Don & Low Limited

Annual report and consolidated financial statements

Registered number SC005657

31 December 2017

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 Auditor	KPMG LLP 37 Albyn Place Aberdeen AB10 1JB	
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	JLT Benefit Solutions Ltd 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, geotextiles and yarns. The main nonwoven products are construction fabrics.

Business model

The Group has implemented a clearly defined strategic plan covering sales, production, finance, product development, human resources and information systems. The strategic plan is a key part of the operational and long term management of the Group and this is applied across the Group's operating divisions. The Group is making good progress on a programme of significant capital expenditure to expand and upgrade the production capabilities.

The Group seeks to add value to its customer relationships by concentrating on product quality, service and price competitiveness.

Business review and results

Throughout the year, the Group maintained a strong focus on safety, quality, customer service and continuous improvement initiatives.

As part of the strategic plan, the Group increased sales during the year but also incurred specific costs in relation to supporting the future plans. In addition, the Group faced increased raw material costs during the year. The result of these factors was a reduction in margin compared to the previous year, however, it is the Group's view that this will improve as new investments come on stream. Trading conditions during the year remained challenging and the factors affecting these continue to be monitored closely by management.

The Group meets its day to day working capital requirements through internal cash generation, combined with bank loan, overdraft and leasing facilities. The Group's forecasts and projections, taking account of reasonable, possible changes in trading performance show that the Group should be able to operate within the level of its current facilities.

The Directors consider the result for the year to be not as good as was planned for, however, the reasons for it were understood given the specific trading conditions that were faced.

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	**2017**	2016	% change
Revenue (£000's)	**64,858**	59,763	+8.5%
Operating Profit (£000's)	**4,537**	6,190	-26.7%
Operating Profit %	**7.0%**	10.4%	-32.7%

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.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

- 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.
- 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.

Future developments

The Directors expect to be faced with continued economic and market challenges during 2018, however further progress will be made on capital expenditure projects that are designed to improve capabilities and long term performance and competitiveness. The plans, policies and procedures that are in place mean that the Directors are confident that the Group's budgeted performance will be achieved.

By order of the Board

CJ Johnson
Director

Newfordpark House
Glamis Road
Forfar
DD8 1FR

16 March 2018

Directors' report

The Directors present their Directors' report and the financial statements for the year ended 31 December 2017.

Results and dividends

The consolidated statement of comprehensive income on page 8 shows a profit for the financial year of £2,862,000 *(2016: £5,163,000)*. An interim dividend of £500,000 *(2016: nil)* was paid on 10 July 2017 and a final dividend of £600,000 *(2016: £1,500,000)* was paid on 5 October 2017.

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

The directors who held office during the year were as follows:

Vasilios Zairopoulos	(Chairman)
Konstantinos Halioris	
Colin James Johnson	
Keith William Galloway	
Mark Newstead	(appointed 24 April 2017, resigned 23 October 2017)

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

Employment of disabled persons

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

Employee involvement

The Group 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. The means of communication include the issue of a quarterly news sheet to all employees and regular consultation with an Employees Representative Committee which was established in 2007.

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.

Directors' report *(continued)*

Political contributions

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

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

CJ Johnson
Secretary

Newfordpark House
Glamis Road
Forfar
DD8 1FR

16 March 2018

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

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Don & Low Limited

Opinion

We have audited the financial statements of Don & Low Limited ("the company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

KPMG

Independent auditor's report to the members of Don & Low Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paula Holland (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom
19 March 2018

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	Note	**2017** **£000**	2016 £000
Revenue	*2*	**64,858**	59,763
Cost of sales		**(51,888)**	(46,750)
Gross profit		**12,970**	13,013
Other operating income	*3*	**24**	3
Distribution expenses		**(4,491)**	(3,505)
Administrative expenses		**(3,073)**	(2,610)
Research and development expenses		**(893)**	(711)
Operating profit	*4-6*	**4,537**	6,190
Financial income	*7*	**3**	24
Financial expenses	*7*	**(823)**	(539)
Net financing expense		**(820)**	(515)
Profit before tax		**3,717**	5,675
Taxation	*8*	**(855)**	(512)
Profit for the year		**2,862**	5,163
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit liability		**7,711**	(13,280)
Income tax on items that will not be reclassified to profit or loss	*11*	**(1,241)**	2,239
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		**(77)**	(40)
Foreign operations – foreign currency translation differences		**25**	(36)
Other comprehensive income/(expense) for the year, net of income tax		**6,418**	(11,117)
Total comprehensive income/(expense) for the year		**9,280**	(5,954)

Revenue and profit before income tax arose wholly from continuing operations.

Consolidated Balance Sheet
at 31 December 2017

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	*9*	**20,456**	13,406
Deferred tax assets	*11*	**2,006**	3,247
		22,462	16,653
Current assets			
Inventories	*12*	**10,561**	9,171
Trade and other receivables	*13*	**15,877**	14,082
Cash and cash equivalents	*14*	**2,972**	7,325
Total current assets		**29,410**	30,578
Total assets		**51,872**	47,231
Current liabilities			
Loans and borrowings	*15*	**(3,139)**	(1,582)
Trade and other payables	*16*	**(10,514)**	(7,652)
Corporation tax		**(3)**	(500)
		(13,656)	(9,734)
Non current liabilities			
Loans and borrowings	*15*	**-**	(800)
Employee benefits	*17*	**(11,800)**	(19,100)
Deferred income		**(52)**	(54)
Deferred tax liabilities	*11*	**(1,964)**	(1,323)
		(13,816)	(21,277)
Total liabilities		**(27,472)**	(31,011)
Net assets		**24,400**	16,220
Equity			
Share capital	*18*	**2,737**	2,737
Reserves		**684**	684
Translation reserve		**1**	(24)
Retained earnings		**20,978**	12,823
Total equity		**24,400**	16,220

These financial statements were approved by the board of directors on 16 March 2018 and were signed on its behalf by:

CJ Johnson
Director

Company Balance Sheet
at 31 December 2017

	Note	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	*9*	**20,456**	13,406
Investments in subsidiaries	*10*	**575**	575
Deferred tax assets	*11*	**2,006**	3,247
		23,037	17,228
Current assets			
Inventories	*12*	**10,561**	9,171
Trade and other receivables	*13*	**15,838**	14,055
Cash and cash equivalents	*14*	**2,948**	7,235
Total current assets		**29,347**	30,461
Total assets		**52,384**	47,689
Current liabilities			
Loans and borrowings	*15*	**(3,139)**	(1,582)
Trade and other payables	*16*	**(11,074)**	(8,177)
Corporation tax		**(2)**	(504)
		(14,215)	(10,263)
Non current liabilities			
Loans and borrowings	*15*	**-**	(800)
Employee benefits	*17*	**(11,800)**	(19,100)
Deferred income		**(52)**	(54)
Deferred tax liabilities	*11*	**(1,964)**	(1,323)
		(13,816)	(21,277)
Total liabilities		**(28,031)**	(31,540)
Net assets		**24,353**	16,149
Equity			
Share capital	*18*	**2,737**	2,737
Reserves		**684**	684
Retained earnings		**20,932**	12,728
Total equity		**24,353**	16,149

These financial statements were approved by the board of directors on 16 March 2018 and were signed on its behalf by:

CJ Johnson
Director

Consolidated Statement of Changes in Equity
for year ended 31 December 2017

	Translation reserve £000	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2017	**(24)**	**2,737**	**684**	**12,823**	**16,220**
Total comprehensive income					
Profit for the year	-	-	-	2,862	2,862
Other comprehensive income					
Remeasurement of defined benefit liability, net of tax	-	-	-	6,393	6,393
Foreign operations – foreign currency translation differences	25	-	-	-	25
Total comprehensive income for the year	25	-	-	9,255	9,280
Dividends	-	-	-	(1,100)	(1,100)
Total contributions by and distribution to owners	25	-	-	8,155	8,180
Balance at 31 December 2017	**1**	**2,737**	**684**	**20,978**	**24,400**

	Translation reserve £000	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2016	12	2,737	684	20,241	23,674
Total comprehensive income	-	-	-	5,163	5,163
Profit for the year					
Other comprehensive income					
Remeasurement of defined benefit liability, net of tax	-	-	-	(11,081)	(11,081)
Foreign operations – foreign currency translation differences	(36)	-	-	-	(36)
Total comprehensive income for the year	(36)	-	-	(5,918)	(5,954)
Dividends	-	-	-	(1,500)	(1,500)
Total contributions by and distribution to owners	(36)	-	-	(7,418)	(7,454)
Balance at 31 December 2016	**(24)**	**2,737**	**684**	**12,823**	**16,220**

The aggregate current and deferred tax (charge)/credit relating to items that are charged to equity is £(1,318,000) *(2016: £2,199,000).*

Company Statement of Changes in Equity
for year ended 31 December 2017

	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2017	**2,737**	**684**	**12,728**	**16,149**
Total comprehensive income				
Profit for the year	-	-	2,847	2,847
Other comprehensive income				
Remeasurement of defined benefit liability net of tax	-	-	6,393	6,393
Total comprehensive income for the year	-	-	9,240	9,240
Dividends paid	-	-	(1,100)	(1,100)
Dividends received	-	-	64	64
Total contributions by and distribution to owners	-	-	8,204	8,204
Balance at 31 December 2017	**2,737**	**684**	**20,932**	**24,353**

	Share capital £000	Reserve for own shares £000	Retained earnings £000	Total £000
Balance at 1 January 2016	2,737	684	20,134	23,555
Total comprehensive income				
Profit for the year	-	-	5,128	5,128
Other comprehensive income				
Remeasurement of defined benefit liability net of tax	-	-	(11,081)	(11,081)
Total comprehensive income for the year	-	-	(5,953)	(5,953)
Dividends paid	-	-	(1,500)	(1,500)
Dividends received	-	-	47	47
Total contributions by and distribution to owners	-	-	(7,406)	(7,406)
Balance at 31 December 2016	**2,737**	**684**	**12,728**	**16,149**

The aggregate current and deferred tax (charge)/credit relating to items that are charged to equity is £(1,318,000) *(2016: £2,199,000).*

Statement of Cash Flows
for year ended 31 December 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		£000	£000	**£000**	£000
Cash flows from operating activities					
Profit for the year		**2,862**	5,163	**2,847**	5,128
Adjustments for:					
Depreciation	*9*	**1,399**	1,228	**1,399**	1,228
Net finance expense		**820**	515	**820**	516
Taxation		**855**	512	**844**	497
		5,936	7,418	**5,910**	7,369
Change in inventories		**(1,390)**	918	**(1,390)**	918
Change in trade and other receivables		**(1,795)**	(2,210)	**(1,783)**	(2,210)
Change in trade and other payables		**2,876**	(67)	**2,885**	(77)
Change in provisions and employee benefits		**(400)**	(300)	**(400)**	(300)
Change in deferred income, including government grant		**(2)**	(3)	**(2)**	(3)
Tax paid		**(788)**	(693)	**(781)**	(686)
Net cash from operating activities		**4,437**	5,063	**4,439**	5,011
Cash flows from investing activities					
Interest received		**2**	19	**2**	18
Additions to property, plant and equipment		**(8,449)**	(2,380)	**(8,449)**	(2,380)
Proceeds of sale of fixed assets		**22**	12	**22**	12
Net cash used in investing activities		**(8,425)**	(2,349)	**(8,425)**	(2,350)
Cash flows from financing activities					
Dividends paid		**(1,100)**	(1,500)	**(1,100)**	(1,500)
Dividends received		**-**	-	**64**	47
Repayment of borrowings		**(800)**	(400)	**(800)**	(400)
New borrowings		**1,557**	1,782	**1,557**	1,782
Interest paid		**(23)**	(27)	**(23)**	(27)
Net cash from financing activities		**(366)**	(145)	**(302)**	(98)
Net increase in cash and cash equivalents		**(4,354)**	2,569	**(4,288)**	2,563
Cash and cash equivalents at 1 January		**7,325**	4,751	**7,235**	4,667
Effect of exchange rate fluctuations on cash held		**1**	5	**1**	5
Cash and cash equivalents at 31 December		**2,972**	7,325	**2,948**	7,235

Notes

(forming part of the financial statements)

1 Accounting policies

Don & Low Limited (the "Company") is a Company incorporated in the United Kingdom. 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 as adopted by the EU ("Adopted IFRSs").

Going concern

The ongoing global economic conditions continue to create uncertainty, particularly in relation to the level of demand for the Group's products. The Group meets its day to day working capital requirements through internal cash generation, combined with bank loan and overdraft facilities. The Group's forecasts and projections, taking account of reasonable, possible changes in trading performance show that the Group should be able to operate within the level of its current facilities.

After making enquiries, 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 Directors' 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currency *(continued)*

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.

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.

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.

Notes *(continued)*

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

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. All revenue relates to the sale of goods.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied (by the Group) in these financial statements. It is anticipated that adoption of these standards, and interpretations in future periods, will not have a material impact on the Group's results, however, the measurement and disclosure effects will be considered as noted below:

- IFRS 9 Financial Instruments (effective 1 January 2018) - The Group is currently assessing the impact and it is not practical to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.
- IFRS 15 Revenue from Contract with Customers (effective 1 January 2018) – The Group does not expect to have any material effect on measurement as a result of the standard. Any disclosure effects will be assessed as part of a further detailed review.
- IFRS 16 leases (effective date 1 January 2019)
- IFRS 17 Insurance Contracts (effective date to be confirmed).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed).
- Amendments to IAS 40: Transfers of Investment Property (effective date to be confirmed).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective date to be confirmed).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective date to be confirmed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).

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	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Total revenue from sales to external customers:	**39,564**	37,586	**25,294**	22,177	**64,858**	59,763
Profit from operations					**4,537**	6,190
Net financing expense					**(820)**	(515)
Income tax expense					**(855)**	(512)
Net profit for the year					**2,862**	5,163
Unallocated corporate assets					**51,872**	47,231
Total assets					**51,872**	47,231
Unallocated corporate liabilities					**(27,472)**	(31,011)
Total liabilities					**(27,472)**	(31,011)
Capital expenditure					**8,449**	2,380
Depreciation					**1,399**	1,228

Notes *(continued)*

2 Segment analysis *(continued)*

Geographical segments (continued)

	UK Continuing operations		Europe – EC Continuing operations		Europe – other Continuing operations		Other regions Continuing operations		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue from external customers	**39,973**	35,804	**14,905**	13,346	**969**	795	**9,011**	9,818	**64,858**	59,763
Segment assets	**51,872**	47,231	**-**	-	**-**	-	**-**	-	**51,872**	47,231
Capital expenditure	**8,449**	2,380	**-**	-	**-**	-	**-**	-	**8,449**	2,380

Notes *(continued)*

3 Other income

	2017	2016
	£000	£000
Government grants	**2**	3
Gain on disposal of fixed assets	**22**	-
	24	3

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

4 Operating profit

Included in profit are the following:

	2017	2016
	£000	£000
Foreign exchange losses/ (gains)	**9**	(255)
Operating lease rentals	**130**	123
Research and development expensed as incurred	**894**	711

Auditor's remuneration:	**£000**	£000
Audit of these financial statements	**35**	33
Amounts receivable by the group's auditor and its associate in respect of:		
Audit of financial statement of subsidiaries of the company	**-**	2
Tax compliance services	**10**	7

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2017	2016
Manufacturing	**438**	425
Selling	**26**	21
Administration	**15**	17
	479	463

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Wages and salaries	**13,882**	12,848
Social security costs	**1,192**	1,090
Other pension costs	**1,054**	1,223
	16,128	15,161

Notes *(continued)*

6 Directors' emoluments

	2017	2016
	£000	£000
Directors' emoluments	**685**	378

The aggregate emoluments of the highest paid director was £191,000 *(2016: £165,000)*. This includes company contributions to the pension scheme of £2,000 *(2016: £13,000)*. Under the defined benefit scheme his accrued pension at the year end was £nil *(2016: £35,000)*. He has no entitlement to an accrued lump sum.

	Number of directors	
	2017	2016
	Number	Number
Retirement benefits are accruing to the following number of directors under:		
Defined benefit scheme	**-**	2
Defined contribution scheme	**3**	-
	3	2

7 Finance income and expenses

	2017	2016
	£000	£000
Finance income		
Interest income	**2**	19
Foreign exchange gains	**1**	5
Total finance income	**3**	24
Finance expense		
Bank loan interest expense	**23**	39
Net interest on defined benefit pension plan obligation	**800**	500
Total finance expense	**823**	539

Notes *(continued)*

8 Taxation

Recognised in the statement of comprehensive income

	2017		2016	
	£000	**£000**	£000	£000
Current tax expense				
Current year	**292**		899	
Adjustments in respect of prior year	**(78)**		(69)	
Total current tax charge		**214**		830
Deferred tax				
Origination and reversal of temporary differences	**690**		(318)	
Prior year	**(49)**		-	
Total deferred tax excluding pension scheme movements		**641**		(318)
Total tax on statement of comprehensive income		**855**		512

Income tax recognition in other comprehensive income

	2017	2016
	£000	£000
Remeasurement of defined benefit liability	**1,241**	(2,239)
Corporation tax relief on contribution to pension scheme	**77**	40
	1,318	(2,199)

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit for the year	**2,862**	5,163
Total tax expense	**855**	512
Profit before tax	**3,717**	5,675
Tax using the UK corporation tax rate of 19.25% *(2016: 20%)*	**716**	1,135
Other timing differences	**266**	(463)
Adjustments in respect of prior year	**(127)**	(69)
Rate difference on deferred tax now credited at 17% *(2016: 17%)*	**-**	(91)
Total tax in statement of comprehensive income	**855**	512

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

Notes *(continued)*

9 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 2016	13,969	63,770	-	77,739
Additions	54	2,313	13	2,380
Disposals	-	(991)	-	(991)
Transfers	(85)	85	-	-
Balance at 31 December 2016	13,938	65,177	13	79,128
Balance at 1 January 2017	13,938	65,177	13	79,128
Additions	692	7,757	-	8,449
Disposals	-	(89)	-	(89)
Transfers	-	-	-	-
Balance at 31 December 2017	14,630	72,845	13	87,488
Depreciation and impairment				
Balance at 1 January 2016	7,821	57,652	-	65,473
Depreciation charge for the year	386	840	2	1,228
Disposals	-	(979)	-	(979)
Balance at 31 December 2016	8,207	57,513	2	65,722
Balance at 1 January 2017	8,207	57,513	2	65,722
Depreciation charge for the year	398	998	3	1,399
Disposals	-	(89)	-	(89)
Balance at 31 December 2017	8,605	58,422	5	67,032
Net book value				
At 1 January 2016	6,148	6,118	-	12,266
At 31 December 2016 and 1 January 2017	5,731	7,664	11	13,406
At 31 December 2017	**6,025**	**14,423**	**8**	**20,456**

Security

See note 15.

Notes *(continued)*

10 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 2017	Ownership 2016
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%

11 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	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Property, plant and equipment	**-**	-	**(1,964)**	(1,323)	**(1,964)**	(1,323)
Employee benefits	**2,006**	3,247	**-**	-	**2,006**	3,247
Net tax assets / (liabilities)	**2,006**	3,247	**(1,964)**	(1,323)	**42**	1,924

The deferred tax asset has been recognised in relation to the deficit in the defined benefit pension scheme. It has been recognised in these accounts 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 2017 £000	Recognised in income £000	Recognised in equity £000	31 December 2017 £000
Property, plant and equipment	**(1,323)**	**(641)**	**-**	**(1,964)**
Employee benefits	**3,247**	**-**	**(1,241)**	**2,006**
	1,924	**(641)**	**(1,241)**	**42**

Movement in deferred tax during the prior year

	1 January 2016 £000	Recognised in income £000	Recognised in equity £000	31 December 2016 £000
Property, plant and equipment	(1,641)	318	-	(1,323)
Employee benefits	1,008	-	2,239	3,247
	(633)	318	2,239	1,924

Notes *(continued)*

12 Inventories

	Group and Company	
	2017	2016
	£000	£000
Raw materials and consumables	**3,052**	2,632
Work in progress	**1,917**	1,475
Finished goods	**5,592**	5,064
	10,561	9,171

Inventories to the value of £29,921,000 were recognised as expense in the year *(2016: £25,838,000)*. During the year, £80,000 was credited for the write up of stock to its net realisable value as a result of experiencing higher recoverability in the selling price of aged stock (*2016: charge of £180,000*).

13 Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade receivables due from third parties	**15,378**	12,642	**15,006**	12,249
Trade receivables due from related parties	**21**	775	**354**	1,141
Other trade receivables and prepayments	**478**	665	**478**	665
	15,877	14,082	**15,838**	14,055

At 31 December 2017, trade receivables due from third parties are shown net of allowance for doubtful debts of £372,000 *(2016: £359,000)* 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 19.

14 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash and cash equivalents per balance sheet and statement of cash flows	**2,972**	7,325	**2,948**	7,235

Notes *(continued)*

15 Other interest-bearing 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 19.

	Group and Company	
	2017	2016
	£000	£000
Non-current liabilities		
Secured bank loans	**-**	800
Current liabilities		
Current portion of secured bank loans	**3,139**	1,582

Terms and debt repayment schedule

2017	**Total**	**1 year or less**	**1-2 years**	**2-5 years**
Secured bank loans:				
LIBOR + 2%	**3,139**	**3,139**	**-**	**-**

2016	**Total**	**1 year or less**	**1-2 years**	**2-5 years**
Secured bank loans:				
LIBOR + 2%	2,382	1,582	800	-

Bank Loans	£000
At 1 January 2016	1,000
Repayment of borrowings	(400)
New borrowings	1,782
At 31 December 2016	2,382
At 1 January 2017	2,382
Repayment of borrowings	(800)
New borrowings	1,557
At 31 December 2017	**3,139**

The bank loan was partially repaid during the year and a new loan entered into. Both the previous and the new loan are secured by a bond and floating charge over the assets of the Group.

16 Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade payables	**5,099**	4,338	**5,092**	4,313
Other payables due to related parties	**958**	691	**958**	691
Non-trade payables and accrued expenses	**4,457**	2,623	**4,449**	2,598
Non-trade payables due to related parties	**-**	-	**575**	575
	10,514	7,652	**11,074**	8,177

Notes *(continued)*

17 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 £583,000 *(2016: £327,000)*. The outstanding contributions at the year end amount to £nil *(2016: £29,000)*.

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.

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

	Group and Company	
	2017	2016
	£m	£m
Present value of funded defined benefit obligations	**(129.0)**	(129.7)
Fair value of plan assets	**117.2**	110.6
Net obligations	**(11.8)**	(19.1)
Recognised liability for defined benefit obligations	**(11.8)**	(19.1)

Movements in present value of defined benefit obligation

	Group and Company	
	2017	2016
	£m	£m
At 1 January	**(129.7)**	(105.7)
Current service cost	**(0.7)**	(0.9)
Interest cost	**(3.4)**	(3.9)
Actuarial losses	**(0.1)**	(23.0)
Benefits paid	**5.5**	4.5
Contributions by members	**(0.3)**	(0.4)
Expenses	**(0.3)**	(0.3)
At 31 December	**(129.0)**	(129.7)

Notes *(continued)*

17 **Employee benefits** *(continued)*

Pension plans *(continued)*

Movements in fair value of plan assets

	Group and Company	
	2017	2016
	£m	£m
At 1 January	**110.6**	100.1
Actual return on plan assets	**7.8**	9.7
Interest income	**2.9**	3.7
Contributions by employer	**1.1**	1.2
Contributions by members	**0.3**	0.4
Benefits paid	**(5.5)**	(4.5)
At 31 December	**117.2**	110.6

Expense recognised in the statement of comprehensive income

	Group and Company	
	2017	2016
	£m	£m
Current service cost	**(0.7)**	(0.9)
Net interest cost	**(0.8)**	(0.5)
Total	**(1.5)**	(1.4)

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

	Group and Company	
	2017	2016
	£m	£m
Staff costs	**(0.7)**	(0.9)
Finance expense	**(0.8)**	(0.5)
	(1.5)	(1.4)

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 £7,169,000 *(2016: losses of £14,880,000).*

Notes *(continued)*

17 **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	
	2017	2016
	Fair value	Fair value
	£m	£m
Equities	**28.6**	27.4
Diversified Growth Fund	**55.1**	55.7
Corporate bonds	**33.3**	27.1
Property/other	**0.2**	0.4
	117.2	110.6
Actual return on plan assets		
Actual return on plan assets	**7.8**	9.7
Interest income	**2.9**	3.7
	10.7	13.4

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

	2017	2016
	%	%
Discount rate	**2.50**	2.70
Future salary increases	**3.50**	3.60
Inflation	**3.25**	3.35
Increases to deferred pensions	**2.25**	2.35
Pension increases	**3.10**	3.20

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:

		2017	2016
		£m	£m
Discount rate	Increase of 0.25% p.a	**(5.5)**	(5.8)
Future salary increases	Increase of 0.25% p.a	**0.9**	1.0
Inflation	Increase of 0.25% p.a	**3.5**	3.4

In valuing the liabilities of the pension fund at 31 December 2017, 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 2017 would have increased by approximately £4,000,000 *(2016: £3,890,000)* 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 2017 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)*

17 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:

2017

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

2016

- 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 periods is as follows:

Balance sheet

	Group and Company				
	2017	2016	2015	2014	2013
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	**(129.0)**	(129.7)	(105.7)	(110.1)	99.0
Fair value of plan assets	**117.2**	110.6	100.1	99.4	95.0
Deficit	**(11.8)**	(19.1)	(5.6)	(10.7)	(4.0)

Experience adjustments	Group and Company	
	2017	2016
	£m	£m
Actual return on plan assets	**7.8**	9.7
Gain/(losses) on change of assumptions on defined benefit obligation	**(0.1)**	(23.0)
Total (losses) gains recognised in the statement of changes in equity	**7.7**	(13.3)

The gain on change of assumptions during the year relates entirely to changes in financial assumptions.

The Group expects to contribute approximately £800,000 to its defined benefit plan in the next financial year.

Notes *(continued)*

18 Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
10,946,765 Ordinary shares of 25p each	**2,737**	2,737

The number of shares outstanding at the beginning and end of the financial year was 10,946,765 shares.

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

	2017 £000	2016 £000
Ordinary shares	**1,100**	1,500

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.

19 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)*

19 **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.

	2017					2016				
	Effective interest rate	**Total £000**	**0 - < 1 years £000**	**1 to 2 years £000**	**2 to 5 years £000**	Effective interest rate	Total £000	0 - < 1 years £000	1 to 2 years £000	2 to 5 years £000
Cash and cash equivalents		**2,972**	**2,972**	**-**	**-**		7,325	7,325	-	-
Secured bank loans:										
GBP floating rate loan Royal Bank of Scotland	**LIBOR +2%**	**(3,139)**	**(3,139)**	**-**	**-**	LIBOR +2%	(2,382)	(1,582)	(800)	-
		(167)	**(167)**	**-**	**-**		4,943	5,743	(800)	-

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

Notes *(continued)*

19 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 2017, it is estimated that a general increase of one percentage point in interest rates would increase the Group's profit before tax by approximately £8,000 *(2016: increase by £49,000).*

It is estimated that a general increase of one percentage point in the value of the Euro against other foreign currencies would have decreased the Group's profit before tax by approximately £100,000 for the year ended 31 December 2017 *(2016: £79,000).*

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 profit before tax by approximately £39,000 for the year ended 31 December 2017 *(2016: £43,000).*

It is estimated that a 1% increase in raw material prices would have decreased the Group's profits by approximately £218,000 *(2016: £175,000).*

Fair values

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

	2017		2016	
	Fair value	**Carrying value**	Fair value	Carrying value
	£000	**£000**	£000	£000
Group				
Receivables	**15,877**	**15,877**	14,082	14,082
Cash and cash equivalents	**2,972**	**2,972**	7,325	7,325
	18,849	**18,849**	21,407	21,407
Secured bank loans	**3,139**	**3,139**	2,382	2,382
Trade and other payables	**10,514**	**10,514**	7,652	7,652
Tax	**3**	**3**	504	504
	13,656	**13,656**	10,538	10,538

Notes *(continued)*

19 Financial instruments *(continued)*

	2017		2016	
	2017	**2017**	2016	2016
	Fair value	**Carrying value**	Fair value	Carrying value
	£000	**£000**	£000	£000
Company				
Receivables	**15,838**	**15,838**	14,055	14,055
Cash and cash equivalents	**2,948**	**2,948**	7,235	7,235
	18,786	**18,786**	21,290	21,290
Secured bank loans	**3,139**	**3,139**	2,382	2,382
Trade and other payables	**11,074**	**11,074**	8,177	8,177
Tax	**2**	**2**	504	504
	14,215	**14,215**	11,063	11,063

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**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Receivables	**15,877**	14,082	**15,838**	14,055
Cash and cash equivalents	**2,972**	7,325	**2,948**	7,235
	18,849	21,407	**18,786**	21,290

Notes *(continued)*

19 Financial instruments *(continued)*

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

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
UK	**12,176**	10,488	**12,176**	10,488
Europe – other	**2,314**	2,074	**2,314**	2,074
USA	**585**	791	**585**	791
Other regions	**802**	729	**763**	702
	15,877	14,082	**15,838**	14,055

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

The three most significant customers represented £4,200,000 *(2016: £3,900,000)* of receivables at the year end.

Movement in impairment

	£000
Balance 1 January 2017	(359)
Impairment during year	(13)
Balance at 31 December 2017	(372)

The ageing of receivables at the reporting date was:

Group	**Impairment 2017 £000**	**Gross 2017 £000**	Impairment 2016 £000	Gross 2016 £000
Not past due	**-**	**12,899**	-	11,364
Past due 1-30 days	**(347)**	**3,325**	(311)	3,029
Past due 31-90 days	**(25)**	**25**	(48)	48
Past due 91-180 days	**-**	**-**	-	-
More than 180 days	**-**	**-**	-	-
	(372)	**16,249**	(359)	14,441

Notes *(continued)*

19 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:

	2017					2016				
	Carrying amount £000	**Contractual cash flows £000**	**0 - < 1 years £000**	**1 to 2 years £000**	**2 to 5 years £000**	Carrying amount £000	Contractual cash flows £000	0 - < 1 years £000	1 to 2 years £000	2 to 5 years £000
Non-derivative financial liabilities										
Secured bank loans	**3,139**	**3,157**	**3,157**	**-**	**-**	2,382	2,435	1,610	825	-
	3,139	**3,157**	**3,157**	**-**	**-**	2,382	2,435	1,610	825	-

Notes *(continued)*

19 Financial instruments *(continued)*

The financial liabilities excluding bank loans were:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Tax (less than one year)	**3**	500	**2**	504
Payables ageing (less than one year)	**10,514**	7,652	**11,074**	8,177
	10,517	8,152	**11,076**	8,681

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:

	2017	
	2017	**2017**
	EUR	**USD**
	€000	**€000**
Receivables	**1,562**	**938**
Cash and cash equivalents	**128**	**276**
Payables	**(1,230)**	**(3)**
	460	**1,211**

	2016	2016
	EUR	USD
	€000	€000
Receivables	1,423	933
Cash and cash equivalents	352	151
Payables	(65)	(37)
	1,710	1,047

The following significant exchange rates applied:

	Average rate		Closing rate	
	2017	2016	**2017**	2016
EUR	**1.1406**	1.2203	**1.1259**	1.1706
USD	**1.2886**	1.3507	**1.3480**	1.2336

Notes *(continued)*

19 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, and bank borrowings.

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group and Company	
	2017	2016
	£000	£000
Less than one year	**107**	88
Between one and five years	**91**	109
	198	197

The Group leases a number of motor vehicles under operating leases. The leases typically run for periods up to three years.

There are no terms of renewal, purchase options, escalation clauses or restrictions imposed by operating lease arrangements.

21 Capital commitments

Group and company

As at 31 December 2017, the Group had outstanding contracts to purchase plant and equipment of £10,625,000 *(2016: £3,449,000).*

22 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)*

22 Related parties *(continued)*

Company	Thrace Plastics SA £000	Synthetic Packaging Limited £000	Thrace Nonwovens & Geosynthetics £000	Synthetic Holdings Limited £000	Thrace Linq Inc £000	Don & Low Australia £000	Thrace Polyfilm £000
			2017				
Revenue transactions							
Sales to	34	71	339	72	124	1,781	12
Purchases from	884	7	2,172	-	102	-	7
Balances at the year end							
Sales ledger	7	14	-	-	-	333	-
Purchase ledger	-	7	426	-	26	-	7
Group Relief Payable	-	-	-	492	-	-	-

Company	Thrace Polybulk AB £000	Thrace Plastics SA £000	Synthetic Packaging Limited £000	Thrace Nonwovens & Geosynthetics £000	Synthetic Holdings Limited £000	Thrace Linq Inc £000	Don & Low Australia £000
				2016			
Revenue transactions							
Sales to	-	38	109	528	69	152	1,654
Purchases from	-	777	-	1,720	-	19	-
Balances at the year end							
Sales ledger	-	25	-	697	21	32	366
Purchase ledger	-	199	-	-	-	20	-
Group Relief Payable	-	-	-	-	492	-	-

Group	Thrace Plastics SA £000	Synthetic Packaging Limited £000	Thrace Nonwovens & Geosynthetics £000	Synthetic Holdings Limited £000	Thrace Linq Inc £000	Thrace Polyfilm £000
			2017			
Revenue transactions						
Sales to	34	71	339	72	124	12
Purchases from	884	7	2,172	-	102	7
Balances at the year end						
Sales ledger	7	14	-	-	-	-
Purchase ledger	-	7	426	-	26	7
Group Relief Payable	-	-	-	492	-	-

Group	Thrace Polybulk AB £000	Thrace Plastics SA £000	Synthetic Packaging Limited £000	Thrace Nonwovens & Geosynthetics £000	Synthetic Holdings Limited £000	Thrace Linq Inc £000
				2016		
Revenue transactions						
Sales to	-	38	109	528	69	152
Purchases from	-	777	-	1,720	-	19
Balances at the year end						
Sales ledger	-	25	-	697	21	32
Purchase ledger	-	199	-	-	-	20
Group Relief Payable	-	-	-	-	492	-

Notes *(continued)*

22 Related parties *(continued)*

Transactions with parent company and fellow subsidiaries

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

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 benefit plan on their behalf.

Details of directors' remuneration are disclosed in note 6.

Transactions with post employee benefit plans

Transactions with the Don & Low Pension Fund involve the payment of employers contributions as disclosed in note 17.

23 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.