Don & Low Limited

Directors' report and consolidated financial statements for the year ended 31 December 2012

Registered number SC005657

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Don & Low Limited

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Don & Low Limited

Directors and advisers

Directors

Stephen Andrew Duffy (Chairman)
Konstantinos Halioris
Colin James Johnson
Stephen Allan Bennie

Secretary
Colin James Johnson

Registered Office
Newfordpark House
Glamis Road
Forfar
Angus
DD8 1FR

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
32 Albyn Place
Aberdeen
AB10 1YL

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 Pension Capital Strategies
Bond House
The Bourse
Boar Lane
Leeds
LS1 5EN

Directors' Report for the year ended 31 December 2012

The Directors present their Report and the audited consolidated financial statements for the year ended 31 December 2012.

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. The principal activities of the company's subsidiaries are presented in Note 12.

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

Trading conditions during the year were challenging at both the general economic level and within the Group's specific markets. The factors affecting trading conditions are monitored closely by the Directors and the Group responds to these by detailed strategic planning, thorough budgeting, comprehensive review of the cost structure and by recovery of unavoidable cost increases.

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.

The Directors consider the result for the year to represent a good performance in difficult economic and trading conditions.

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 established 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 where appropriate 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 worked on 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.
- 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.

Financial risk management
The Group's operations expose it to a variety of financial risks that include the effects of changes in 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.

Directors' Report for the year ended 31 December 2012 (continued)

Results and dividends
The consolidated profit and loss account on page 7 shows a profit for the financial year of £5,747,000 (2011: £4,073,000). An interim dividend of 14.2p (2011: 4.1p) per ordinary share amounting to £1,550,000 (2011: £450,000) was paid on 9 January 2012 and 27 April 2012. A final dividend of 59.4p (2011: nil) per ordinary share amounting to £6,500,000 (2011: £nil) was approved and paid on 25 October 2012.

The table below shows financial performance in the current year compared to 2011 results.

Key performance indicator	2012	2011	% change
Revenue (£000's)	58,274	60,885	(4.3)%
Operating Profit (£000's)	7,072	4,189	68.8%
Operating Profit %	12.1%	6.9%	5.2%

Future performance
The Directors expect to be faced with continued economic and market issues during 2013. The plans, policies and procedures that are in place, however, mean that the Directors are confident that the Group's budgeted performance will be achieved.

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

Research and product development
Product improvement and development is an essential aspect of the business and considerable resource is dedicated to this end.

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

Stephen Andrew Duffy (Chairman)
Konstantinos Halioris
Colin James Johnson
Martin Graham Reid (Resigned 30 April 2012)
Stephen Allan Bennie

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 for the year ended 31 December 2012 (continued)

Charitable and political contributions
Charitable contributions made by the Group during the year totalled £2,000 (2011: £1,000). 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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting.

By order of the Board

CJ Johnson
Secretary

Newfordpark House
Glamis Road
Forfar
Angus
DD8 1FR

15 February 2013

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DON & LOW LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Don & Low Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and consolidated financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Mark Higginson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
15 February 2013

Don & Low Limited

Consolidated Profit and Loss Account for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	2	**58,274**	60,885
Change in stocks of finished goods and work in progress		**1,065**	(786)
Other operating income		**3**	7
Raw materials and consumables		**(27,698)**	(30,543)
Other external charges		**(6,357)**	(6,222)
Staff costs	5	**(13,226)**	(13,368)
Depreciation		**(969)**	(1,068)
Other operating charges		**(4,020)**	(4,716)
Operating profit		**7,072**	4,189
Other interest receivable and similar income	6	**152**	325
Interest payable and similar charges	7	**(148)**	(397)
Other finance income	8	**600**	1,500
Profit on ordinary activities before taxation	3	**7,676**	5,617
Tax on profit on ordinary activities	9	**(1,929)**	(1,544)
Profit for the financial year	20	**5,747**	4,073

All activities relate to continuing operations.

The notes on pages 13 to 27 are an integral part of these financial statements.

Don & Low Limited

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

	Note	2012 £000	2011 £000
Profit for the financial year		**5,747**	4,073
Actuarial gains/(losses) recognised in the pension scheme	*23*	**3,916**	(10,570)
Corporation tax relief on contributions to pension scheme		**241**	443
Deferred tax arising on gains / (losses) in the pension scheme		**(1,383)**	2,108
Total recognised gains/(losses) relating to the year		**8,521**	(3,946)

The notes on pages 13 to 27 are an integral part of these financial statements.

Don & Low Limited

Consolidated Balance Sheet at 31 December 2012

	Note	2012		2011	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	11		**8,972**		9,625
Current assets					
Stocks	13	**9,646**		9,113	
Debtors	14	**10,808**		10,600	
Cash at bank and in hand		**3,846**		4,336	
		24,300		24,049	
Creditors: amounts falling due within one year	15	**(8,293)**		(8,305)	
Net current assets			**16,007**		15,744
Total assets less current liabilities			**24,979**		25,369
Creditors: amounts falling due after more than one year	16		**(3,000)**		(341)
Accruals and deferred income	18		**(65)**		(68)
Net assets excluding pension liability			**21,914**		24,960
Pension liability					
Defined pension scheme with net liability	23		**(6,083)**		(9,600)
Net assets including pension liability			**15,831**		15,360
Capital and reserves					
Called up share capital	19		**2,737**		2,737
Revaluation reserve	20		**406**		436
Capital Redemption Reserve	20		**684**		684
Translation Reserve	20		**-**		2
Profit and loss account	20		**12,004**		11,501
Total shareholders' funds	21		**15,831**		15,360

The financial statements on pages 7 to 27 were approved by the board of Directors on 15 February 2013.

The notes on pages 13 to 27 are an integral part of these financial statements.

Stephen A Duffy

SA Duffy
Director

Registered number: SC005657

Don & Low Limited

Balance sheet
at 31 December 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Tangible assets	11		**8,972**		9,625
Investments	12		**575**		575
			9,547		10,200
Current assets					
Stocks	13	**9,646**		9,113	
Debtors	14	**10,871**		10,628	
Cash at bank and in hand		**3,714**		4,290	
		24,231		24,031	
Creditors: amounts falling due within one year	15	**(8,827)**		(8,858)	
Net current assets			**15,404**		15,173
Total assets less current liabilities			**24,951**		25,373
Creditors: amounts falling due after more than one year	16		**(3,000)**		(341)
Accruals and deferred income	18		**(65)**		(68)
Net assets excluding pension liability			**21,886**		24,964
Pension liability					
Defined pension scheme with net liability	23		**(6,083)**		(9,600)
Net assets including pension liability			**15,803**		15,364
Capital and reserves					
Called up share capital	19		**2,737**		2,737
Revaluation reserve	20		**406**		436
Capital Redemption Reserve	20		**684**		684
Profit and loss account	20		**11,976**		11,507
Total shareholders' funds	21		**15,803**		15,364

The financial statements on pages 7 to 27 were approved by the board of Directors on 15 February 2013.

The notes on pages 13 to 27 are an integral part of these financial statements.



SA Duffy
Director

Registered number SC005657

Don & Low Limited

Consolidated Cash Flow Statement for the year ended 31 December 2012

	Note	**2012** £000	2011 £000
Cash inflow from operating activities	(i)	**6,423**	5,601
Returns on investments and servicing of finance			
Interest received		**15**	5
Interest paid		**(38)**	(88)
Net cash outflow for returns on investments and servicing of finance		**(23)**	(83)
Taxation		**(1,090)**	(822)
Capital expenditure			
Purchase of tangible fixed assets		**(316)**	(315)
Equity dividends paid to shareholders		**(8,050)**	(450)
Cash outflow before financing		**(3,056)**	(3,931)
Financing			
Bank borrowings		**4,000**	-
Loan repayments		**(1,432)**	(1,414)
Net cash inflow/(outflow) from financing	(ii)	**2,568**	(1,414)
(Decrease)/increase in cash in the year		**(488)**	2,517

The notes on pages 13 to 27 are an integral part of these financial statements.

Don & Low Limited

Notes to Consolidated Cash Flow Statement for the year ended 31 December 2012

(i) **Reconciliation of operating profit to operating cash flows**

	2012 £000	2011 £000
Operating profit	7,072	4,189
Depreciation on fixed assets	969	1,068
Movement in pension liability	(384)	(170)
Deferred grant	(3)	(7)
(Increase)/Decrease in stocks	(533)	387
(Increase)/Decrease in debtors	(208)	228
Increase/(Decrease) in creditors	(490)	(94)
Net cash inflow from operating activities	6,423	5,601

(ii) **Reconciliation of net cash flow to movements in net funds**

	2012 £000	2011 £000
(Decrease)/Increase in cash in the year	(488)	2,517
Cash outflow from decrease in debt	1,432	1,414
Cash inflow from new bank loan	(4,000)	-
Translation differences	26	12
Movement in net (debt)/funds in the year	(3,030)	3,943
Net funds/(debt) at beginning of year	3,076	(867)
Net funds at end of year	46	3,076

(iii) **Analysis of changes in net funds**

	2011 £000	Cash flows £000	Exchange movement £000	Reclass-ification £000	2012 £000
Cash at bank and in hand	4,336	(488)	(2)	-	3,846
Debt due within 1 year:					
Bank loan	(919)	1,432	-	(1,313)	(800)
Debt due after 1 year:					
Bank loan	(341)	(4,000)	28	1,313	(3,000)
	(1,260)	(2,568)	28	-	(3,800)
	3,076	(3,056)	26	-	46

Dividends of £8,050,000 were paid in the year (2011: £450,000).

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost accounting rules modified to include the revaluation of certain fixed assets.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2.

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.

Basis of consolidation

The Group financial statements consolidate the financial statements of Don & Low Limited and all its subsidiary undertakings drawn up to 31 December. No profit and loss account is presented for Don & Low Limited as exempt by virtue of section 408 of the Companies Act 2006.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation less the estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold land and buildings	-	35 to 40 years
Plant and machinery	-	4 to 10 years

Land and buildings originally revalued at 31 May 1986, were valued on the basis of replacement cost or open market value for existing use, as appropriate at 21 June 1998. On adoption of Financial Reporting Standard 15 – Tangible Fixed Assets, the Group has followed the transitional provisions to retain the net book value of land and buildings which were revalued previously but not to revalue in the future.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets, liabilities and the profit and loss account of overseas subsidiary undertakings are translated at the closing exchange rate. Profit and loss accounts of such undertakings are translated at the average rates of exchange during the year. Gains and losses arising on these transactions are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

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 to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Leases
Operating lease rentals are charged to the profit and loss account as incurred.

Pension costs
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The Group operates a defined benefit pension scheme the assets of which are held separately from those of the Group. Pension scheme assets are measured using current bid price. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Research and development
Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is the weighted average cost of material plus labour and attributable overheads based on a normal level of production.

Taxation
The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed, by the balance sheet date, except as otherwise required by FRS 19 Deferred Tax.

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.

2 Turnover

Turnover represents the invoiced value of sales, excluding value added tax and is shown net of returns and allowances. Turnover is attributable principally to one activity, the manufacture and marketing of textiles.

An analysis of turnover by geographical market is given below:

	2012		2011	
	Turnover £000	**%**	Turnover £000	%
By geographical market				
United Kingdom	**34,028**	**58.4**	33,679	55.3
Europe - EC	**15,576**	**26.7**	18,863	31.0
- Other	**705**	**1.2**	580	1.0
Other overseas territories	**7,965**	**13.7**	7,763	12.7
	58,274	**100.0**	60,885	100.0

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	**39**	32
Other services relating to taxation	**9**	5
Depreciation	**969**	1,068
Operating lease rentals – plant and machinery	**110**	117
after crediting:		
Government grants released	**3**	7

4 Remuneration of Directors

	2012 £000	2011 £000
Directors' emoluments	**768**	708

The aggregate emoluments of the highest paid Director were £267,000 (2011: £245,000). This includes company contributions to the pension scheme of nil *(2011: nil)*. Under the defined benefit scheme his accrued pension at the year end was nil *(2011: Nil)*. He has no entitlement to an accrued lump sum.

	2012	2011
Retirement benefits are accruing to the following number of Directors:		
Defined benefit scheme	**1**	1
Defined contribution scheme	**1**	1
	2	2

Notes to the financial statements for the year ended 31 December 2012(continued)

5 Staff costs

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

	2012 Number	2011 Number
Manufacturing	407	412
Selling	20	16
Administration	18	19
	445	447

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	11,382	11,093
Social security costs	874	933
Other pension costs	970	1,342
	13,226	13,368

6 Other interest receivable and similar income

	2012 £000	2011 £000
Bank interest	15	5
Foreign exchange gains	137	320
	152	325

7 Interest payable and similar charges

	2012 £000	2011 £000
On bank loan wholly repayable within five years	33	78
Foreign exchange losses	115	319
	148	397

8 Other finance income

	2012 £000	2011 £000
Interest on pension scheme liabilities	(4,300)	(4,600)
Expected return on pension scheme assets	4,900	6,100
	600	1,500

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Tax on profit on ordinary activities

Analysis of charge in year

	2012		2011	
	£000	£000	£000	£000
UK corporation tax				
Current tax on income for the year	1,863		1,369	
Adjustments in respect of prior year	-		(30)	
		1,863		1,339
Foreign tax		5		-
Group relief				
Current year		109		(4)
Adjustments in respect of prior year		-		(4)
Total current tax charge		1,977		1,331
Deferred tax				
Current year (credit)/charge	(48)		213	
Total deferred tax excluding pension scheme movements		(48)		213
Tax on profit on ordinary activities		1,929		1,544

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2011: lower) than the standard rate of corporation tax in the UK 24.5%, (2011: 26.5%). The differences are explained below.

	2012	2011
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before taxation	7,676	5,617
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of Current tax at 24.5% (2011: 26.5%)	1,881	1,489
Effects of:		
Excess of non qualifying depreciation over capital allowances	-	6
Expenses not deductible for tax purposes	2	3
Income not taxable for tax purposes	(10)	(2)
Depreciation for year in excess of capital allowances	102	140
Other timing differences	2	(271)
Adjustments in respect of prior year	-	(34)
Total current tax	1,977	1,331

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Dividends

	2012 £000	2011 £000
Ordinary shares 73.6p (2011: 4.1p) per £0.25 share	**8,050**	450

11 Tangible fixed assets

Group and Company	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At beginning of year	13,577	57,908	71,485
Additions	13	303	316
At end of year	13,590	58,211	71,801
Accumulated Depreciation			
At beginning of year	6,348	55,512	61,860
Charge for year	368	601	969
At end of year	6,716	56,113	62,829
Net book value			
At 31 December 2012	**6,874**	**2,098**	**8,972**
At 31 December 2011	7,229	2,396	9,625

Details of the revalued assets are given below:

Group and company	2012 £000	2011 £000
Freehold land and buildings		
At revalued amount	**2,914**	2,914
Aggregate depreciation thereon	**(2,049)**	(1,972)
Net book value	**865**	942

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Tangible fixed assets (continued)

Of the total shown for freehold land and buildings £604,000 *(2011: £604,000)* relates to freehold land which is not depreciated. On an historical cost basis freehold land and buildings would have been included at:

Group and Company	2012 £000	2011 £000
Historical cost of revalued assets	1,572	1,572
Aggregate depreciation based on historical cost	(1,113)	(1,066)
Historical cost net book value	459	506
Historical cost profit on ordinary activities before taxation	7,706	5,647
Historical cost (loss)/profit for the year retained after taxation and dividends	(2,273)	3,653

12 Fixed asset investments

Company	£000
Cost and Net book value at beginning and end of year 2012	575

Details of the investments in subsidiary undertakings are as follows:

Name of company	*Country of incorporation or registration*	*Nature of business*	*Proportion of ordinary shares held*
Don & Low (Holdings) Limited	UK	Dormant	100%
Don & Low Nonwovens Limited	UK	Dormant	100%
Don & Low Australia Pty Limited	Australia	Sale of Polyolefin Textiles	100%

The Directors believe that the carrying value of investments is supported by their underlying net assets.

13 Stocks

	Group and Company 2012 £000	2011 £000
Raw materials and consumables	2,296	2,827
Work in progress	1,839	1,689
Finished goods	5,511	4,597
	9,646	9,113

The estimated replacement costs do not materially differ from the above values.

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Debtors: amounts due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade debtors	**10,478**	10,376	**10,256**	10,123
Other debtors	**176**	126	**176**	129
Amounts owed by group undertakings	**154**	98	**439**	376
	10,808	10,600	**10,871**	10,628

15 Creditors: amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Current instalments due on bank loan (note 16)	**800**	919	**800**	919
Trade creditors	**3,837**	4,186	**3,813**	4,179
Amounts owed to group undertakings	**483**	246	**1,058**	821
Corporation tax	**981**	434	**976**	434
Deferred tax liability (note 17)	**41**	89	**41**	89
Other taxes and social security costs	**590**	564	**579**	555
Other creditors	**1,561**	1,867	**1,560**	1,861
	8,293	8,305	**8,827**	8,858

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due after more than one year

	Group and Company	
	2012	2011
	£000	£000
Bank loan	**3,000**	341
Analysis of total borrowings		
Amounts falling due:		
Within one year	800	919
Between one and two years	1,600	341
Between two and five years	1,400	-
	3,800	1,260

The loan from the Royal Bank of Scotland plc bears interest payable at LIBOR plus 2%. The loan is repayable in quarterly instalments.

The loan and bank overdraft are secured by a bond and floating charge over the assets of the Company.

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Deferred tax liability

Group and Company	£000
At beginning of year	89
Charge for year in profit and loss account	(48)
Liability at end of year (see note 15)	**41**

The elements of the deferred tax liability, which is calculated at 23% (2011: 25%) are as follows:

	2012 £000	2011 £000
Difference between accumulated depreciation and capital allowances	55	108
Other timing differences	(14)	(19)
	41	89

The Company's land and buildings were revalued at 21 June 1998. In the event of disposal of these assets at valuation it is anticipated that the chargeable gain arising would be rolled-over against expenditure incurred within the group companies under the provisions of Section 152, Taxation of Capital Gains Act 1992 and that no liability would arise.

In addition to the deferred tax liability stated above, the company has also recognised a deferred tax asset in relation to the deficit in the pension scheme. The net pension liability is shown in note 23.

18 Accruals and deferred income

Group and Company	£000
Government grants	
At 1 January 2012	68
Charged to profit and loss account	(3)
At 31 December 2012	**65**

19 Called up share capital

Group and Company	2012 £000	2011 £000
Allotted and fully paid		
10,946,765 (2011: 10,946,765) Ordinary shares of 25p each	2,737	2,737

Notes to the financial statements for the year ended 31 December 2012 (continued)

20 Reserves

	Translation reserve £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
Group				
At beginning of year	2	684	436	11,501
Profit for the financial year	-	-	-	5,747
Actuarial loss recognised in the pension scheme	-	-	-	3,916
Deferred tax arising on gains in the pension scheme	-	-	-	(1,383)
Corporation tax relief on contributions to pension scheme	-	-	-	241
Transferred to profit and loss account	(2)	-	(30)	32
Dividend paid	-	-	-	(8,050)
At end of year	**-**	**684**	**406**	**12,004**

	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
Company			
At beginning of year	684	436	11,507
Profit for the financial year	-	-	5,715
Actuarial loss recognised in the pension scheme	-	-	3,916
Deferred tax arising on gains in the pension scheme	-	-	(1,383)
Corporation tax relief on contributions to pension scheme	-	-	241
Transferred to profit and loss account	-	(30)	30
Dividend paid	-	-	(8,050)
At end of year	**684**	**406**	**11,976**

The impact of the pension deficit on the profit and loss account is as follows:

	Group 2012 £000	Company 2012 £000
Profit and loss account excluding pension liability	**18,087**	**18,059**
Pension liability	**(6,083)**	**(6,083)**
Profit and loss account including pension liability	**12,004**	**11,976**

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Profit for the financial year	**5,747**	4,073	**5,715**	4,090
Dividends	**(8,050)**	(450)	**(8,050)**	(450)
Retained profit for the year	**(2,303)**	3,623	**(2,335)**	3,640
Actuarial gains/(losses) recognised in the pension scheme	**3,916**	(10,570)	**3,916**	(10,570)
Deferred tax arising on losses in the pension scheme	**(1,383)**	2,108	**(1,383)**	2,108
Corporation tax relief on contributions to pension scheme	**241**	443	**241**	443
Net movement in shareholders' funds	**471**	(4,396)	**439**	(4,379)
Shareholders' funds at 1 January	**15,360**	19,756	**15,364**	19,743
Shareholders' funds at 31 December	**15,831**	15,360	**15,803**	15,364

22 Commitments

Capital commitments

	2012	2011
Group and Company	**£000**	£000
Contracted	**99**	30

Lease commitments

The minimum annual rentals under operating leases are as follows:

	2012	2011
Group and Company	**£000**	£000
Operating leases which expire:		
Within one year	**24**	8
Within two to five years	**51**	64
	75	72

23 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 £170,000 (2011: £144,000).

There were no outstanding contributions at either year end.

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 is 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.

23 Employee benefits (continued)

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

	Group and Company 2012 £m	2011 £m
Present value of funded defined benefit obligations	(94.8)	(90.2)
Fair value of plan assets	86.9	77.4
Recognised liability for defined benefit obligations	(7.9)	(12.8)
Related deferred tax asset	1.8	3.2
Net liability	(6.1)	(9.6)

Movements in present value of defined benefit obligation

	Group and Company 2012 £m	2011 £m
At 1 January	(90.2)	(86.0)
Current service cost	(0.8)	(1.2)
Interest cost	(4.3)	(4.6)
Actuarial losses	(2.0)	(2.1)
Benefits paid	2.9	4.1
Contributions by members	(0.4)	(0.4)
At 31 December	(94.8)	(90.2)

Movements in fair value of plan assets

	Group and Company 2012 £m	2011 £m
At 1 January	77.4	82.1
Expected return on plan assets	4.9	6.1
Gains/(Losses) on assets	5.9	(8.3)
Contributions by employer	1.2	1.2
Contributions by members	0.4	0.4
Benefits paid	(2.9)	(4.1)
At 31 December	86.9	77.4

Recognised expense in the profit and loss account

	Group and Company 2012 £m	2011 £m
Current service cost	(0.8)	(1.2)
Interest on defined benefit pension plan obligation	(4.3)	(4.6)
Expected return on defined benefit pension plan assets	4.9	6.1
Total	(0.2)	0.3

Notes to the financial statements for the year ended 31 December 2012 (continued)

23 Employee benefits (continued)

The expense is recognised in the following line items in the profit and loss account:

	Group and Company	
	2012	2011
	£m	£m
Staff costs	**(0.8)**	(1.2)
Finance income	**4.9**	6.1
Finance expense	**(4.3)**	(4.6)
	(0.2)	0.3

The total amount recognised in the consolidated statement of total recognised gains and losses in respect of actuarial gains and losses is gains of £3,916,000 (2011: Losses of £10,570,000).

Cumulative actuarial gains/losses reported in the consolidated statement of recognised gains and losses for accounting periods ending on or after 22 June 2002 are gains of £2,668,000 (2011: Losses of £1,248,000).

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

	Group and Company			
	2012	**2012**	2011	2011
	Long term rate of return	**Fair value**	Long term rate of return	Fair value
	%	**£m**	%	£m
Equities	**6.6**	**70.5**	8.0	64.5
Corporate bonds	**4.8**	**12.1**	5.5	9.5
Property/other	**2.8**	**4.3**	4.0	3.4
		86.9		77.4
Actual return on plan assets				
Expected return plan assets		**4.9**		6.1
Gain/(Losses) on plan assets		**5.9**		(8.3)
		10.8		(2.2)

The expected rates of return on plan assets are determined by reference to the following:

- Equities: the rate adopted is consistent with the median assumption used in JLT's Asset Liability Model.
- Bonds: the overall rate has been set to reflect the yields on the bond holdings.
- Other assets: this class is mostly made up of cash holdings and the rate adopted reflects current short-term returns on such deposits.

The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

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

	2012	2011
	%	%
Discount rate	**4.40**	4.80
Expected rate of return on plan assets	**6.21**	7.59
Future salary increases	**3.65**	3.85
Inflation assumption	**2.90**	3.10
Increases to deferred pensions	**2.00**	2.20
Pension increases	**2.90**	3.00

23 Employee benefits (continued)

Pension plans (continued)

In valuing the liabilities of the pension fund at 31 December 2012, 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 2012 would have increased by approximately £2,600,000 (2011:£2,600,000) before deferred tax.

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:

- Current pensioner aged 62: 23 years (male), 26 years (female).
- Future retiree upon reaching 62: 25 years (male), 27 years (female).

History of plans

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

Balance sheet

	Group and Company				
	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	**(94.8)**	(90.2)	(86.0)	(88.6)	(67.4)
Fair value of plan assets	**86.9**	77.4	82.1	72.7	59.1
Deficit	**(7.9)**	(12.8)	(3.9)	(15.9)	(8.3)

Experience adjustments

	Group and Company				
	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Experience adjustments on plan liabilities	**0.0**	2.9	1.2	0.1	4.1
Experience adjustments on plan assets	**5.9**	(8.3)	8.9	10.3	(20.8)
(Losses) gains on change of assumptions on defined benefit obligation	**(2.0)**	(5.2)	1.1	(18.8)	10.2
Total gains / (losses) recognised in the statement of changes in equity	**3.9**	(10.6)	11.2	(8.4)	(6.5)

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

The Group expects to contribute approximately £1,200,000 (2011: £1,200,000) to its defined benefit plan in the next financial year.

24 Related party transactions

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

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

	2012					
	Thrace Plastics SA	**Thrace Synthetic Packaging Limited**	**Thrace Nonwovens and Geo synthetics**	**Synthetic Holdings Limited**	**Thrace Linq Inc**	**Don & Low Australia**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue transactions						
Sales to	-	100	76	73	76	1,333
Purchases from	500	-	657	-	-	-
Balances at the year end						
Sales ledger	11	125	-	18	-	285
Purchase ledger	125	-	25	-	-	-
Group relief payable	-	-	-	333	-	-

	2011					
	Thrace Plastics SA	Synthetic Packaging Limited	Thrace Nonwovens and Geo synthetics	Synthetic Holdings Limited	Thrace Linq Inc	Don & Low Australia
	£000	£000	£000	£000	£000	£000
Revenue transactions						
Sales to	12	91	19	58	75	1,549
Purchases from	500	-	192	-	-	-
Balances at the year end						
Sales ledger	-	7	91	-	-	278
Purchase ledger	12	-	-	-	-	-
Group relief payable	-	-	-	234	-	-

25 Ultimate parent company

The immediate parent undertaking is Thrace Plastics Co SA.

The ultimate parent undertaking and controlling party is Thrace Plastics Co SA, a company incorporated in Greece.

Thrace Plastics Co SA is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Thrace Plastics Co SA are available to the public and may be obtained from The Ministry of Development, Secretariat of Commerce, Kanigos Square, GR 101 81 Athens, Greece.