-	-	-
Total contributions by and distribution to owners	5	-	-	1,408	1,413
Balance at 31 December 2018	**6**	**2,737**	**684**	**22,386**	**25,813**

The aggregate current and deferred tax charge relating to items that are charged to equity is £126,000 *(2018: £(77,000))*.

Company Statement of Changes in Equity
for year ended 31 December 2019

	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2019	**2,737**	**684**	**22,304**	**25,725**
Total comprehensive income				
Loss for the year	-	-	(1,493)	(1,493)
Other comprehensive income				
Remeasurement of defined benefit liability net of tax	-	-	642	642
Total comprehensive income for the year	-	-	(851)	(851)
Increase in share capital	3,000	-	-	3,000
Dividends received	-	-	26	26
Total contributions by and distribution to owners	3,000	-	(825)	2,175
Balance at 31 December 2019	**5,737**	**684**	**21,479**	**27,900**

	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2018	2,737	684	20,932	24,353
Total comprehensive income				
Profit for the year	-	-	1,029	1,029
Other comprehensive income				
Remeasurement of defined benefit liability net of tax	-	-	324	324
Total comprehensive income for the year	-	-	1,353	1,353
Dividends received	-	-	19	19
Total contributions by and distribution to owners	-	-	1,372	1,372
Balance at 31 December 2018	**2,737**	**684**	**22,304**	**25,725**

The aggregate current and deferred tax (charge)/credit relating to items that are charged to equity is £126,000 (*2018: £(77,000)*).

Consolidated and Company Statements of Cash Flows
for year ended 31 December 2019

	Note	Group		Company	
		2019	2018	**2019**	2018
		£000	£000	**£000**	£000
Cash flows from operating activities					
(Loss)/Profit for the year		(1,459)	1,084	(1,493)	1,029
Adjustments for:					
Depreciation and amortisation	*10-12*	2,818	2,041	2,818	2,041
Gain on sale of property, plant and equipment	*3*	(562)	(33)	(562)	(33)
Net finance expense		775	672	775	672
Taxation	*9*	638	(496)	638	(517)
		2,210	3,268	2,176	3,192
Change in inventories		313	(2,592)	313	(2,592)
Change in trade and other receivables		1,304	1,999	1,305	2,017
Change in trade and other payables		(102)	354	(34)	346
Change in provisions and employee benefits		(832)	(200)	(832)	(200)
Change in deferred income, including government grant		(3)	(3)	(3)	(3)
Tax received/(paid)		479	(105)	479	(92)
Net cash from operating activities		3,369	2,721	3,404	2,668
Cash flows from investing activities					
Interest received		5	6	5	6
Additions to property, plant and equipment		(6,726)	(12,275)	(6,726)	(12,275)
Proceeds of sale of fixed assets		565	75	565	75
Net cash used in investing activities		(6,156)	(12,194)	(6,156)	(12,194)
Cash flows from financing activities					
Share capital increase		3,000	-	3,000	-
Dividends received		-	-	26	19
Repayment of borrowings		(1,181)	(1,291)	(1,181)	(1,291)
New borrowings		1,998	10,907	1,998	10,907
Interest paid		(163)	(77)	(163)	(77)
Net cash from financing activities		3,654	9,539	3,680	9,558
Net increase in cash and cash equivalents		867	66	928	32
Cash and cash equivalents at 1 January		3,032	2,972	2,974	2,948
Effect of exchange rate fluctuations on cash held		(17)	(6)	(17)	(6)
Cash and cash equivalents at 31 December	*17*	3,882	3,032	3,885	2,974

Notes

(forming part of the financial statements)

1 Accounting policies

Don & Low Limited (the "Company") is a private company limited by shares incorporated in Scotland. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The registered number is SC005657 and the registered address is Newfordpark House, Glamis Road, Forfar, DD8 1FR.

The parent company financial statements present information about the Company as a separate entity and not about its Group. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern

The specific economic conditions caused by the Coronavirus health emergency have introduced additional uncertainties into the level of demand for the Group's products. The Group has a diverse portfolio of products and across the range there were differing impacts in early 2020 – both positive and negative. As noted in the Directors' report, the Group has taken steps to evaluate and mitigate the effects of the pandemic, the specific areas considered were:

- People – the health and safety of staff is paramount. Steps were taken to allow staff to work from home if possible, to protect those that cannot work from home while on site, and to protect those with underlying health conditions in line with Government guidance.

- Operations – as the Group produces material that is used directly in products for the medical sector (for example, spunbond and meltblown for face masks; spunbond for medical gowns and wipes) steps were taken to ensure production of these products were prioritised. Where the Group was faced with temporary customer closures, production was suspended and procedures put in place to furlough staff and claim under the Government's Coronavirus Job Retention Scheme.

- Supply chain – the Group carried out detailed risk assessments to identify and secure supplies of key raw materials, with an overall aim of continuity of supply wherever possible. Since the Group operates mainly on a business to business basis, where customers continued to operate, maintenance of the overall supply chain was the clear objective.

- Finance – the Group prepared updated forecasts and projections to test resilience to the financial effects of the pandemic. The outcome of this process was assessed in line with the available overdraft and other borrowing facilities and this showed the Group should be able to operate within the level of these facilities.

As a result of these actions the Directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and consolidated financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that certain items of property are measured at deemed cost as set out in the property, plant and equipment section of this note. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

These financial statements have been prepared in pounds sterling which is the functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated.

Notes *(continued)*

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, the Group takes into consideration potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. No profit and loss account is presented for Don & Low Limited as exempt by virtue of section 408 of the Companies Act 2006.

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.

The assets and liabilities of foreign operations are translated to the Group's presentational currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising for this translation of foreign operations are taken to the translation reserve.

Exchange difference arising from this translation of foreign operations are reported as an item of other comprehensive income accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture, the relevant proportion of the cumulative amount is recycled to profit or loss.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity 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.
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.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses.

The group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by paragraph 5.5.15 of IFRS 9.

Trade and other payables

Trade and other payables are stated at cost.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

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.

Property, plant and equipment

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

Certain items of property, plant and equipment that had been revalued to fair value on or prior to transition adopt IFRS, 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.

Depreciation is charged to the profit and loss 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. The estimated useful lives are as follows:

- Land and buildings 35-40 years
- Plant and equipment 4-10 years
- Motor vehicles 4 years

Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Other intangibles 5 years

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

The group leases various equipment and vehicles. Rental contracts are typically made for fixed periods of 3 to 7 years. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Don and Low, which does not have recent third party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes *(continued)*

1 Accounting policies *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average 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.

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.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets or cash generating unit is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been 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 and development

Expenditure on research is written off in the year in which it is incurred. Any costs which meet the criteria for development under IAS 38 are capitalised.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group 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 profit and loss as incurred.

Defined benefit plans

A deferred benefit plan is a post employment benefit plan other than a defined contribution plan. 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 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 and that are denominated in the currency in which the benefits are expected to be paid. The Group determines the net interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the net defined benefit liability.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits *(continued)*

The Group recognises actuarial gains and losses in the period they occur directly into equity through the statement of comprehensive income.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit and loss.

The calculation of the defined obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refund from the plan or reduction in future contributions and takes into account the adverse effect of any minimum funding requirements.

Revenue Recognition

The revenues from the sale of goods are recognised when the control of the good is transferred to the customer, usually upon delivery of the good, and therefore all relevant obligations have been fulfilled meaning that the acceptance of the good by the customer cannot be negatively affected.

The receivable is recognised when the Group (or Company) possesses the right to receive unconditionally the price amount in exchange for the executed obligations of the contract towards the customer.

The conventional asset is recognized when the Group (or Company) has satisfied its obligations towards the customer, and before the customer makes the respective payment or before the payment becomes claimable. The payment usually becomes claimable between 30 – 90 days.

The conventional obligation is recognised when the Group (or Company) receives an amount (price) from the customer (advance payment) or when it maintains the right over a price consideration which is unconditional (deferred income) prior to the execution of the obligations of the contract and the transfer of the goods or the services. The conventional obligation is de-recognised when all the terms of the contracts have been executed and the revenue has been recorded in the statement of income.

Expenses

Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in statement of comprehensive income as it accrues, using the effective interest method.

Dividends

Dividends to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 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.

Notes *(continued)*

1 **Accounting policies** *(continued)*

Taxation *(continued)*

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.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Useful economic life of Property, plant & equipment

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect to current estimates, and the physical condition of the asset.

Inventory provisioning

The company considers the recoverability of the cost of the inventory and associated provisioning required. When calculating the inventory provision, management considers the nature and condition of inventory, as well as applying assumptions around anticipated saleability of finished goods and future of raw materials.

Trade receivables

The company considers the recoverability of trade receivables balances, and provides for all balances where the company considers there to be a risk with regard to recovery of the full amount.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16, 'Leases';
- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28;
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19; and
- Interpretation 23 'Uncertainty over Income Tax Treatments'.

The group also elected to adopt the following amendments early:

- Definition of Material – Amendments to IAS 1 and IAS 8.

Notes *(continued)*

1 Accounting policies *(continued)*

Critical accounting estimates and judgements *(continued)*

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 11. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 16, 'Leases', on the group's financial statements.

New requirements
As indicated above, the group has adopted IFRS 16, 'Leases' retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in the notes to the accounting policies above.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

Practical expedients applied
In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Notes *(continued)*

1 Accounting policies *(continued)*

Critical accounting estimates and judgements *(continued)*

Significant events occurring after the end of the year

After the closure of the 2019 financial year, there were no events that could have significant effects on the company's financial statements.

However, it should be noted that, at the date of preparation of the financial statements, the instability factor relating to the health emergency due to the spread of Coronavirus, which in the first weeks of 2020 initially affected China and subsequently other countries, should not be underestimated. This factor was considered as an event that does not trigger adjustments to the financial statements since, although the Coronavirus phenomenon occurred in China close to the balance sheet date, it is only from the end of January 2020 that the World Health Organization has declared the Coronavirus epidemic an international public health emergency. The spread of the virus that has accelerated in recent weeks, with outbreaks in the UK and a growing number of European Union countries and the rest of the world.

Taking into account the elements of absolute uncertainty regarding the effects of the spread of the epidemic and the consequent measures that have been put in place by Governments to combat it, it is not possible to exclude significant impacts on the international and UK economy, which could be reflected on the results of 2020.

The company has started, together with its Parent Company Thrace Plastics S.A, the activity of reviewing the scenario and evaluating the management actions to mitigate the impact to the business. The Company has adopted initiatives to safeguard the health of its people and actions aimed at maintaining operational activity. The repercussions on any adjustments to the financial statements are currently not determinable in light of the volatility of the scenario and the continuous evolution of the market, these will be reflected in the 2020 results.

2 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Technical Textiles - the manufacture and sale of woven polyolefin textiles.

Nonwovens - the manufacture and sale of nonwoven polyolefin textiles.

Geographical segments

The Technical Textiles and Nonwovens segments are managed in the United Kingdom ("UK"), but sell to customers in two principal geographical areas, UK and Rest of Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes *(continued)*

2 Segment reporting *(continued)*

	Wovens continuing operations		Nonwovens continuing operations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Total revenue from sales to external customers:	**38,039**	39,130	**28,415**	25,785	**66,454**	64,915
(Loss)/Profit from operations					**(46)**	1,260
Net financing expense					**(775)**	(672)
Income tax (expense)/income					**(638)**	496
Profit for the year					**(1,459)**	1,084
Unallocated corporate assets					**65,790**	63,315
Total assets					**65,790**	63,315
Unallocated corporate liabilities					**(37,813)**	(37,502)
Total liabilities					**(37,813)**	(37,502)
Capital expenditure					**6,726**	12,275
Depreciation and amortisation					**2,818**	2,041

Notes *(continued)*

2 Segment analysis *(continued)*

Geographical segments

	UK Continuing operations		Europe – EC Continuing operations		Europe – other Continuing operations		Other regions Continuing operations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue from external customers	**40,369**	39,300	**14,311**	16,838	**504**	785	**11,270**	7,992	**66,454**	64,915
Segment assets	**65,790**	63,315	**-**	-	**-**	-	**-**	-	**65,790**	63,315
Capital expenditure	**6,726**	12,275	**-**	-	**-**	-	**-**	-	**6,726**	12,275

Notes *(continued)*

3 Other operating income

	2019	2018
	£000	£000
Government grants	**3**	3
Gain on disposal of fixed assets	**562**	33
	565	36

There are no unfulfilled conditions or other contingencies attached to government assistance that has been recognised.

4 Operating profit/(loss)

Included in profit/(loss) are the following:

	2019	2018
	£000	£000
Foreign exchange losses/ (gains)	**17**	14
Short term leases	**-**	172
Research and development expensed as incurred	**765**	733

Auditors' remuneration:	**£000**	£000
Audit of these financial statements	**55**	55

A change of auditors occurred during 2018 and for that year the previous auditors, KPMG, were paid £5,000 for non-audit services.

5 Staff numbers and costs – Group and Company

The average monthly number of persons (including directors) employed by the group and company during the year was as follows:

	2019	2018
	Number	Number
Manufacturing	**426**	437
Selling	**30**	32
Administration	**20**	21
	476	490

The directors have restated the prior year numbers of employees in the categories disclosed to reflect the current business practice of the Company and the Group.

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**13,537**	14,013
Social security costs	**1,147**	1,212
Other pension costs	**931**	960
	15,615	16,185

Notes *(continued)*

6 Exceptional expenses

	2019 £000	2018 £000
Exceptional reorganisation expenses	**773**	-
Exceptional past-service pension costs	**-**	607
	773	607

The exceptional item in the current year represents redundancy and related costs as a result of the Group's restructuring process.

The exceptional item in the prior year relates to the English High Court ruling on 26 October 2018 that held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The effect on the company was an increase in the value of scheme liabilities by £607,000. The impact of this change must be treated as a past service cost in the Consolidated Statement of Comprehensive Income.

7 Directors' emoluments

	2019 £000	2018 £000
Directors' emoluments	**352**	391

The aggregate emoluments of the highest paid director was £149,000 *(2018: £161,000)*. This includes company contributions to the pension scheme of £nil *(2018: £nil)*. Under the defined benefit scheme his accrued pension at the year end was £38,000 *(2018: £38,000)*. He has no entitlement to an accrued lump sum.

	Number of directors	
	2019 Number	2018 Number
Retirement benefits are accruing to the following number of directors under:		
Defined contribution scheme	**2**	3
	2	3

8 Financial income and expenses

	2019 £000	2018 £000
Financial income		
Interest income	**5**	6
Foreign exchange gains	**-**	-
Total financial income	**5**	6
Financial expenses		
Interest expense	**163**	72
Net interest on defined benefit pension plan obligation	**600**	600
Foreign exchange losses	**17**	6
Total financial expenses	**780**	678

Notes *(continued)*

9 Taxation

Recognised in the statement of comprehensive income

	2019		2018	
	£000	£000	£000	£000
Current tax expense/(income)				
Current year	-		(425)	
Adjustments in respect of prior year	119		(148)	
Total current tax charge/(credit)		119		(573)
Deferred tax				
Origination and reversal of temporary differences	587		554	
Adjustments in respect of prior year	(68)		(477)	
Total deferred tax excluding pension scheme movements		519		77
Total tax on statement of comprehensive income		638		(496)

Income tax recognition in other comprehensive income

	2019 £000	2018 £000
Remeasurement of defined benefit liability	170	-
Corporation tax relief on contribution to pension scheme	(44)	77
	126	77

Reconciliation of effective tax rate

	2019 £000	2018 £000
(Loss)/Profit for the year	(1,459)	1,084
Total tax (income)/expense	638	(496)
(Loss)/Profit before tax	(821)	588
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	(156)	112
Tax loss with no deferred tax asset recognised	501	-
Other timing differences	59	17
Income not subject to tax	183	-
Adjustments in respect of prior year	51	(625)
Total tax in statement of comprehensive income	638	(496)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These changes included a reduction in the main rate to 17% from April 2020. In March 2020, the UK Government substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 to cancel the reduction in corporate tax rate, from 1 April 2020, and maintain the rate at 19%. Deferred taxes at the balance sheet date, in relation to UK companies, continue to be measured using tax rates enacted as at the balance sheet date (17%).

Notes *(continued)*

10 Property, plant and equipment – Group and Company

	Land and buildings £000	Plant and equipment £000	Motor vehicles £000	Total £000
Cost				
Balance at 1 January 2018	14,630	72,845	13	87,488
Additions	1,844	10,019	-	11,863
Disposals	-	(419)	-	(419)
Balance at 31 December 2018	16,474	82,445	13	98,932
Balance at 1 January 2019	16,474	82,445	13	98,932
Additions	149	6,298	-	6,447
Disposals	-	(2,040)	(13)	(2,053)
Balance at 31 December 2019	16,623	86,703	-	103,326
Accumulated depreciation				
Balance at 1 January 2018	8,605	58,422	5	67,032
Depreciation charge for the year	406	1,569	3	1,978
Disposals	-	(377)	-	(377)
Balance at 31 December 2018	9,011	59,614	8	68,633
Balance at 1 January 2019	9,011	59,614	8	68,633
Depreciation charge for the year	484	2,184	3	2,671
Disposals	-	(2,039)	(11)	(2,050)
Balance at 31 December 2019	9,495	59,759	-	69,254
Net book value				
At 31 December 2017	6,025	14,423	8	20,456
At 31 December 2018	7,463	22,831	5	30,299
At 31 December 2019	**7,128**	**26,944**	**-**	**34,072**

Plant and equipment additions include £1,302,000 (2018: £8,588,000) of assets under construction that have not been depreciated in the current year.

Security

See note 18.

Notes *(continued)*

11 Right of use assets – Group and Company

	Motor vehicles £000	Total £000
Cost		
Balance at 1 January 2019	-	-
Reclassification due to IFRS 16	105	105
Additions	108	108
Disposals	-	-
Balance at 31 December 2019	213	213
Accumulated depreciation		
Balance at 1 January 2019	-	-
Depreciation charge for the year	55	55
Balance at 31 December 2019	55	55
Net book value		
At 31 December 2019	**158**	**158**

Notes *(continued)*

12 Intangible assets – Group and Company

	Other intangibles £000	Total £000
Cost		
Balance at 1 January 2018	-	-
Additions	412	412
Balance at 31 December 2018	412	412
Balance at 1 January 2019	412	412
Additions	171	171
Balance at 31 December 2019	583	583
Accumulated amortisation		
Balance at 1 January 2018	-	-
Amortisation	63	63
Balance at 31 December 2018	63	63
Balance at 1 January 2019	63	63
Amortisation charge for the year	92	92
Balance at 31 December 2019	155	155
Net book value		
At 31 December 2017	-	-
At 31 December 2018	349	349
At 31 December 2019	**428**	**428**

Security

See note 18.

Notes *(continued)*

13 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	£000
At beginning and end of year	**575**

Company	Registered office	Class of shares held	Ownership 2019	Ownership 2018
Don & Low (Holdings) Limited	Newfordpark House, Glamis Road, Forfar, DD8 1FR	Ordinary shares	**100%**	100%
Don & Low Nonwovens Limited	Newfordpark House, Glamis Road, Forfar, DD8 1FR	Ordinary shares	**100%**	100%
Don & Low Australia Pty Limited	Suite 5A, 307 Wattletree Road, Malvern East, Victoria 3145, Australia	Ordinary shares	**100%**	100%

14 Deferred tax assets and liabilities – Group and Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Property, plant and equipment	**-**	-	**(2,516)**	(2,041)	**(2,516)**	(2,041)
Employee benefits	**1,836**	2,006	**-**	-	**1,836**	2,006
Net tax assets/(liabilities)	**1,836**	2,006	**(2,516)**	(2,041)	**(680)**	(35)

The deferred tax asset has been recognised in relation to the deficit in the defined benefit pension scheme. It has been recognised in these financial statements as the Directors believe that sufficient profits will arise in the foreseeable future against which it can be realised.

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	Recognised in equity £000	31 December 2019 £000
Property, plant and equipment	**(2,041)**	**(475)**	**-**	**(2,516)**
Employee benefits	**2,006**	**(44)**	**(126)**	**1,836**
	(35)	**(519)**	**(126)**	**(680)**

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	Recognised in equity £000	31 December 2018 £000
Property, plant and equipment	(1,964)	(77)	-	(2,041)
Employee benefits	2,006	-	-	2,006
	42	(77)	-	(35)

Notes *(continued)*

15 Inventories

	Group and Company 2019 £000	2018 £000
Raw materials and consumables	**3,622**	3,454
Work in progress	**1,633**	2,411
Finished goods	**7,585**	7,288
	12,840	13,153

Inventories to the value of £34,540,000 were recognised as expenses in the year *(2018: £31,116,000)*. During the year, £281,000 was credited for the reversal of stock provision as a result of experiencing higher recoverability in the selling price of aged stock (*2018: charge of £173,000*).

16 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Trade receivables due from third parties	**11,918**	12,685	**11,567**	12,297
Trade receivables due from related parties	**90**	109	**383**	440
Other trade receivables and prepayments	**566**	1,084	**566**	1,084
	12,574	13,878	**12,516**	13,821

At 31 December 2019, trade receivables due from third parties are shown net of allowance for doubtful debts of £106,000 *(2018: £278,000)* arising from a review of expected recoverability of the receivables.

The Group and Company's exposure to credit risks and impairment losses on receivables is given in note 22.

17 Cash and cash equivalents

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Cash and cash equivalents per balance sheet and statement of cash flows	**3,882**	3,032	**3,885**	2,974

Notes *(continued)*

18 Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 22.

	Group and Company	
	2019	2018
	£000	£000
Non-current liabilities		
Lease liability	**85**	-
Collateralised debt	**11,052**	2,759
	11,137	2,759
Current liabilities		
Current portion of secured bank loans	**-**	9,219
Lease liability	**73**	-
Collateralised debt	**2,467**	777
	2,540	9,996

Terms and debt repayment schedule

2019

	Total	1 year or less	1-2 years	2-5 years	Over 5 years
	£000	**£000**	**£000**	**£000**	**£000**
Lease liability	**158**	**73**	**54**	**31**	**-**
Collateralised debt	**13,519**	**2,467**	**2,527**	**6,312**	**2,213**
Secured bank loans: LIBOR + 2%	9,219	9,219	-	-	-
Collateralised debt	3,536	777	797	1,962	-

Bank loans and other borrowings	Bank loans	Collateralised debt	Total
	£000	£000	£000
At 1 January 2018	3,139	-	3,139
Repayment of borrowings	(800)	(491)	(1,291)
New borrowings	6,880	4,027	10,907
At 31 December 2018	9,219	3,536	12,755
At 1 January 2019	9,219	3,536	12,755
Repayment of borrowings	-	(1,126)	(1,126)
Conversion of loan	(11,109)	11,109	-
New borrowings	1,890	-	1,890
At 31 December 2019	**-**	**13,519**	**13,519**

The bank loan was settled during the year and converted to collateralised loans on specific assets. The Company's bank facilities are secured by a bond and floating charge over the assets of the Group. Collateralised debt relates to collateralised loans on owned assets, interest rates range from 2.15% to 2.62%. Lease liability of £105,000 was created as a transition adjustment when the Group implemented IFRS 16. New leases of £108,000 were entered into during the year.

Notes *(continued)*

18 Loans and borrowings *(continued)*

Prior to November 2019, under the terms of the loan, the group was required to comply with the following financial covenants:

- Interest cover – EBITA to Borrowing costs must be at least 5:1
- Net Leverage – Net Borrowings to EBITDA must not exceed 3.25:1
- Dividends – Dividends payable must not exceed 75% of earnings.

The group complied with these covenants throughout the relevant period.

19 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade payables	**6,399**	7,427	**6,421**	7,419
Other payables due to related parties	**1,172**	816	**1,172**	816
Non-trade payables and accrued expenses	**3,203**	2,614	**3,203**	2,604
Non-trade payables due to related parties	**-**	-	**575**	575
	10,774	10,857	**11,371**	11,414

20 Employee benefits

Defined contribution plan

The Group operates a defined contribution pension plan. The total expense relating to this plan in the current year was £931,000 *(2018: £960,000)*. The outstanding contributions at the year end amount to £135,000 *(2018: £148,000)*.

Defined benefit plan

The Don & Low Pension Fund, which is a wholly funded defined benefit pension scheme, is established as a separate trust with the result that its assets are held independently from the group's own assets. The fund was contracted-out of the State Earnings Related Pension arrangements. The funding objective is to build up and maintain sufficient assets to ensure that, at any given time, it is sufficient to secure the liabilities in respect of service rendered to date.

The Don & Low Pension Fund was closed to new employees in April 2006 and was closed to future accrual with effect from 1 September 2017.

Pension plans

The information disclosed below is in respect of the whole of the plans for which the Group is the sponsoring employer throughout the years shown.

	Group and Company	
	2019	2018
	£m	£m
Present value of funded defined benefit obligations	**(130.4)**	(122.0)
Fair value of plan assets	**119.6**	110.2
Net obligations	**(10.8)**	(11.8)
Recognised liability for defined benefit obligations	**(10.8)**	(11.8)

Notes *(continued)*

20 Employee benefits *(continued)*

Pension plans *(continued)*

Movements in present value of defined benefit obligation	**Group and Company**	
	2019	2018
	£m	£m
At 1 January	**(122.0)**	(129.0)
Past service costs	**-**	(0.6)
Interest cost	**(3.3)**	(3.2)
Actuarial (losses)/gains	**(9.6)**	6.2
Benefits paid	**4.8**	4.9
Contributions by members	**-**	-
Expenses	**(0.3)**	(0.3)
At 31 December	**(130.4)**	(122.0)

Movements in fair value of plan assets	**Group and Company**	
	2019	2018
	£m	£m
At 1 January	**110.2**	117.2
Actual return on plan assets	**10.4**	(5.8)
Interest income	**3.0**	2.9
Contributions by employer	**0.8**	0.8
Contributions by members	**-**	-
Benefits paid	**(4.8)**	(4.9)
At 31 December	**119.6**	110.2

Expense recognised in the statement of comprehensive income

	Group and Company	
	2019	2018
	£m	£m
Past service cost	**-**	(0.6)
Net interest cost	**(0.6)**	(0.6)
Total	**(0.6)**	(1.2)

The expense is recognised in the following line items in the statement of comprehensive income:

	Group and Company	
	2019	2018
	£m	£m
Exceptional past service pension cost	**-**	(0.6)
Finance expense	**(0.6)**	(0.6)
	(0.6)	(1.2)

Cumulative actuarial gains/losses reported in the statement of changes in equity since 1 January 2014, the transition date to Adopted IFRSs, are losses of £6,000,000 *(2018: losses of £6,768,000)*.

Notes *(continued)*

20 Employee benefits *(continued)*

Pension plans *(continued)*

The fair value of the plan assets and the return on these assets were as follows:

	Group and Company	
	2019	2018
	Fair value	Fair value
	£m	£m
Equities	**13.3**	11.9
Diversified Growth Fund	**43.2**	40.2
Corporate bonds	**60.6**	56.4
Property/other	**2.5**	1.7
	119.6	110.2
Actual return on plan assets		
Actual return on plan assets	**10.4**	(5.8)
Interest income	**3.0**	2.9
	13.4	(2.9)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2019	2018
	%	%
Discount rate	**2.00**	2.80
Future salary increases	**2.86**	3.50
Inflation	**2.86**	3.25
Increases to deferred pensions	**2.06**	2.25
Pension increases	**2.80**	3.10

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions as follows:

		2019	2018
		£m	£m
Discount rate	Increase of 0.25% p.a	**(5.2)**	(4.9)
Future salary increases	Increase of 0.25% p.a	**0.8**	0.7
Inflation	Increase of 0.25% p.a	**3.0**	3.0

In valuing the liabilities of the pension fund at 31 December 2019, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2019 would have increased by approximately £4,400,000 *(2018: £3,800,000)* before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined by adjusting and updating the preliminary results of the scheme valuation as at 30 June 2016 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Notes *(continued)*

20 Employee benefits *(continued)*

Pension plans *(continued)*

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 62-year old to live for a number of years as follows:

2019

- Current pensioner aged 62: 22 years (male), 26 years (female)
- Future retiree upon reaching 62: 23 years (male), 27 years (female)

2018

- Current pensioner aged 62: 22 years (male), 26 years (female).
- Future retiree upon reaching 62: 24 years (male), 28 years (female).

History of plans

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

Balance sheet

	Group and Company				
	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	**(130.4)**	(122.0)	(129.0)	(129.7)	(105.7)
Fair value of plan assets	**119.6**	110.2	117.2	110.6	100.1
Deficit	**(10.8)**	(11.8)	(11.8)	(19.1)	(5.6)

Experience adjustments	Group and Company	
	2019	2018
	£m	£m
Actual return on plan assets	**10.4**	(5.8)
(Loss)/Gain on change of assumptions on defined benefit obligation	**(9.6)**	6.2
Total gains recognised in the statement of changes in equity	**0.8**	0.4

The loss on change of assumptions during the year relates to changes in financial assumptions and experience adjustments.

The Group expects to contribute approximately £856,000 to its defined benefit plan in the next financial year.

Notes *(continued)*

21 Share capital - Company

	2019	2018
	£000	£000
Allotted, called up and fully paid		
22,946,765 (2018: 10,946,765) Ordinary shares of 25p each	**5,737**	2,737

The number of shares outstanding at the beginning and end of the financial year is as noted above. During the year 12,000,000 Ordinary shares of 25p each were issued at par.

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

No dividends were paid in the current or prior year.

Reserve for own shares

The purchase and subsequent cancellation of the 20% shareholding held by Basell UK Holdings Limited led to the creation of a capital redemption reserve of £684,000 during 2003.

Translation reserve

The translation reserve comprises all foreign exchange differences arising since the transition date to Adopted IFRS from the translation of the financial statements of foreign operations.

22 Financial instruments

Overview

The Group has exposure to the following risks for its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Notes *(continued)*

22 Financial instruments *(continued)*

Effective interest rates and repricing analysis – Group

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced.

	Effective interest rate	Total £000	0 - < 1 Years £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
					2019	
Cash and cash equivalents		**3,882**	**3,882**	**-**	**-**	**-**
Lease liability		**(158)**	**(73)**	**(54)**	**(31)**	**-**
Collateralised debt	2.15% - 2.62%	**(13,519)**	**(2,467)**	**(2,527)**	**(6,312)**	**(2,213)**
		(9,795)	**1,342**	**(2,581)**	**(6,343)**	**(2,213)**

	Effective interest rate	Total £000	0 - < 1 years £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
					2018	
Cash and cash equivalents		3,032	3,032	-	-	-
Secured bank loans:						
GBP floating rate loan Royal Bank of Scotland	LIBOR +2%	(9,219)	(9,219)	-	-	-
Collateralised debt	2.15% - 2.62%	(3,536)	(777)	(797)	(1,962)	-
		(9,723)	(6,964)	(797)	(1,962)	-

Interest and repayments on collateralised debt and lease liabilities are due monthly.

Interest and repayments on the Royal Bank of Scotland loan were due quarterly.

Notes *(continued)*

22 Financial instruments *(continued)*

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The principal market risk relates to fluctuations in the prices of polymer raw material.

Sensitivity analysis

In managing interest rate and currency risks the Group and company aims to reduce the impact of short-term fluctuations on the Group and company's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Group and company

At 31 December 2019, it is estimated that a general increase of one percentage point in interest rates would increase the Group's loss before tax by approximately £65,000 *(2018:£1,000).*

It is estimated that a general increase of one percentage point in the value of the Euro against other foreign currencies would have increased the Group's loss before tax by approximately £129,000 for the year ended 31 December 2019 *(2018: £81,000).*

It is estimated that a general increase of one percentage point in the value of the US Dollars against other foreign currencies would have decreased the Group's loss before tax by approximately £68,000 for the year ended 31 December 2019 *(2018: £41,000).*

It is estimated that a 1% increase in raw material prices would have increased the Group's loss by approximately £230,000 *(2018: £238,000).*

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2019		2018	
	Fair value £000	**Carrying value £000**	Fair value £000	Carrying value £000
Group				
Receivables	**12,574**	**12,574**	13,878	13,878
Cash and cash equivalents	**3,882**	**3,882**	3,032	3,032
Tax	**-**	**-**	598	598
	16,456	**16,456**	17,508	17,508
Secured bank loans	**-**	**-**	9,219	9,219
Trade and other payables	**10,774**	**10,774**	10,857	10,857
Lease liability	**158**	**158**	-	-
Collateralised debt	**13,519**	**13,519**	777	777
	24,451	**24,451**	20,853	20,853

Notes *(continued)*

22 Financial instruments *(continued)*

	2019		2018	
	Fair value	**Carrying value**	Fair value	Carrying value
	£000	**£000**	£000	£000
Company				
Receivables	**12,516**	**12,516**	13,821	13,821
Cash and cash equivalents	**3,885**	**3,885**	2,974	2,974
Tax	**-**	**-**	607	607
	16,401	**16,401**	17,402	17,402
Secured bank loans	**-**	**-**	9,219	9,219
Trade and other payables	**11,371**	**11,371**	11,414	11,414
Lease liability	**158**	**158**	-	-
Collateralised debt	**13,519**	**13,519**	777	777
	25,048	**25,048**	21,410	21,410

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers. Credit risk is managed by the insurance of debts and a system of internal credit limit setting is followed using trade and bank references and credit rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Receivables	**12,574**	13,878	**12,516**	13,821
Cash and cash equivalents	**3,882**	3,032	**3,885**	2,974
	16,456	16,910	**16,401**	16,795

Notes *(continued)*

22 Financial instruments *(continued)*

Exposure to credit risk (continued)

The concentration of credit risk for receivables at the reporting date by geographic region was:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
UK	**8,664**	10,011	**8,664**	10,011
Europe – other	**1,716**	2,248	**1,716**	2,248
USA	**1,333**	854	**1,333**	854
Other regions	**861**	765	**803**	708
	12,574	13,878	**12,516**	13,821

The concentration of credit risk relates entirely to customers or related parties for the current and prior years.

The three most significant customers represented £3,475,000 *(2018: £3,764,000)* of receivables at the year end.

Movement in impairment

	£000
Balance 1 January 2019	(278)
Released during year	172
Balance at 31 December 2019	(106)

The ageing of receivables at the reporting date was:

Group	**Impairment 2019 £000**	**Gross 2019 £000**	Impairment 2018 £000	Gross 2018 £000
Not past due	**-**	**10,133**	-	11,270
Past due 1-30 days	**-**	**2,341**	(135)	2,743
Past due 31-90 days	**(106)**	**206**	(143)	143
Past due 91-180 days	**-**	**-**	-	-
More than 180 days	**-**	**-**	-	-
	(106)	**12,680**	(278)	14,156

Notes *(continued)*

22 Financial instruments *(continued)*

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

			2019			
	Carrying amount £000	**Contractual cash flows £000**	**0 - < 1 years £000**	**1 to 2 years £000**	**2 to 5 years £000**	**over 5 years £000**
Non-derivative financial liabilities						
Secured bank loans	-	-	-	-	-	-
Lease liability	158	162	73	56	33	-
Collateralised debt	13,519	14,416	2,753	2,753	6,652	2,258
	13,677	**14,578**	**2,826**	**2,809**	**6,685**	**2,258**

			2018			
	Carrying amount £000	Contractual cash flows £000	0 - < 1 years £000	1 to 2 years £000	2 to 5 years £000	over 5 years £000
Non-derivative financial liabilities						
Secured bank loans	9,219	9,334	9,334	-	-	-
Collateralised debt	3,536	3,743	859	860	2,024	-
	12,755	13,077	10,193	860	2,024	-

Notes *(continued)*

22 Financial instruments *(continued)*

The financial liabilities excluding bank loans were:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Payables ageing (less than one year)	**10,774**	10,857	**11,371**	11,414
	10,774	10,857	**11,371**	11,414

Foreign currency risk

Group and company

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than sterling. The currencies giving rise to this are primarily Euros and US Dollars. No formal hedging policy is used.

The Group's exposure to foreign currency risk was:

	2019	**2019**
	EUR	**USD**
	€000	**$000**
Receivables	**1,411**	**1,748**
Cash and cash equivalents	**297**	**789**
Payables	**(931)**	**(295)**
	777	**2,242**

	2018	2018
	EUR	USD
	€000	$000
Receivables	2,248	854
Cash and cash equivalents	367	150
Payables	(258)	(62)
	2,357	942

The following significant exchange rates applied:

	Average rate		Closing rate	
	2019	2018	**2019**	2018
EUR	**1.1392**	1.1303	**1.1831**	1.1121
USD	**1.2753**	1.3349	**1.3259**	1.2757

Notes *(continued)*

22 Financial instruments *(continued)*

Capital management

The company's objectives when managing capital (defined as net debt plus equity) are to safeguard the Company's ability to continue as a going concern in order to provide return to shareholders, while protecting and strengthening the balance sheet through the appropriate balance of debt and equity funding. The company manages its capital and makes adjustments to it, in light of changes to economic conditions and the strategic objectives of the company.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The company finances its operations by a combination of retained profits, leasing arrangements and bank borrowings.

23 Capital commitments

Group and company

As at 31 December 2019, the Group had outstanding contracts to purchase plant and equipment of £2,053,000 *(2018: £5,073,000).*

24 Related parties

Identity of related parties

The Group and parent company is controlled by Thrace Plastics Co SA - the ultimate parent company. The Group and parent company also trades with fellow subsidiaries of Thrace Plastics Co SA.

The Don & Low Pension Fund and the Directors are also related parties.

The related party transactions during the year and the balances as at the year end with these related parties are as follows:

Notes *(continued)*

24 Related parties *(continued)*

2019

Company	Thrace Plastics Co. SA (ultimate parent)	Synthetic Packaging Limited (fellow subsidiary)	Thrace Nonwovens & Geosynthetics (fellow subsidiary)	Synthetic Holdings Limited (fellow subsidiary)	Thrace Linq Inc (fellow subsidiary)	Don & Low Australia (subsidiary)	Thrace Polyfilm (fellow subsidiary)	Thrace Protect (fellow subsidiary)	Thrace Ipoma (fellow subsidiary)	Don & Low Holdings Limited (subsidiary)	Don & Low Nonwovens Limited (subsidiary)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue transactions											
Sales to	-	65	203	79	146	1,353	-	-	1	-	-
Purchases from	950	23	4,262	-	-	-	376	17	-	-	-
Balances at the year end											
Sales ledger	28	-	30	-	31	293	-	-	1	-	-
Purchase ledger	-	17	526	-	-	-	120	17	-	50	525
Group Relief Payable	-	-	-	492	-	-	-	-	-	-	-

2018

Company	Thrace Plastics Co SA (ultimate parent)	Synthetic Packaging Limited (fellow subsidiary)	Thrace Nonwovens & Geosynthetics (fellow subsidiary)	Synthetic Holdings Limited (fellow subsidiary)	Thrace Linq Inc (fellow subsidiary)	Don & Low Australia (subsidiary)	Thrace Polyfilm (fellow subsidiary)	Don & Low Holdings Limited (subsidiary)	Don & Low Nonwovens Limited (subsidiary)
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue transactions									
Sales to	25	108	360	79	121	1,894	-	-	-
Purchases from	930	14	2,739	-	-	-	82	-	-
Balances at the year end									
Sales ledger	12	8	59	-	30	331	-	-	-
Purchase ledger	-	14	294	-	-	-	16	50	525
Group Relief Payable	-	-	-	492	-	-	-	-	-

Notes *(continued)*

24 Related parties *(continued)*

2019

Group	Thrace Plastics Co SA (ultimate parent) £000	Synthetic Packaging Limited (fellow subsidiary) £000	Thrace Nonwovens & Geosynthetics (fellow subsidiary) £000	Synthetic Holdings Limited (fellow subsidiary) £000	Thrace Linq Inc (fellow subsidiary) £000	Thrace Polyfilm (fellow subsidiary) £000	Thrace Protect (fellow subsidiary) £000	Thrace Ipoma (fellow subsidiary) £000
Revenue transactions								
Sales to	-	65	203	79	146	-	-	1
Purchases from	950	23	4,262	-	-	376	17	-
Balances at the year end								
Sales ledger	28	-	30	-	31	-	-	1
Purchase ledger	-	17	526	-	-	120	17	-
Group Relief Payable	-	-	-	492	-	-	-	-

2018

Group	Thrace Plastics Co SA (ultimate parent) £000	Synthetic Packaging Limited (fellow subsidiary) £000	Thrace Nonwovens & Geosynthetics (fellow subsidiary) £000	Synthetic Holdings Limited (fellow subsidiary) £000	Thrace Linq Inc (fellow subsidiary) £000	Thrace Polyfilm (fellow subsidiary) £000
Revenue transactions						
Sales to	25	108	360	79	121	-
Purchases from	930	14	2,739	-	-	82
Balances at the year end						
Sales ledger	12	8	59	-	30	-
Purchase ledger	-	14	294	-	-	16
Group Relief Payable	-	-	-	492	-	-

Notes *(continued)*

24 Related parties *(continued)*

Transactions with parent company and fellow subsidiaries

Amounts due on transactions with Thrace Plastics Co SA and fellow subsidiaries are unsecured.

A transaction has been entered into with fellow subsidiary Synthetic (Holdings) Limited to acquire an asset at net book value (£5,865,000) during 2020.

Transactions with key management personnel

Directors of the Company and their immediate relatives hold no shares in the Company. In addition to their salaries, the Group provides non cash benefits to directors, and contributes to a post-employment defined contribution plan on their behalf.

Details of directors' remuneration are disclosed in note 7.

Transactions with post employee benefit plans

Transactions with the Don & Low Pension Fund involve the payment of employers contributions as disclosed in note 20.

25 Ultimate parent company and parent company of larger group

The Company is a wholly owned subsidiary undertaking of Thrace Plastics Co SA, which is the ultimate parent company incorporated in Greece.

The largest group in which the results of the Company are consolidated is that headed by Thrace Plastics Co SA, incorporated in Greece. No other group financial statements include the results of Don & Low Limited. The consolidated financial statements of this group are available to the public and may be obtained from The Ministry of Development, Secretariat of Commerce, Kanigos Square, GR 10181, Athens, Greece.