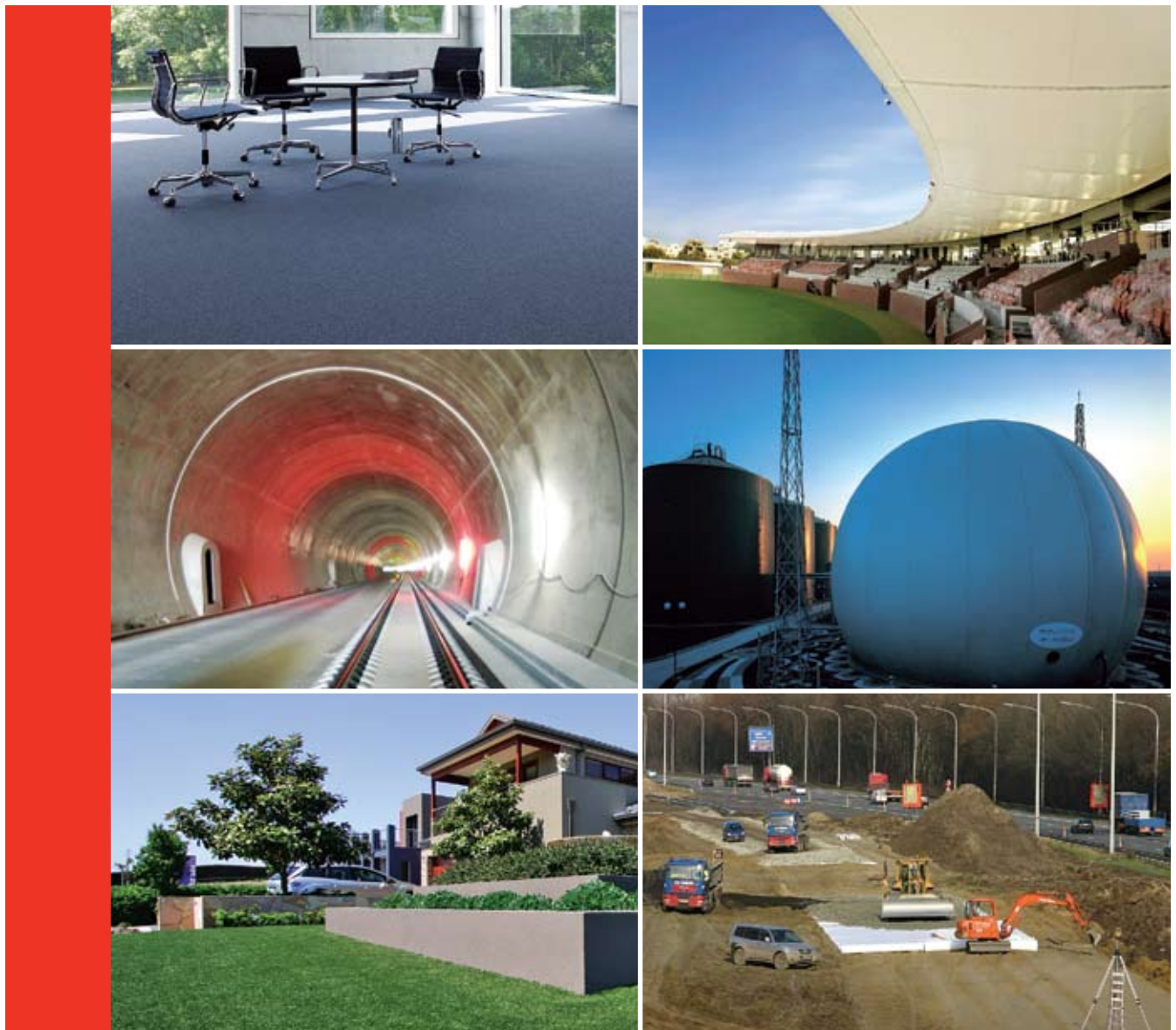


Low & Bonar

Performance materials engineered
to help build your business

Delivering Performance Improvement



Annual Report 2010

Who are we?

We are an international business to business performance materials Group

What do we do?

We design and manufacture components which add value to and improve the performance of our customers' products

How do we do it?

We engineer a wide range of polymers using our own technologies to create yarns, fibres, industrial and coated fabrics and composite materials

Where do we do it?

We sell globally and manufacture in Europe, North America, Middle East, and China

Colback® Green environmentally sustainable non-woven carpet backing.



Front cover images (clockwise from top left): Carpet tufted on Colback® backing, Toucan-T; MTX roof membranes, Yamuna Sports Complex, Delhi; Valmex® biogas balloon Shandong Minhe; Bontec® non-woven geotextile, TGV construction; Bonar synthetic turf, Synturf, Australia; Colbond Enkadrain®, Vienna-St Pölten railway.



Our Financial Performance

Significant improvement in the Group's results

- Revenue up 13% to £344.6m (2009: £304.8m)
- Profit before tax* up 18% to £18.6m (2009: £15.8m)
- Operating margin* increased to 7.5% (2009: 7.3%)
- Return on operating capital improved to 15.2% (2009: 11.4%)

* - continuing operations before tax, amortisation and non-recurring items

Strengthened financial position

- €45m private placement
- Successful refinancing of committed bank facilities
- Another year of strong cash conversion

Dividends increased to 1.6p (2009: 0.8p)

Operational Highlights

Yarns restructuring on track

- Abu Dhabi manufacturing facility in full commercial production
- Closure of Ostend site progressing to plan

Sales growth initiatives

- Increased contribution from high-growth emerging markets
- Over 14% of sales from new products
- Development pipeline continuing to improve

New Saudi joint venture agreement signed in January 2011

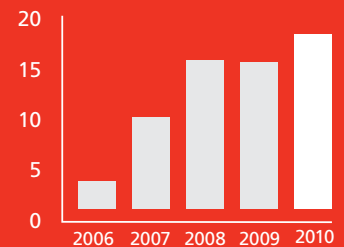
- 50:50 geotextile joint venture with NATPET
- Well positioned to service high-growth Middle East and Indian subcontinent markets

Sales* growth up 13% at £344.6m (2009: £304.8m)



* continuing operations

Profit* growth up 18% at £18.6m (2009: £15.8m)



* profit from continuing operations before tax, amortisation and non-recurring items

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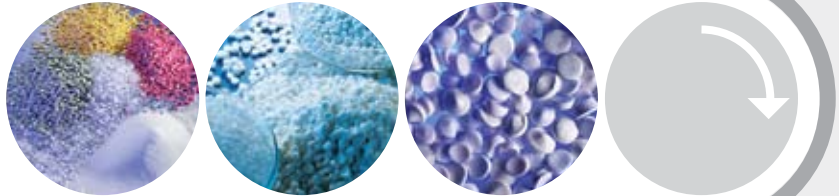
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Overview

Our broad technology platform delivers high **performance** solutions that add value to our customers' businesses

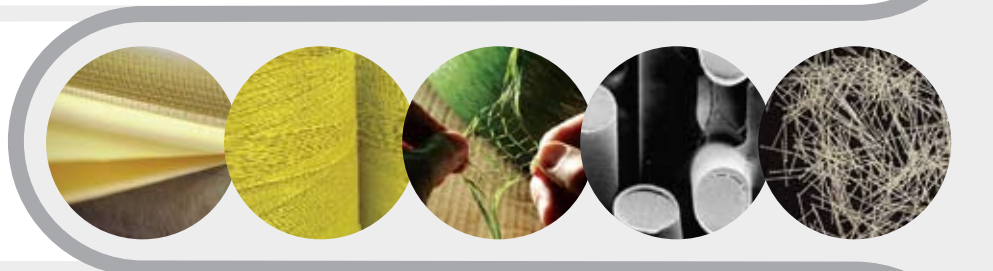
Raw Materials >

- PE/PP/PET resin
- Other materials: (Nylon, PVC, PA6, PU)
- Additives for specific performance and colour



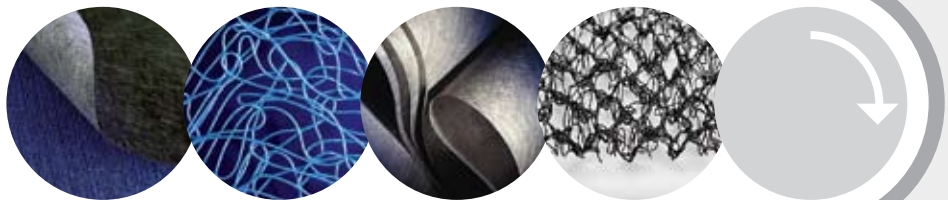
Yarn & Fibre Production >

- Monofilament yarns
- Tapes
- Fibrillated yarns
- Bi-component yarns
- Fibres



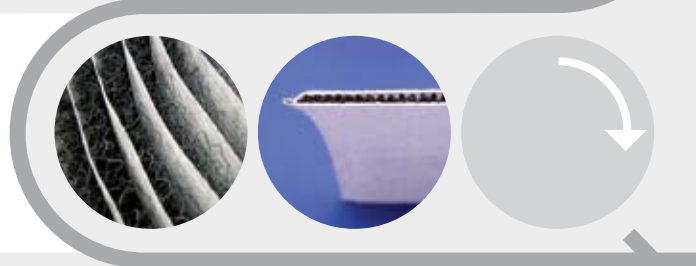
Fabric Production >

- Needle punched non-wovens
- Spun-bonded non-wovens
- Woven fabrics
- Thermal bonded 3D profiles & grids



Coating & Composite Production >

- PVC/PU coated woven PET fabrics
- Composites formed from non-wovens, 3D profiles and grids



Markets >

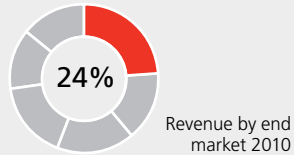
- Civil engineering
- Building products
- Carpet manufacture
- Industrial
- Transport
- Leisure

Regions >

- Western Europe
- Eastern Europe
- North America
- Middle East
- Asia
- Rest of the World

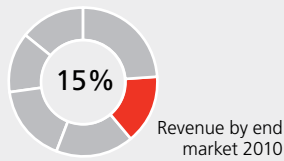


Our Markets



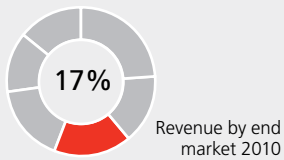
Civil engineering

A wide range of products used in major infrastructure projects including road and rail building, land reclamation and coastal defence. Woven and non-woven geotextiles have a wide range of uses including separation and filtration, membrane protection in landfills and reservoirs and for erosion control on riverbanks and coastlines. Speciality geosynthetics for erosion control, drainage, soil reinforcement and stabilisation and soil consolidation. Construction fibres used in concrete to reduce shrinkage and settlement cracking and as an alternative to steel mesh reinforcement of concrete.



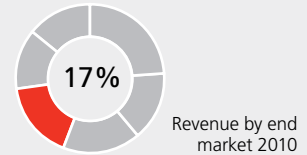
Building products

A range of products in niche application areas of the commercial and residential building market. Specialist architectural coated fabrics used as membranes for roofing, in frame supported industrial, event and sports halls, and marquees for leisure and business events. Roofing and flooring products based on both three-dimensional monofilament mats, composites and non-wovens with a variety of applications, including metal roof ventilation, subsurface drainage for green roofs, hard floor sound control and reinforcement for waterproof bituminous roofing membranes.



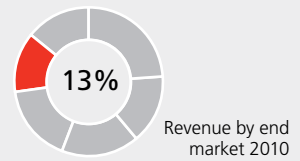
Carpet manufacture

A range of high-performance primary backings for tufted carpet tiles, broadloom carpets and cushioned vinyl flooring.



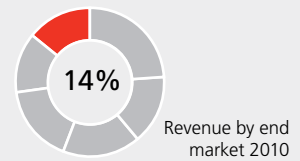
Industrial

A wide range of products into multiple application areas including screens and groundcover products in the professional horticulture market to improve yield and reduce energy consumption in the production of food, plants and cut flowers. Printable fabrics for large format prints used in large area outdoor and indoor advertising and smaller fabrics for point of sale displays. Coated fabrics for storage and containment, with application areas ranging from waste water, biogas, food and oil.



Transport

Products used in both heavy and light vehicle manufacture. Primary and secondary non-woven backings for moulded car carpets and option mats, also used as reinforcement and carrier substrates in hood liners, trunk liners, door panels, package trays and car seats or as support media for cabin air filters. Tarpaulins which are highly resilient and weatherproof and used in transport applications including trailer side curtain manufacture and transport protection in air, road, rail and sea freight.



Leisure

A diverse range of products for the sports and leisure sector. Monofilament and fibrillated synthetic yarns used in the construction of artificial grass for sports and landscaping applications. Coated fabric product range used in a variety of application areas including sunshading, boat and pool, camping and sports.



Overview

Our strong market positions, growing international presence and ability to innovate will continue to drive our **performance** improvement

Performance Technical Textiles

Our Performance Technical Textiles division services the civil engineering, carpet manufacturing, leisure, construction and industrial sectors.

Companies:

Technical Fabrics – Belgium

Geo-Tiptex – Hungary

Bonar Technical Yarns – UK and Belgium

Colbond – Netherlands

Yihua Bonar – China

Bonar Emirates Technical Yarns – UAE

Manufacturing facilities:

Belgium – Zele, Lokeren and Ostend

Netherlands – Arnhem and Emmen

Germany – Obernberg

UK – Dundee

Hungary – Tiszaújváros

USA – Asheville, NC

China – Yizheng

UAE – Abu Dhabi

Performance Technical Textiles Products

- Woven and non-woven geotextiles
- Speciality geosynthetics
- Construction fibres
- Primary backing for carpet tiles and broadloom carpets
- Horticulture screens and groundcovers

Precast concrete blocks with ADFIL construction fibres used in sea defence walls, preventing coastal erosion



Technical Coated Fabrics

Our Technical Coated Fabrics business serves the print, architecture, transport, leisure and industrial sectors.

Companies:

Mehler Texnologies (MTX) – Germany
17 sales offices and warehouses throughout the world

Manufacturing facilities:

Germany – Hückelhoven and Fulda
Czech Republic – Lomnice

Technical Coated Fabrics Products

- Trailer side curtains and transport protection
- Printable fabrics for large format advertising
- Architectural fabrics for permanent and temporary building structures
- Coated fabrics for storage and containment
- Coated fabrics for sunshading, boat, pool, camping and sports

Safe and efficient storage of biogas using MTX's Valmex® enviro pro membranes



Business Review

Strategic Overview

How will we improve our performance and build a stronger platform for growth?



Steve Good
Group Chief Executive

Q. How has the group evolved in the last year?

A. The Group has made good progress towards all of the medium-term growth, margin and efficiency targets which we set last year.

The strong growth in sales and profits, together with the efficient management of our assets and costs, resulted in the Group delivering good cash inflow during the year, which has further reduced the Group's indebtedness. These factors led to a very successful refinancing late in the year which will support the Group's medium-term growth agenda.

Our focus on innovation and geographic expansion has intensified and during the year we have taken a number of actions to ensure our growth momentum continues. We have taken the steps necessary to turn around our loss-making Yarns business and we expect this part of our business to return to profitability in 2011. The recently announced Saudi joint venture is also an important development in securing future growth, particularly for our civil engineering business.

Q. What is your vision for the group?

A. I would like to see the Group develop into a truly global performance materials business. We have excellent value-added propositions and a great range of technologies and products in Europe and the US which will have increasing relevance in emerging markets. As a Group we need to take steps to ensure we follow these emerging market developments and leverage our considerable expertise to provide new customers with products tailored to their specific needs.

Q. Are there any parts of the group that you are targeting for expansion?

A. All of our markets have good underlying growth drivers. There are number of sectors which will benefit from big global trends and have the opportunity to grow faster. The considerable infrastructure spending which will take place in Asia, the Middle East, the Indian subcontinent and South America will benefit our civil engineering activities. The urbanisation trend, as the population increasingly migrates to urban areas, will also benefit civil engineering and parts of our building products business. The increasing demand for food as populations grow and average incomes rise, particularly in emerging markets, will offer significant opportunities for smart agrotexile products which maximise yield, reduce the need for agrochemicals and limit water requirements. The other big trend which will ultimately affect all our markets is sustainability. Consumers will increasingly drive industrial businesses to manufacture products with acceptable end-of-life solutions and made increasingly from renewable resources and recycled materials. This is both a challenge and significant growth opportunity and one which will be central to our innovation activities over the coming years.

Q. Will the group remain solely focused on organic growth?

A. There is plenty of scope to grow the business using innovative products in our heartland and targeting high growth geographies with our speciality propositions. To maximise the growth opportunities we will need to invest selectively in new manufacturing assets or through bolt-on acquisitions in growth markets. Any acquisitions would augment and be clearly aligned to our organic growth strategy, and the work we have done to improve trading and debt levels leaves us in good shape to do this.

Q. What is the main focus for the year ahead?

A. We need to continue to make progress on the three elements of our growth strategy:

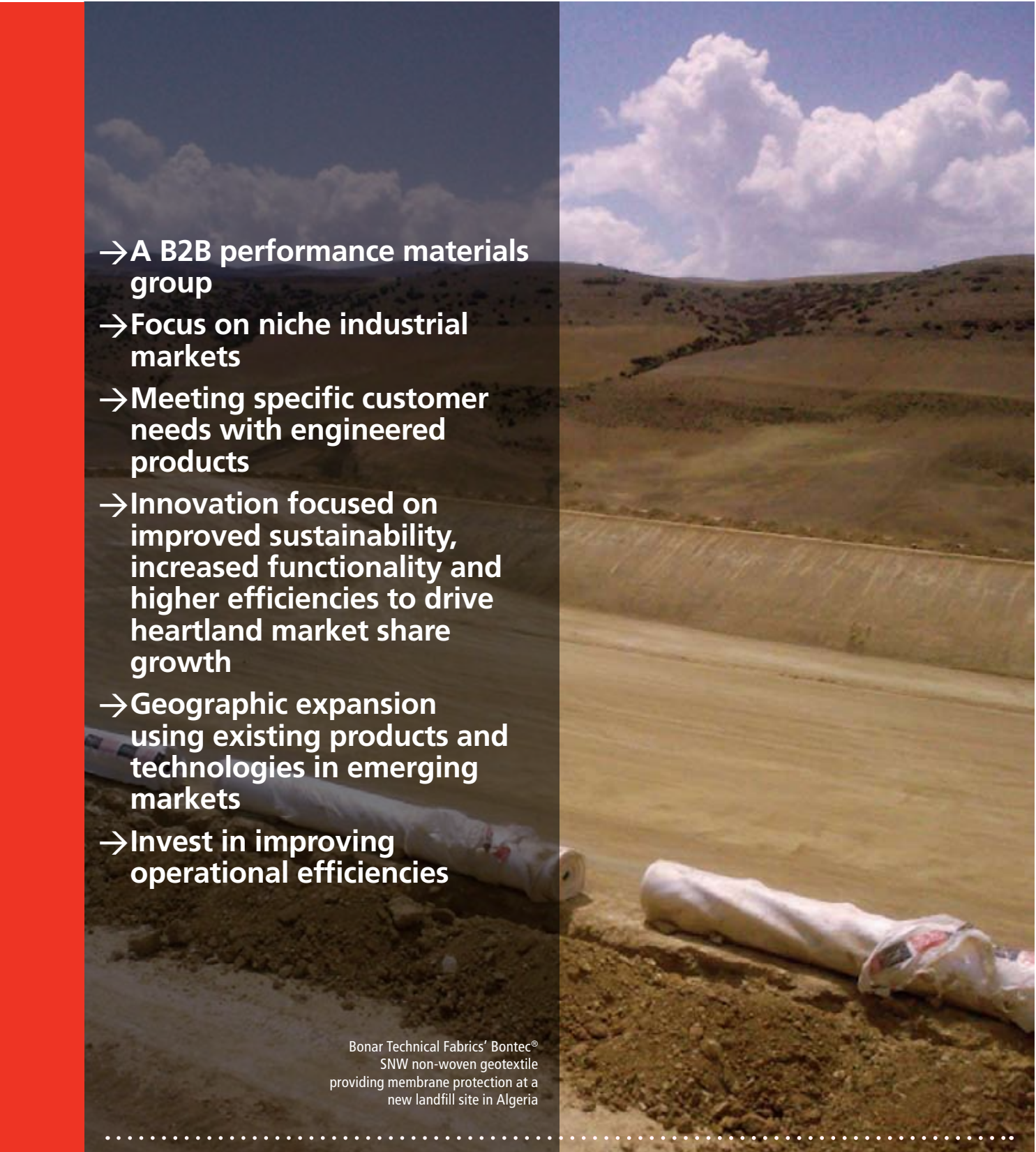
- Focusing on where the growth is in terms of both markets and geographies
- Improving our innovation to increase our market share
- Driving higher operational and asset efficiencies and in particular achieving the turnaround of the Yarns business

In addition we aim to significantly improve our health and safety performance and establish a culture with a zero tolerance for accidents and a mindset which puts safety first at all times.

Our Strategy

- A B2B performance materials group
- Focus on niche industrial markets
- Meeting specific customer needs with engineered products
- Innovation focused on improved sustainability, increased functionality and higher efficiencies to drive heartland market share growth
- Geographic expansion using existing products and technologies in emerging markets
- Invest in improving operational efficiencies

Bonar Technical Fabrics' Bontec®
SNW non-woven geotextile
providing membrane protection at a
new landfill site in Algeria



Business Review

Chairman's Statement



Martin Flower
Chairman

I am very pleased to report a significant improvement in the Group's results and overall financial position for the year ended 30 November 2010. Important actions have also been taken to enable the Group to deliver its future growth plans.

Profit before tax rose 22% to £18.6m (2009: £15.8m) on revenues up 15% at £344.6m, after adjusting for foreign exchange movements. This significant sales increase was driven by a partial recovery in many of the Group's end markets and was augmented by organic growth from innovation and our increasing exposure to emerging markets. Operating margins also improved to 7.5% (2009: 7.3%) despite the adverse impact of a timing lag in adjusting selling prices to significantly higher raw material costs throughout the year.

Results highlights

	2010	2009
Revenue	£344.6m	£304.8m
Operating margin*	7.5%	7.3%
Profit before tax*	£ 18.6m	£ 15.8m
Basic earnings per share*	4.41p	4.35p
Full year dividend	1.6p	0.8p
Net debt	£ 62.0m	£ 67.4m

* continuing operations, before amortisation and non-recurring items

Further commentary on these results and the divisional performances is contained in the Business Review.

Positioned for further growth

During the year the Group has taken actions which we are confident will restore to profitability our loss-making Yarns business. We successfully commissioned a new manufacturing facility for artificial grass yarns in Abu Dhabi and we are closing the Ostend site and transferring its business to Abu Dhabi. This project is progressing to plan.

We have also accelerated efforts to access higher growth emerging markets. In January 2011, the Group signed a 50:50 joint venture in Saudi Arabia with National Petrochemical Industrial Company (NATPET). The joint venture will design, manufacture and sell geotextile products for the fast growing civil engineering markets in the Middle East and the Indian subcontinent.

The Group has continued to invest in innovation to drive growth in its core Western European and North American markets. A number of new products have been launched and, in 2010, over 14% of sales came from products developed within the last three years. The Group's development pipeline continues to improve.

Strengthened financial position

As a result of an improved trading performance and a clear strategic focus, the Group completed a €45m debt private placement with Pricoa Capital Group, in September 2010, for a term of six years. This contributed to a very successful refinancing of committed banking facilities shortly after the year end for a four and a quarter year term at competitive rates. The Group's debt structure is now much stronger and more balanced, providing a solid and flexible platform to support the Group's growth agenda.

Increased dividend

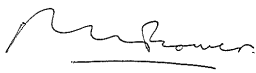
Following the strong trading and cash flow performance during the year, the Board is recommending a final dividend of 1.1p. This doubles the total dividend for the year compared to 2009 to 1.6p and is covered 2.8x by earnings before amortisation and non-recurring items. The increase reflects the Board's confidence in the Group's future growth prospects and the Board's intent to follow a progressive dividend policy with cover of at least 2x earnings. The final dividend will be paid on 21 April 2011 to shareholders on the register at 25 March 2011.

People

On 22 November 2010, I was delighted to be able to invite Mike Holt to join the Board as our new Group Finance Director. Mike had been Group Finance Director of Vp plc, the specialist equipment rental group, since 2004. Prior to that, he held a number of senior financial positions with Rolls-Royce Group plc within the UK, the USA and Hong Kong. Mike's breadth of experience and international perspective will be real assets for the Group.

Outlook

Following a year in which partial recovery in many of the Group's end markets was augmented by organic growth, we are now in a good position to push ahead with our initiatives to deliver margin improvement and growth in our chosen niche markets and geographies. The success of these initiatives is not reliant on further market recovery and the Board is therefore confident of continuing to make progress in 2011.



Martin Flower
8 February 2011

Case Study

ADFIL fibres reinforce Birmingham's Eastside Multi-Storey Car Park



ADFIL Construction Fibres' Durus S300 macro synthetic fibres were incorporated into the structural screed of the new Eastside Multi-Storey Car Park in Birmingham. Using ADFIL's lightweight synthetic fibres instead of steel mesh removed the need for a dedicated crane on site, improved the speed of construction and reduced labour and equipment costs. Unlike steel, the synthetic fibres will not rust over time, thereby preserving the appearance of the building.



Business Review

Performance Review



Steve Good
Group Chief Executive



Mike Holt
Group Finance Director

Review of 2010 Group trading and results Continuing operations

	2010	2009
Revenue	£344.6m	£304.8m
Operating profit*	£25.8m	£22.1m
Operating margin*	7.5%	7.3%
Interest*	£7.2m	£6.3m
Profit before tax*	£18.6m	£15.8m
Statutory profit before tax	£10.2m	£0.7m
EPS*	4.41p	4.35p
Net debt	£62.0m	£67.4m

* before amortisation and non-recurring items.

The Group's revenues increased by 13% to £344.6m (2009: £304.8m). Underlying like for like sales, at constant currency rates, increased by 15% compared to last year, with double digit growth in civil engineering, carpet, transport and leisure markets. Operating margins improved to 7.5% despite inflationary raw material markets creating headwinds throughout the year. The improvement in sales and margin has led to a very pleasing 22% increase in underlying profit before tax, amortisation, and non-recurring items.

Basic earnings per share before the amortisation of intangibles and non-recurring items increased from 4.35 pence to 4.41 pence, an increase of 1%; the overall increase being impacted by a 15% increase in the weighted average number of shares following the placing and open offer in March 2009. Basic earnings per share on a statutory basis was 2.19 pence compared with a loss from continuing operations of 0.41 pence last year.

Non-recurring costs of £1.6m were incurred during the year (2009: £7.8m), being non-recurring costs of £7.0m relating to the Yarns business restructuring, less non-recurring income of £5.4m relating to the release of the provision for pension equalisation. The restructuring of the Yarns business is progressing well, in line with the plan that we set out in October 2010.

Significant growth in sales

There have been a number of factors which have contributed to the 15% increase in underlying sales. The Group has

benefited from a partial recovery in most of its markets, particularly those which were most affected during last year's economic downturn. Transport, carpet manufacturing and leisure markets have recovered strongly, albeit still below their 2008 peak. Our activities in civil engineering, our most robust market last year, have grown strongly in both emerging markets and in our core European business. Building product sales edged higher but remained adversely affected by weak residential and commercial building markets.

The investments which the Group is making in innovation to deliver market share gains and in developing its presence in high growth emerging markets have also made important contributions to this year's sales performance. The returns from innovation are improving and sales outside our heartland of Western Europe and North America grew by 17% this year and now represent more than 21% of Group sales. China and Eastern Europe have been particularly strong.

Operating margins moving forward

Operating margins increased to 7.5% (2009: 7.3%). The positive operational gearing effect of higher sales volumes was lower than anticipated as a result of challenging raw material markets where prices rose throughout the year. Operating margins were adversely affected by the lag effect of implementing price adjustments and in some markets, which have yet to fully recover, adjustments have remained challenging. In 2009 this lag effect benefited margins as raw material prices trended downwards.

The full year benefits from cost saving measures taken last year also contributed to margin growth, however some re-investment has been required during the year to enable the Group to successfully respond to the recovery in demand and to put in place the building blocks for medium-term sales growth and margin expansion.

Strong cash generation and successful refinancing

During the year the Group generated £36.6m (2009: £46.0m) of cash from operations, a cash conversion ratio to underlying operating profits of 142%. Despite increased trading activity, the Group further improved its working capital management, reducing net trade working capital to 22% of sales from 28% last year. This, together with another modest year of capital expenditure, reduced net bank borrowings by £5.4m to £62.0m and improved underlying gearing (Net debt/EBITDA) to 1.6 times (2009: 1.9 times), well within borrowing covenants. During the year the Group also settled £9.3m of cross-currency swap liabilities to de-risk and simplify its debt profile.

As a result of an improved trading performance and a clear strategic focus, the Group completed a €45m private placement with Pricoa Capital Group, in September 2010, for a term of six years. This contributed to a successful re-financing of committed banking facilities shortly after the year-end for a term of four and a quarter years at competitive rates. The Group's debt structure is now much stronger and more balanced, providing

Financial and Non-Financial KPIs

a solid and flexible platform to support the Group's growth agenda.

Good progress towards our targets

At the start of the year the Group set out a clear objective to deliver profitable, cash generative growth and highlighted a number of specific targets which we believed to be achievable in the medium-term. The Group has made a good start in 2010, delivering significant growth in both sales and profits, achieving further reductions in net debt despite a sharp increase in activity levels, and making progress towards all medium-term growth, margin, and asset efficiency targets.

Actions in place to make further progress

During the year the Group has taken actions which we are confident will restore to profitability our loss-making Yarns business. We successfully commissioned a new manufacturing facility for artificial grass yarns in Abu Dhabi and, in December 2010, this enabled the Group to confirm the closure of its Ostend site and the transfer of business to the newly constructed Abu Dhabi plant. The closure and relocation project is progressing to plan. The restructuring of the business will regrettably result in redundancy for the majority of employees at the Ostend site. A social plan was agreed with their representatives in December 2010.

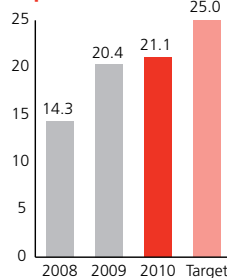
We have also accelerated efforts to access higher growth, emerging markets. In January 2011, the Group signed a 50:50 joint venture in Saudi Arabia with National Petrochemical Industrial Company (NATPET). The joint venture will design, manufacture, and sell geotextile products for the fast growing civil engineering markets in the Middle East and the Indian subcontinent. A new manufacturing plant will be constructed at a site near NATPET's polypropylene production facility in Yanbu, and will benefit from a long-term supply agreement with NATPET. The joint venture is well positioned to take full advantage of the forthcoming infrastructure investment in these regions given its unparalleled technological, marketing and raw material strengths.

The Group has continued to invest in innovation to drive growth in its core Western European and North American markets. Innovation is focused on providing our customers with products which improve sustainability, increase functionality, and maximise efficiency. The Group's development pipeline continues to improve. Products made from recycled materials and raw materials from renewable sources have been launched in the carpet tile backing and agrotextile markets. Architectural membranes which last longer and have self cleaning properties have recently been developed. Construction fibres continue to grow strongly in the construction market.

We are in a strong position to push ahead with our initiatives to deliver margin improvement and growth and are confident about making further progress in 2011. This progress is not reliant on a further recovery in markets.

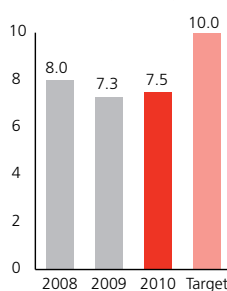
Financial KPIs

Geographic sales expansion



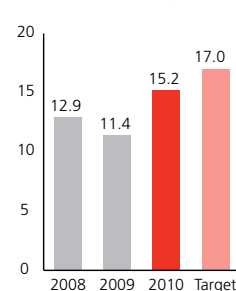
Percentage sales from outside Western Europe and North America

Operating margins



Operating margin before amortisation and non-recurring items as a percentage of sales

Asset efficiency

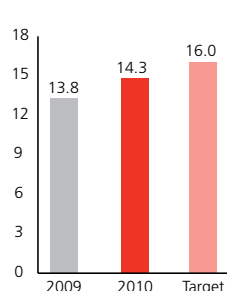


Return on capital employed – defined as operating profit before amortisation and non-recurring items as percentage of operating capital

Targets to be achieved in the medium-term

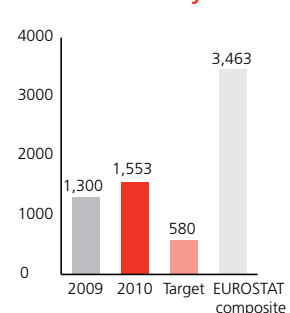
Non-financial KPIs

Innovation



Percentage of revenue from products introduced within last 3 years

Health and safety



Defined in terms of 3+ days lost time accidents per 100,000 employees



Business Review

Performance Technical Textiles Division

Our products are differentiated and deliver high **performance** solutions that add value to our customers' businesses

Our Performance Technical Textiles division (comprising Colbond, Technical Fabrics, Yarns and Yihua Bonar) supplies products such as geotextiles, artificial grass yarns, carpet tile backing and construction fibres to the civil engineering, carpet tile manufacturing, leisure and construction sectors.

	2010	2009
Revenue	£239.2m	£212.3m
Operating profit*	£ 19.1m	£ 17.1m
Operating margin*	8.0%	8.1%

* before amortisation and non-recurring items

Sales were 13% higher than last year. However, adjusting for adverse foreign exchange movements, underlying sales improved by 15%. Operating margins were broadly flat year on year but were higher in the second half of the year as increased selling prices compensated for raw material price inflation which was high in the first half of the year.

Our civil engineering business, which was our most robust activity throughout the economic crisis, grew by 15% with sales improving in both our heartland and emerging markets. We are accelerating our efforts to access higher growth emerging markets. The recent announcement of the Saudi Arabian joint venture will enable us to access the fast growing civil engineering markets in the Middle East and the Indian subcontinent.

Carpet manufacturing sales increased by 25% driven by recovering markets, strong growth in China, and positive substitution effects which assisted our tile backing sales as they take a larger share of the floor coverings market. The transport sector also grew strongly, consolidating the market share gains secured with the launch of our new Colback® Pro product launch last year and responding to the improved performance of the premium brand automotive manufacturers. Sales in the artificial grass market improved, however activity levels in our traditional building product applications remained weak with demand yet to recover in European and US commercial and residential building markets.

We have taken actions during the year which will restore profitability to our loss-making Yarns business. The Group successfully commissioned a new manufacturing facility for artificial grass yarns in Abu Dhabi. In December 2010 this enabled the Group to confirm the closure of its Ostend site and the transfer of business to the newly constructed Abu Dhabi plant. The closure and relocation project is progressing to plan and will lead to an improvement in divisional margins.

The strong recovery in our carpet and transport sectors, together with a growing contribution from new product and application areas, has resulted in the Group approving investments during the year to increase capacity in Europe, the US and China. This will enable the division to follow planned growth in these sectors from the second half of 2012.

Our innovation capability continues to improve. Carpet backing made from 100% recycled materials, and groundcovers made from raw materials from renewable resources which duplicate the durability and flexibility of synthetic materials, have recently been launched. A new civil engineering product, which provides advanced drainage and lost shuttering, was chosen for a major high speed railway project because of its proven ability to also absorb noise and vibration. Our new macro construction fibres continue to make inroads into the reinforced concrete market, replacing steel mesh on the basis of reduced time, costs and aesthetics.

The division is well positioned to grow in its attractive heartland markets and is accelerating its exposure to emerging markets which have significant growth opportunities for its existing products and technologies.



Case Study

Enkadrain® CK20 installed in Austrian high-performance railway project



Colbond's Enkadrain® CK20 is being used in the construction of a new high-performance 44 km railway connecting Vienna and St Pölten. As well as providing advanced drainage and lost shuttering, Enkadrain® CK20 was chosen for its proven ability to absorb noise and vibration. By significantly reducing or even eliminating vibrations from passing high-speed trains, Enkadrain® CK20 helps to minimise the noise impact on adjacent built-up areas and on tunnel structures.

Revenue

£239.2m

2009: £212.3m

Operating profit*

£19.1m

2009: £17.1m

Operating margin*

8.0%

2009: 8.1%

*before amortisation and non-recurring items.



Business Review

Technical Coated Fabrics Division

Our strong customer focus and rapid service model, underpinned by improving efficiency, will enable us to continue to improve our performance

Our Technical Coated Fabrics division, essentially consisting of Mehler Technologies (MTX), supplies products such as side curtains for lorry trailers, advertising banners, tensioned structures, awnings, marquees and tarpaulins to the print, architectural and transport markets.

	2010	2009
Revenue	£105.4m	£ 92.5m
Operating profit*	£ 9.7m	£ 8.0m
Operating margin*	9.2%	8.6%

* before amortisation and non-recurring items

Sales increased by 14% in the year. However, adjusting for foreign exchange, the improvement was 16.5%. The sales pattern improved after a slow first quarter, with growth in emerging markets augmenting recovery during the year.

Operating margins increased to 9.2% from 8.6% last year, with improving operating efficiencies and volume growth both contributing. The onset of significant raw material inflation in the second half of the year had an adverse effect on margins in that period as selling price adjustments lagged cost inflation.

Sales recovered well in the trailer market with the new-build segment improving during the year. The replacement market remains subdued and overall demand still remains materially below pre-economic crisis levels. Leisure and architecture markets also recovered well, with growth supplemented by improved products securing higher market shares in Eastern Europe and Asia. The print market remained weak, and in the lower quality segment, volumes suffered somewhat from low-price competition.

The strongest growth region has been Asia. Sales increased in the Middle East and India in architectural membrane markets for both shading and stadia applications. Product development to extend the lifetime, functionality and recyclability of these membranes will make a strong contribution to future growth.

In addition to the focus on emerging market growth, the new management team continues to improve operational and asset efficiencies. Further progress was made in the year in throughput, reducing and recycling waste and optimising energy consumption. It is encouraging that we have additional opportunities to further improve efficiencies in the division which, together with emerging market growth, will contribute to sales and margin expansion in the future.

Professional quality Polymar® tarpaulin used as a truck side curtain.



Case Study

THV coating material (VALMEX® vivax)

MTX is developing VALMEX® vivax, a membrane consisting of a polyester base fabric coated with a fluorinated polymer (THV), as an alternative to PES/PVC and glass/PTE. THV's exceptional properties provide VALMEX® vivax with superior resistance to weathering and staining, enhanced flame retardance and tougher protection against micro-organisms.

Unlike other comparable materials, VALMEX® vivax can be safely folded and easily stretched. At the end of its life VALMEX® vivax can be thermo-physically recycled.

Architectural membranes are prone to damage from UV radiation and adverse weather conditions. MTX's new PVDF top coat formulation, developed in co-operation with the University of Dresden, is designed to give enhanced protection against degradation and peeling. The coating imparts self-cleaning properties and increases longevity of the membranes.



VALMEX® AIRTEX®, a versatile solution for large area print media

Revenue

£105.4m

2009: £92.5m

Operating profit*

£9.7m

2009: £8.0m

Operating margin*

9.2%

2009: 8.6%

*before amortisation and non-recurring items.

Business Review

Financial Review

Consolidated income statement

The key items in the consolidated income statement are further highlighted in the sections below.

Underlying revenue and profit performance

On a constant currency basis, underlying sales and profits before tax, amortisation and non-recurring items were 15% and 22% ahead of last year respectively as set out below.

	Revenue	Pre-tax Profits
2009	£304.8m	£15.8m
FX movements	£(6.1)m	£(0.5)m
Underlying improvement	£45.9m	£3.3m
2010	£344.6m	£18.6m

Interest charges

Interest charges before non-recurring items were marginally higher than last year at £4.9m (2009: £4.8m). Notional pension interest (under IAS 19) increased from £1.5m to £2.3m during the year.

Non-recurring items

Non-recurring costs of £1.6m were incurred during the year. Costs relating to the restructuring of the Yarns business totalled £7.0m, including £0.6m of start up costs for the Abu Dhabi production site in which we have a 75% economic share. These costs have been partially offset by a release of £5.4m in relation to the provision set up in 2008 to cover anticipated liabilities associated with a possible failure to properly equalise the retirement ages of men and women for members of the Group's main UK pension scheme following the "Barber decision" in 1990. In April 2010, the Scottish Court of Session determined that equalisation had been effective.

Taxation

The overall tax charge on the profit before tax was £3.8m (2009: £1.9m). The tax charge on underlying profit was £5.8m (2009: £5.0m), a rate of 31% (2009: 32%). The underlying tax rate for 2011 is expected to be around 31% as previously indicated.

The operation of most tax systems, including the availability of specific tax deductions, means that there is often a delay between the Group tax charge and the related tax payments, to the benefit of cash flow. Cash payments in relation to tax were £3.3m (2009: £5.4m).

The Group operates internationally and is subject to tax in many differing jurisdictions. As a consequence, the Group is routinely subject to tax audits and examinations which, by their nature, can take a considerable period to conclude. Provision is made for known issues based on management's interpretation of country specific legislation and the likely outcome of negotiation or litigation. The Group believes that it has a duty to shareholders to seek to minimise its tax burden but to do so in a manner which is consistent with its commercial objectives and meets its legal obligations and ethical standards. The Group has regard for the intention of the legislation concerned

rather than just the wording itself. The Group is committed to building open relationships with tax authorities and to follow a policy of full disclosure in order to effect the timely settlement of its tax affairs and to remove uncertainty in its business transactions. Where appropriate, the Group enters into consultation with tax authorities to help shape proposed legislation and future tax policy.

Headline corporate tax rates in our major operating territories were:

UK	28.0%
Germany	30.0%
Czech Republic	20.0%
Netherlands	25.5%
USA	36.5%

Cash

There was a net cash inflow of £5.4m (2009: £6.9m, excluding proceeds from share issues) during the year, decreasing net bank borrowings from £67.4m to £62.0m. The overall external debt of the Group, including derivative liabilities, also reduced from £103.6m to £77.9m, reflecting a partial settlement of the derivative liabilities totalling £9.3m and the strengthening of the Euro which provided an overall reduction of £10.4m to the Group's total external debt.

The analysis of the Group's total external debt is as follows:

	2010 £m	2009 £m
Cash and cash equivalents	11.6	16.2
Total bank debt	(73.6)	(83.6)
Net bank debt	(62.0)	(67.4)
Net derivative liabilities	(15.9)	(36.2)
Total external debt	(77.9)	(103.6)

Cash generated from operations totalled £36.6m (2009: £46.0m). Working capital reduced by £0.5m (2009: £17.1m), with further improvements in management control offsetting volume pressure during a period of increased trading activity. This improvement reduced the funds tied up in net trade working capital to 22% of revenues from 28% last year. Capital expenditure totalled £7.4m, compared with £8.2m in the prior year.

Treasury management

The Group finances its operations through a mixture of shareholders' funds, bank borrowings and operating leases. The Group operates centralised treasury management over its financial risks within a strong control environment. The Group uses various financial instruments in order to manage the exposures that arise from its operations. It is the Group's policy not to trade financial instruments or to engage in speculative transactions. All funding is properly recognised on the balance sheet. The Board has approved the treasury policy and receives regular reports on compliance. The objectives of the Group's treasury policy are summarised as follows:

To meet the liquidity requirements of the Group cost effectively. The Group aims to maintain undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium-term funding needs and to minimise the level of surplus cash balances. The Group operates a conservative investment policy and short-term deposits are placed with highly rated counterparties.

To deliver the funding demands of the business at low cost. The Group funding requirements are largely driven by capital expenditure and acquisition activity. In September 2010 the Group borrowed €45m through a private placement with Pricoa Capital Group. The funding is unsecured and is repayable in September 2016. The coupon rate is 5.9% per annum and is fixed for the term of the loan. This paved the way for the committed banking facilities to be re-financed and this was completed shortly after year-end. The Group cancelled and repaid its existing bank facilities of £140.4m (2009: £144.9m) and now has a €130m committed loan facility with a syndicate of five leading banks. The facility is unsecured and is committed through to February 2015. The interest rate is variable and the margin varies according to the ratio of net debt to EBITDA and is 1.9% at the current and intended range of operations.

Both the private placement and the new committed loan facility require the Group to operate with an interest cover of at least 3 times and for net debt not to exceed 3 times EBITDA on a 12-month rolling basis. For the year ended 30 November 2010, interest cover was 5.2x (2009: 4.6x) and net debt/ EBITDA was 1.6x (2009: 1.9x). The aim of the Group is to operate below net debt/EBITDA of 2.0x.

To provide reasonable protection against interest rate and foreign currency volatility. The Group's strategy seeks a balance between fixed and floating rate borrowings, to achieve a reasonable effective interest rate whilst protecting the Group against material adverse changes in interest rates over the medium-term. At 30 November 2010, the Group had fixed the interest rates of £79.4m (2009: £45.7m) of debt representing 89% (2009: 38%) of its total gross external debt, the increase in the year being achieved through the private placement in September 2010.

The Group is exposed to movements in exchange rates for both foreign currency transactions and the translation of net assets and income statements of foreign subsidiaries. The Group regards its interest in overseas subsidiary companies as long-term investments and manages its translational exposures through the matching of assets and liabilities where possible. The private placement and the bank re-financing have provided a much better matching. The matching will be reviewed regularly and appropriate risk mitigation performed where necessary. The Group has exposure to a number of foreign currencies. The most significant transactional currency exposure is Euro/US dollar.

To develop and maintain strong and stable banking relationships. Strong working relationships are maintained with a core group of high-quality banks whose geographical

span of operations closely aligns to those of the Group. Five of these banks (The Royal Bank of Scotland, Barclays Corporate, KBC, ING and Comerica Bank) participated in the new €130m loan facility.

Pensions

The charges for pensions are calculated in accordance with the requirement of IAS 19 Employee Benefits. During the year the Group's UK benefit scheme, which accounts for 69% of the overall net liabilities, continued to adopt a lower risk investment strategy in which the interest rate and inflation risks were more closely hedged and the exposure to equities reduced to around 25% of the scheme's assets (2009: 29%). The deficit has fallen compared to 2009, principally due to additional cash contributions from the Group of £3.0m (2009: £3.0m) with the increase in expected returns from investments compensating for increasing the allowance for life expectancy.

Acquisitions

There have been no acquisitions or disposals in the period.

Foreign exchange rates

The key foreign exchange rates used by the Group are:

	Year end		Average	
	2010	2009	2010	2009
Euro	1.20	1.09	1.16	1.12
US \$	1.56	1.64	1.55	1.55

Accounting standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. In 2009/10, the only change which had a significant effect on the Group's financial statements related to the Amendment to IAS 1. Whilst this amendment changed the presentation of performance reporting, it has not affected the results reported.

A summary of other less significant changes and full details of accounting policies are provided on pages 50 to 57.

Share price

During the year, the Company's share price increased by 26% from 33.5 pence to 42.3 pence, compared to a 10% increase in the FTSE Small Cap index. The Company's shares ranged in price from 28.8 pence to 49.0 pence and averaged 36.2 pence during the year. The average number of shares in issue was 287.9m (2009: 250.4m), an increase of 15% due to the share issue in March 2009.



Steve Good
8 February 2011



Mike Holt
8 February 2011



Business Review

Principal Risks and Uncertainties

Risk

Global economic activity

The Group may be adversely affected by global economic conditions, particularly in its principal markets in mainland Europe and North America. The current depressed global economy and the volatility of international markets could result in reduced levels of demand for the Group's products, a greater risk of debtors defaulting on payment terms and a higher risk of inventory obsolescence.

Mitigating strategy

Local operating management are responsible for monitoring their own markets and are empowered to respond quickly to changing conditions. Production costs may be quickly flexed to balance production with demand, including the use of short-time working arrangements where available. Further actions, such as reducing the Group's cost base and cancelling or delaying capital investment plans, are available to allow continued profitability in the face of a sustained reduction in volumes.

The Group has a broad base of customers and no single customer represents more than 3% of total revenue. Group policies ensure customers are given an appropriate level of credit based on their trading history and financial status, and a prudent approach is adopted towards credit control. Credit insurance is used where available.

Risk

Organic growth and competition

The markets in which the Group operates are mature and highly competitive with respect to price, geographic distinction, functionality, brand recognition and the effectiveness of sales and marketing.

Mitigating strategy

The Group has chosen to operate in attractive niche markets within the technical textile industry, using proprietary technology to manufacture products which are important determinants of the performance and/or efficiency of our customers' final product or process.

Significant resources are dedicated to developing and maintaining strong relationships with our customers, and to developing new and innovative products which meet their precise needs.

The Board believes that these factors maintain its strong competitive position.

Risk

Raw material pricing

The Group's profitability can be affected by the purchase price of its key raw materials and its ability to reflect any changes through its selling prices. The Group's main raw materials are polypropylene, polyester, nylon, polyethylene and PVC. The prices of these raw materials are volatile, and they are influenced ultimately by oil prices and the balance of supply and demand for each polymer.

Mitigating strategy

The Group has a good level of expertise in polymer purchasing and uses a number of suppliers to ensure a balance between competitive pricing and continuity of supply.

The effect of raw material cost increases have in the past been successfully mitigated through improved operating efficiencies and higher selling prices.

Risk

Growth strategy

The Board believes that growth, both organic and through acquisitions, may be part of its strategy for the Group. The Board reviews such growth opportunities on an ongoing basis and its strategy is based on appropriate acquisition targets being available and on acquired companies being integrated rapidly and successfully into the Group.

Mitigating strategy

The current focus of the Group is on profitable, cash generative organic growth.

The senior management team is experienced and has successfully executed and integrated several acquisitions in the past.

Acquisitions would be made in existing or adjacent segments whose products and technologies are well understood, and only after extensive pre-acquisition due diligence. Acquisition proposals are supported by a detailed post-acquisition integration plan that is rigorously managed through to completion.



Risk

Laws and regulations

The Group's operations are subject to a wide range of laws and regulations, including employment, environmental and health and safety legislation, along with product liability and contractual risks.

Mitigating strategy

The Group's policy manuals ensure all applicable legal and regulatory requirements are met or exceeded in all territories in which it operates, and ongoing programmes and systems monitor compliance and provide training for relevant employees.

Product liability risks are managed through stringent quality control procedures covering review of goods on receipt and prior to despatch and all manufacturing processes. Insurance cover, appropriate for the nature of the Group's business and its size, is maintained. The Group also seeks to minimise risks through its terms and conditions of trading.

Risk

Funding risks

The Group, like many other companies, is dependent on its ability to both service its existing debts and to access sufficient funding to refinance its liabilities when they fall due and to provide sufficient capital to finance its growth strategy.

Mitigating strategy

The Group manages its capital to safeguard its ability to continue as a going concern, to optimise its capital structure and to provide sufficient liquidity to support its operations and the Board's strategic plans. The Group's borrowing requirements are continually being reforecast to ensure funding is in place to support its operations and growth plans. Compliance with the covenants associated with these facilities is closely monitored.

Risk

Treasury risks

Foreign exchange is the most significant treasury risk for the Group. The reported value of profits earned by the Group's overseas entities is sensitive to the strength of Sterling, particularly against the Euro and, to a lesser extent, the US Dollar. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and counterparty credit risk. These financial risks are discussed more fully in Note 19 to the accounts.

Mitigating strategy

Group policy ensures treasury activities are focused on the management of risk with high quality counterparties; no speculative transactions are undertaken. The Group uses financial instruments to manage the exposures that may arise from its business operations as a result of movements in financial markets.

Risk

Employees

The Group is reliant on its ability to attract and retain key employees.

Mitigating strategy

Employee retention and development is a key feature in ensuring the continued success of the Group. Employees are recruited and regularly appraised against a formal job specification. Formal policies cover all material aspects of employment and we are committed to high standards of health and safety at work, effective communication with employees and employee development.

Risk

Business continuity

The occurrence of major operational problems could have a material adverse effect on the Group.

Mitigating strategy

The Group has business continuity measures in place to minimise the impact of any disruption to its operations. These are supported by regular site visits from the Group Risk Manager and internal audit. Where appropriate, risks are partially transferred through insurance programmes.

Risk

Pension funding

The Group may be required to increase its contributions into its defined benefit pension schemes to cover an increase in the cost of funding future benefits or to cover funding shortfalls. The funding may be affected by poor investment performance of pension fund investments, changes in the discount rate applied and longer life expectancy of members.

Mitigating strategy

The main Group scheme is closed to new members; and assumptions, including funding rates, are set in line with the actuaries' recommendations. Regular dialogue takes place with pension fund trustees and the Board regularly discusses pension fund strategy.



Business Review

Corporate Social Responsibility

Environment:

One of the consistent and core objectives of the Group's environmental policy is to ensure that our manufacturing operations worldwide are managed responsibly, in materially full compliance with all relevant laws and regulations, and that environmental damage or nuisance does not, as far as is practicable, occur as a result of a failure of any control or process throughout our operations. The Group continually reviews and evaluates its processes and practices and, where possible, takes action to reduce any potential impact of its operations on the environment. Each of our businesses establishes an environmental policy which guides its activities.

Other key features of our environmental efforts across business units include reducing energy consumption, emissions and waste, increased use of sustainable or recycled raw materials and the operation of environmental management systems, including ISO 14001.

Technical Coated Fabrics

MTX has inaugurated its "eco-care" system to demonstrate its commitment to environmental issues and to bring the responsible way in which it deals with energy and resources, sustainable materials and recycling of coated textiles under one all-embracing label. The eco-care concept accompanies products throughout their lifecycle, including incorporation of ecological criteria in the selection of raw materials, the use of environmentally friendly production processes, the utilisation of recyclable packaging materials and in participation in the development of recycling systems.

MTX's R&D department has worked consistently on the use of ecologically harmless raw materials and the ongoing development of production methods that save on both energy and resources. The department bases its work in this area not only on the EU's REACH Directive, but also researches and tests substitutions of both ecologically and economically relevant materials. These efforts are accompanied by improved equipping of production facilities and system optimisation to avoid production waste.

MTX uses predominantly recycled materials for packaging, while the establishment of local storage facilities ensures not simply just-in-time deliveries for clients but also reduces transport activities, transport costs and environmental pollution.

Towards the end of the year, MTX launched a project to improve the efficiency of material usage for which the German government offers financial support. Its application for support has been approved and it is the intention to finalise this project within the first quarter of 2011.

MTX has set an ambitious target to recycle 100% of its waste and is already making good progress towards this target. The first area the business has tackled is re-use of the waste compound from its PVC coating process, to create new coating

material that has 70% recycled content which can be used to make grey standard tarpaulins. A second project has focused on recycling the waste edges from PVC coated material, which is trimmed before it is despatched to customers. Successful trials have taken place incorporating this waste in low cost tarpaulins and the aim is to eventually use the recycled waste in all coating materials.

Performance Technical Textiles

Bonar Technical Fabrics focuses its efforts on use of "green" energy, the reduction of energy use and emissions, the replacement of virgin raw materials by recycled ones where possible and the minimisation of waste. All production processes operate according to the environmental management system ISO 14001.

All electrical consumption across the Bonar Technical Fabrics sites in Belgium for to 2011 to 2012 will be provided from renewable energy sources such as wind, geothermal and hydro power. This initiative is expected to result in a reduction of up to 12,500 tonnes in carbon emissions for the current year and next, substantially reducing the company's ecological footprint. Many of Bonar Technical Fabrics' products are designed to improve or minimise damage to the environment. Geotextiles have many environmental protection applications: soil stabilising fabrics assist with erosion control, riverbank reinforcement and slope protection; and filtering fabrics prevent contamination from landfills and have applications in water purification. Agrotextiles help growers to increase yields with less water and energy, making better use of increasingly scarce resources: greenhouse screens save energy; weed-controlling groundcovers make pesticides unnecessary; "aquaflex" groundcovers optimise the use of water thanks to their water retention and distribution features. A new initiative in the agrotextiles range will see the launch in 2011 of a fully bio-based groundcover, completely produced from annually renewable resources (principally corn).

Bonar Yarns aims to reduce the environmental impact of all its operations. It operates an environmental management system within the framework of ISO 14001 - documented and maintained environmental evaluation and legislative control systems are in place which are relevant to the products, processes and substances used. Use of artificial grass can reduce water consumption and the use of energy to produce it and the emissions from such production.

Colbond is seeking to further develop its leading position in the broad use of recycled and sustainable raw materials, optimise its manufacturing technologies in order to further reduce the consumption of energy, whilst improving process functionality, and seeking opportunities to switch to clean and renewable energy sources. It is also actively pursuing redirection of waste streams into reuse and recycling alternatives with the elimination of waste as the ultimate goal.



Case Study

Colbond to launch Colback® Green, its 100% sustainable carpet backing



Colback® Green is a high performance carpet backing made from 100% sustainable raw materials. It contains recycled polyester and polyamide-6 generated from waste carpet, creating a unique recycling loop. Colback® Green will be launched at Domotex 2011.



Business Review

Corporate Social Responsibility continued

It also seeks to provide the most ecologically benign product lines available for customers' applications and to develop solutions that promote environmentally sustainable products within its core markets.

It has announced an extension of its Colback® range of environmentally sustainable carpet backings and bituminous roofing membrane reinforcements. Its entire range of standard product types is now available in recycled polyester variants, whilst still delivering the same cost-effective high performance as traditional Colback® types. The new Colback® range extends the Group's leadership in the field and significantly strengthens its competitive edge as it can offer the recycled content versions at the same price points as virgin raw material Colback® types.

Colbond has recently announced the launch of Colback® Green, a high performance carpet backing made of 100% sustainable raw materials and delivering the same high performance as traditional Colback® products. It contains post-consumer recycled polyester and polyamide-6 generated from carpet waste and creates the first recycling loop for the face side of carpet tiles and broadloom carpet.

Colbond has also increased the use of recycled materials in its Colbondrain® range of products during the year. This is a pre-fabricated vertical drain for accelerated soil consolidation in civil engineering projects which has a patented high performance drainage core made of polyolefin from recycled bottle caps and labels. Colbond also offers EnkaRetain & Drain® a drainage, protection and insulation layer developed to suit the demands of the growing North American green roof market, with a composite made from post-industrial recycled polypropylene.

Colbond has also launched major initiatives to make even more efficient use of resources: measures to significantly increase fleecing process efficiency to lower air consumption; the installation of new low-energy humidification units; investment in a new boiler to reduce steam consumption; and the appointment of energy engineers in its plants and projects to reduce water consumption are examples.

In seeking to minimise waste for customers, Colbond is taking advantage of its two-step Colback® manufacturing process which allows production of tailor-made widths. The Detection Cut Compensate (DCC) system on the Colback® fleecing lines reduces length waste.

The Colback® Pro product line allows for 20% energy reduction for customers via lowering of temperatures during molding of car carpets, a 5 to 10% reduction in raw materials via pre-stretching before molding and a 25% energy reduction during production of Colback® Pro due to lower bonding temperatures.

Colback® can also be used as high-performance support layer for filtration media and activated carbon layers which increases efficiency and durability of the finished product and is suitable for both air and liquid filtration media helping to reduce the impact of environmental pollution.

Social and community issues: *Management of health & safety*

The health and safety of our employees and others who may be affected by the Group's operations remains an integral part of line management responsibility. Each location has designated personnel to ensure that health and safety issues are given proper attention. The communication of health and safety matters with employees remains core to ensuring that health and safety issues are integral to operations and that standards continue to improve within the Group. The Board does not see any accident as acceptable and has requested the Environmental, Health & Safety Committee to reinforce the Group's zero-tolerance approach to accidents across all activities carried out in its operations and work practices.

During the year, two employees were very sadly killed in separate incidents at the Group's plants in Lokeren in Belgium and Yizheng in China. The accident in Belgium occurred in February 2010, and, since the event, the Group has worked closely with local regulators to determine the causes of the accident in which the deceased employee was, at the time of accident, undertaking an unplanned activity outside the normal course of his job. There has, of course, been a wide-ranging internal investigation into the incident. Although the machine involved carried the appropriate CE Safety certificate and the production risk assessments had been carried out, the hazard associated with the unexpected activity being carried out at the time of accident had not been identified and immediate remedial action was taken to ensure that a similar accident should not happen again anywhere across the Group's operations. A full review of all similar machinery and activities across the Group is continuing with local action plans in place to ensure that all machinery and work activities are as safe as possible. The Group has received confirmation that no enforcement or punitive action will be taken by authorities in relation to the machine or work practices in use at the time. The incident in China occurred in November 2010 and involved an employee who, although not involved in vehicle movement or unloading procedures, became trapped when a supplier reversed a vehicle into position. There has been another wide-ranging internal investigation into the incident. A full review of procedures and physical environments relating to loading and unloading of vehicles at plants across the Group is underway with the intention to achieve best practice across all facilities. The Group's commitment to providing a safe working environment for all our employees and to ultimately eradicating all workplace accidents has been intensified as a result of this year's tragic accidents.

The Group continues to extend offers of assistance and support to the families concerned.



The Board and the Environmental, Health & Safety Committee, a sub-committee of the Risk Oversight Committee, actively review and monitor detailed statistical performance from each site within the Group, detailing accidents and incidents to identify trends and focus on areas where improvements are required. In some instances, such a review has led to an in-depth health and safety audit at specific sites and on specific machinery, involving on-site management and external specialists. Where appropriate, action plans were developed during the year from these audits which have already resulted in improvements to accident rates and risk control performance. Details of accidents and incidents are communicated between locations as appropriate in order that preventative action can be taken.

In the year to 30 November 2010, the Group had a combined rate, for the Group as a whole, of 1,553 accidents per 100,000 employees against the EU manufacturing sector rate of 3,463 per 100,000 employees. Towards the end of the year the Group moved to change the benchmark against which it measures its performance on health and safety matters to a more demanding benchmark with the aim of reaching "best in class" standards by 2013. The Environmental, Health & Safety Committee, through divisional management, has been tasked with developing action plans for each division to achieve this challenging target within the stated overall aspiration of zero accidents within Group operations.

Risk management and health and safety issues are also reviewed in a rolling programme of visits to each location by the Group Risk Manager. The Group Risk Manager works closely with the Group's insurance risk surveyors and the Group's insurance brokers, and their recommendations form an integral part of internal audit reviews. The insurers' surveyors visited five of the Group's sites in the year. No significant issues were raised and any minor actions identified were addressed locally.

The Group values its partnership with its insurers' risk specialist and its insurance brokers and works in partnership with them to develop agreed steps for the continuing process of improvement of potential risk controls.

Community issues

The Group continues to encourage its various businesses to engage with the communities in which they operate. For example MTX was featured in an advertising film for the community in Hückelhoven (the site of one of its production facilities), invited a local fire brigade to perform a training exercise in its premises and also donated coated fabrics to a local kindergarten. Colbond had all of its stationery, brochures and samples produced by organisations employing disabled people at their workshops. The Asheville site made food donations at Christmas in conjunction with the Enka High School FFA and a donation was made to a Peruvian charity from the Arnhem site after twenty Colbond employees participated in a 10K run in Arnhem.

Case Study

Duracover: the first Bonar fully-bio-based groundcover



Bonar Technical Fabrics has developed Duracover, a biodegradable groundcover fabric produced from renewable sources. Duracover combines the ecological and aesthetic benefits of a bio-based fabric with the durability and flexibility of a synthetic groundcover. Duracover is designed for use in landscaping, weed control and preservation of green spaces.



Board of Directors



1. Martin Flower

Non-Executive Chairman (64)

Appointed as a Non-Executive Director in January 2007. Chairman of Croda International Plc and a non-executive director of The Morgan Crucible Company plc. Previously he was Chief Executive of Coats plc, a company in which he spent his entire executive career having joined in 1968. Former deputy Chairman of Severn Trent Plc and formerly Chairman of Alpha Group plc. A member of the Remuneration and Nomination Committees. Mr Flower was appointed Chairman on 30 June 2010.

2. Steve Good

Group Chief Executive (49)

Appointed as a Director and Group Chief Executive in September 2009. Joined Low & Bonar in 2004, serving first as the Managing Director of its Plastics Division, until its sale in 2005, and then as Director of New Business helping to shape the Group's strategy. From 2006 to 2009, he was Managing Director of the Technical Textiles Division, which has been the sole business activity of Low & Bonar since the disposal of the Floors Division in 2008. Prior to joining Low & Bonar, he spent 10 years with Clariant (formerly BTP plc) in a variety of leadership positions managing international speciality chemical businesses. He is a chartered accountant and a member of the Nomination Committee.

3. Mike Holt

Group Finance Director (50)

Joined Low & Bonar as Group Finance Director on 22 November 2010. A chartered accountant, he was previously Group Finance Director of Vp plc for six years and, prior to that, held a number of senior financial positions with Rolls-Royce Group plc within the UK, the USA and Hong Kong. He is a trustee and treasurer of Target Ovarian Cancer.

4. Steve Hannam

Senior Non-Executive Director (61)

Appointed as a Non-Executive Director in September 2002. Chairman of Devro plc, and an operating partner with Advent International plc. Formerly non-executive director with Clariant AG, Chairman of Aviagen International Inc., non-executive director of AZ Electronic Materials Services Limited and Group Chief Executive of BTP Chemicals plc. Senior Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

5. Folkert Blaisse

Non-Executive Director (65)

Appointed as a Non-Executive Director in January 2007. Chairman of Colbond between 2004 and 2006 until the business was acquired by Low & Bonar in July 2006. A director of Acordis Beheer BV, non-executive director of Cordenka Investments BV and of Corsadi BV and Chairman, Leiden University Fund. He was previously Chief Executive Officer of Acordis from 1999 to 2006 and, from 1971, held several senior roles at Akzo Nobel, culminating in his appointment in 1998 as Executive Board member of Akzo Nobel NV. A member of the Audit, Remuneration and Nomination Committees.

6. Chris Littmoden

Non-Executive Director (67)

Appointed as Non-Executive Director in February 2005. A chartered accountant, he was previously a main board director of Marks & Spencer PLC for eight years. Since leaving Marks & Spencer, he has held several non-executive positions. Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.



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Governance

Report of the Directors

The Directors present their report and the accounts of the Company and the Group for the year ended 30 November 2010.

Principal activities

The Report of the Directors should be read in conjunction with the Business Review, which forms part of this report and contains details of the principal activities of the Group during the year and an indication of likely future developments.

Business review

The Company is required to set out in this report a fair review of the development of the business of the Group during the financial year ended 30 November 2010 and of the position of the Group at the end of that financial year and a description of the principal risks and uncertainties facing the Group (known as a "Business Review"). The information that fulfils the requirements of the Business Review can be found in the Business Review on pages 6 to 23.

Results and dividends

The Group's consolidated profit for the year attributable to equity holders of the Company was £6.3m (2009: £0.6m loss).

The Company paid an interim dividend for the year ended 30 November 2010 of 0.5 pence per share on 30 September 2010 to Ordinary Shareholders whose names appeared in the register at the close of business on 3 September 2010. The Directors recommend that a fixed dividend of 1.1p (2009: 0.8p interim dividend in lieu of final) be paid on 21 April 2011 to Ordinary Shareholders on the register at close of business on 25 March 2011.

Dividends	2010	2009	% Increase
Interim	0.5	–	–
Final	1.1	0.8	38%
Total	1.6	0.8	100%

Directors

The present Directors of the Company are shown on page 24. They all held office throughout the financial year under review, save for Mike Holt, who was appointed as Group Finance Director on 22 November 2010. Duncan Clegg, formerly Chairman, left the Board on 30 June 2010. Kevin Higginson, formerly the Group Finance Director, left the Board on 24 August 2010.

The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. The Company has executed deeds of indemnity for the benefit of each Director of the Company in respect of liabilities which may attach to them in their capacity as Directors of the Company or of associated companies. These provisions, which are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006, were entered into in June 2009 (September 2009 for Steve Good and November 2010 for Mike Holt) and are currently in force.

Re-election of Directors

Martin Flower retires by rotation and, being eligible, offers himself for reappointment. Mr Flower was appointed as a Non-Executive Director of the Company in January 2007 for an initial term of three years and was reappointed in December 2009. His term as Chairman began on 30 June 2010. Mr Flower's appointment may be terminated by either him or the Company giving six months' notice in writing.

Steve Hannam retires by rotation and, being eligible, offers himself for reappointment. Mr Hannam's appointment may be terminated by either him or the Company giving six months' notice in writing. Mr Hannam was appointed as Non-Executive Director of the Company in September 2002 for an initial term of three years and was last reappointed in 2008. Mr Hannam's reappointment has taken into account his performance and commitment to the role, the need for progressive refreshing of the Board and the Company's overall corporate governance standards. The Board continues to believe that it benefits substantially from Mr Hannam's experience and expertise and notes that he will be subject to annual re-election hereafter.

Mike Holt was appointed in November 2010 and, in accordance with the Articles of Association and being eligible, offers himself for reappointment.

Directors' interests

Directors' interests in shares and debentures of the Company are shown on page 39.

Substantial interests

At the date of this report, the Company's register of substantial shareholdings showed the following interests in 3% or more of the Company's issued Ordinary Shares:

Aberforth Partners LLP	47,681,766	16.56%
Hermes Fund Managers Limited	41,947,062	14.57%
M & G Investment Management Ltd.	34,921,491	12.13%
Schroder Investment Management Ltd. (SIM)	29,745,801	10.33%
AXA (Institutional Group)	23,766,279	8.25%
Standard Life Investments Ltd.	15,254,012	5.30%
Legal & General Investment Management Ltd. (UK)	10,602,517	3.68%

Ordinary share capital

Details of the Company's issued share capital at 30 November 2010 and of options granted and shares issued pursuant to the Company's employee share option schemes and long-term incentive plans are shown in Note 23 to the accounts.

Annual General Meeting

The Annual General Meeting will be held at The Cumberland Hotel, Great Cumberland Place, London W1A 4RF on 31 March 2011 commencing at midday. The notice of meeting is contained in the separate booklet which is enclosed. The booklet contains the text of the resolutions to be proposed and explanatory notes concerning the proposals to authorise the Directors to allot relevant securities and to allot equities for cash other than on a pre-emptive basis.

Going concern

Having reviewed the medium-term forecasts and compared the cash flow with available bank facilities, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

Employment of disabled persons

It is the policy of the Group to give full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities; and wherever possible to continue the employment of, and to arrange appropriate training for, employees who have become disabled during the period of their employment. The Group provides the same opportunities for training, career development and promotion for disabled persons as for other employees.

Employee involvement

The Group's overall policy is to keep employees informed on matters of concern to them and to encourage employee involvement. This policy is implemented in a wide variety of ways, which are reported on by the Group's businesses, including the regular publication of a Company newsletter, "Your Low & Bonar", which is translated into the main languages of our employees at least twice a year, and regular meetings with employees' representatives.

Payment of suppliers

The Company's policy and practice is to pay agreed invoices in accordance with the terms of payment agreed with suppliers at the time orders are placed. As the Company is a holding company, it has no trade creditors.

Charitable and political contributions

The Company made charitable donations totalling £10,000 in 2010 (2009: £nil).

Essential contracts

The Company has a number of significant agreements, however the only agreements considered to be essential to the Group as a whole are its bank facilities and private placement notes, which include change of control provisions. In the event of a change in ownership of the Company, these provisions could result in renegotiation or withdrawal of the relevant facilities.

Information to the auditor

The Directors who held office at the date of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and that each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG Audit Plc have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Matthew Joy
Company Secretary
8 February 2011

Governance

Corporate Governance

This report explains how the Company complied with the provisions of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council (FRC) in June 2008. The Company is committed to maintaining high standards of corporate governance and to applying the principles of good governance as now set out in the UK Corporate Governance Code published by the FRC in June 2010 and which has been applicable to the Company from 1 December 2010. The Directors can confirm compliance throughout the year with the revised Combined Code with the exception of the Nomination Committee, which until July 2010 did not comprise a majority of independent non-executive directors. Prior to July 2010, whilst the Nomination Committee, which comprised at that time the Chairman, a Non-Executive Director and the Group Chief Executive, led the process of Board appointments, the Chairman would consult with all the Directors on a regular basis throughout the process. In the opinion of the Board at that time, the constitution of the Committee was therefore appropriate given the size of the Board and the process undertaken for Board appointments. This position was reviewed and revised following the appointment of Mr Flower as Chairman, and the Nomination Committee now complies with the revised Combined Code.

The Board

The Group is controlled through its Board of Directors. The Board's main objectives are to create value for shareholders, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable it to meet those objectives.

The Board has a formal schedule of reserved powers which it retains for Board decision-making on a range of key issues, including the formulation of Group strategy, the approval of the annual budget, the approval of reported financial statements and dividends, the approval of acquisitions, divestments and significant items of capital expenditure and the Group's risk management strategy.

The roles of the Chairman and Group Chief Executive

The roles of the Chairman and the Group Chief Executive are separate and clearly defined and were reassessed at the time that Mr Flower became Chairman. The Chairman is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of shareholders. The Group Chief Executive is responsible for leadership of the business and implementation of strategy.

Directors and Directors' independence

The Board currently comprises a Non-Executive Chairman, three independent Non-Executive Directors and two Executive Directors. The names of the Directors, together with their biographical details, are set out on page 24.

A Non-Executive Director, Martin Flower, chairs the Board. The Group Chief Executive is Steve Good and the Senior Independent Non-Executive Director is Steve Hannam.

The independent Non-Executive Directors challenge constructively and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Board believes that an effective balance of power and authority is maintained through the number and calibre of Non-Executive Directors. All Directors have access to the advice and services of the Company Secretary and there is an agreed procedure for Directors to take independent professional advice at the Company's expense.

Details of Martin Flower's professional commitments are included in his biography. The Board is satisfied that these are not such as to interfere with the performance of the Chairman's duties for the Group, which are based around a commitment of at least one day and no more than two days per week.

The Chairman and the Non-Executive Directors are not employees of the Group.

The Board considers that Steve Hannam, Chris Littmoden and Folkert Blaisse, the Non-Executive Directors, are independent in character and judgement.

All Directors are required to offer themselves for re-election at least once every three years.

Professional development and performance evaluation

The Board has adopted a policy of providing appropriate training for all new Directors who have not previously received such training. A personal induction programme is provided for each new Director, depending on the experience and needs of the individual. On appointment, they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and management committees, and the powers delegated to those committees, and the latest financial information about the Group. This is supplemented by visits to key locations and meetings with key senior executives.

The Board has established a process, led by the Chairman, for the annual evaluation of the performance of the Board and its principal committees. A list of questions is drawn up by the Chairman with the assistance of the Company Secretary. These questions provide a framework for the evaluation process. During the year, the Chairman held meetings with the Non-Executive Directors without the Executive Directors being present. The Senior Independent Non-Executive Director conducts the annual performance evaluation of the Chairman, taking into account the views of all Directors.

Information and meetings

The Board meets regularly to review the performance of the Company and to formulate strategy and is supplied in advance of each meeting with an agenda and papers covering the financial and operating performance of the Group's businesses and other matters to be considered at the meeting. These papers are supplemented by information specifically requested by the Directors from time to time. Other members of senior management attend the Board meetings from time to time to present to the Board on the performance of businesses within the Group.

The full Board had 10 scheduled meetings during the year and all Directors who served throughout the year attended each scheduled meeting. Duncan Clegg ceased to be a Director on 30 June 2010 and Kevin Higginson ceased to be a director on 24 August 2010 and neither of them attended the meetings held following their resignations. No meeting was held between the date of Mike Holt's appointment and the end of the year. One of the Board meetings was held at the Group's manufacturing facilities in the Netherlands. The scheduled Board meetings concentrate on strategy, financial and business performance. Additional meetings, including of certain ad hoc committees, were called during the year to deal with specific matters.

In accordance with the Combined Code, the Board has established Audit, Remuneration and Nomination Committees. All of the committees have written terms of reference, approved by the Board. The terms of reference of the committees are available on the Company's website on the following link: <http://www.lowandbonar.com/investor-centre/corporate-governance.aspx>, or on request from the Company Secretary. The Board has also established a Risk Oversight Committee which is discussed in more detail on page 31.

Conflicts

A director has a duty under the Companies Act 2006 (the "Act") to avoid a situation in which he has or can have a direct or indirect interest that conflicts or possibly may conflict with the interests of the company. The Act allows directors of public companies to authorise conflicts and potential conflicts where the Articles of Association contain a provision to that effect and the Company's Articles of Association include such provisions. The Board considers each Director's conflicts or potential conflicts of interest. Only Directors that have no interest in the matter under consideration take the relevant decision. In addition, the Board considers each conflict situation separately on its particular facts; considers the conflict situation in conjunction with the rest of a Director's duties under the Act; keeps records and Board minutes as to authorisations granted by Directors and the scope of any approvals given; and regularly reviews conflict authorisations (at least annually). In addition, the Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate.

Audit Committee

The Audit Committee currently comprises Steve Hannam, Chairman of the Committee, Chris Littmoden and Folkert Blaisse (who was appointed to the Committee on 6 July 2010 following Mr Flower leaving the Committee on becoming Chairman). The Committee is made up entirely of independent Non-Executive Directors. The Committee collectively has the skills and experience required to fully discharge its duties, and has access to independent advice at the Group's expense. Chris Littmoden is considered by the Board to have recent and relevant financial experience.

The Audit Committee meets at least three times a year. It is responsible for assisting the Board to discharge its duties with regard to the Group's financial affairs and for reviewing with the external auditors the adequacy of the Group's accounting and financial and operating controls. The Committee is responsible for monitoring and controlling the effectiveness of the external audit process and making recommendations to the Board in relation to the appointment and reappointment of the external auditors.

The current overall tenure of the external auditor dates from 1975. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. There are no contractual obligations that restrict the Company's current choice of external auditor.

Following a review by the Audit Committee in 2008, which included a re-tender presentation from the external auditor, the Board agreed in February 2009 to recommend the re-appointment of the external auditor to shareholders at the Annual General Meeting in 2009 for a period of one year. Following a similar review, but without a re-tender, the Board is making a similar recommendation for the Annual General Meeting in 2011 (as it did last year).

The Audit Committee is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees. It has developed and implemented a policy on the supply of non-audit services by the external auditor to ensure their continued objectivity and independence. The Committee is satisfied that the provision by KPMG Audit Plc of non-audit services currently provided does not impair their independence or objectivity. The Audit Committee has approved the range of services that may be provided by KPMG Audit Plc. These include taxation compliance services, transaction due diligence and accountancy assistance on projects. Subject to approved authorisation limits, the services require prior authorisation from either the Group Finance Director, the Chairman of the Audit Committee or the full Audit Committee. The Committee is satisfied that the majority of the tax services supplied by KPMG Audit Plc during the year were compliance related or related principally to foreign advisory work that required a detailed understanding of the Group and which did not impair their independence.



Governance

Corporate Governance continued

The Audit Committee met on three occasions during 2010 and those meetings were attended by all of the Committee members. The meetings of the Committee coincide with key dates in the financial reporting and audit cycle. The external auditor, KPMG Audit Plc, and the Group Internal Auditor, who reports directly to the Audit Committee, attend all of the meetings.

The Chairman, Group Chief Executive and Group Finance Director also generally join at least part of Audit Committee meetings by invitation.

The Committee Chairman may call a meeting at the request of any member, the Company's external auditor or the Group Internal Auditor. The Audit Committee meets privately with the external auditor and the Group Internal Auditor at least once a year.

In 2010, the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditor;
- reviewing the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks on the accounts, confirmations of auditor independence and the proposed audit fee;
- reviewing an annual report on the Group's system of internal control and its effectiveness and reporting to the Board on the results of the review; and
- receiving regular reports from the Group Internal Auditor following operational audits.

The Audit Committee is entitled to obtain, at the expense to the Company, such external advice as it sees fit on any matters falling within its terms of reference.

Remuneration Committee

The Remuneration Committee currently comprises the following Non-Executive Directors of the Company, all of whom are considered by the Board to be independent, with the exception of Martin Flower: Chris Littmoden (Chairman of the Remuneration Committee); Steve Hannam; Martin Flower; and Folkert Blaisse. The Remuneration Committee met on four occasions during the year ended 30 November 2010 and those meetings were attended by all of the Committee members, with the exception of Mr Flower who attended the one meeting held after he joined the Committee in July 2010.

The Committee is responsible for recommending to the Board the Company's broad policy for executive remuneration, including both short-term and long-term incentive arrangements, and for reviewing, at least annually, the entire remuneration packages of the Executive Directors and certain other senior executives of the Group. The Committee is also responsible for recommending the Chairman's remuneration to the Board. The Committee is entitled to obtain, at the expense of the Company, such external advice as it sees fit on any matters falling within its terms of reference.

Nomination Committee

Since July 2010, the Nomination Committee has comprised the Chairman, the Group Chief Executive and the three Non-Executive Directors. Prior to that date, only the Chairman, the Group Chief Executive and one Non-Executive Director were members. The Nomination Committee met on three occasions during the year ended 30 November 2010 and those meetings were attended by all of the committee members at the relevant time.

Prior to July 2010, the constitution of the Nomination Committee did not comply with the revised Combined Code as it did not comprise a majority of independent Non-Executive Directors. Whilst the Nomination Committee lead the process of Board appointments, the Chairman consulted with all of the Directors on a regular basis throughout the process, although the Senior Independent Non-Executive Director oversaw this process in relation to the appointment of Mr Flower as Chairman. All appointments were also subject to the review and approval of the full Board and all Directors were invited to meet with a candidate before their appointment was recommended to the Board.

The Committee, which is established with formal written terms of reference, is responsible for regularly reviewing the structure, size and composition of the Board compared to its current position and for making recommendations to the Board with regard to any changes, including recommending candidates for appointment as both Executive and Non-Executive Directors. Appointments are discussed fully before a proposal is made to the Board. The selection criteria are agreed by the Committee Chairman in conjunction with his colleagues. Use is made of independent recruitment consultants and the final appointment rests with the full Board.

Relations with shareholders

The Company maintains good communications with its shareholders through its Interim and Annual Reports and through information posted on its website at www.lowandbonar.com. The Company holds regular meetings throughout the year with major shareholders, analysts and the financial press, in particular following the announcements of its interim and full year results. Visits for analysts and large shareholders are also arranged from time to time to operating units. The Company's Annual General Meeting is used as an opportunity to communicate with private investors. Shareholders attending the Annual General Meeting are invited to ask questions and to meet with the Directors informally after the meeting. Martin Flower, as Chairman of the Board and Nomination Committee, Steve Hannam as Senior Independent Non-Executive Director and Chairman of the Audit Committee, and Chris Littmoden as Chairman of the Remuneration Committee, will answer questions, as appropriate, at the Annual General Meeting. Shareholders are given the opportunity to vote separately on each proposal. The numbers of proxy votes cast in respect of each resolution are announced after the resolution has been voted on by a show of hands. Full details of all proxy votes, indicating the number of shares in respect of proxy appointments and votes for, against and withheld, are displayed on the Company's website immediately following the completion of the Annual General Meeting.

Notice of the Annual General Meeting is sent to shareholders at least 20 working days prior to the date of the meeting.

Internal control

The Directors acknowledge their responsibility for the systems of internal control within the Group. The purpose of these systems is to provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Group. The Board has also reviewed in detail the areas of major risk that the Group faces in its operations. It has noted and is satisfied with the current control mechanisms and reporting lines that have been in place throughout the year. However, no system of control can provide absolute assurance against material misstatement or loss. In carrying out their review, the Directors have regard to what controls in their judgement are appropriate to the Group's businesses, to the materiality and the likelihood of the risks inherent in these businesses and to the relative costs and benefits of implementing specific controls.

In recognition of its responsibility for risk issues, the Board has reviewed the key risks associated with the business and will continue to do so as a regular agenda item at its meetings in the coming year. The Group also views the careful management of risk as a key management activity. During 2010, the Group's work in the area of risk management was facilitated by the Risk Oversight Committee. Its membership comprises the Group Chief Executive, the Group Finance Director, the Deputy Group Finance Director and the other members of the Executive Management Team, the Head of Internal Audit and the Head of Legal Affairs. Health and safety and environmental matters are overseen by a sub-committee, known as the Environmental, Health & Safety Committee, which is chaired by the Group Risk Manager. The Risk Oversight Committee meets at least three times a year and operates under formal terms of reference established by the Board and initiates, directs, delegates and oversees all risk management activities within the Group and provides a forum to investigate the effectiveness of current control strategies and develop specific action plans for remedial work where it considers this to be necessary in relation to financial and operational controls, as does the Audit Committee. The Risk Oversight Committee is committed to continuing to develop and embed risk management processes within the Group and focuses on the risk management process with the following objectives:

- to raise the level of management awareness and accountability for the business risks experienced by the Group;
- to develop risk management as part of the culture of the Group;
- to provide a mechanism for risk management issues to be discussed and disseminated to all areas of the Group;
- to develop management of environmental, social and governance ("ESG") risks as part of the culture of the Group; and
- to approve new Group-wide tools and techniques to assist in the management of risk.

The Risk Oversight Committee is specifically charged with developing Group management of, and policy towards, ESG risks so that the Board may take account of their significance to the business of the Group in both the short and long term and to ensure that the Group has in place effective systems for managing and mitigating significant ESG risks, including appropriate key performance indicators.

Governance

Corporate Governance continued

The Board, the Audit Committee and the Remuneration Committee receive reports on the work of the Risk Oversight Committee and reports from management on internal controls on a regular basis. The Risk Oversight Committee receives reports from the Environmental, Health & Safety Committee and reports on relevant matters to the Board. The Group Risk Manager, who deals with health, safety and environmental issues, reports to the Risk Oversight Committee in his capacity as chairman of the Environmental, Health & Safety Committee. The Head of Internal Audit has a direct reporting line to the Audit Committee and attends Audit Committee meetings by invitation.

In addition to the risk review process and the internal audit function, the Group operates within an established internal financial control framework, which can be described under three headings:

- Financial reporting. There is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year, which are prepared regularly.
- Operating unit controls. Financial controls and procedures, including information system controls, are detailed in the Group Policies and Procedures Manual. All operating units are required to confirm annually their compliance with policies and procedures set out in the manual (including those relating to health, safety and the environment), local laws and regulations and report any control weaknesses identified in the past year. Independent confirmation of compliance is obtained annually for selected operating units.
- Investment appraisal. The Group has clearly defined guidelines for capital expenditure which are also set out in the Group Policies and Procedures Manual. These include detailed appraisal and review procedures, levels of authority and post-completion audits. Where businesses are being acquired, detailed due diligence is undertaken in advance of acquisition.

The Company is committed to ensuring that all employees comply with all anti-trust legislation. To ensure that relevant employees are aware of the issues and receive the appropriate level of training and information, the Group has a personalised online anti-trust compliance training programme which all relevant personnel within the Group are required to complete on a regular basis.

The continued development and implementation of the risk management and internal control system across the Group has allowed the Directors to comply with the revised Combined Code provisions on internal control in the course of the financial year ended 30 November 2010.



Directors' Report on Remuneration

The Remuneration Committee (the "Committee") has adopted the principles of good governance relating to directors' remuneration as set out in the revised Combined Code. This report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules made by the United Kingdom Listing Authority. These regulations require the Company's auditor to report on the "audited information" within the report and to state if this section of the report has been properly prepared in accordance with the regulations. This report has therefore been divided into separate sections for unaudited and audited information.

The report covers the remuneration policy for Directors and includes specific disclosures relating to Directors' emoluments, their shares and other interests. This remuneration report is being put to shareholders at the forthcoming Annual General Meeting for an advisory vote. The vote will be in respect of the remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration.

Part 1: Unaudited Information

1. The Remuneration Committee

The Committee currently comprises the following Non-Executive Directors of the Company: Chris Littmoden, Chairman of the Committee; Folkert Blaisse; Martin Flower; and Steve Hannam. All of the Committee members, with the exception of Mr Flower, are considered by the Board to be independent. Mr Flower became a member of the Committee only on 6 July 2010 and, while it is no longer appropriate to apply the test of independence to him following his appointment as Chairman, based on the guidance included in the Corporate Governance Code, he was considered by the Board to be independent on his initial appointment as a Non-Executive Director.

The Group Chief Executive and the Group Finance Director may be invited to attend meetings of the Committee. The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisers. During the year, the Committee sought advice from Hewitt New Bridge Street ("HNBS") and Freshfields Bruckhaus Deringer. The Group Chief Executive, the Group Finance Director and the Company Secretary also assist the Committee, except in relation to their own remuneration. HNBS has no connection with the Company other than in the provision of advice in relation to executive remuneration and nor does Aon Corporation, the ultimate parent company of HNBS. Freshfields Bruckhaus Deringer provides legal advice to the Company on matters other than remuneration on a regular and continuing basis.

The Committee's remit is set out in the terms of reference which are approved by the Board. A copy of the terms of reference is available on the Company's website. In 2010, the Committee recommended to the Board the broad policy for the remuneration of the Chairman, the Executive Directors and other senior executives.

2. Remuneration policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors and senior executives properly reflects their duties and responsibilities and is sufficient to recruit, retain and motivate high-quality executive talent, whilst aligning the interests of senior executives as closely as possible with the interests of shareholders. The remuneration of the Executive Directors has been structured to provide a significant performance-related element linked to the achievement of stretching performance targets.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosures, the Committee considers whether the incentive policies for Executive Directors and senior executives will raise any ESG issues or risks by inadvertently motivating irresponsible behaviour. More generally, the Committee also takes into account the principles of sound risk management when setting pay policies (with regular liaison between the Audit and Remuneration Committees where appropriate) and is satisfied that the current remuneration structure at Low & Bonar is appropriate. In reaching this conclusion, the Committee took into account the long-term incentive awards made during the year and those that remain outstanding under previous awards. The Committee will continue to ensure that an appropriate proportion of the total package remains subject to long-term performance requirements.

When setting Executive Directors' pay, the Committee takes due account of remuneration levels elsewhere in the Group (for example, consideration is given to the overall salary increase budget and incentive structures that operate across the Group).

Governance

Directors' Report on Remuneration continued

The main components of remuneration of the Executive Directors are as follows:

	Objective	Performance period	Policy
Basic salary	To position at a competitive level for similar roles in comparative international manufacturing companies and companies from across all FTSE sectors	Annually	Individual pay levels determined by reference to performance, skills and experience in post. Consideration given to the wider pay levels and salary increases across the Group
Performance – related bonus	To incentivise delivery of performance objectives	One year	Bonus payments are based on the achievement of challenging financial targets
Long-Term Incentive Plan	To drive performance, aid retention and align the interests of Executive Directors with shareholders	Three years	50% of any award is subject to EPS growth. The remaining 50% is subject to the relative total shareholder return ("TSR") of the Company compared against the constituents of an appropriate FTSE index
Share ownership guidelines	To align interests of Executive Directors with shareholders	Ongoing	Executive Directors are encouraged to retain 50% of the after-tax number of vested long-term incentive awards until a shareholding of 100% of salary is achieved (applicable to awards granted from 2011 onwards)
Other benefits	To provide competitive benefits in line with market practice	Ongoing	Executive Directors receive a car allowance, private health insurance, death in service cover and a pension contribution. They may also join the SAYE share scheme

i) Basic salary – Executive Directors

The Committee considers the individual's role and responsibilities, performance, skills, experience and pay levels in similar roles in comparative international manufacturing companies and, more generally, companies from across all FTSE sectors. For guidance, the Committee sources relevant comparative pay data from its advisers (as appropriate). Furthermore, due consideration is also given to the wider pay levels and salary increases being proposed across the Group.

In terms of the salary levels of the current Executive Directors, these are as follows:

Group Chief Executive: £322,500 (effective from 1 December 2010; £307,545 from 1 December 2009); and Group Finance Director: £245,000 (effective from 22 November 2010, his date of appointment).

It was not considered appropriate to award a salary increase for the current financial year to the Group Finance Director given his recent appointment. The increase awarded to the Group Chief Executive, at 4.86%, took due account of the cost of living salary increase budget set across the Group for the current financial year and also reflected the Company's desire to maintain a competitive level of total remuneration and to recognise robust performance over the financial year just completed. The salary payable to the former Group Finance Director (Kevin Higginson) during the year under review was at a rate of £236,130 per annum until his departure from the Board on 24 August 2010.

ii) Performance-related bonus – Executive Directors

The maximum bonus potential is set at 100% of basic salary.

The bonus earned against the targets set for 2010 was 100% of salary. This bonus award reflected the profit target (determining 50% of the total bonus opportunity), the borrowings target (determining 40% of the total bonus opportunity) and the sales growth target (determining 10% of the total bonus opportunity) all being achieved. To provide further context on the level of performance delivered, profit before tax, amortisation and non-recurring items increased 18% from the result delivered in the year to 30 November 2009, borrowings were reduced by 8% and sales increased by 13%. No bonus will be payable to Kevin Higginson following his departure from the Group in August 2010 or to Mr Holt for his short period of service in the year.

In 2011, the Executive Directors will again be eligible to receive a performance related bonus of up to 100% of salary. However, reflecting the Group's refocusing on profitable growth, the weighting applied to the Group's core short-term performance measures are to be rebalanced. There will be a greater focus on Group profit (55% of the total bonus opportunity) alongside a greater focus on profitable sales volume growth (20% of the total bonus opportunity). Performance against borrowing targets (25% of the total bonus opportunity) will determine the balance of the bonus. With regard to the sales volume growth targets, these will be underpinned by a minimum profit target to ensure that the sales growth is delivered on a profitable basis. No bonus is earned against non-financial targets. The 2011 annual bonus will also be subject to clawback provisions which will enable the

Committee to recover the value overpaid to an Executive Director in respect of 2011 performance in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement. The clawback provisions will operate for a two-year period following the date on which the bonus is paid.

iii) Long-term incentive plans

a) The Low & Bonar 2003 Long-Term Incentive Plan (the "2003 LTIP")

The 2003 LTIP, which was approved by shareholders in February 2003, and amended by shareholders in August 2005, forms the long-term element of the remuneration structure for the Executive Directors and senior executives.

Both restricted share awards (subject to challenging performance conditions and transferred to recipients without payment) and share options (also subject to performance conditions but requiring payment of an exercise price prior to transfer to recipients) may be granted under the 2003 LTIP. Executive Directors do not currently receive share options. At 30 November 2010, a total of 24 current employees of the Group held restricted share awards and 16 held share options.

Executive Directors have historically received awards of restricted shares under the 2003 LTIP which have been subject to a combination of earnings per share ("EPS") and total shareholder return ("TSR") performance conditions. The use of EPS and TSR performance targets in tandem in the 2003 LTIP is considered to provide a well balanced set of performance measures focusing executives on internal and external performance. EPS is a key internal financial measure of performance and is fully aligned with measuring the Group's long-term success in delivering its profitable growth strategy. TSR focuses executives on the delivery of above-market returns which is in alignment with shareholders' interests.

Quantum

The maximum award that may be made to a participant in any financial year is 200% of salary, although awards to date have been restricted to 150% of salary. During the year under review, awards were granted with a value equal to 150% of salary to both Mr Good and Mr Higginson (whose award lapsed on his departure from the Group).

In relation to facilitating the appointment of Mr Holt, it was considered appropriate to grant an award equal to 180% of his salary on joining the Group. His entire award was subject to stretching performance targets that were aligned with the targets applying to the award granted to the Group Chief Executive during the year under review. The level of award took into account the experience and calibre of the individual and remuneration forfeited in joining Low & Bonar.

A full summary of the awards made to the Executive Directors and the targets applying to each award are set out in Table 3 on page 39.

2011 Long-term incentive awards

It is the Company's intention to make further awards to Executive Directors (and other members of the Company's senior management) in March 2011. The Committee currently intends to grant awards at 125% of salary to Executive Directors. In determining the level of award to be granted, the Committee took into account (i) the need to set a competitive level of total remuneration to retain and motivate the Company's robustly performing executive team (ii) the Company's recent share price performance and (iii) the challenging range of targets set, with the proportion vesting at the threshold performance level to be reduced for the 2011 awards from 25% to 20% of the total award (see below) in addition to higher EPS performance requirements.

Awards granted under the 2003 LTIP in 2011 will also be subject to clawback provisions which will enable the Committee to clawback the value overpaid to an Executive Director under an award in respect of performance to the year ending 30 November 2014 in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement. The clawback provisions will operate for a two-year period following the date on which the awards vest.

As in prior years, awards will be split so that half will vest dependent on challenging EPS growth targets and half dependent on relative TSR measured against the constituents of the FTSE Small Cap Index. The proposed targets are as follows:

Relative Total Shareholder Return (50% of an award)

Low & Bonar TSR Ranking versus FTSE Small Cap Index (excluding investment trusts)	Percentage vesting
Below median	0%
Median	20%
Upper quartile	100%
Straight-line vesting between performance points	

Earnings Per Share (50% of an award)

2013 Adjusted EPS	Percentage vesting
Below 5.9p	0%
5.9p	20%
7.0p	100%
Straight-line vesting between performance points	



Governance

Directors' Report on Remuneration continued

The use of EPS and TSR reflects our continued long-term focus on earnings growth and creating shareholder value. Setting EPS targets as actual numbers for the financial year ending 30 November 2013 is considered to provide a clear and transparent approach to incentivising Executive Directors. The range of EPS targets reflect the improving trading environment and are aligned with the Group Chief Executive's focus on profitable growth which is a key factor in our strategy. We believe the targets to be appropriately challenging given the proposed level of the awards.

b) The Low & Bonar Share Matching Plan (the "SMP")

The SMP was approved by shareholders in October 2007 with Executive Directors and senior executives eligible to receive "one-off" conditional awards linked to a personal investment in Low & Bonar shares. The SMP operated as the only type of long-term incentive for Executive Directors for the financial year ended 30 November 2007 and no further awards will be made in future under the SMP. Details of the SMP were included in the 2007 Directors' Remuneration Report.

Matching awards of equivalent value to 750% of the former Group Chief Executive's salary and 500% of the former Group Finance Director's and the current Group Chief Executive's salary were made. The awards made to Mr Forman and Mr Higginson lapsed following their departure from the Group. The award made to Mr Good has lapsed as no vesting occurred under any of the performance conditions.

iv) Other share-based incentives

Executive Directors remain eligible to participate in the Low & Bonar 1997 Sharesave Scheme, which is open to all eligible UK employees. During the year, options were granted under three- or five-year contracts at a 20% discount to the share price at the offer date. The maximum overall employee contribution is £250 per month. None of the Directors has an interest in this scheme except for Steve Good.

The Company also operates the Low & Bonar 2007 Sharesave Scheme, which is open to a large number of the eligible non-UK employees and operates in a substantially similar way to the Low & Bonar 1997 Sharesave Scheme. None of the Directors has an interest in this scheme.

v) Share ownership guidelines

Participation in the SMP required a substantial personal investment (of between 100% and 150% of salary) by Executive Directors in the Company's shares. Following the lapsing of the SMP awards noted above, share ownership guidelines will operate in respect of future long-term incentive awards. Executive Directors will be encouraged to retain 50% of the after-tax number of future vested long-term incentive awards until a shareholding of equivalent value to 100% of salary is achieved.

3. Directors' service contracts and letters of appointment

i) Executive Directors

In setting notice periods and determining termination payments under Directors' service contracts, the Company's policy includes the following:

- notice periods should be set at one year or less to reflect the recommendations of the Corporate Governance Code;
- in the event of termination, the Committee considers what compensation commitments the Directors' terms of appointment would entail and seeks to avoid rewarding poor performance where possible; and
- taking a robust line on reducing compensation to reflect departing Directors' obligations to mitigate loss.

In relation to the specific provisions included in each of the Executive Directors' service contracts that served during the year under review, these are detailed below.

a) Steve Good, Group Chief Executive.

Steve Good entered into a service agreement in November 2003 (as amended in 2009 and, following his becoming Group Chief Executive, on 3 September 2009) in respect of his appointment.

His employment may be terminated by the Company giving him not less than twelve months' notice in writing or by Mr Good giving the Company not less than six months' notice in writing. In the event of termination by the Company, the Company has the discretion to make a payment in lieu of notice (of his base salary plus other emoluments (but not bonus)). In the event that Mr Good's employment is terminated by the Company, then the Company shall, if it is making a payment in lieu of notice, make a payment to him on the date of such notice of termination equivalent to his salary for a period of six months. Further payments are only made if Mr Good is not otherwise in full time employment at the time such payments become due.

b) Mike Holt, Group Finance Director.

Mike Holt entered into a service agreement in September 2010 in respect of his appointment, which commenced on 22 November 2010.

His employment may be terminated by the Company giving him not less than twelve months' notice in writing or by Mr Holt giving the Company not less than six months' notice in writing. In the event of termination by the Company, the Company has the discretion to make a payment in lieu of notice (of his base salary plus other emoluments (but not bonus)). In the event that Mr Holt's employment is terminated by the Company, then the Company shall, if it is making a payment in lieu of notice, make a payment to him on the date of such notice of termination equivalent to his salary for a period of six months. Further payments are only made if Mr Holt is not otherwise in full time employment at the time such payments become due.

Both Mr Good and Mr Holt can be dismissed without notice for gross misconduct.

It is the Company's policy that Board approval is required before any external appointment may be accepted by an Executive Director. Neither of the Executive Directors have external appointments.

c) Kevin Higginson, former Group Finance Director (left the Board on 24 August 2010).

Kevin Higginson entered into a service agreement dated 29 June 2006 in respect of his appointment as Group Finance Director commencing on 5 September 2006. During his employment, his employment could have been terminated by the Company giving him not less than twelve months' notice in writing or by Mr Higginson giving the Company not less than six months' notice in writing. In the event of termination by the Company, the Company had the discretion to make a payment in lieu of notice (of his base salary plus other emoluments (but not bonus)).

No payments were made to Mr Higginson on his departure as he resigned his employment.

ii) Non-Executive Directors

Non-Executive Directors do not have service contracts but are appointed pursuant to letters of appointment renewable usually for periods of three years as follows:

Name	Original appointment date	Renewed for a period of 3 years from
Steve Hannam	1/9/2002	1/9/2008
Chris Littmoden ⁽¹⁾	23/2/2005	23/2/2011
Folkert Blaisse	1/1/2007	1/1/2010
Martin Flower ⁽²⁾	1/1/2007	1/1/2010

(1) Mr Littmoden's appointment has been renewed until 28 February 2012.

(2) Martin Flower became Chairman on 30 June 2010 and entered into a revised service contract as detailed below.

The appointment of the Non-Executive Directors may be terminated by either the Director or the Company giving six months' notice in writing.

During the year under review, the remuneration of the Non-Executive Directors was reviewed by the Board (without the Non-Executive Directors participating in Board decisions) but was not increased and remains at £38,012, which is the second consecutive year without an increase being awarded. The fee for chairing a Board committee also remains at £5,000, with the exception of the Audit Committee where the fee has increased to £7,000 for 2011, which takes into account the time commitment required of the role.

The Non-Executive Directors do not participate in the Company's annual bonus scheme, in any of the Company's share incentive schemes or in the Company's pension scheme.

Remuneration paid to the Non-Executive Directors during the year is shown in Table 1 on page 38.

4. Martin Flower, Chairman

Martin Flower has a service contract with the Company dated 12 February 2010 (which replaced his letter of appointment relating to his previous service as a Non-Executive Director dated 1 January 2007) under which he is paid a fee of £135,757. This fee was reviewed by the Committee, but not increased, for the year ending 30 November 2011. He does not participate in the Company's annual bonus scheme, in any of the Company's share incentive schemes or in the pension scheme.

Mr Flower's appointment is for a period of three years from 30 June 2010. The appointment may be terminated at any time by either party giving to the other six months' prior written notice. If the Company gives notice it may, at its discretion, terminate the appointment with immediate effect by paying an amount in respect of the fee for the notice period. Mr Flower's appointment as Chairman will terminate forthwith and without any compensation for loss of office if he is removed as a director by resolution passed at a general meeting; or if he ceases to be a director pursuant to any provision of the Articles of Association.

Prior to his replacement as Chairman by Mr Flower, Duncan Clegg had a service contract with the Company dated 28 October 2004 (as amended by letters dated 18 January 2008 and 11 February 2009) under which he was paid a fee of £135,757 for the year under review. Mr Clegg's appointment could be terminated by either he or the Company giving six months' notice in writing.

The Committee determines the remuneration of the Chairman. Remuneration paid to the Chairman during the year is shown in Table 1 on page 38.



Governance

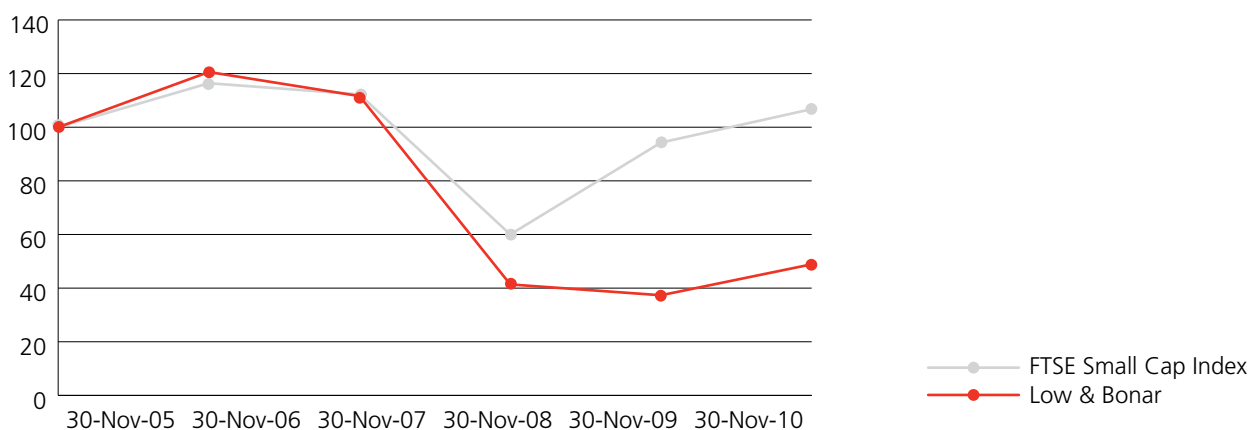
Directors' Report on Remuneration continued

5. Performance graph

The following graph illustrates the TSR performance of the Company compared to the FTSE Small Cap Total Return Index (the "Index") over the past five years. The Index has been chosen as the appropriate benchmark for the Company. It is a recognised broad equity market index of which the Company has been a member throughout the period. The Index is also one of the performance measurements for the award of shares made under the 2003 LTIP. Performance, as required by legislation, is measured by TSR, being the increase in the share price over the period including the value of net dividends which are assumed to be reinvested in the Company's shares on the ex-dividend date by the Company.

Total shareholder return

source: Thomson Reuters



This graph shows the value, at 30 November 2010, of £100 invested in the Company's ordinary shares on 30 November 2005 compared with the value of £100 invested in the FTSE Small Cap Total Return Index. The other points plotted are the values at intervening financial year-ends.

Part 2: Audited Information

Table 1 Analysis of individual Directors' emoluments

	Salaries and fees £	Annual bonus £	Pensions £	Benefits in kind ⁽²⁾ £	Total 2010 £	Total 2009 £
Executive Directors						
P Forman ⁽¹⁾	–	–	–	–	–	382,800
K Higginson ⁽¹⁾⁽²⁾⁽³⁾	170,836	–	42,709	13,244	226,789	344,834
S Good ⁽¹⁾⁽²⁾⁽³⁾	307,545	307,545	76,886	18,091	710,067	97,122
M Holt ⁽¹⁾⁽²⁾⁽³⁾	6,496	–	1,624	662	8,782	–
	484,877	307,545	121,219	31,997	945,638	824,756
Non-Executive Directors						
RD Clegg ⁽¹⁾⁽⁴⁾	90,082	–	–	–	90,082	143,425
SJ Hannam ⁽⁵⁾	43,012	–	–	–	43,012	43,012
C Littmoden ⁽⁶⁾	43,012	–	–	–	43,012	43,012
MC Flower	78,739	–	–	–	78,739	38,012
FB Blaisse	38,012	–	–	–	38,012	38,012
	292,857	–	–	–	292,857	305,473
	777,734	307,545	121,219	31,997	1,238,495	1,130,229

(1) Paul Forman was a Director until 31/10/09 and information in this report relates only to the period from 1/12/08 up to that date. Steve Good became a Director on 3/9/09, and information in this report for 2009 relates only to the period from that date to 30/11/09. Kevin Higginson was a Director until 24/8/10 and information in this report for 2010 relates only to the period from 1/12/09 up to that date. Mike Holt became a Director on 22/11/10 and information in this report for 2010 relates only to the period from that date to 30/11/10. Duncan Clegg was a Director until 30/6/10 and information in this report for 2010 relates only to the period from 1/12/09 up to that date.

(2) Benefits in kind are a car allowance and health insurance for the Director and his spouse/children under 21.

(3) In addition to their salaries, the Executive Directors are entitled to a percentage of their basic salary to enable them to make retirement benefit arrangements. Payments made under this arrangement during the year were:

Director	% of annual basic salary	Cash payment, subject to statutory deductions £	Employer's contribution into personal pension plan £	Total payment in respect of retirement benefit arrangements £
M Holt	25	–	1,624	1,624
K Higginson	25	–	42,709	42,709
S Good	25	35,886	41,000	76,886
		35,886	85,333	121,219

(4) Included in the fee paid to Duncan Clegg was a fee of £7,500 for his chairmanship of the Low & Bonar Group Retirement Benefit Scheme (the "Scheme"). This fee was recharged by the Company to the Scheme.

(5) Steve Hannam received a fee of £5,000 for his chairmanship of the Audit Committee (which is included in the number in the table).

(6) Chris Littmoden received a fee £5,000 for his chairmanship of the Remuneration Committee (which is included in the number in the table).

Table 2 Directors' interests in shares

The interests of the Directors and their connected persons in the shares of the Company were:

	30/11/2010	1/12/2009
MC Flower	368,142	193,142
SJ Hannam	348,232	348,232
K Higginson ⁽¹⁾	230,608	230,608
S Good	208,193	208,193
C Littmoden	161,437	116,437
RD Clegg ⁽¹⁾	142,005	105,005
FB Blaisse	124,285	124,285
M Holt	–	n/a

(1) The interests of Mr Higginson and Mr Clegg are stated as of the date they ceased to be Directors on 24/8/10 and 30/6/10 respectively.

During the period 1/12/2010 to 8/2/2011, no changes in Directors' interests have been notified to the Company.

No Director held any beneficial interest in or options over shares in or debentures of any other Group company at 30/11/2010 or at 8/2/2011.

Table 3 The Low & Bonar 2003 Long-Term Incentive Plan

Awards held by Directors under the 2003 LTIP were as follows:

Director	At 01/12/2009	Awarded in year	Vested in year	Lapsed in year	At 30/11/2010	Award price	Date of award
K Higginson	330,715	–	–	330,715	–	35.00p	21/08/2009 ⁽¹⁾⁽²⁾
S Good	292,858	–	–	–	292,858	35.00p	21/08/2009 ⁽²⁾
S Good	146,428	–	–	–	146,428	35.00p	03/09/2009 ⁽²⁾
K Higginson	–	1,073,182	–	1,073,182	–	33.00p	01/03/2010 ⁽¹⁾⁽³⁾
S Good	–	1,397,932	–	–	1,397,932	33.00p	01/03/2010 ⁽³⁾
M Holt	–	980,000	–	–	980,000	45.00p	22/11/2010 ⁽³⁾

(1) Award lapsed when Mr Higginson ceased to be a Director on 24 August 2010.

(2) The performance criteria applying to these awards are structured as follows:

50% of the shares are subject to an EPS growth target and 50% a relative TSR target measured against the constituents of the FTSE Small Cap Index. Under the EPS element, 25% of shares vest for EPS in the financial year ended 30 November 2011 of 4.2 pence, rising on a straight-line basis to full vesting for EPS of 5 pence. Under the TSR element, 25% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.

(3) The performance criteria applying to these awards are structured as follows:

50% of the shares are subject to an EPS growth target and 50% a relative TSR target measured against the constituents of the FTSE Small Cap Index. Under the EPS element, 25% of shares vest for EPS in the financial year ended 30 November 2012 of 4.7 pence, rising on a straight-line basis to full vesting for EPS of 5.4 pence. Under the TSR element, 25% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.

Governance

Directors' Report on Remuneration continued

Table 4 Share Matching Plan

Director	At 01/12/2009	Awarded in year	Vested in year	Lapsed in year	At 30/11/2010	Award price	Date of award
K Higginson ⁽¹⁾	958,037	–	–	958,037	–	125.24p	30/11/2007 ⁽²⁾
S Good ⁽¹⁾	849,169	–	–	849,169	–	125.24p	30/11/2007 ⁽²⁾

(1) This award lapsed when Mr Higginson left the Group on 24 August 2010. The award to Mr Good lapsed as none of the performance criteria were met.

(2) The performance criteria applying to these awards were structured in two separate tiers:

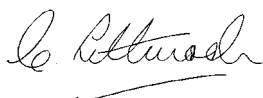
Tier 1 applied to the first 40% of shares awarded, 50% of shares were subject to an EPS growth target and 50% a relative TSR target measured against the constituents of the FTSE Small Cap Index. Under the EPS element, threshold vesting (25% of shares) took place for average compound annual EPS growth of RPI +8%, rising on a straight-line basis to full vesting for RPI +12.5%. Under the TSR element, threshold vesting (as above) took place for median TSR, rising on a straight-line basis to full vesting for upper quartile.

Tier 2 applied to the remaining 60% of shares awarded and similarly utilised an equal balance of EPS and TSR performance targets. Under the EPS element, no vesting took place for average compound annual EPS growth of RPI +12.5% rising on a straight-line basis to full vesting for RPI +16.5%. Under the TSR element, no further vesting took place for upper quartile TSR rising on a straight-line basis to full vesting for upper decile. To reflect standard market practice and ensure that EPS was measured on a consistent basis, EPS was adjusted as appropriate in relation to the divestment of Bonar Floors in September 2008. In line with the Remuneration Committee's policy, TSR performance was monitored by the Committee's independent advisors with EPS performance based on the Company's audited financial statements.

Directors' Share Options

As at 30/11/2010, Steve Good held 14,100 options under the Low & Bonar 1997 Sharesave Scheme. No options were granted or exercised by any Director during the year ended 30/11/2010. No options have been granted to any Director during the period 1/12/2010 to 8/2/2011.

The market price of a share at 30/11/2010 was 42.3p and the range during the year to 30/11/2010 was 28.8p to 49.0p.



Christopher Littmoden

Chairman, Remuneration Committee

On behalf of the Board of Directors

8 February 2011



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 Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union and applicable laws and have elected to prepare the Company financial statements on the same basis.

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 Company and of their profit or loss for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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 enable them to ensure that its financial statements comply with the Companies Act 2006. They have a 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement Required under the Disclosure and Transparency Rules

The Directors confirm, to the best of their knowledge that:

- these financial statements, prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which comprises the Chairman's Statement and the Business Review, includes a fair review of the development and performance of the business and of the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on its behalf by:



Steve Good
8 February 2011



Mike Holt
8 February 2011

Governance

Independent Auditor's Report to the members of Low & Bonar PLC

We have audited the financial statements of Low & Bonar PLC for the year ended 30 November 2010 set out on pages 43 to 95. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 41, 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 ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

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 30 November 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance statement set out on pages 28 to 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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:

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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 27, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Tim Widdas (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

St Nicholas House
Park Row
Nottingham
NG1 6FQ

8 February 2011

Consolidated Income Statement

for the year ended 30 November

	Note	2010			2009		
		Before amortisation and non-recurring items £m	Amortisation and non-recurring items (Note 5) £m	Total £m	Before amortisation and non-recurring items £m	Amortisation and non-recurring items (Note 5) £m	Total £m
Revenue	1	344.6	–	344.6	304.8	–	304.8
Operating profit	1	25.8	(13.8)	12.0	22.1	(12.9)	9.2
Non-operating income	5	–	5.4	5.4	–	–	–
Financial income	6	10.4	–	10.4	14.6	–	14.6
Financial expense	6	(17.6)	–	(17.6)	(20.9)	(2.2)	(23.1)
Net financing costs		(7.2)	–	(7.2)	(6.3)	(2.2)	(8.5)
Profit/(loss) before taxation	2	18.6	(8.4)	10.2	15.8	(15.1)	0.7
Taxation	7	(5.8)	2.0	(3.8)	(5.0)	3.1	(1.9)
Profit/(loss) after taxation		12.8	(6.4)	6.4	10.8	(12.0)	(1.2)
Profit/(loss) for the year from continuing operations		12.8	(6.4)	6.4	10.8	(12.0)	(1.2)
Profit for the year from discontinued operations	28	–	–	–	–	0.4	0.4
Profit/(loss) for the year		12.8	(6.4)	6.4	10.8	(11.6)	(0.8)
Attributable to							
Equity holders of the Company		12.7	(6.4)	6.3	11.0	(11.6)	(0.6)
Minority interest	26	0.1	–	0.1	(0.2)	–	(0.2)
		12.8	(6.4)	6.4	10.8	(11.6)	(0.8)
Earnings/(loss) per share	10						
Continuing operations:							
Basic		4.41p		2.19p	4.35p		(0.41)p
Diluted		4.37p		2.17p	4.33p		(0.41)p
Discontinued operations:							
Basic		–		–	–		0.16p
Diluted		–		–	–		0.16p
Total:							
Basic		4.41p		2.19p	4.35p		(0.25)p
Diluted		4.37p		2.17p	4.33p		(0.25)p

Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 30 November

	Note	2010 £m	2009 £m
Profit/(loss) for the year		6.4	(0.8)
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	4	(0.2)	(17.0)
Deferred tax on defined benefit pension scheme	4	0.3	(0.1)
Exchange differences on translation of foreign operations, net of hedging		(9.7)	(11.6)
Total other comprehensive income for the year, net of tax		(9.6)	(28.7)
Total comprehensive income for the year		(3.2)	(29.5)
Attributable to			
Equity holders of the parent		(3.6)	(29.2)
Minority interest	26	0.4	(0.3)
		(3.2)	(29.5)

Balance Sheets

as at 30 November

	Note	Group		Company	
		2010 £m	2009 £m	2010 £m	2009 £m
Non-current assets					
Goodwill	11	83.3	90.5	–	–
Intangible assets	12	44.8	55.2	–	–
Property, plant and equipment	13	113.7	127.5	0.3	0.4
Investment in subsidiaries	14	–	–	94.7	94.7
Investment in associate	15	0.4	0.4	–	–
Deferred tax assets	20	3.3	3.5	–	0.1
Other receivables	17	–	–	82.3	106.4
		245.5	277.1	177.3	201.6
Current assets					
Inventories	16	60.1	61.4	–	–
Trade and other receivables	17	67.6	61.5	101.8	88.5
Derivative assets	19	0.1	–	0.1	–
Cash and cash equivalents	19	11.6	16.2	0.4	2.5
		139.4	139.1	102.3	91.0
Current liabilities					
Interest-bearing loans and borrowings	19	2.6	9.0	1.1	6.6
Current tax liabilities	18	8.4	7.1	1.8	1.7
Trade and other payables	18	71.6	60.6	15.0	13.5
Provisions	21	3.6	–	–	–
Derivative liabilities	19	16.0	36.2	15.9	36.2
		102.2	112.9	33.8	58.0
Net current assets		37.2	26.2	68.5	33.0
Total assets less current liabilities		282.7	303.3	245.8	234.6
Non-current liabilities					
Interest-bearing loans and borrowings	19	71.0	74.6	71.0	74.4
Deferred tax liabilities	20	25.5	29.3	–	–
Post employment benefits	4	26.0	27.2	17.9	19.5
Provisions	21	–	5.8	–	5.8
Other payables	22	0.8	0.4	31.2	31.0
		123.3	137.3	120.1	130.7
Net assets		159.4	166.0	125.7	103.9
Equity attributable to equity holders of the parent					
Share capital	23	45.3	45.3	45.3	45.3
Share premium account	24	54.1	54.1	54.1	54.1
Translation reserve	25	(31.0)	(21.0)	–	–
Retained earnings		85.7	82.7	26.3	4.5
Total equity attributable to equity holders of the parent		154.1	161.1	125.7	103.9
Minority interest	26	5.3	4.9	–	–
Total equity		159.4	166.0	125.7	103.9



Steve Good
8 February 2011
Registered number: SC008349



Mike Holt
8 February 2011

Financial Statements

Consolidated Cash Flow Statement for the year ended 30 November

	Note	2010 £m	2009 £m
Profit/(loss) for the year from continuing operations		6.4	(1.2)
Profit for the year from discontinued operations		–	0.4
Profit/(loss) for the year		6.4	(0.8)
Adjustments for:			
Depreciation and impairment		13.7	13.8
Amortisation		6.8	7.3
Income tax expense		3.8	1.9
Net financing costs		7.2	8.5
Decrease in inventories		0.1	16.9
(Increase)/decrease in trade and other receivables		(7.4)	15.1
Increase/(decrease) in trade and other payables		7.8	(14.9)
Decrease in provisions		(2.2)	(2.5)
Loss on disposal of property, plant and equipment		0.1	0.2
Equity-settled share-based payment		0.3	0.5
Cash inflow from operations		36.6	46.0
Interest received		3.4	7.1
Interest paid		(8.1)	(15.0)
Tax paid		(3.3)	(5.4)
Pension cash contributions in excess of operating charge		(3.2)	(3.5)
Net cash inflow from operating activities		25.4	29.2
Acquisition of subsidiaries, net of cash acquired		–	(2.8)
Acquisition of property, plant and equipment		(6.7)	(7.4)
Intangible assets purchased		(0.7)	(0.8)
Disposal of discontinued operations, net of cash disposed of		–	(0.6)
Net cash outflow from investing activities		(7.4)	(11.6)
Proceeds of share issues		–	30.2
Drawdown of borrowings		38.3	–
Repayment of borrowings		(48.4)	(50.1)
Finance lease capital repayments		(0.1)	(0.2)
Settlement of cash flow hedges		(9.3)	(10.6)
Equity dividends paid		(3.7)	–
Net cash outflow from financing activities		(23.2)	(30.7)
Net cash outflow	29	(5.2)	(13.1)
Cash and cash equivalents at start of year		16.2	27.5
Foreign exchange differences		0.6	1.8
Cash and cash equivalents at end of year		11.6	16.2

Company Cash Flow Statement

for the year ended 30 November

	Note	2010 £m	2009 £m
Profit/(loss) for the year		24.6	(20.6)
Adjustments for:			
Depreciation		0.1	0.1
Income tax expense/(credit)		0.1	(0.6)
Net financing costs		1.8	2.6
Decrease in receivables		10.8	14.9
Increase/(decrease) in payables		0.7	(17.3)
Decrease in provisions		(5.4)	(0.2)
(Decrease)/increase in net financial liabilities		(11.1)	35.5
Equity-settled share-based payment		0.3	0.5
Cash inflow from operations		21.9	14.9
Interest received		5.8	13.5
Interest paid		(5.1)	(15.8)
Pension cash contributions in excess of operating charge		(3.0)	(3.0)
Net cash inflow from operating activities		19.6	9.6
Acquisition of property, plant and equipment		–	–
Disposal of discontinued operations, net of cash disposed of		–	(0.6)
Net cash outflow from investing activities		–	(0.6)
Proceeds of share issues		–	30.2
Drawdown of borrowings		38.3	–
Repayment of borrowings		(47.0)	(49.4)
Settlement of cash flow hedges		(9.3)	(10.6)
Equity dividends paid		(3.7)	–
Net cash outflow from financing activities		(21.7)	(29.8)
Net cash outflow	29	(2.1)	(20.8)
Cash and cash equivalents at start of year		2.5	23.2
Foreign exchange differences		–	0.1
Cash and cash equivalents at end of year		0.4	2.5

Financial Statements

Consolidated Statement of Changes in Equity for the year ended 30 November

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total equity £m
At 1 December 2008	38.6	30.6	(9.5)	100.1	159.8	4.7	164.5
Loss for the year	–	–	–	(0.6)	(0.6)	(0.2)	(0.8)
Actuarial loss on defined benefit pension scheme	–	–	–	(17.0)	(17.0)	–	(17.0)
Deferred tax on defined benefit pension scheme	–	–	–	(0.1)	(0.1)	–	(0.1)
Exchange differences on translation of foreign operations, net of hedging	–	–	(11.5)	–	(11.5)	(0.1)	(11.6)
Equity participation in subsidiary	–	–	–	–	–	0.5	0.5
Share-based payment	–	–	–	0.3	0.3	–	0.3
Ordinary shares issued	6.7	23.5	–	–	30.2	–	30.2
Net increase/(decrease) for the year	6.7	23.5	(11.5)	(17.4)	1.3	0.2	1.5
At 30 November 2009	45.3	54.1	(21.0)	82.7	161.1	4.9	166.0
Profit for the year	–	–	–	6.3	6.3	0.1	6.4
Actuarial loss on defined benefit pension scheme	–	–	–	(0.2)	(0.2)	–	(0.2)
Deferred tax on defined benefit pension scheme	–	–	–	0.3	0.3	–	0.3
Exchange differences on translation of foreign operations, net of hedging	–	–	(10.0)	–	(10.0)	0.3	(9.7)
Dividends paid to ordinary shareholders	–	–	–	(3.7)	(3.7)	–	(3.7)
Share-based payment	–	–	–	0.3	0.3	–	0.3
Net (decrease)/increase for the year	–	–	(10.0)	3.0	(7.0)	0.4	(6.6)
At 30 November 2010	45.3	54.1	(31.0)	85.7	154.1	5.3	159.4

Company Statement of Changes in Equity

for the year ended 30 November

	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to equity holders of the parent £m
At 1 December 2008	38.6	30.6	41.8	111.0
Loss for the year	–	–	(20.6)	(20.6)
Actuarial loss on defined benefit pension scheme	–	–	(17.0)	(17.0)
Share-based payment	–	–	0.3	0.3
Ordinary shares issued	6.7	23.5	–	30.2
Net increase/(decrease) for the year	6.7	23.5	(37.3)	(7.1)
At 30 November 2009	45.3	54.1	4.5	103.9
Profit for the year	–	–	24.6	24.6
Actuarial gain on defined benefit pension scheme	–	–	0.6	0.6
Dividends paid to ordinary shareholders	–	–	(3.7)	(3.7)
Share-based payment	–	–	0.3	0.3
Net increase for the year	–	–	21.8	21.8
At 30 November 2010	45.3	54.1	26.3	125.7

Financial Statements

Significant Accounting Policies

General information

Low & Bonar PLC (the "Company") is a company domiciled in Scotland and incorporated in Scotland under the Companies (Consolidation) Act 1908. The address of the registered office is Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ. The management head office is 9th Floor, Marble Arch Tower, 55 Bryanston Street, London, W1H 7AA.

The consolidated financial statements of the Company for the year ended 30 November 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

(A) Basis of preparation

The financial statements are presented in Pounds Sterling, rounded to the nearest hundred thousand Pounds. They are prepared on the historical cost basis except for the revaluation to fair value of certain financial instruments. UK company law requires directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are a going concern.

The Group's business activities, together with the factors likely to affect its future development, performance and position, together with details of cash flows and borrowing requirements, are set out in the Business Review on pages 6 to 23. The further information contained in the Business Review and Note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital, financial risks and hedging activities together with its exposure to credit and liquidity risks. The principal risks and uncertainties section on pages 18 and 19 provides further details of our principal risks.

The current global economic conditions create uncertainty, particularly over the level of demand for the Group's products and the price of its raw materials.

The Directors have reviewed the Group's medium-term forecasts to determine whether the committed banking facilities are sufficient to support the Group's projected liquidity requirements and whether the forecast earnings are sufficient to meet the covenants associated with the banking facilities. The Group manages its day to day working capital requirements utilising the current facilities available to it (see Note 19).

Following the year end, the Group agreed new borrowing facilities in the form of a €130m revolving loan facility that has replaced existing banking facilities and matures in February 2015. The new facility is in addition to the €45m private placement note which was issued in September 2010 and which matures in September 2016.

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and are not aware of any material

uncertainties related to events or conditions that may cast significant doubt about the ability of the Company and the Group to continue as a going concern. Accordingly, they have continued to adopt the going concern basis in preparing the financial statements.

Both the parent company financial statements and the Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU (adopted IFRS). At the date of authorisation of these financial statements, there are a number of Standards and Interpretations in issue but not yet effective and which have therefore not yet been applied in these financial statements (accounting policy X).

On publishing the parent Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes which form a part of these approved financial statements.

The IFRS adopted by the EU applied by the Group in the preparation of these financial statements are those that were effective at 30 November 2010. The Group has adopted the following new IFRS and amendment to IAS which became effective during the year with no significant impact on the Group's consolidated financial results or position:

- Amendment to IAS 1 Presentation of financial statements – a revised presentation. This requires presentational changes to the financial statements. Since this change is presentational only, there is no impact on profit or earnings per share.
- Amendment to IFRS 7 – Improving disclosures about financial instruments. As this amendment is concerned with disclosure, there is no material impact on the Group.
- IFRS 3 (revised) Business combinations. The Group incurs direct costs as part of the acquisition process. Previously, such direct costs were capitalised as a cost of acquisition. In future, such costs will be expensed in the income statement. This is considered to be a significant change to the accounting treatment currently adopted by the Group. The impact on the consolidated financial statements will depend on the number, size and complexity of acquisitions completed in any relevant period. There is no impact on the Group's results for the year ended 30 November 2010, since there were no acquisitions during this period.
- Amendment to IAS 27 Consolidated and separate financial statements. This requires changes in the level of ownership of a subsidiary, while maintaining control, to be recognised in equity. No significant impact on the Group's net results or net assets has resulted from its adoption.



(A) Basis of preparation continued

- Amendments to IAS 32 and IAS 1 – Puttable financial instruments and obligations arising on liquidation. There is no significant impact on the Group.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items. There is no significant impact on the Group.
- Amendments to IAS 39 and IFRIC 9 – Embedded derivative. This has not impacted the Group significantly.
- Improvements to IFRS 2009 – The improvements include several amendments to different Standards – none of these amendments have impacted the Group significantly.
- IFRS 8 Operating segments. This introduces the “management approach” to segment reporting. The standard is concerned with disclosure only and has no impact on the consolidated income statement or balance sheet.
- Amendment to IFRS 2 Share-based payment – Vesting conditions and cancellations. This has no significant impact on the Group’s net results or net assets.
- Amendment to IFRIC 14 – IAS 19 – Limit on a defined benefit asset, minimum funding requirements and their interaction. There is no impact on the Group in these financial statements. Any future impact on the Group will depend on the level of funding maintained.
- IFRIC 15 Agreements for the construction of real estate. There is no significant impact on the Group.
- IFRIC 17 Distribution of non-cash assets to owners. There is no significant impact on the Group.
- IFRIC 18 Transfer of assets to customers. There is no significant impact on the Group.

It is not expected that there will be a significant impact from other standards that are available for early adoption but that have not been adopted by the Group in the current year.

(B) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are those entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the parent company, investments in subsidiaries are carried at cost less impairment.

The interest of minority shareholders is initially stated at the minority’s share of the fair values of the identifiable assets and liabilities recognised on the date of acquisition.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of

associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intra-Group balances and transactions and any unrealised gains arising from intra-Group transactions are eliminated in preparing consolidated financial statements.

(iv) Discontinued operations

A discontinued operation is a component of the Group’s businesses that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

(C) Foreign currency**(i) Foreign currency transactions**

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 into Pounds Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Pounds Sterling at foreign exchange rates ruling at the date the fair values were determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The income statements of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the date of the transactions. Exchange differences arising from this translation of foreign operations, and of related qualifying hedges, are taken directly to the translation reserve within equity. They are released to the income statement upon disposal.

Financial Statements

Significant Accounting Policies continued

(C) Foreign currency *continued*

The Group has taken advantage of the relief available under IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS, 1 December 2004.

(iii) Hedging of risks

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts (see accounting policies D and E).

(D) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Derivative financial instruments are subsequently remeasured to their fair value with the resultant gain or loss being recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy E).

Financial instruments carried at fair value are required to be measured by reference to the following levels:

Level 1: quoted prices in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the instrument that are not based on observable market data (unobservable inputs).

All financial instruments have been measured by a Level 2 valuation method.

(E) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised as a separate component of equity. When the firm commitment or forecasted transaction results in the recognition of a non-financial asset or liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise, the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

(ii) Hedge of net investment in foreign operation

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the translation reserve. They are released to the income statement upon disposal.

In respect of all foreign operations, any differences that have arisen since 1 December 2004, the date of transition to adopted IFRS, are presented as a separate component of equity in the Group financial statements.

The Group tests effectiveness on a prospective and retrospective basis to ensure compliance with IAS 39.

(F) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment (see accounting policy K). The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of plant, property and equipment.

(ii) Leased assets

Leases whereby the Company or the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy K). Lease payments are accounted for as described in accounting policy R. Where land and buildings are held under lease the accounting treatment of the land is considered separately from that of buildings.



(iii) Subsequent expenditure

The Company and the Group recognise in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits associated with the item will flow to the Company or the Group and the cost of the item can be measured reliably. Subsequent costs are capitalised if it is probable that the future economic benefits will flow to the entity (and the cost can be reliably measured).

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment and major components that are accounted for separately. Land is not depreciated.

The estimated useful lives for significant classes of assets are as follows:

– property	10-50 years
– plant and equipment	3-15 years

For other assets, the useful economic lives are:

– fixtures and fittings	3-7 years
– computer hardware	2-5 years
– tooling	1-5 years
– motor vehicles	3-5 years

(G) Intangible assets**(i) Goodwill**

Goodwill represents amounts arising on acquisition of subsidiaries. In respect of acquisitions that have occurred since 1 December 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets (including intangible assets and contingent liabilities) acquired.

In respect of acquisitions prior to 1 December 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that separable intangibles were not recognised and goodwill was amortised. The classification and accounting treatment of business combinations that occurred prior to 1 December 2004 were not reconsidered in preparing the Group's opening IFRS balance sheet at 1 December 2004. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill is stated at deemed cost less any accumulated impairment losses (see accounting policy K).

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an

expense is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy K).

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see accounting policy K). Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense is incurred.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are not amortised but are systematically tested for impairment annually and further tested at each balance sheet date if there is any evidence of potential impairment. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives of the identified intangible assets are as follows:

– technology based	5-10 years
– customer relationships	4-11 years
– marketing related	10 years
– order backlog	3 months
– non-compete agreements	4-5 years
– software	3-5 years

(H) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at their amortised cost less impairment losses (see accounting policy K).

(I) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out 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.

Financial Statements

Significant Accounting Policies continued

(J) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company or the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(K) Impairment

The carrying amounts of the Company's and the Group's assets, other than inventories (accounting policy I), and deferred tax assets (accounting policy T) 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. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognised in the income statement.

An impairment loss in respect of goodwill is not reversible. Other impairment losses are 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.

Goodwill and other intangible assets with indefinite lives were tested for impairment at 1 December 2004, the date of transition to IFRS, even though no indication of impairment existed.

(i) Calculation of recoverable amount

Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs 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 assumptions 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.

(L) Share capital

(i) Preference share capital

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange

financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of financial expenses. Finance payments associated with financial instruments that are classified in equity are dividends, and are recorded directly in equity.

(ii) Dividends

Dividends on redeemable Preference Shares are recognised as a liability on an accrual basis. Dividends on Ordinary Shares are recognised as a liability in the period in which they are declared. Dividend income is recognised in the income statement on the date that the dividend is declared.

(iii) Equity transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(M) 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.

(N) Employee benefits

The Company and the Group operate defined benefit pension plans and defined contribution pension plans. The Company also offers share-based compensation benefits to certain employees.

(i) Defined contribution plans

A defined contribution pension plan is one under which fixed contributions are paid to a third party. The Company and the Group have no further payment obligations once these contributions have been paid. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Defined benefit plans

A defined benefit pension plan is one that specifies the amount of pension benefit that an employee will receive on retirement. The Company's and the Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The 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 Company's or the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the Company or the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested from the date of improvement. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

(iii) Equity and equity-related compensation benefits

The Company and Group have applied the requirements of IFRS 2. In accordance with the exemption available within the transitional provisions of IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Company operates various equity-settled and cash-settled share option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant, and the fair value determined at the grant date of these payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model or a Stochastic model, as appropriate. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on historic volatility patterns), the expected dividend yield and the risk-free interest rate (calculated based on UK Gilts with a term commensurate with the expected term remaining of the performance period at grant). The fair value of cash-settled payments are re-measured at each balance sheet date and the cost of these payments is recognised over the vesting period, taking into account the re-measurement of fair value at each balance sheet date.

The Low & Bonar 1995 Employees' Share Ownership Plan Trust (the "ESOP") purchases shares in the Company in order to satisfy awards made under the Company's Long-term Incentive Plan. Shares held by the ESOP are treated as treasury shares and a deduction is computed in the Company's issued share capital for the purposes of calculating earnings per share.

(O) Provisions

A provision is recognised in the balance sheet when the Company or the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties.

(P) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at their amortised cost. They are not interest-bearing.

(Q) Revenue***Goods sold and services rendered***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Sales of goods are recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer (which is predominantly on despatch as most items are sold on a CIF basis), the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Group.

(R) Expenses***(i) Operating lease payments***

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Finance lease payments

Payments made under finance leases are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, return on scheme assets and interest costs on scheme liabilities in respect of defined benefit pension schemes, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the

Financial Statements

Significant Accounting Policies continued

income statement (see accounting policy E). Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(S) Non-recurring items

Items which are both material and non-recurring are presented within their relevant consolidated income statement category. The separate reporting of non-recurring items helps provide a better indication of the Group's underlying business performance.

(T) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly 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 using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, goodwill in respect of acquisitions prior to 1 December 2004 and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(U) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

(V) Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about

carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

A number of accounting estimates and judgements are incorporated within the provision for Post employment obligations and are discussed in Note 4. In relation to the Group's property, plant and equipment (Note 13), useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Impairment tests have been undertaken with respect to goodwill and intangible assets (Notes 11 and 12) using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts. Estimating a value in use amount requires management to make an estimate of the future expected cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Detailed analysis of the Group's foreign exchange exposure and risks in relation to foreign exchange movements is provided in Note 19. A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables which are described in more detail in Note 17. A number of accounting estimates and judgements are incorporated within the provisions for share-based payments. These are described in more detail in Note 23.

The Group is required to estimate the corporation tax in each of the jurisdictions in which it operates. This requires an estimate of the current tax liability together with an assessment of the temporary differences which arise as a result of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities which are recognised in the balance sheet. Deferred tax assets are only recognised to the extent that it is more likely than not that the asset will be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income.

The Group operates in a variety of countries in the world and is subject to several tax jurisdictions and rules. The Group is subject to tax audits, which can require several years to conclude. Management judgement is required to determine the total provision for income tax. Amounts accrued are based on management's interpretation of country specific tax law and the likelihood of settlement. However actual tax liabilities could differ from the provision. This may require an adjustment in a subsequent period which could have a material impact on the Group's profit or loss and cash position.

(W) Financial guarantee contracts

With respect to financial guarantee contracts, where the Group enters into such contracts to guarantee the indebtedness of other companies within the Group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability unless it becomes probable that the Group will be required to make a payment under the guarantee.

(X) New IFRS not yet applied

The following standards or interpretations, issued by the IASB or IFRIC, but not effective for the year ended 30 November 2010, have not yet been adopted by the Group. The Group does not currently believe the adoption of these standards or interpretations would have a material impact on the consolidated results or financial position of the Group unless stated otherwise below:

- Amendment to IFRS 2 Share-based payment (Group cash-settled share-based payment transactions) – effective for the year ending 30 November 2011. No significant impact on the Group's net results or net assets is likely to result.
- Amendment to IAS 32 (Classification of rights issues) – effective for the year ending 30 November 2011. This addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. This is not expected to have a significant impact on the Group.
- IFRIC 19 Extinguishing financial liabilities with equity instruments – effective for the year ending 30 November 2011. This Interpretation addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of a financial liability. It is not expected to have a significant impact on the Group.
- Amendment to IAS 24 Related Party Disclosures – effective for the year ending 30 November 2012. This provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party. This has no impact on the Group.

The following standards and interpretations have not yet been endorsed by the European Financial Reporting Advisory Group:

- Improvements to IFRS 2010 – effective for the year ending 30 November 2011. None of these amendments are expected to impact the Group significantly.
- IFRS 9 Financial Instruments – effective for the year ending 30 November 2014. This introduces new requirements for classifying and measuring financial assets.
- Amendment to IAS 12 Deferred Tax (Recovery of underlying assets) – effective for the year ending 30 November 2014. This amendment requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This is not expected to have a significant impact on the Group.
- Amendment to IFRS 7 (Disclosures – transfers of financial assets) – effective for the year ending 30 November 2012. This amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. This is not expected to have a significant impact on the Group.

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Notes to the Accounts

1. Segmental information

For the purposes of management reporting to the chief operating decision maker, the Group is organised into two reportable operating divisions – Performance Technical Textiles and Technical Coated Fabrics. Financial information for each operating division is also available in a disaggregated form in line with the identified cash-generating units. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. The global technical textiles industry comprises, inter alia, fibres, yarns, woven fabrics and non-woven fabrics serving diverse markets such as the hygiene, automotive, construction, industrial and healthcare markets. The Group's business is focused on two areas of activity in the international technical textiles industry: the production and supply of (a) performance technical textiles and (b) technical coated fabrics for use in the transport, print and architectural markets.

Unallocated items comprise mainly cash and cash equivalents, interest-bearing loans, borrowings, derivative assets and liabilities, Post employment benefits, taxation balances and corporate assets and expenses. Intra-segment sales are not material.

	2010			Total £m
	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	
Revenue from external customers – continuing operations	239.2	105.4	–	344.6
Operating profit before amortisation and non-recurring items	19.1	9.7	(3.0)	25.8
Amortisation	(3.7)	(3.1)	–	(6.8)
Operating profit before non-recurring items	15.4	6.6	(3.0)	19.0
Non-recurring items	(6.6)	–	(0.4)	(7.0)
Operating profit	8.8	6.6	(3.4)	12.0
Non-operating income (non-recurring items)				5.4
Net financing costs				(7.2)
Profit before taxation				10.2
Taxation				(3.8)
Profit for the year – continuing operations				6.4
Reportable segment assets	160.2	81.1	–	241.3
Intangible assets and goodwill				128.1
Investment in associate				0.4
Cash and cash equivalents				11.6
Other unallocated assets				3.5
Total Group assets – continuing operations				384.9
Reportable segment liabilities	(49.6)	(20.0)	–	(69.6)
Loans and borrowings				(73.6)
Derivative liabilities				(16.0)
Post employment benefits				(26.0)
Other unallocated liabilities				(40.3)
Total Group liabilities				(225.5)
Other information				
Additions to property, plant and equipment	4.7	2.0	–	6.7
Depreciation	9.4	3.4	0.1	12.9

1. Segmental information continued

	2009			Total £m
	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	
Revenue from external customers – continuing operations	212.3	92.5	–	304.8
Operating profit before amortisation and non-recurring items	17.1	8.0	(3.0)	22.1
Amortisation	(4.1)	(3.2)	–	(7.3)
Operating profit before non-recurring items	13.0	4.8	(3.0)	14.8
Non-recurring items	(3.7)	(1.2)	(0.7)	(5.6)
Operating profit	9.3	3.6	(3.7)	9.2
Non-operating income (non-recurring items)				–
Net financing costs				(6.3)
Non-recurring loan break fees				(2.2)
Profit before taxation				0.7
Taxation				(1.9)
Loss for the year from continuing operations				(1.2)
Profit for the year from discontinued operations (Note 28)				0.4
Loss for the year				(0.8)
Reportable segment assets	167.9	82.1	–	250.0
Intangible assets and goodwill				145.7
Investment in associate				0.4
Cash and cash equivalents				16.2
Other unallocated assets				3.9
Total Group assets				416.2
Reportable segment liabilities	(43.7)	(15.0)	–	(58.7)
Loans and borrowings				(83.6)
Derivative liabilities				(36.2)
Post employment benefits				(27.2)
Other unallocated liabilities				(44.5)
Total Group liabilities				(250.2)
Other information				
Additions to property, plant and equipment	5.7	1.6	–	7.3
Depreciation	9.4	3.6	0.1	13.1

Financial Statements

Notes to the Accounts continued

1. Segmental information continued

The geographical analysis of external revenue by location of customers and non-current assets by location of assets is as follows:

	External revenue by location of customers		Non-current assets by location of assets	
	2010 £m	2009 £m	2010 £m	2009 £m
Western Europe	221.3	196.0	208.6	242.9
Eastern Europe	25.0	21.1	12.0	11.1
North America	50.6	46.7	15.0	15.0
Middle East	11.7	13.3	4.8	3.3
Asia	21.7	16.5	5.1	4.8
Rest of the World	14.3	11.2	–	–
Total	344.6	304.8	245.5	277.1

Revenues arising in the UK, which is the parent company's country of domicile, were £19.6m (2009: £16.2m). The net book value of non-current assets located in the UK at 30 November 2010 was £4.4m (2009: £4.9m).

2. Profit before taxation

	2010 £m	2009 £m
Total operating costs	332.6	295.6
Total operating costs above include:		
Staff costs	71.0	68.2
Inventories		
Cost of inventories recognised as an expense	152.2	117.8
Write down of inventories recognised as an expense	0.4	0.4
Change in provisions held against inventories	0.3	(0.2)
Depreciation of property, plant and equipment	12.9	13.1
Amortisation of intangible assets	6.8	7.3
Exchange differences recognised as a gain	(0.3)	(0.5)
Loss on disposal of property, plant and equipment	0.1	0.2
Amounts payable under operating leases		
Property	2.8	3.2
Plant and equipment	1.3	1.4
Research and development expenditure recognised as an expense	3.1	3.2

The balance of operating costs relates to other external charges.

Auditor's remuneration

During the year the Group obtained the following services from its auditor at costs detailed below:

	2010 £m	2009 £m
Audit of these financial statements	0.3	0.2
Audit of financial statements of subsidiaries	0.3	0.4
Non-audit services		
Corporate tax compliance	0.2	0.2
Corporate tax consultancy	0.1	0.1
Other	–	0.1

The total amount paid to the auditor was £0.9m (2009: £1.4m). In 2009 there were additional fees incurred of £0.4m which were not included in the income statement, of which £0.3m was charged against share premium following the placing and open offer, and £0.1m was capitalised as part of the acquisition cost of MTX.

3. Staff numbers and costs

The average number of persons employed by the Group during the year including Executive Directors was:

	Group	
	2010	2009
Production	1,488	1,602
Sales	225	229
Administrative	233	240
	1,946	2,071

The average number of persons employed by the Company during the year was 20 (2009: 24).

The aggregate staff costs were:

	Group	
	2010 £m	2009 £m
Wages and salaries	56.8	54.7
Social security costs	11.4	10.6
Pension costs	2.8	2.9
	71.0	68.2

	Company	
	2010 £m	2009 £m
Wages and salaries	2.2	2.6
Social security costs	0.2	0.3
Pension costs	0.2	0.2
	2.6	3.1

The Directors of the Company are listed on page 24.

4. Post employment benefits

The Group operates a number of pension schemes in the UK and overseas. These are either defined benefit or defined contribution in nature. The assets of all the schemes are held separately from those of the Group.

a) Defined contribution schemes

Various defined contribution pension schemes exist around the Group. These are accounted for on a contribution payable basis. The total cost charged to income in respect of defined contribution pension schemes was £2.3m (2009: £2.6m).

b) Defined benefit schemes

i) United Kingdom

The UK defined benefit scheme (the "Scheme") was independently valued by a qualified actuary at 31 March 2008 using the projected unit method. The main assumption in carrying out the valuation was for investment returns of 5.6% per annum. At 31 March 2008, the total market value of assets in the UK scheme was £136.7m. The overall level of funding was 82%. The net income statement charge for the year for the UK pension scheme was £2.2m (2009: £1.3m). The Scheme is held by the Company and all of the UK disclosures relate to the Company and the Group.

The Company agreed with the Trustee of the Scheme a schedule of contributions to fund a deficit under the Minimum Funding Requirement. Under this agreement, the Company has made a payment of £3.0m during the year (2009: £3.0m). The Company has agreed to pay further contributions of £3.0m per year from the year ending 30 November 2011.

Following the announcement by the Government on 8 July 2010 of their intention to use CPI rather than RPI to calculate statutory minimum increases in both deferred pensions and pensions in payment, the Company has given due consideration, including discussions with its legal advisors and the Trustee, to the impact of the change on the valuation of the Scheme liabilities as at 30 November 2010. Following the guidance set out in UITF 48, it has concluded that there is no impact as a result of the change from RPI to CPI as at the balance sheet date.

Financial Statements

Notes to the Accounts continued

4. Post employment benefits continued

ii) Non-UK

Defined benefit schemes are held in Germany and the United States relating to the Colbond business and the MTX business together with a scheme in Belgium. Further disclosure on these schemes is detailed below. Defined benefit schemes also exist in the Group's two Dutch businesses. They are both members of an industry-wide scheme and it is not possible to separately identify assets and liabilities and both these schemes are accounted for on a contribution payable basis. The Group will share in the actuarial gains and losses of the industry-wide schemes.

iii) Financial assumptions

The assumptions require the exercise of judgement in relation to various assumptions, including employee and pensioner demographics and the future expected return on assets. Management determine the assumptions to be adopted in discussion with their actuaries. The application of different assumptions could have a significant effect on the amounts reflected in the income statement, the statement of comprehensive income and balance sheet in respect of post employment benefits. The assumptions vary among the countries in which the Group operates and there may be an interdependency between some of the assumptions.

The financial assumptions used to estimate defined benefit obligations are:

	UK schemes		Non-UK schemes	
	2010 %	2009 %	2010 %	2009 %
Discount rate	5.50	5.50	4.70-5.00	5.25-5.73
Expected return on scheme assets	5.30	5.90	4.40-7.75	5.19-7.65
Future salary increases	4.90	4.80	2.25-4.00	2.50-3.50
Future pension increases	3.20	3.30	2.00	2.00-3.50
Inflation increase	3.40	3.30	2.00	2.00

In assessing the Group's post employment liabilities, management monitor mortality assumptions and use up-to-date mortality tables. Allowance is made for expected future increases in life expectancy. The figures assume that a male member, currently aged 65, will survive a further 21 years and a female member for a further 24 years. Management consider that the assumptions used are appropriate approximations to the life expectancy of Scheme members in the light of scheme specific experience and more widely available statistics.

To develop the expected long-term rate of return on assets assumption, management consider the level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio and an allowance made for expected expenses.

iv) Financial impact of plans

The total amount recognised for defined benefit schemes is as follows:

	UK schemes		Non-UK schemes		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Fair value of scheme assets	138.2	136.4	8.8	6.0	147.0	142.4
Present value of defined benefit obligations	(156.1)	(155.9)	(16.9)	(13.7)	(173.0)	(169.6)
Net liability recognised in the balance sheet	(17.9)	(19.5)	(8.1)	(7.7)	(26.0)	(27.2)

4. Post employment benefits continued

Amounts recognised in the income statement in respect of the defined benefit pension schemes are as follows:

	UK schemes		Non-UK schemes		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Current service cost	0.2	0.2	0.3	0.1	0.5	0.3
Interest cost	8.4	8.1	0.8	0.9	9.2	9.0
Expected return on scheme assets	(6.4)	(7.0)	(0.5)	(0.5)	(6.9)	(7.5)
	2.2	1.3	0.6	0.5	2.8	1.8

Amounts recognised in Other Comprehensive Income are as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Actuarial (loss)/gain	(0.2)	(17.0)	0.6	(17.0)
Associated deferred tax	0.3	(0.1)	–	–

The cumulative actuarial loss recognised in Other Comprehensive Income is £(20.0)m (2009: £(19.8)m). The Company has not recorded a deferred tax asset against the movement recognised in Other Comprehensive Income as it is not probable that a tax benefit will be realised in the future.

Changes in the present value of the defined benefit obligation are as follows:

	UK schemes		Non-UK schemes		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Opening defined benefit obligation	155.9	125.4	13.7	13.2	169.6	138.6
Current service cost	0.2	0.2	0.3	0.1	0.5	0.3
Interest cost	8.4	8.1	0.8	0.9	9.2	9.0
Plan participants' contributions	0.3	0.1	–	–	0.3	0.1
Actuarial (gain)/loss	(0.3)	30.3	3.2	0.5	2.9	30.8
Benefits paid	(8.4)	(8.2)	(0.9)	(1.1)	(9.3)	(9.3)
Exchange adjustments	–	–	(0.2)	0.1	(0.2)	0.1
Closing defined benefit obligation	156.1	155.9	16.9	13.7	173.0	169.6

Changes in the fair value of scheme assets are as follows:

	UK schemes		Non-UK schemes		Total	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Opening fair value of scheme assets	136.4	121.0	6.0	5.7	142.4	126.7
Expected return	6.4	7.0	0.5	0.5	6.9	7.5
Actuarial gain	0.3	13.3	2.4	0.5	2.7	13.8
Contributions by employers	3.2	3.2	0.5	0.6	3.7	3.8
Plan participants' contributions	0.3	0.1	–	–	0.3	0.1
Benefits paid	(8.4)	(8.2)	(0.9)	(1.1)	(9.3)	(9.3)
Exchange adjustments	–	–	0.3	(0.2)	0.3	(0.2)
Closing fair value of scheme assets	138.2	136.4	8.8	6.0	147.0	142.4

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Notes to the Accounts continued

4. Post employment benefits continued

The fair value of the UK scheme assets at the balance sheet date is analysed as follows:

	2010 £m	2010 %	2009 £m	2009 %
Equity securities	34.3	25	39.6	29
Debt securities	29.9	22	85.9	63
Index-linked Gilts	27.8	20	–	–
Diversified growth funds	26.9	19	–	–
Property	12.0	9	9.5	7
Cash and other	7.3	5	1.4	1
	138.2	100	136.4	100

The fair value of the non-UK scheme assets at the balance sheet date is analysed as follows:

	2010 £m	2010 %	2009 £m	2009 %
Equity securities	4.3	49	2.6	43
Debt securities	3.4	39	2.2	37
Index-linked Gilts	0.6	7	–	–
Cash and other	0.5	5	1.2	20
	8.8	100	6.0	100

History of experience gains and losses – UK scheme:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	138.2	136.4	121.0	142.3	141.1
Present value of defined benefit obligation	(156.1)	(155.9)	(125.4)	(143.3)	(156.5)
Deficit in the scheme	(17.9)	(19.5)	(4.4)	(1.0)	(15.4)
Experience adjustments to scheme assets					
Amount £m	0.3	13.3	(33.3)	(2.7)	5.1
Percentage of present value of scheme assets	0%	10%	(27%)	(2%)	4%
Experience adjustments to scheme liabilities					
Amount £m	3.1	(2.5)	(2.5)	0.8	2.3
Percentage of present value of scheme liabilities	2%	(2%)	(2%)	1%	1%

History of experience gains and losses – non-UK schemes:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	8.8	6.0	5.7	5.5	5.2
Present value of defined benefit obligation	(16.9)	(13.7)	(13.2)	(8.6)	(9.0)
Deficit in the scheme	(8.1)	(7.7)	(7.5)	(3.1)	(3.8)
Lump sum payable in French scheme	–	–	–	(0.7)	(0.6)
	(8.1)	(7.7)	(7.5)	(3.8)	(4.4)
Experience adjustments to scheme assets:					
Amount £m	–	0.6	(1.8)	0.1	(0.2)
Percentage of fair value of scheme assets	0%	10%	(31%)	2%	(4%)
Experience adjustments to scheme liabilities:					
Amount £m	0.2	0.1	(0.2)	(0.2)	–
Percentage of present value of scheme liabilities	1%	1%	(2%)	(2%)	–

4. Post employment benefits continued**c) US post retirement medical plans**

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical trend rate for our US post retirement medical schemes is shown by the table below:

	2010		2009	
Assumed healthcare trend rate:				
Immediate		8.0%		8.0%
Ultimate		4.5%		4.5%
Sensitivity to trend rate assumptions:				
	2010	2010	2009	2009
	+1%	-1%	+1%	-1%
	£'000	£'000	£'000	£'000
Effect on total service cost and interest cost components	6	(5)	6	(5)
Effect on defined benefit obligation	40	(35)	40	(35)

5. Non-recurring items

During the year the Group recognised significant non-recurring items as detailed below:

	2010	2009
	£m	£m
Amounts charged to operating profit		
Restructuring costs including asset impairments	6.4	5.6
Plant start up costs	0.6	–
	7.0	5.6
Amounts credited to non-operating income		
Release of pension equalisation provision	(5.4)	–
Amounts charged to financial expense		
Loan break fees	–	2.2

During the year ended 30 November 2010, costs of £6.4m were incurred in connection with restructuring of the loss-making Yarns business. The closure of the Ostend facility and a social plan for the workforce have been agreed with employee representatives. Manufacturing output will be transferred to the Group's new facility in Abu Dhabi and the closure of the Ostend facility is expected to be concluded by June 2011.

During the year ended 30 November 2010, start up costs of £0.6m have been incurred as the result of commissioning the new Yarns plant in Abu Dhabi. As these costs are non-recurring in nature they have been separately classified in the income statement. The plant has completed pre-production trials and is now in commercial production.

The Company and the Trustee of its main UK pension scheme had taken professional advice on the implementation of measures necessary to reflect the impact of changes in normal retirement age for members of pension schemes following the "Barber decision" on 17 May 1990 by the European Court of Justice and the Scheme's consequent decision in 1991 to equalise retirement ages for men and women at 65 years. The Company and the Trustee had believed that it was likely that additional funding would be required in respect of at least one of the Scheme's component sections due to possible defects in its implementation of the changes. In April 2010, the Court of Session in Scotland determined that the measures used had been effective and the Scheme was effectively equalised on the basis that the normal retirement age for all members was 65. As a result, the remaining £5.4m balance of the provision created in the year ended 30 November 2008 has been released.

During the year ended 30 November 2009, costs of £5.6m were incurred to restructure and reduce the cost base of the business. Restructuring programmes took place within Performance Technical Textiles, Technical Coated Fabrics and within central head office functions. In addition, loan break fees were incurred during 2009 to terminate certain of our bank drawings.

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Notes to the Accounts continued

6. Financial income and financial expense

	2010 £m	2009 £m
Financial income		
Interest income	3.5	7.1
Expected return on pension scheme assets	6.9	7.5
	10.4	14.6
Financial expense		
Interest on bank overdrafts and loans	(8.5)	(11.6)
Amortisation of bank arrangement fees	–	(0.3)
Interest on finance leases	–	(0.1)
Interest on pension scheme liabilities	(9.2)	(9.0)
Amounts capitalised within property, plant and equipment	0.1	0.1
	(17.6)	(20.9)
Non-recurring loan break fees	–	(2.2)
	(17.6)	(23.1)

7. Taxation

Recognised in the income statement

	2010 £m	2009 £m
Current tax		
UK corporation tax		
– current year	–	–
– prior year	0.2	–
Overseas tax		
– current year	5.5	4.1
– prior year	(0.4)	(0.1)
Total current tax	5.3	4.0
Deferred tax	(1.5)	(2.1)
Total tax charge in the income statement	3.8	1.9

The amount of deferred tax income relating to changes in tax rates is £0.1m (2009: £nil).

Reconciliation of effective tax rate

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 28% (2009: 28%) to the profit before tax are as follows:

	2010 £m	2009 £m
Profit before tax from continuing operations	10.2	0.7
Profit before tax from discontinued operations	–	0.4
Profit before tax	10.2	1.1
Tax charge at 28% (2009: 28%)	2.8	0.3
Expenses not deductible and income not taxable	(2.7)	(1.0)
Higher tax rates on overseas earnings	–	0.7
Current tax losses not utilised	3.6	2.6
Tax losses utilised	(0.1)	(0.2)
Other short-term timing differences	0.4	(0.4)
Prior period adjustments	(0.2)	(0.1)
Total tax charge for the year	3.8	1.9

7. Taxation continued*Deferred tax recognised directly in equity*

	2010 £m	2009 £m
Actuarial gains and losses relating to post employment benefit obligations	(0.3)	0.1
Relating to share-based payments	–	–
Total	(0.3)	0.1

In June 2010, the Emergency Budget announced the phased reduction in the main UK corporation tax rate from 28% to 24% with the first 1% reduction taking effect from 1 April 2011. Given the Group does not expect to pay tax in the UK in the foreseeable future this change is not considered to have any material impact on the Group.

8. Profits of the parent company

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The profit after tax was £24.6m (2009: £20.6m loss).

9. Dividends

Amounts recognised as distributions to equity shareholders in the year were as follows:

	2010 £m	2009 £m
Interim dividend in lieu of final dividend for the year ended 30 November 2009 – 0.8p per share (2009: nil per share)	2.3	–
Interim dividend for the year ended 30 November 2010 – 0.5p per share (2009: nil per share)	1.4	–
	3.7	–

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2010 of 1.1p which will absorb an estimated £3.2m of shareholders' funds. This has not been provided for in these accounts because the dividend was proposed after the year end. If it is approved by shareholders at the Annual General Meeting of the Company to be held on 31 March 2011, it will be paid on 21 April 2011 to shareholders who are on the register of members at close of business at close of business on 25 March 2011.

During the year the Board declared an interim dividend on ordinary shares in relation to the year ended 30 November 2010 of 0.5p, which was paid to ordinary shareholders on the register of members at close of business on 3 September 2010.

The Directors declared an interim dividend, in lieu of a final dividend, in respect of the financial year ended 30 November 2009 of 0.8p. This was not provided for in the 2009 accounts as the dividend was proposed after the year end. It was paid on 31 March 2010 to shareholders who were on the register of members at the close of business on 12 March 2010.

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding excluding those held by the ESOP which are treated as cancelled for the purpose of this calculation.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year; and those long-term incentive plan awards for which the performance criteria have been satisfied.



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Notes to the Accounts continued

10. Earnings per share continued

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2010			2009		
	Earnings £m	Weighted average number of shares (millions)	Per share amount pence	Earnings £m	Weighted average number of shares (millions)	Per share amount pence
Statutory – continuing operations						
Basic earnings/(loss) per share						
Earnings/(loss) attributable to ordinary shareholders	6.3	287.880	2.19	(1.0)	250.383	(0.41)
Effect of dilutive items						
Share-based payment	–	2.445		–	1.231	
Diluted earnings/(loss) per share	6.3	290.325	2.17	(1.0)	251.614	(0.41)
Statutory – discontinued operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	–	287.880	–	0.4	250.383	0.16
Effect of dilutive items						
Share-based payment	–	2.445		–	1.231	
Diluted earnings per share	–	290.325	–	0.4	251.614	0.16
Statutory – total basic earnings/(loss) per share						
Earnings/(loss) attributable to ordinary shareholders	6.3	287.880	2.19	(0.6)	250.383	(0.25)
Effect of dilutive items						
Share-based payment	–	2.445		–	1.231	
Diluted earnings/(loss) per share	6.3	290.325	2.17	(0.6)	251.614	(0.25)
Before amortisation and non-recurring items						
– continuing operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	12.7	287.880	4.41	11.0	250.383	4.35
Effect of dilutive items						
Share-based payment	–	2.445		–	1.231	
Diluted earnings per share	12.7	290.325	4.37	11.0	251.614	4.33
Before amortisation and non-recurring items						
– discontinued operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	–	287.880	–	–	250.383	–
Effect of dilutive items						
Share-based payment	–	2.445		–	1.231	
Diluted earnings per share	–	290.325	–	–	251.614	–
Before amortisation and non-recurring items						
– total						
Basic earnings per share						
Earnings attributable to ordinary shareholders	12.7	287.880	4.41	11.0	250.383	4.35
Effect of dilutive items						
Share-based payment	–	2.445		–	1.231	
Diluted earnings per share	12.7	290.325	4.37	11.0	251.614	4.33

11. Goodwill

	Group	
	2010 £m	2009 £m
Cost and net book value		
At 1 December	90.5	82.3
Exchange adjustments	(7.2)	7.9
Acquisition of subsidiaries	–	0.3
At 30 November	83.3	90.5

Cash generating units

Goodwill is allocated to the Group's cash generating units ("CGUs") which have been identified according to the principal markets in which each business operates. A summary of the carrying value presented at CGU level is shown below:

	Group	
	2010 Cost and net book value £m	2009 Cost and net book value £m
Cash generating unit		
Specialist yarns	9.0	9.8
Fabrics and fibres	10.9	11.4
Polymeric mats and composites	26.1	28.6
Technical coated fabrics	37.0	40.5
Other	0.3	0.2
At 30 November	83.3	90.5

The Directors have carried out an impairment review for the goodwill carried in each CGU at 30 November 2010. All recoverable amounts are based on value in use and the key assumptions applied in the value in use calculations are set out below:

1) Cash flow projections

Management prepare five-year cash flow forecasts derived from the most recent annual financial budgets approved by the Board with an appropriate extrapolation of these cash flows for an extended forecast period. The projections represent the best estimate of future performance based on past performance and expectations for their market development. The key assumptions include expected changes to selling prices and direct costs as well as consideration of the levels of ongoing capital expenditure to support forecast production.

2) Discount rate

A weighted average cost of capital is used to discount the pre-tax five-year cash flow forecasts from each CGU. The discount rates applied differ between CGUs to reflect management's consideration of the risks and rewards inherent in the operations of each CGU. Each discount rate is based on the Group's adjusted cost of capital to reflect a market participant's pre-tax discount rate, and the rates applied range from 14.1% to 15.0% (2009: 12.8% to 13.2%).

A sensitivity analysis has been performed whereby the impairment calculations have been reworked using a higher discount rate. This analysis shows that at discount rates of 15.7% there is no impairment.



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11. Goodwill continued

3) Growth rates

Growth rates of up to 5% (2009: up to 5%) are used to extrapolate the five-year cash flow forecasts with a comparable long-term growth rate into perpetuity. The rates reflect past experience of the Group and, where applicable, are consistent with external sources of information. The assumptions have been reviewed in the light of the current economic environment and are considered appropriate.

No impairment arose as a result of the valuations. Management believe that the valuations are sufficiently robust such that variations in the key assumptions would not result in significant changes to the results of the impairment tests. Sensitivity analysis has been performed on the key assumptions, which supports this conclusion.

Changes in business activities or structure could also result in changes to the impairment reviews in future. Future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

12. Intangible assets

Group	Computer software £m	Research and development £m	Order backlog £m	Customer relationship £m	Marketing related £m	Technology based £m	Non-compete agreement £m	Total £m
Cost								
At 30 November 2008	1.6	1.3	0.2	32.3	13.6	20.0	1.3	70.3
Exchange adjustment	0.1	0.1	–	2.8	1.4	1.9	0.1	6.4
Additions	0.3	0.5	–	–	–	–	–	0.8
At 30 November 2009	2.0	1.9	0.2	35.1	15.0	21.9	1.4	77.5
Exchange adjustment	(0.1)	(0.1)	(0.1)	(2.6)	(1.4)	(1.8)	(0.1)	(6.2)
Additions	0.2	0.5	–	–	–	–	–	0.7
At 30 November 2010	2.1	2.3	0.1	32.5	13.6	20.1	1.3	72.0
Aggregate amortisation								
At 30 November 2008	0.9	0.1	0.2	5.6	1.4	4.6	1.0	13.8
Exchange adjustment	0.1	–	–	0.3	0.2	0.5	0.1	1.2
Charge for the year	0.3	0.3	–	2.6	1.1	2.7	0.3	7.3
At 30 November 2009	1.3	0.4	0.2	8.5	2.7	7.8	1.4	22.3
Exchange adjustment	(0.1)	–	(0.1)	(0.7)	(0.3)	(0.6)	(0.1)	(1.9)
Charge for the year	0.3	0.3	–	2.8	1.0	2.4	–	6.8
At 30 November 2010	1.5	0.7	0.1	10.6	3.4	9.6	1.3	27.2
Net book value								
At 30 November 2010	0.6	1.6	–	21.9	10.2	10.5	–	44.8
At 30 November 2009	0.7	1.5	–	26.6	12.3	14.1	–	55.2
At 30 November 2008	0.7	1.2	–	26.7	12.2	15.4	0.3	56.5

- Notes
- 1) Marketing-related intangible assets are assets that are primarily used in the marketing or promotion of products or services. Such assets include trademarks, trade names, service marks, internet domain names.
 - 2) Non-compete agreements prohibit a seller from competing with the purchaser of a business.
 - 3) Customer relationships consist of customer lists, customer contracts and relationships and non-contractual customer relationships.
 - 4) Technology-based intangible assets relate to innovations and technological advances and include patented and unpatented technology, databases and trade secrets.
 - 5) Research and development assets relate to expenditure incurred in the course of research where findings can be applied to a plan or design for the production of new or substantially improved products and processes.

13. Property, plant and equipment

	Group			Company		
	Property £m	Plant and equipment £m	Total £m	Property £m	Plant and equipment £m	Total £m
Cost						
At 30 November 2008	48.2	182.6	230.8	0.6	0.3	0.9
Exchange adjustment	3.7	12.2	15.9	–	–	–
Additions	0.1	7.2	7.3	–	–	–
Capitalisation of interest	–	0.1	0.1	–	–	–
Disposals	–	(0.9)	(0.9)	–	–	–
Reclassifications	(1.4)	1.4	–	–	–	–
At 30 November 2009	50.6	202.6	253.2	0.6	0.3	0.9
Exchange adjustment	(2.8)	(11.7)	(14.5)	–	–	–
Additions	0.4	6.3	6.7	–	–	–
Capitalisation of interest	–	0.1	0.1	–	–	–
Disposals	(0.1)	(2.0)	(2.1)	(0.1)	(0.3)	(0.4)
Reclassifications	(0.2)	0.2	–	–	–	–
At 30 November 2010	47.9	195.5	243.4	0.5	–	0.5
Accumulated depreciation						
At 30 November 2008	13.7	91.3	105.0	0.1	0.3	0.4
Exchange adjustment	0.9	6.7	7.6	–	–	–
Charge for the year	1.8	11.3	13.1	0.1	–	0.1
Impairment	–	0.7	0.7	–	–	–
Disposals	–	(0.7)	(0.7)	–	–	–
Reclassifications	(0.5)	0.5	–	–	–	–
At 30 November 2009	15.9	109.8	125.7	0.2	0.3	0.5
Exchange adjustment	(0.7)	(7.1)	(7.8)	–	–	–
Charge for the year	1.2	11.7	12.9	0.1	–	0.1
Impairment	–	0.9	0.9	–	–	–
Disposals	(0.1)	(1.9)	(2.0)	(0.1)	(0.3)	(0.4)
Reclassifications	–	–	–	–	–	–
At 30 November 2010	16.3	113.4	129.7	0.2	–	0.2
Net book value						
At 30 November 2010	31.6	82.1	113.7	0.3	–	0.3
At 30 November 2009	34.7	92.8	127.5	0.4	–	0.4
At 30 November 2008	34.5	91.3	125.8	0.5	–	0.5

The carrying value of freehold land not depreciated at 30 November 2010 was £3.3m (2009: £3.6m).

The net book value of assets held under finance leases at 30 November 2010 was £1.1m (2009: £1.2m).

Committed capital expenditure at 30 November 2010 totalled £4.7m (2009: £3.0m).

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Notes to the Accounts continued

14. Investment in subsidiaries

	Company	
	2010 £m	2009 £m
Shares in Group undertakings		
Cost at 1 December and 30 November	103.5	103.5
Provision for impairment at 1 December and 30 November	(8.8)	(8.8)
Net book value at 1 December and 30 November	94.7	94.7

The subsidiary undertakings whose results, or financial position, in the opinion of the Directors, principally affected the results shown in these accounts are shown within Note 34.

15. Investment in associate

	Group	
	2010 £m	2009 £m
Cost and net book value		
At 1 December	0.4	0.3
Share of retained profit	0.1	0.1
Dividends received	(0.2)	–
Additional investment in associate	0.1	–
At 30 November	0.4	0.4

The Group's share of the assets, liabilities, income and expenses of its interest in associated undertakings are shown below:

	2010 £m	2009 £m
Total assets	2.3	3.1
Total liabilities	(1.2)	(1.4)
Net assets	1.1	1.7
Group share of net assets	0.4	0.4
Revenue	3.6	3.2
Profit for the year	0.4	0.5
Group share of profit for the year	0.1	0.1

The associates whose results, or financial position, in the opinion of the Directors, principally affected the results shown in these accounts are shown within Note 34.



16. Inventories

	Group	
	2010 £m	2009 £m
Raw materials	16.3	16.4
Work in progress	11.6	11.5
Finished goods	32.2	33.5
	60.1	61.4

Inventories are presented in the balance sheet net of provision for impairment of obsolete and slow moving items. Impairment is estimated by management based upon prior experience and their assessment of the current and future economic environment. The write down of inventories is included in cost of sales.

17. Trade and other receivables

	Group	
	2010 £m	2009 £m
Current		
Trade receivables	63.9	60.8
Provision for impairment of receivables	(4.4)	(3.9)
Net trade receivables	59.5	56.9
Other receivables	5.3	2.6
Prepayments and accrued income	2.8	2.0
	67.6	61.5
	Company	
	2010 £m	2009 £m
Non-current		
Amounts owed by subsidiaries	82.3	106.4
Current		
Amounts owed by subsidiaries	101.3	88.0
Other receivables	0.2	0.2
Prepayments and accrued income	0.3	0.3
	101.8	88.5

The Group has an established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group's review includes external ratings and bank references, where available. Purchase limits are established for each customer; these limits are reviewed quarterly. The Group has a long history of trading with a number of its customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.



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Notes to the Accounts continued

17. Trade and other receivables continued

Impairment losses

The age profile of gross trade receivables at the balance sheet date was:

	Group	
	2010 £m	2009 £m
Not past due	52.4	47.3
Past due 0-30 days	4.5	4.8
Past due 31-120 days	1.8	3.2
More than 120 days past due	5.2	5.5
	63.9	60.8

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group	
	2010 £m	2009 £m
Balance at 1 December	(3.9)	(4.6)
Increased during the year	(1.3)	(1.1)
Reversed during the year	0.1	0.2
Utilised during the year	0.3	1.7
Exchange adjustments	0.4	(0.1)
At 30 November	(4.4)	(3.9)

Provisions for impairment of receivables are estimated by management based on prior experience and their assessment of the current economic environment. When the Group is satisfied that no recovery of the amount owing is possible, the amounts are considered irrecoverable and are written off against the receivable directly; and recognised in the income statement when the receivable is considered to be uncollectable. The trade receivables impairment provision as at 30 November 2010 was £4.4m (2009: £3.9m). Management believe that this provision is adequate to cover the risk of bad debts and any exposure to credit risk. At 30 November 2010, 42.2% (2009: 44.7%) of trade receivables were insured.

Of the £1.7m allowance for trade receivables utilised in the year ended 30 November 2009, £1.3m related to write off of old balances fully provided on acquisition of MTX.

18. Trade and other payables

	Group	
	2010 £m	2009 £m
Current		
Trade payables	43.5	32.3
Other taxes and social security	1.6	2.2
Other payables	3.9	4.6
Accruals	22.6	21.5
	71.6	60.6
Current tax liabilities	8.4	7.1
	80.0	67.7

18. Trade and other payables continued

	Company	
	2010 £m	2009 £m
Current		
Amounts owed to subsidiaries	11.4	11.0
Other taxes and social security	0.1	0.1
Other payables	0.7	1.1
Accruals	2.8	1.3
	15.0	13.5
Current tax liabilities	1.8	1.7
	16.8	15.2

19. Financial assets, liabilities, derivatives and financial risk management**Treasury policies**

The objectives of the Group's treasury policies, which are set out in more detail within the Financial Review on pages 16 and 17, are to ensure sufficient liquidity to meet the Group's operational and strategic needs and the management of financial risk at optimal cost. The main financial risks to which the Group is exposed are foreign currency risk, credit risk and interest rate risk. Group treasury policies are set by the Board and permit the use of conventional financial instruments and certain derivative instruments to manage and mitigate these risks. There were no changes to this policy in the year ended 30 November 2010.

The Group treasury function is responsible for implementing Group policy and for managing the Group's relationships with its key providers of debt and other treasury services. The treasury function is operated as a cost centre and no speculative transactions are permitted. Underlying policy assumptions and activities are reviewed by the Board. Controls over exposure changes and transaction authenticity are in place. The treasury function is subject to periodic independent review by the internal audit department.



Financial Statements

Notes to the Accounts continued

19. Financial assets, liabilities, derivatives and financial risk management continued

Fair value of financial assets and liabilities

The fair value of the Group's financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Group				Company			
	Fair value 2010 £m	Book value 2010 £m	Fair value 2009 £m	Book value 2009 £m	Fair value 2010 £m	Book value 2010 £m	Fair value 2009 £m	Book value 2009 £m
Cash at bank and in hand	11.6	11.6	16.2	16.2	0.4	0.4	2.5	2.5
Trade and other receivables	64.8	64.8	59.5	59.5	183.8	183.8	194.6	194.6
Trade and other payables	(80.8)	(80.8)	(68.1)	(68.1)	(48.0)	(48.0)	(46.2)	(46.2)
Obligations under finance leases	(0.2)	(0.2)	(0.3)	(0.3)	–	–	–	–
Bank overdrafts	(2.4)	(2.4)	(4.4)	(4.4)	(1.1)	(1.1)	(2.1)	(2.1)
Cross-currency swaps	(15.8)	(15.8)	(36.2)	(36.2)	(15.8)	(15.8)	(36.2)	(36.2)
Forward exchange contracts – liabilities	(0.1)	(0.1)	–	–	–	–	–	–
Preference shares	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Prepaid arrangement fees	0.5	0.5	–	–	0.5	0.5	–	–
Floating rate borrowings	(33.5)	(33.5)	(78.5)	(78.5)	(33.5)	(33.5)	(78.5)	(78.5)
Fixed rate borrowings	(38.2)	(37.6)	–	–	(38.2)	(37.6)	–	–
	(94.5)	(93.9)	(112.2)	(112.2)	47.7	48.3	33.7	33.7

Estimation of fair value

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Trade and other receivables/payables

The fair value of trade and other receivables and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease arrangements.

Interest-bearing financial assets and liabilities

The fair value of interest-bearing assets and liabilities that bear interest at floating rates approximates to their carrying value. The fair value of the fixed interest financial liabilities is determined by discounting future contracted cash flows, using appropriate yield curves, to their net present value.

Forward exchange contracts

Where available, the fair value of forward foreign exchange contracts is based on their listed market price. If this is not available, forward contracts are marked to market based on the current spot rate.

Cross-currency swaps

The fair values of cross-currency swaps are based on the estimated amount the Group would pay if the transactions were terminated, using standard market conventions with reference to the relevant closing market spot rates.

19. Financial assets, liabilities, derivatives and financial risk management continued**Funding and liquidity**

At 30 November 2009 the Group's principal source of committed funding was unsecured bank facilities of £144.9m, which were due to expire in December 2011. These facilities comprised a term loan of £13.5m, which reduced to £9.0m in July 2010, and a multicurrency revolving credit facility of £131.4m. At 30 November 2010, total bank facilities therefore totalled £140.4m.

In September 2010, the Group raised €45m through a senior loan note private placement with Pricoa Capital Group Limited. This funding is unsecured and is scheduled for repayment in September 2016, and bears interest at a fixed rate of 5.90% per annum for the term of the loan.

On 16 December 2010, the Group cancelled the existing £140.4m bank facilities and entered into a new €130m unsecured multicurrency revolving credit facility with a syndicate of five of its key relationship banks. This facility is committed until February 2015 and bears interest at between 1.40% to 2.40% above LIBOR depending on the ratio of the Group's net debt to EBITDA.

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes changes in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's capital structure is as follows:

	Group	
	2010 £m	2009 £m
Net debt	62.0	67.4
Total equity	159.4	166.0
	221.4	233.4

Analysis of cash and cash equivalents

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Sterling	0.4	0.8	0.4	–
Euro	6.8	10.1	–	2.1
United States Dollar	1.0	1.9	–	0.4
Other	3.4	3.4	–	–
	11.6	16.2	0.4	2.5



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Notes to the Accounts continued

19. Financial assets, liabilities, derivatives and financial risk management continued

Analysis of interest-bearing borrowings

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Borrowings falling due within one year or on demand				
Bank loans and overdrafts	2.4	8.9	1.1	6.6
Other borrowings				
– Obligations under finance leases and hire purchase contracts	0.2	0.1	–	–
	2.6	9.0	1.1	6.6
Borrowings falling due after more than one year				
Bank loans and overdrafts	33.5	74.0	33.5	74.0
5.9% €45m Senior Note due 2016	37.1	–	37.1	–
Other borrowings				
– Preference shares	0.4	0.4	0.4	0.4
– Obligations under finance leases and hire purchase contracts	–	0.2	–	–
	71.0	74.6	71.0	74.4

All of the Company's and Group's borrowings are unsecured.

The following tables show the contracted maturities of financial liabilities together with their average effective interest rates as at the balance sheet date:

	Effective rate %	Group 2010				Total £m
		Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	
Non-derivative financial liabilities:						
Multicurrency revolving facility						
– Sterling	2.1	–	(33.5)	–	–	(33.5)
5.9% €45m Senior Note due 2016	5.9	–	–	–	(37.6)	(37.6)
Bank overdrafts						
– Sterling	2.3	(0.2)	–	–	–	(0.2)
– Euro	2.6	(2.1)	–	–	–	(2.1)
– Other	2.3	(0.1)	–	–	–	(0.1)
Finance leases	5.5	(0.2)	–	–	–	(0.2)
Preference shares	5.8	–	–	–	(0.4)	(0.4)
Prepaid arrangement fees		–	–	–	0.5	0.5
		(2.6)	(33.5)	–	(37.5)	(73.6)
Trade and other payables	0.0	(80.0)	(0.8)	–	–	(80.8)
Derivative financial liabilities:						
Cross-currency swaps	7.6	(15.8)	–	–	–	(15.8)
Forward exchange contracts used for hedging						
– Outflow		(0.1)	–	–	–	(0.1)
		(98.5)	(34.3)	–	(37.5)	(170.3)

19. Financial assets, liabilities, derivatives and financial risk management continued

	Group 2009					Total £m
	Effective rate %	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	
Non-derivative financial liabilities:						
Multicurrency revolving facility						
– Sterling	2.0	(4.5)	(4.5)	(69.5)	–	(78.5)
Bank overdrafts						
– Sterling	2.1	(0.5)	–	–	–	(0.5)
– Euro	2.9	(3.5)	–	–	–	(3.5)
– Other	2.3	(0.4)	–	–	–	(0.4)
Finance leases	5.5	(0.1)	(0.1)	(0.1)	–	(0.3)
Preference shares	5.8	–	–	–	(0.4)	(0.4)
Prepaid arrangement fees		–	–	–	–	–
		(9.0)	(4.6)	(69.6)	(0.4)	(83.6)
Trade and other payables	0.0	(67.7)	(0.4)	–	–	(68.1)
Derivative financial liabilities:						
Cross-currency swaps	3.2	–	(36.2)	–	–	(36.2)
		(76.7)	(41.2)	(69.6)	(0.4)	(187.9)
Company 2010						
	Effective rate %	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	Total £m
Non-derivative financial liabilities:						
Multicurrency revolving facility						
– Sterling	2.1	–	(33.5)	–	–	(33.5)
5.9% €45m Senior Note due 2016	5.9	–	–	–	(37.6)	(37.6)
Bank overdrafts						
– Sterling		–	–	–	–	–
– Other	2.3	(1.1)	–	–	–	(1.1)
Preference shares	5.8	–	–	–	(0.4)	(0.4)
Prepaid arrangement fees		–	–	–	0.5	0.5
		(1.1)	(33.5)	–	(37.5)	(72.1)
Trade and other payables	0.0	(16.8)	(31.2)	–	–	(48.0)
Derivative financial liabilities:						
Cross-currency swaps	7.6	(15.8)	–	–	–	(15.8)
Forward exchange contracts used for hedging						
– Outflow		–	–	–	–	–
		(33.7)	(64.7)	–	(37.5)	(135.9)



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Notes to the Accounts continued

19. Financial assets, liabilities, derivatives and financial risk management continued

	Company 2009					Total £m
	Effective Rate %	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Greater than 5 years £m	
Non-derivative financial liabilities:						
Multicurrency revolving facility						
– Sterling	2.0	(4.5)	(4.5)	(69.5)	–	(78.5)
Bank overdrafts						
– Sterling	2.1	(1.8)	–	–	–	(1.8)
– Other	2.3	(0.3)	–	–	–	(0.3)
Preference shares	5.8	–	–	–	(0.4)	(0.4)
Prepaid arrangement fees		–	–	–	–	–
		(6.6)	(4.5)	(69.5)	(0.4)	(81.0)
Trade and other payables	0.0	(15.2)	(31.0)	–	–	(46.2)
Derivative financial liabilities:						
Cross-currency swaps	3.2	–	(36.2)	–	–	(36.2)
		(21.8)	(71.7)	(69.5)	(0.4)	(163.4)

Borrowing facilities

The Group and Company have available the following undrawn committed borrowing facilities at 30 November 2010, for which all conditions precedent had been met:

	Group and Company	
	2010 £m	2009 £m
Expiring within one to two years	106.9	–
Expiring within two to five years	–	66.4
Total	106.9	66.4

On 30 November 2010, the Group's committed borrowing facilities comprised a bank facility of £140.4m, expiring in December 2011, and a €45m Senior Note due in September 2016 (2009: bank facilities of £140.4m expiring in December 2011 and £4.5m expiring in July 2010).

On 16 December 2010, the £140.4m bank facilities were cancelled and repaid and replaced with a €130m bank facility committed until February 2015.

Foreign exchange risk

(a) Translational

The Group has significant net assets based outside of the UK, predominantly in the Eurozone and the United States of America, with further amounts held in the Czech Republic, Hungary and China.

The Group uses cross-currency swaps to hedge against changes in the Sterling value of its Euro and US Dollar investments arising from currency exchange movements. During the year ended 30 November 2010, the Group swapped the proceeds of its €45m private placement into Sterling until November 2011, in order to maintain the efficiency of its net investment hedges. The Group has elected not to designate the private placement proceeds and the associated currency swaps as hedges. The Group's cross-currency swaps that are designated as net investment hedges mature in November 2011. From this date, the Group intends to use direct currency borrowings under the private placement and its €130m multicurrency revolving facility as hedges against movements in the Sterling value of its Euro and US Dollar investments.

(b) Transactional

The Company and Group have limited transactional currency exposures, arising on sales and purchases made in currencies other than the functional currency of the entity making the sale or purchase. Significant exposures which are deemed at least highly probable are matched where possible, and the remaining transactional risk is mitigated using forward foreign exchange contracts, all of which mature within one year of the balance sheet date.

19. Financial assets, liabilities, derivatives and non-current financial instruments *continued*

The following tables show the derivative assets/(liabilities) recognised in the accounts in respect of these hedging instruments:

Carrying and fair value amount 2010						
	Notional contract amount £m	Designated as cash flow hedges £m	Designated as net investment hedges £m	Not designated as hedges £m	Derivative assets £m	Derivative liabilities £m
Cross-currency swaps designated as net investment hedges	73.4	–	(15.9)	–	–	(15.9)
Cross-currency swaps not designated as hedges	31.7	–	–	0.1	0.1	–
Forward exchange contracts designated as cash flow hedges	8.0	(0.1)	–	–	–	(0.1)
Forward exchange contracts not designated as hedges	5.9	–	–	–	–	–
		(0.1)	(15.9)	0.1	0.1	(16.0)
				Derivative assets £m	Derivative liabilities £m	2010 £m
Derivative assets/(liabilities):						
Net investment hedges:						
Euro				–	(12.1)	(12.1)
United States Dollar				–	(3.8)	(3.8)
				–	(15.9)	(15.9)
Cash flow hedges:						
Euro				–	(0.1)	(0.1)
United States Dollar				–	–	–
				–	(0.1)	(0.1)
Not designated as hedges:						
Euro				0.1	–	0.1
				0.1	(16.0)	(15.9)

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Notes to the Accounts continued

19. Financial assets, liabilities, derivatives and non-current financial instruments continued

	Carrying and fair value amount 2009				
	Notional contract amount £m	Designated as cash flow hedges £m	Designated as net investment hedges £m	Derivative assets £m	Derivative liabilities £m
Cross-currency swaps designated as net investment hedges	120.0	–	(36.2)	–	(36.2)
Cross-currency swaps not designated as hedges	–	–	–	–	–
Forward exchange contracts designated as cash flow hedges	4.1	–	–	–	–
Forward exchange contracts not designated as hedges	–	–	–	–	–
		–	(36.2)	–	(36.2)
			Derivative assets £m	Derivative liabilities £m	2009 £m
Derivative assets/(liabilities):					
Net investment hedges:					
Euro			–	(33.2)	(33.2)
United States Dollar			–	(3.0)	(3.0)
			–	(36.2)	(36.2)
Cash flow hedges:					
Euro			–	–	–
United States Dollar			–	–	–
			–	–	–
Not designated as hedges:					
Euro			–	–	–
			–	(36.2)	(36.2)

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the year to 30 November 2010, an amount of £nil (2009: £nil) was recognised due to hedge ineffectiveness. The amount recognised in equity in the year in respect of hedges was £10.7m (2009: £33.3m).

Cross-currency swaps

At 30 November 2010, the Group held cross-currency swaps designated as net investment hedges which exchange an asset of £73.4m (2009: £120.0m) for liabilities of €88m (2009: €154.4m) and \$24.6m (2009: \$24.6m); and a cross-currency swap not designated as a net investment hedge which exchanges an asset of €38m (2009: £nil) for a liability of £31.7m (2009: £nil). During the year to 30 November 2010, cross-currency swaps with aggregate currency liabilities of €66.4m were cancelled and repaid for a cash outlay of £9.3m.

Forward exchange contracts

The Group had the following forward foreign exchange contracts in place at the balance sheet date, all of which mature within one year of the balance sheet date:

	2010		2009	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Sterling/Australian Dollar	–	–	0.5	1.79
Sterling/Euro	14.3	1.19	2.2	1.11
Sterling/United States Dollar	0.5	1.59	1.0	1.66
Euro/United States Dollar	0.2	1.38	0.4	1.46
Euro/Hungarian Forint	430.4	275.92	285.2	269.81

19. Financial assets, liabilities, derivatives and non-current financial instruments continued

The Company had the following forward foreign exchange contracts in place at the balance sheet date:

	2010		2009	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Sterling/Euro	13.0	1.19	4.5	1.10
Sterling/United States Dollar	–	–	3.0	1.64

The following significant exchange rates applied during the year.

	Average rate 2010	Average rate 2009	Year end rate 2010	Year end rate 2009
Sterling/Euro	1.16	1.12	1.20	1.09
Sterling/United States Dollar	1.55	1.55	1.56	1.64
Sterling/Czech Crown	29.43	29.75	29.88	28.56
Sterling/Hungarian Forint	319.4	314.3	337.5	299.6

Sensitivity analysis

A 10% strengthening of Sterling against the following currencies would have decreased equity and profit by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant:

	2010		2009	
	Equity £m	Profit £m	Equity £m	Profit £m
United States Dollar	(0.2)	(0.2)	(0.3)	(0.3)
Euro	(1.0)	(1.0)	(0.8)	(0.8)
Czech Crown	(0.2)	(0.2)	(0.2)	(0.2)
Hungarian Forint	(0.1)	(0.1)	(0.1)	(0.1)

A 10% weakening of Sterling against the above currencies as at 30 November 2010 and 2009 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Credit risk is the loss in relation to a financial asset due to non-payment by the customer or counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets. The Group's principal financial assets are cash, derivative financial instruments and receivables which represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk in relation to cash and derivative financial instruments is mitigated by Group policies which restrict dealings to approved counterparties with high credit ratings and with whom the Group has an ongoing banking relationship. The Group has set maximum permitted exposures with each counterparty which are reviewed regularly.

Trade receivable exposures are with a wide range of counterparties, and the credit strength of these counterparties is monitored. Where appropriate, credit risks are minimised through the use of forward funding, letters of credit, variations in payment terms and insurance. The maximum exposure to credit risk is represented by the carrying value of each financial asset as recorded in the balance sheet. There are no significant concentrations of credit risk at the balance sheet date nor are there any significant exposures to any one customer. See Note 17 for further details.

The Group's policy is to provide financial guarantees only where there is a clear commercial advantage in doing so.

The Company believes that all amounts receivable from subsidiary companies are recoverable in full.

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Notes to the Accounts continued

19. Financial assets, liabilities, derivatives and non-current financial instruments continued

Exposure to credit risk

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Financial assets at fair value through profit and loss	0.1	–	0.1	–
Trade and other receivables	64.8	59.5	183.8	194.6
Cash and cash equivalents	11.6	16.2	0.4	2.5
	76.5	75.7	184.3	197.1

Interest rate risk

The Group's strategy seeks a balance between fixed and floating rate borrowings, to achieve a reasonable effective interest rate whilst protecting the Group against material adverse changes in interest rates over the medium term.

All of the Group's interest-bearing assets and liabilities at 30 November 2010 and 2009 are on a floating rate basis, apart from preference debt with an average coupon rate of 5.75%; finance lease liabilities with an average rate of 5.5%; €50m of cross-currency swap liability, which bears interest at 4.75% until its maturity in November 2011, and, at 30 November 2010, the €45m Senior Note due 2016 which bears interest at 5.90% until its maturity in September 2016.

Floating rate financial assets and liabilities comprise borrowings under the Group's syndicated multicurrency revolving credit facility, which bear interest at LIBOR (or, in the case of borrowings in Euro, EURIBOR), or the lender's base rate for the currency concerned, plus 1.5%; cash deposits and bank overdrafts which bear interest at market rates; the cross-currency swap Sterling assets, which bear interest at 1.5% over LIBOR; and the floating rate cross-currency swap liabilities, which bear interest at between 1.62% and 2.20% above EURIBOR or LIBOR as appropriate.

Profile

At the reporting date the interest rate profile of the Group's and Company's interest-bearing net debt and financial instruments was:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Fixed rate				
Net debt	(37.7)	(0.7)	(37.5)	(0.4)
Financial instruments	(41.7)	(45.0)	(41.7)	(45.0)
Total fixed rate	(79.4)	(45.7)	(79.2)	(45.4)
Floating rate				
Net debt	(24.3)	(66.7)	(34.2)	(78.1)
Financial instruments	25.8	8.8	25.9	8.8
Total floating rate	1.5	(57.9)	(8.3)	(69.3)
Total interest-bearing net debt and financial instruments	(77.9)	(103.6)	(87.5)	(114.7)

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased equity by £0.4m (2009: £0.9m). The impact on the profit or loss for the period would have increased or decreased profit by £0.4m (2009: £0.9m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

20. Deferred taxation**Group**

Recognised deferred tax assets and liabilities:

	2010			2009		
	Assets £m	Liabilities £m	Net assets/ (liabilities) £m	Assets £m	Liabilities £m	Net assets/ (liabilities) £m
Intangible assets	–	(12.2)	(12.2)	–	(15.1)	(15.1)
Retirement benefit liabilities	0.8	–	0.8	1.1	–	1.1
Accelerated tax depreciation	–	(13.3)	(13.3)	–	(14.2)	(14.2)
Other	2.5	–	2.5	2.4	–	2.4
Tax assets/(liabilities)	3.3	(25.5)	(22.2)	3.5	(29.3)	(25.8)

Unrecognised deferred tax assets

	2010 £m	2009 £m
Tax losses	20.0	18.9
Retirement benefit liabilities	4.8	5.5
Employee share schemes	0.3	–
	25.1	24.4

Tax losses include an amount of £10.3m (2009: £10.7m) in respect of capital losses. The tax losses have no expiry date.

Movement in deferred tax during the year ended 30 November 2010:

	Balance 1 Dec 2009 £m	Recognised in equity £m	Recognised in income £m	Exchange adjustments £m	Balance 30 Nov 2010 £m
Intangible assets	(15.1)	–	1.7	1.2	(12.2)
Retirement benefit liabilities	1.1	0.3	(0.6)	–	0.8
Accelerated tax depreciation	(14.2)	–	0.3	0.6	(13.3)
Other	2.4	–	0.1	–	2.5
	(25.8)	0.3	1.5	1.8	(22.2)

Movement in deferred tax during the year ended 30 November 2009:

	Balance 1 Dec 2008 £m	Recognised in equity £m	Recognised in income £m	Exchange adjustments £m	Balance 30 Nov 2009 £m
Intangible assets	(15.5)	–	1.9	(1.5)	(15.1)
Retirement benefit liabilities	1.2	(0.1)	0.1	(0.1)	1.1
Accelerated tax depreciation	(12.8)	–	(0.7)	(0.7)	(14.2)
Other	1.5	–	0.8	0.1	2.4
	(25.6)	(0.1)	2.1	(2.2)	(25.8)

The Group has recognised deferred tax assets of £3.3m (2009: £3.5m) as the Directors believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

The Group has not recognised deferred tax liabilities in respect of investments in subsidiaries as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In the majority of cases, it is likely that sufficient underlying tax credits will be available to offset the tax liability arising and it is not considered practicable to disclose the amount of the timing difference in respect of the deferred tax liabilities which have not been recognised.

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20. Deferred taxation continued

Company

Recognised deferred tax assets:

	2010 £m	2009 £m
Accelerated tax depreciation	–	0.1
Tax assets	–	0.1
Unrecognised deferred tax assets		
Tax losses	12.2	12.0
Retirement benefit liabilities	4.8	5.5
Employee share schemes	0.3	–
	17.3	17.5

Tax losses include an amount of £7.0m (2009: £7.2m) in respect of capital losses. The tax losses have no expiry date.

Movement in deferred tax asset during the year ended 30 November 2010:

	Balance 1 Dec 2009 £m	Recognised in equity £m	Recognised in income £m	Balance 30 Nov 2010 £m
Accelerated tax depreciation	0.1	–	(0.1)	–
	0.1	–	(0.1)	–

Movement in deferred tax asset during the year ended 30 November 2009:

	Balance 1 Dec 2008 £m	Recognised in equity £m	Recognised in income £m	Balance 30 Nov 2009 £m
Accelerated tax depreciation	0.1	–	–	0.1
	0.1	–	–	0.1

There are no timing differences arising in respect of the deferred tax liabilities which have not been recognised.

21. Provisions

	Group	
	Restructuring £m	Pension equalisation £m
Current		
At 30 November 2008	2.3	–
Utilised in year	(2.3)	–
At 30 November 2009	–	–
Provided in the year	3.7	–
Exchange difference	(0.1)	–
At 30 November 2010	3.6	–
Non-current		
At 30 November 2008	–	6.0
Utilised in year	–	(0.2)
At 30 November 2009	–	5.8
Transfer to other payables	–	(0.4)
Released	–	(5.4)
At 30 November 2010	–	–

The provision created in the year ended 30 November 2010 relates to the restructuring of the Yarns business, as explained in Note 5. The majority of costs to which this provision relates are expected to be paid during the year ended 30 November 2011.

The Group made provision in the year to 30 November 2008 for £2.3m of one-off integration and restructuring costs at MTX following its acquisition in January 2008. These costs were charged to operating profit as a non-recurring item, and were paid during the year ended 30 November 2009.

The provision in respect of the potential UK pension scheme funding equalisation shortfall, which has created in the year ended 30 November 2008, has been released in the year ended 30 November 2010, as explained in Note 5.

	Company Pension equalisation £m
Non-current	
At 30 November 2008	6.0
Utilised in year	(0.2)
At 30 November 2009	5.8
Transfer to other payables	(0.4)
Released	(5.4)
At 30 November 2010	–

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Notes to the Accounts continued

22. Other payables

	Group	
	2010 £m	2009 £m
Non-current		
Other payables	0.8	0.4
	Company	
	2010 £m	2009 £m
Non-current		
Amounts owed to subsidiaries	31.2	31.0

23. Share capital

	Group and Company 2010		Group and Company 2009	
	Ordinary Shares £m	Deferred Shares £m	Ordinary Shares £m	Deferred Shares £m
Allotted, called up and fully paid				
At 1 December				
287,907,108 Ordinary Shares at 5p each	14.4	–	38.6	–
(2009: 154,571,152 Ordinary Shares at 25p each)				
154,571,152 (2009: nil) Deferred Shares at 20p each	–	30.9	–	–
Share split on 11 March 2009				
154,571,152 Ordinary Shares of 5p each	–	–	7.7	–
154,571,152 Deferred Shares of 20p each	–	–	–	30.9
Placing and Open Offer on 11 March 2009				
132,489,559 Ordinary Shares of 5p each	–	–	6.6	–
Shares issued to employees				
Shares issued under the long-term incentive plans	–	–	0.1	–
At 30 November				
287,907,108 Ordinary Shares of 5p each	14.4	–	14.4	–
154,571,152 Deferred Shares of 20p each	–	30.9	–	30.9

Capital reorganisation

On 11 March 2009, the Company's Ordinary Share capital was reorganised by means of a capital reorganisation involving: (i) the subdivision and reclassification of each issued Ordinary Share into one new Ordinary Share of five pence and one Deferred Share of 20p; and (ii) the subdivision of each authorised but unissued Ordinary Share into five new Ordinary Shares of five pence each. On completion of the capital reorganisation, each Ordinary Shareholder held one new Ordinary Share and one Deferred Share for each Ordinary Share previously held.

A Deferred Share: (i) does not entitle its holder to receive any dividend or other distribution; (ii) does not entitle its holder to receive notice of, nor to attend, speak or vote at, any general meeting of the Company; (iii) entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of (a) the amounts entitled to be paid up to holders of the Preference Shares and (b) the capital paid up on each Ordinary Share of five pence in the share capital of the Company and the further payment of £10m on each such Ordinary Share; and, (iv) does not entitle its holder to any further participation in the capital, profits or assets of the Company.

23. Share capital continued**Shares issued during the year**

During the year ended 30 November 2009 the Company raised £30.2m, net of costs by means of a fully underwritten placing and open offer of 132,489,559 shares. The offer price was 25p.

During the year ended 30 November 2010, nil shares (2009: nil shares) were issued to employees who exercised share options. Nil shares were issued under the Long-Term Incentive Plan (2009: 543,744). Nil shares (2009: 302,653) were issued under the Share Matching Plan.

Preference shares

	Group and Company	
	2010 £m	2009 £m
Allotted, called up and fully paid		
100,000 (2009: 100,000) 6% first cumulative preference stock of £1.00 each	0.1	0.1
100,000 (2009: 100,000) 6% second cumulative preference stock of £1.00 each	0.1	0.1
200,000 (2009: 200,000) 5.5% third cumulative preference stock of £1.00 each	0.2	0.2
	0.4	0.4

Preference shares are included within borrowings. Preference shares have priority over Ordinary Shares on a winding up of the Company. Provided that preference dividends remain paid in accordance with the Company's Articles of Association, Preference Shares do not carry voting rights.

Potential issues of Ordinary Shares

An element of senior executive remuneration is provided in the form of share options and long-term incentive plan awards. More details of these options and awards can be found in the Directors' Report on Remuneration on pages 33 to 40. Eligible UK employees are also invited to participate in the Low & Bonar 1997 Sharesave Scheme.

Share options

Under the provisions of the employee share option schemes, there were options for a total of 4.2 million Ordinary Shares outstanding at 30 November 2010 (2009: 4.8 million Ordinary Shares). The number of options outstanding relating to options granted in the last financial year was 1.6 million (2009: 2.3 million).



Financial Statements

Notes to the Accounts continued

23. Share capital continued

Details of the options included in the IFRS 2 charge are as follows:

Year of grant	Fair value in pence	Exercise price in pence	Exercise period	1 Dec 2009	Ordinary Shares of 5p each			30 Nov 2010
					Granted	Exercised	Lapsed	
Share Options								
2003	20.97	48.77	2006 to 2011	13,858	–	–	(13,858)	–
2004	33.21	73.97	2007 to 2014	1,766	–	–	(1,766)	–
2004	29.30	91.45	2007 to 2014	53,322	–	–	–	53,322 ⁽¹⁾
2006	30.59	85.26	2009 to 2016	17,366	–	–	(12,081)	5,285 ⁽¹⁾⁽²⁾
2006	27.23	108.18	2009 to 2016	593,362	–	–	(151,236)	442,126 ⁽¹⁾⁽²⁾
2007	31.41	101.95	2010 to 2017	27,443	–	–	(20,181)	7,262 ⁽¹⁾⁽²⁾
2007	32.66	127.56	2010 to 2017	596,707	–	–	(596,707)	– ⁽²⁾
2008	19.98	75.73	2011 to 2018	84,511	–	–	(45,640)	38,871 ⁽³⁾
2008	18.31	75.73	2011 to 2018	148,951	–	–	(55,314)	93,637 ⁽³⁾
2008	20.06	107.69	2011 to 2018	81,284	–	–	(23,599)	57,685 ⁽²⁾⁽³⁾
2009	14.08	32.18	2012 to 2017	756,396	–	–	(413,293)	343,103 ⁽³⁾
2009	14.07	32.18	2012 to 2017	1,471,601	–	–	(509,392)	962,209 ⁽³⁾
2010 ⁽⁴⁾	13.50	26.00	2013 to 2018	–	811,942	–	(43,279)	768,663 ⁽³⁾
2010 ⁽⁴⁾	13.50	26.00	2013 to 2018	–	831,946	–	(32,125)	799,821 ⁽³⁾
Phantom Share Options								
2004 ⁽⁵⁾	7.08	91.45	2007 to 2014	319,081	–	–	(51,404)	267,677 ⁽¹⁾
2006 ⁽⁵⁾	5.14	108.18	2009 to 2016	384,790	–	–	(47,954)	336,836 ⁽¹⁾
2007 ⁽⁵⁾	4.57	125.51	2010 to 2017	273,780	–	–	(273,780)	–
Total				4,824,218	1,643,888	–	(2,291,609)	4,176,497

(1) All of these options were exercisable at 30 November 2010.

(2) The options held by employees within the Floors Division vested on disposal of the division and were exercisable on or before 31 March 2009.

(3) None of these outstanding options were exercisable at 30 November 2010.

(4) The fair value of the awards was calculated using the Black-Scholes model. The assumed future volatility was 50% to 60.6% and was based upon historic volatility. The expected term ranged from 3.25 years to 5.25 years. Dividend yield was assumed to be 2.5% and the risk free interest rate ranged between 1.9% and 2.8%.

(5) The fair value per share of these awards was recalculated based on data as at 30 November 2010 using the Stochastic model. The assumed future volatility ranged between 50.3% for the 2007 issue and 63.0% for the 2004 options and was based upon historic volatility. The expected term ranged from three years to ten years. Dividend yield was assumed to be 3.4% and the risk free interest rate ranged from 1.1% for the 2004 issue to 2.1% for the 2007 options.

(6) No options were exercised during the year (2009: no options exercised).

23. Share capital continued**Long-term incentive plan awards**

Under the provisions of the long-term incentive plans there were awards for a total of 7.9 million Ordinary Shares outstanding at 30 November 2010 (2009: 4.8 million Ordinary Shares). The number of awards outstanding relating to awards granted in the last financial year was 5.3 million (2009: 2.9million).

Details of the awards included in the IFRS 2 charge are shown below:

Year of Grant	Fair Value in pence	Award price pence	Vesting Period	Ordinary Shares of 5p each				
				01 Dec 2009	Awarded	Released	Lapsed	30 Nov 2010
2007	73.87	104.74	2007 to 2010	1,807,231	–	–	(1,807,231)	–
2008	66.48	95.57	2008 to 2011	131,104	–	–	–	131,104
2009	28.33	35.25	2009 to 2012	2,758,076	–	–	(451,234)	2,306,842
2009	30.48	35.00	2009 to 2012	146,428	–	–	–	146,428
2010	25.19	33.00	2010 to 2013	–	5,414,818	–	(1,073,182)	4,341,636 ⁽¹⁾
2010	36.87	45.00	2010 to 2013	–	980,000	–	–	980,000 ⁽²⁾
Total	28.34	36.22		4,842,839	6,394,818	–	(3,331,647)	7,906,010

Notes

- (1) The fair value per share of these awards ranged from 21.29p to 29.09p and was derived using the Stochastic model. The assumed future volatility was 62.9%. The dividend yield was 3.7%, the expected term was three years.
- (2) The fair value per share of the awards ranged from 32.36p to 41.37p and was derived using the Stochastic model. The assumed future volatility was 70.1%, the dividend yield was 3.7%. The risk free interest rate was 1.0%, and the expected term was 2.25 years.

The total amount charged to the Consolidated Income Statement in respect of share-based payments was £0.2m (2009: £0.5m).

24. Share premium account

	Group and Company	
	2010 £m	2009 £m
At 1 December	54.1	30.6
Premium arising on issues of shares under share option schemes	–	0.2
Premium arising on placing and open offer	–	23.3
At 30 November	54.1	54.1

25. Translation reserve

	Group	
	2010 £m	2009 £m
At 1 December	(21.0)	(9.5)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	(10.0)	(11.5)
At 30 November	(31.0)	(21.0)

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Notes to the Accounts continued

26. Minority interest

	Group	
	2010 £m	2009 £m
At 1 December	4.9	4.7
Equity participation	–	0.5
Share of profit/(loss) after taxation	0.1	(0.2)
Exchange adjustment	0.3	(0.1)
At 30 November	5.3	4.9

The equity participation in the year ended 30 November 2009 relates to the minority share of Bonar Emirates Technical Yarns.

27. Acquisitions

Mehler Texnologies ("MTX") acquisition

On 3 January 2008, the Group acquired 100% of the share capital of the individual companies within the MTX Group.

Fair values were finalised during the year ended 30 November 2009 within the twelve month period post acquisition. This resulted in a £0.3m addition to goodwill as a result of final adjustments to trade receivables and costs of acquisition resulting in final goodwill arising on acquisition of £32.6m.

28. Discontinued operations

On 30 September 2008, the Group sold its Floors Division. During the year ended 30 November 2009, a gain of £0.4m was recognised following the finalisation of the disposal process, which was shown within result for the year from discontinued operations. A cash outflow of £0.6m arose in the year ended 30 November 2009 primarily in respect of the payment of disposal costs.

29. Reconciliation of net cash flow movement to movement in net debt

	Group	
	2010 £m	2009 £m
For the year ended 30 November		
Net decrease in cash and cash equivalents	(5.2)	(13.1)
Net cash flow from movements in debt financing	9.6	50.1
Prepaid bank arrangement fees	0.5	–
Amortisation of bank arrangement fees	–	(0.3)
Finance lease capital repayments	0.1	0.2
Foreign exchange differences	0.4	0.2
Movement in net debt in the year	5.4	37.1
Net debt at 1 December	(67.4)	(104.5)
Net debt at 30 November	(62.0)	(67.4)

	Company	
	2010 £m	2009 £m
For the year ended 30 November		
Net decrease in cash and cash equivalents	(2.1)	(20.8)
Net cash flow from movements in debt financing	8.2	49.4
Prepaid bank arrangement fees	0.5	–
Amortisation of bank arrangement fees	–	(0.3)
Foreign exchange differences	0.2	0.1
Movement in net debt in the year	6.8	28.4
Net debt at 1 December	(78.5)	(106.9)
Net debt at 30 November	(71.7)	(78.5)

30. Operating lease commitments

At 30 November, the Group had total non cancellable commitments under operating leases as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Plant and equipment				
Lease payments within one year	0.8	1.0	–	–
Lease payments between 1 and 2 years	0.6	0.6	–	–
Lease payments between 2 and 5 years	0.3	0.4	–	–
Lease payments beyond 5 years	–	–	–	–
	1.7	2.0	–	–
Property				
Lease payments within one year	4.1	4.4	0.3	0.3
Lease payments between 1 and 2 years	3.8	4.5	0.3	0.3
Lease payments between 2 and 5 years	7.9	7.6	0.2	0.3
Lease payments beyond 5 years	8.8	11.7	–	–
	24.6	28.2	0.8	0.9

31. Contingent liabilities

At the time of disposing of the Group's North American packaging operations in March 2000, the Company entered into an Environmental Agreement with the purchasers of the business. The Environmental Agreement contains provisions regarding the remediation of known environmental contamination in the vicinity of one of the facilities which was sold in Burlington, Ontario. The Environmental Agreement expired in September 2006 and the Group has an ongoing liability only in respect of outstanding claims notified prior to this date. At 30 November 2010, an accrual of £0.1m (2009: £0.2m) remains in the Group's balance sheet for the ongoing remediation costs which the Directors believe will be sufficient to satisfy payments due.

In addition, the Company from time to time guarantees certain obligations of its subsidiaries arising in the normal course of trade. At 30 November 2010, £2.0m of guarantees were outstanding (2009: £nil).

32. Related party transactions

The Company provides debt finance to various operating subsidiaries. A total of £183.6m was outstanding at 30 November 2010 (2009: £194.4m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2010, the total amount payable to subsidiaries was £42.6m (2009: £42.0m).

The Company received income in respect of management services provided to its subsidiaries totalling £3.9m (2009: £3.3m). In addition, the Company paid fees in respect of management services provided by its subsidiaries totalling £0.4m (2009: £0.5m).

The Company received interest income from related parties totalling £5.2m (2009: £6.4m) and accrued interest payable to related parties of £0.5m (2009: £1.2m).

The Company received dividend income from its subsidiaries totalling £30.0m (2009: £nil).

All related party transactions were conducted on an arms length basis.

The remuneration of key personnel (including Directors) of the Company was:

	2010 £m	2009 £m
Short-term benefits	2.0	1.9
Post employment benefits	0.2	0.3
Share-based payments	0.5	0.1
	2.7	2.3

Key personnel (excluding Directors) comprise the Executive Management Team consisting of three Business Unit Managing Directors (2009: three) who are directly responsible for the Group's operating companies and one Director of New Business (2009: one).

Full details of Directors' emoluments, pension benefits and interests are set out in the Remuneration Report on pages 33 to 40.

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Notes to the Accounts continued

33. Post balance sheet events

Following the year end, the Group has agreed new borrowing facilities in the form of a €130m revolving loan facility that has replaced existing banking facilities and has maturity in February 2015. The new facility is in addition to the €45m private placement note which was issued in September 2010 and which matures in September 2016.

In January 2011, the Group agreed terms for the establishment of a joint venture company in Saudi Arabia with National Petrochemical Industrial Company ('NATPET') for the design, manufacture and sale of geotextile products. The joint venture arrangements are subject to obtaining standard licences required in Saudi Arabia, which are expected to be obtained by mid-2011.

The Group will have a 50% equity interest in and shared operational control of the venture with NATPET. Each partner's committed contribution to the venture will be SAR32 million (£5.4 million), payable in cash during 2011, with the Group's contribution being funded from its existing resources.



34. Group companies

Subsidiary undertakings	Principal product areas	Country	%
Performance Technical Textiles			
Bonar Yarns & Fabrics Limited	Specialist yarns	Scotland	100.0*
Bonar Technical Fabrics N.V.	Woven and non-woven fabrics	Belgium	100.0
Bonar Emirates Technical Yarns Industries LLC	Specialist yarns	United Arab Emirates	49.0
Yihua Bonar Yarns & Fabrics Co. Ltd	Woven fabrics and specialist yarns	People's Republic of China	60.0
Anglo-Danish Fibre Industries Ltd (trading as ADFIL)	Construction fibres	England	100.0
Bonar Xirion NV	Specialist yarns	Belgium	100.0
Geo-Tiptex Ipari es Kereskedelmi Kft	Non-woven fabrics	Hungary	100.0
Colbond BV	Polymeric mats and composites	The Netherlands	100.0
Colbond Geosynthetics Produktions GmbH	Polymeric mats and composites	Germany	100.0
Colbond GmbH and Co.KG	Polymeric mats and composites, and holding company	Germany	100.0
Colbond Geosynthetics SARL	Polymeric mats and composites	France	100.0
Colbond Inc	Polymeric mats and composites	USA	100.0
Bonar Technical Yarns Inc	Specialist yarns	USA	100.0
Technical Coated Fabrics			
Mehler Texnologies Logistics GmbH	Technical coated fabrics	Germany	100.0
Mehler Texnologies GmbH	Technical coated fabrics	Germany	100.0
Mehler Texnologies S.R.L.	Technical coated fabrics	Romania	100.0
Mehler Texnologies Ltd	Technical coated fabrics	UK	100.0
Mehler Texnologies S.p.A	Technical coated fabrics	Italy	100.0
Mehler Texnologies s.a.r.l	Technical coated fabrics	France	100.0
Mehler Texnologies Inc	Technical coated fabrics	USA	100.0
Mehler Texnologies s.r.o	Technical coated fabrics	Czech Republic	100.0
Mehler Texnologies Sp. Z o.o.	Technical coated fabrics	Poland	100.0
Mehler Texnologies Teknik Tekstil Limited Sirketi	Technical coated fabrics	Turkey	100.0
Mehler Texnologies S.I.A	Technical coated fabrics	Latvia	100.0
Low & Bonar Technical Textiles Russia Ltd	Technical coated fabrics	Russia	100.0
Holding companies			
Bonar International Holdings Limited	Holding company	Scotland	100.0*
Bonar International Sarl	Holding company	Luxembourg	100.0
Low & Bonar (Nederland) BV	Holding company	The Netherlands	100.0
LCM Construction Products Ltd	Holding company	England	100.0*
Low & Bonar Technical Textiles Holding BV	Holding company	The Netherlands	100.0
Colbond Holding BV	Holding company	The Netherlands	100.0
Colbond Verwaltungs GmbH	Holding company	Germany	100.0
Colbond (Nederland) BV	Holding company	The Netherlands	100.0
Associated undertaking			
CPW GmbH	Intellectual property	Germany	33.3

(1) Unless otherwise stated, shares held are ordinary, common or unclassified.

(2) The percentage of the nominal value of issued shares held is shown following the name of each company.

(3) An asterisk* indicates that the percentage of share capital shown is held directly by the Company.

(4) A number of subsidiary undertakings, the trading results and assets of which are not material in relation to the Group as a whole, have been omitted from the above list. In compliance with the Companies Act 2006, particulars of these undertakings will be annexed to the next annual return.

(5) The companies listed were incorporated in the country shown against each of them and, with the exception of Bonar International Sarl which operates primarily in England, that country is also the principal country of operation.

Financial Statements

Five Year History

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue					
Continuing operations	344.6	304.8	335.2	210.3	127.2
Discontinued operations	–	–	96.0	101.5	97.3
Total (including discontinued operations)	344.6	304.8	431.2	311.8	224.5
Operating profit before amortisation and non-recurring items					
Continuing operations	25.8	22.1	26.7	14.1	6.3
Discontinued operations	–	–	10.4	12.0	10.7
Total (including discontinued operations)	25.8	22.1	37.1	26.1	17.0
Operating profit					
Continuing operations	12.0	9.2	19.1	11.1	1.8
Discontinued operations	–	–	9.0	11.7	10.3
Total (including discontinued operations)	12.0	9.2	28.1	22.8	12.1
Profit before tax, amortisation and non-recurring items					
Continuing operations	18.6	15.8	16.0	10.4	4.0
Discontinued operations	–	–	10.3	12.0	10.7
Total (including discontinued operations)	18.6	15.8	26.3	22.4	14.7
Profit before tax					
Continuing operations	10.2	0.7	2.2	7.4	(0.5)
Discontinued operations	–	0.4	64.8	11.7	10.3
Total (including discontinued operations)	10.2	1.1	67.0	19.1	9.8
Net debt	(62.0)	(67.4)	(104.5)	(50.5)	(46.1)
Per Ordinary Share					
Basic earnings/(loss) per share (including discontinued operations) (p)	2.19	(0.25)	39.45	8.60	5.80
Dividends declared per share (p)	1.6	0.8	1.925	4.85	4.38

Discontinued operations represent the Floors Division (discontinued in 2008).

Advisers and Financial Calendar

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Solicitors

Freshfields Bruckhaus Deringer LLP

Principal bankers

The Royal Bank of Scotland Plc
Barclays Corporate
KBC Bank NV
ING Bank NV

Corporate finance advisers

NM Rothschild & Sons Limited

Brokers

Numis Securities Limited

Financial Calendar

Annual General Meeting	31 March 2011
Announcements for results for the year ending 30 November 2011	
Half year	July 2011
Full year	February 2012
Dividend payments for the year ended 30 November 2010	
Ordinary shares	21 April 2011
First, second and third cumulative preference stock	1 March 2011 1 September 2011

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