



Low & Bonar

Performance materials engineered
to help build your business

Welcome to Low & Bonar

We are an international business to business performance materials group.

We design and manufacture components which add value to and improve the performance of our customers' products by engineering a wide range of polymers using our own technologies to create yarns, fibres, industrial and coated fabrics and composite materials.

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

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Highlights

Our Financial Performance

Another year of profit growth, PBT¹ up 10.7% on a constant currency² basis

- Revenue of £380.5m (2011: £388.7m), up 2.6% on a constant currency basis²
- Profit before tax¹ of £24.5m (2011: £23.4m), an increase of 10.7% on a constant currency basis²
- Operating margin increased to 8.0% (2011: 7.9%)
- Return on capital improved to 17.2% (2011: 16.8%)

Reorganising and investing to drive future growth

- £19.5m invested to support management initiatives for future growth
- Major businesses within Performance Technical Textiles division merged and re-branded as Bonar
- Xeroflor acquired and successfully integrated

Full year dividend increased 14% to 2.4 pence per share (2011: 2.1 pence per share)

Operational Highlights

Sustained growth in underlying sales

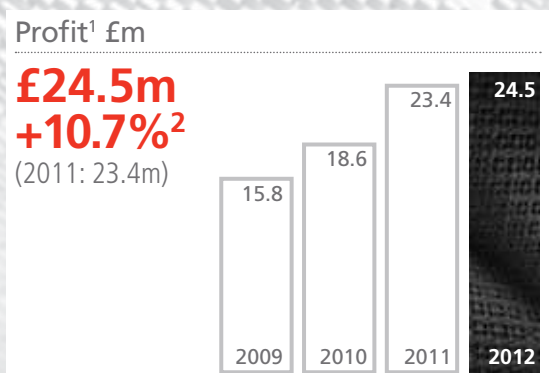
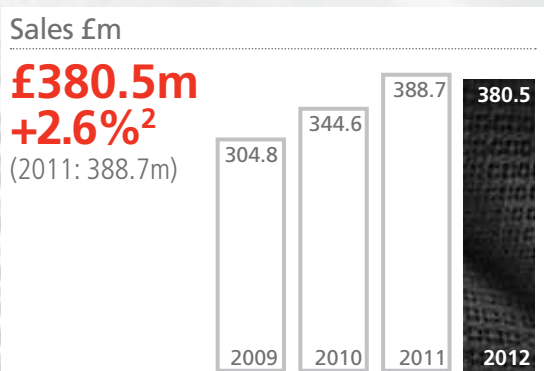
- Growth enabled by strong niche market positions
- Resilient performance in European markets

Continued improvement in operating margins

- Operating margins improved despite deterioration in Yarns performance
- Investment made to build organisational capability across the Group
- Actions taken to reduce losses in the Yarns business

Strong cash generation

- Net debt reduced to £82.6m (2011: £85.3m), even after £19.5m capability and capacity investment



1 Continuing operations before tax, amortisation and non-recurring items

2 Constant currency is calculated by retranslating comparative period results at current period exchange rates

Growing innovative ideas into profitable business

Our broad technology platform delivers high performance solutions that add value to our customers' businesses. Our strong customer focus, innovation capability and geographic development will help us to deliver strong underlying sales and profit growth.

MARKET-LED INNOVATION

Innovation lies at the heart of all we do. We commit significant resources to capture development ideas from our customers and the markets they operate in. We have teams of technical specialists and development engineers who convert these ideas into new products with the desired performance effects.

Once proven, our operations teams take over to industrialise the process. We use an outstanding innovative process to leverage our broad range of technology platforms to create products which make a real difference to our customers. This is our core skill and how we sustain competitive advantage, improve market share and enhance margins.



IDEAS IN DEVELOPMENT

Low & Bonar operates research and development centres within each business. Our dedicated research and development facilities enable the development of new products, the modification of our existing product ranges for new applications, and the continuous refinement of our products and processes. Innovation is at the heart of everything we do.



IDEAS IN ACTION

The Bonar Technical Fabrics R&D team has developed a range of flame retardant screens, under the PhormiTex name, to counter the risk of greenhouse fires caused by the increased use of electrical equipment to control heating and lighting in greenhouse horticulture. PhormiTex screens combine the proven qualities of Bonar screens with a certified fire performance under German and European standards.

Core capabilities

STRONG CUSTOMER FOCUS

We populate our development pipelines with ideas and insight from our customers and markets. Our research and development teams focus on meeting customer needs with engineered products for specific applications.

EXCELLENCE IN INNOVATION

We have dedicated research and development teams within each of our businesses. Our innovation is focused on delivering improved sustainability, increased functionality and higher efficiencies.

OPERATIONAL CAPABILITY AND EFFICIENCY

Our efficient operations and talented people will underpin our aspiration to build a global business. We continue to invest in capability and efficiency across the Group.

LEADING POSITIONS IN NICHE INDUSTRIAL MARKETS

We hold leading positions in attractive niche markets, sustained with innovative design and manufacture of components to meet the evolving demands of our customers and markets.

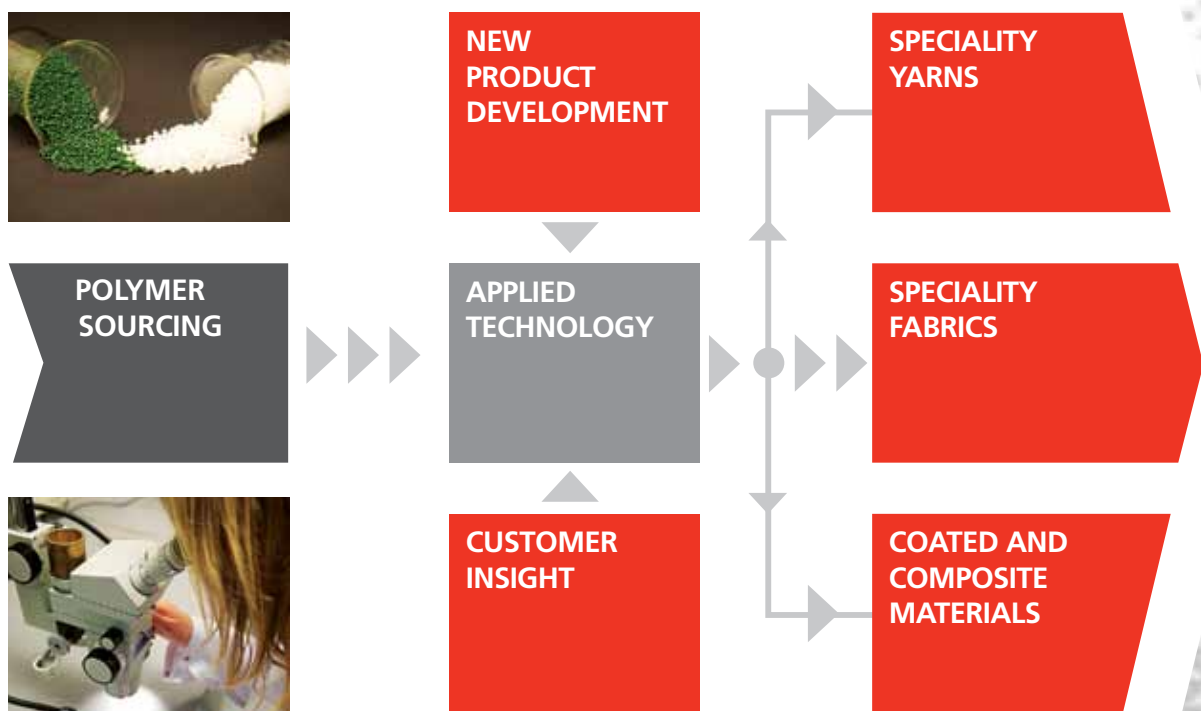
STRENGTHENING GROUP RESOURCES

We are investing in sales, marketing and strategy development to drive growth and build a more market-driven group with global reach. We also continue to invest and increase effectiveness in procurement and health and safety.

Our Business Model and Value Chain

COMPETITIVE ADVANTAGE THROUGH TECHNOLOGIES AND INNOVATION

Our manufacturing processes begin with the sourcing of widely available polymers, including polypropylene, polyethylene, polyester and nylon, and formulating these using speciality additives and colours which help determine performance, aesthetics and processing efficiencies.



Our proprietary polymer formulations are subsequently processed using our broad range of proprietary technologies, and are tailored to enable the final product to deliver the desired performance characteristics.

Our end product might be a speciality yarn, fabric or a coated or composite material. They are typically components which are important determinants of the performance and/or efficiency of our customer's final product or process.

Our Values

FREEDOM TO OPERATE

We empower our talented people to take initiative, to think and act for themselves.

ACCOUNTABILITY

We accept our individual and team responsibilities and we meet our commitments and take responsibility for our performance in all our decisions and actions.

INNOVATION

We innovate in everything we do from products to processes and in our organisations to create value for our stakeholders.

INTEGRITY

We maintain the highest ethical standards wherever we operate. We will ensure the health and safety of all our people and minimise our impact on the environment.

OPEN COMMUNICATION

We encourage and are committed to communicating in an open, honest and timely way.

Our Divisions

Bonar

Our Bonar division serves the civil engineering, flooring, transport, industrial and construction sectors.

COMPANIES

- Bonar** – Belgium, Netherlands, USA and UK
- Bonar Geosynthetics** – Hungary
- Bonar Xeroflor** – Germany
- Yihua Bonar** – China
- Bonar Natpet** – Saudi Arabia

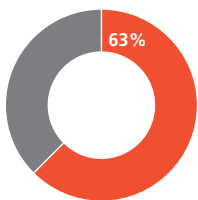
MANUFACTURING FACILITIES

- Belgium** – Zele and Lokeren
- Netherlands** – Arnhem and Emmen
- Germany** – Obernburg
- Hungary** – Tiszaújváros
- USA** – Asheville, NC
- China** – Yizheng

BONAR PRODUCTS

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

Sales



2012 £238.7m
2011 £238.7m
2010 £207.9m



Technical Coated Fabrics

Our Technical Coated Fabrics division serves the building products, transport, leisure, print and industrial sectors.

COMPANIES

- Mehler Technologies (MTX)** – Germany
- 17 sales offices and warehouses throughout the world.

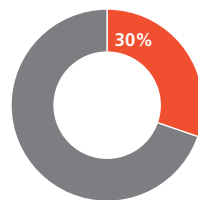
MANUFACTURING FACILITIES

- Germany** – Hückelhoven and Fulda
- Czech Republic** – Lomnice

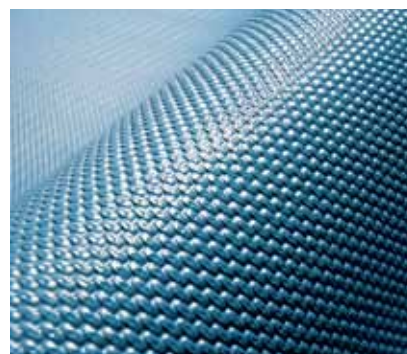
TECHNICAL COATED FABRICS PRODUCTS

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

Sales



2012 £115.3m
2011 £119.4m
2010 £105.4m



Yarns

Our Yarns division serves the artificial grass yarns and woven carpet backing sectors.

COMPANIES

- Bonar Technical Yarns** – UK, Belgium and USA
- Bonar Emirates Technical Yarns** – UAE

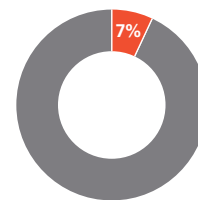
MANUFACTURING FACILITIES

- UK** – Dundee
- UAE** – Abu Dhabi

YARNS PRODUCTS

- Monofilament and fibrillated artificial grass yarns for sports pitches and landscaping
- Polypropylene carpet backing yarns for woven carpets

Sales

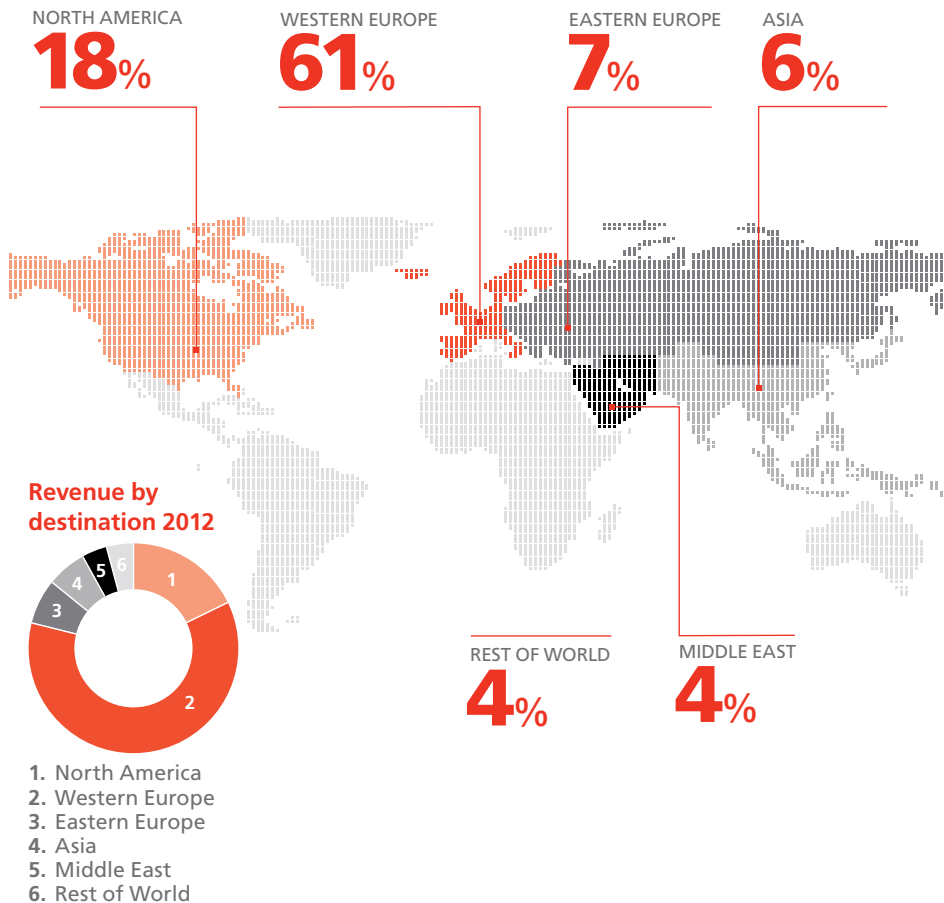


2012 £26.5m
2011 £30.6m
2010 £31.3m



Our Markets

How and where we deliver performance materials



Positive global trends in infrastructure spending and urbanisation, which are largely taking place in emerging markets, are creating significant growth opportunities in civil engineering, flooring and niche building products. Our joint venture in Saudi Arabia will service the Middle East and Indian subcontinent, and we continue to assess options to develop our business further in North America, Latin America and Asia.

CASE STUDY

Colback Profloor premium carpet backing launched

Colback Profloor, an innovative extension to the Colback range, was launched at the 2012 Domotex international flooring trade show in Hanover. Colback Profloor is based on a new polymer composition that eases the creation of complex tuft constructions, thereby improving the appearance of carpets and giving superior dimensional stability to the finished carpet tiles. The product is the result of a significant R&D programme carried out in cooperation with leading carpet tile producers to deliver benefits during carpet manufacture and service life.



Credit: Anker Teppichboden

Leading positions in niche industrial markets

Key growth drivers

We supply engineered polymers to a wide range of niche industrial applications with above-GDP growth potential.

| | | | | | |
|--|--|--|---|--|---|
| <p>Civil Engineering</p> <p>Growth drivers</p> <ul style="list-style-type: none"> • Global infrastructure spend • Regulation and urbanisation <p>24% of revenue GDP+</p> | <p>Flooring</p> <p>Growth drivers</p> <ul style="list-style-type: none"> • Tile substitution for wall to wall • China commercial property <p>19% of revenue GDP+</p> | <p>Industrial</p> <p>Growth drivers</p> <ul style="list-style-type: none"> • Efficient agricultural production • Outdoor advertising trends <p>16% of revenue GDP+</p> | <p>Building products</p> <p>Growth drivers</p> <ul style="list-style-type: none"> • 'Green', cost-down and functionality trends <p>17% of revenue GDP+</p> | <p>Leisure</p> <p>Growth drivers</p> <ul style="list-style-type: none"> • Synthetic turf replacing natural grass in sports and landscaping <p>10% of revenue GDP+</p> | <p>Transport</p> <p>Growth drivers</p> <ul style="list-style-type: none"> • European freight haulage • Light vehicle production <p>14% of revenue GDP</p> |
|--|--|--|---|--|---|

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.

Flooring

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 including waste water, biogas, food and oil.

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.

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.

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.

Strategy and KPIs

Building a global business

We have invested significantly in the capabilities and capacities required to build a global performance materials business.

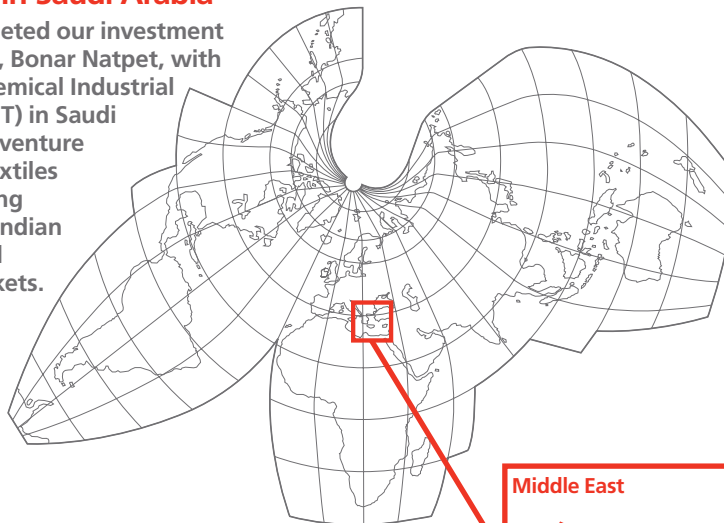
As a result of this investment we are updating our medium term target for organic sales growth. The new target is to grow at an annual rate at least 3% greater than the growth in Eurozone GDP. This reflects our continued confidence in being able to grow faster than the economies within our core geographic region and a continued commitment to market led innovation and investment in our business outside Europe.



Bonar Natpet facility under construction, Yanbu, Saudi Arabia

Joint venture in Saudi Arabia

In 2012 we completed our investment in a joint venture, Bonar Natpet, with National Petrochemical Industrial Company (NATPET) in Saudi Arabia. The joint venture will supply geotextiles to the fast growing Middle East and Indian subcontinent civil engineering markets.



The plant will benefit from a long-term supply agreement for the key raw material with NATPET and is located at a site near their polypropylene production facility in Yanbu, western Saudi Arabia. We have a 50% equity interest and shared operational control of the venture with NATPET.

1. Accelerating growth

We seek to accelerate our expansion into markets which have the opportunity to grow faster than the global average and build a global business.

Geographically these include Asia, the Middle East, the Indian subcontinent and South America, where industrialisation, urbanisation, and high infrastructure expenditure are driving growth. We also target global markets where they are supported by strong long-term growth trends.

KEY PRIORITIES

- Civil engineering
- Flooring products
- Niche building products

GROWTH GEOGRAPHIES

- China
- North America
- Latin America
- Middle East

DELIVERABLES

- Accelerated growth
- Global business
- Scale benefits

Sales outside Europe

| | |
|------|---------|
| 2010 | £98.3m |
| 2011 | £113.7m |
| 2012 | £119.7m |

The percentage of sales made to customers located outside Europe.

2. Excelling in innovation

Our leading position in niche industrial markets is based on the innovative design and manufacture of components to meet specific customer needs.

We work closely with our customers to create products that add real value to their business, by helping their manufacturing processes become more efficient, adding functionality to their products or by improving their environmental sustainability.

KEY PRIORITIES

- Sustainability
- Functionality
- Efficiency

KEY AREAS

- Europe
- North America
- Emerging markets later

DELIVERABLES

- Share gain
- Customer traction
- High quality business

3. Driving efficiencies and building capability

We strive to ensure our product offering is underpinned by cost and efficiency leadership.

Improvements in productivity and working capital efficiency will be coupled with group-wide initiatives to invest in our organisational capability and to leverage our expertise in manufacturing, procurement and health and safety to build the foundations of a global business.

KEY PRIORITIES

- Organisational capability
- Technical Coated Fabrics
- Yarns turnaround

KEY AREAS

- Market focus
- Health and safety
- Productivity
- Procurement

DELIVERABLES

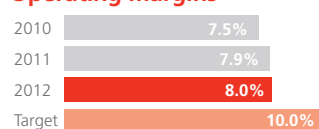
- Leverage all expertise to build global business
- Underpin speciality offer with cost and efficiency leadership

Asset efficiency



Operating profit before amortisation and non-recurring items as a percentage of operating capital (property, plant and equipment, trade working capital and prepayments and accruals).

Operating margins



Operating profit as a percentage of sales.

4. Complementary M&A

We will complement our organic growth strategies with 'bolt-on' M&A which either accelerates our exposure to global markets or gives us access to new products in existing markets.

The acquisition of Xeroflor in March 2012 has improved the Group's access to the fast growing green roofing market, complementing the range of products that our Bonar business already sells into that market.

'BOLT-ON' INVESTMENTS ACCELERATING GROWTH IN UNDER-DEVELOPED MARKETS

- Creating business and technology platforms outside our 'heartland'
- 'Pulling' existing technology, products and expertise to exploit opportunities

ACCELERATING GROWTH IN TARGET SEGMENTS

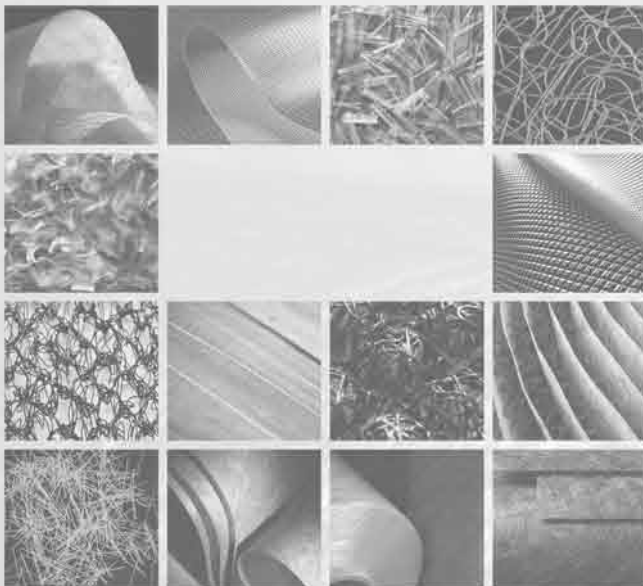
- Product and technology in-fills
- Improving innovation capability

**Chairman's
Statement**

Martin Flower



These are good results during a period of continued macroeconomic challenge, particularly within Europe, providing further evidence of the quality and resilience of our business and its growth prospects.



Low & Bonar continued to perform well during 2012 and I am pleased to report on another year of good progress.

Underlying profit before tax on a constant currency basis increased by 10.7% on revenues up 2.6% on last year. This strong performance has been achieved against a background of macroeconomic weakness and uncertainty, particularly within Europe. Demand for our products remains robust and reflects the diversity and strength of our niche market positions and products.

Profit before tax, amortisation and non-recurring items rose 4.7% to £24.5m (2011: £23.4m). Earnings per share were 6.3 pence (2011: 6.0 pence), an increase of 5.2%. Statutory profit before tax from continuing operations was £6.1m (2011: £23.4m) after non-recurring charges of £1.4m (2011: £5.7m credit) and an impairment charge of £11.2m in respect of the Yarns business. Non-recurring charges principally relate to acquisition costs and the reorganisation of our newly formed Bonar business.

Results highlights Continuing Operations

| | 2012 | 2011 | Actual | Constant ¹ Currency |
|--|----------------|---------|--------|-----------------------------------|
| Revenue | £380.5m | £388.7m | -2.1% | +2.6% |
| Operating margin ² | 8.0% | 7.9% | | |
| PBTA ² | £24.5m | £23.4m | +4.7% | +10.7% |
| Profit before taxation (statutory) ⁴ | £6.1m | £23.4m | | |
| Adjusted earnings per share ² | 6.3p | 6.0p | +5.2% | +11.6% |
| Dividend per share | 2.4p | 2.1p | +14.3% | |
| Net debt | £82.6m | £85.3m | | |
| Return on capital ³ | 17.2% | 16.8% | +40bps | |

- (1) Constant currency is calculated by retranslating comparative period results at current period exchange rates
 (2) Profit before tax, amortisation and non-recurring items
 (3) Last 12 months operating profit as a percentage of operating capital employed
 (4) After amortisation and non-recurring items

Further commentary on the results and performance by division is contained in the Business Review.

Investing to drive future growth

During the year, the Group has made further investments totalling £19.5m to support management initiatives for future growth.

To drive an acceleration in our growth outside of Europe, we have merged Colbond and Fabrics, the two major businesses within the Performance Technical Textiles division, to create a new division called Bonar. The changes give greater clarity, focus and accountability for international sales growth and development. Dedicated market teams will focus on leveraging the complete portfolio of products and technologies within the enlarged division.

The Group invested £13.2m (2011: £12.1m) in property, plant and equipment during the year to support volume growth in key markets and has already approved £2.6m of spend for 2013. In addition, the Group completed its investment in a joint venture, Bonar Natpet, with NATPET in Saudi Arabia. Investment for the year was £3.6m making a total investment of £5.3m. The joint venture, which will supply geotextiles to the fast growing Middle East civil engineering market, is expected to be commissioned during the second quarter of 2013.

On 2 March 2012, the Group purchased the business of Xero Flor International GmbH ("Xeroflor") for €6.0m. Xeroflor is an innovative business with a strong position in the fast growing green roofing market. The business has performed well and has added £0.5m to net profit during the year. Going forward, we expect that the sales and marketing resources within Bonar will enable profitable sales growth and build on existing components made and sold in this market.

Despite all of this investment activity, year-end net debt was further reduced to £82.6m (2011: £85.3m).

Yarns

Lower sales in the depressed artificial grass yarns market led to losses within our small Yarns business, despite recent cost reduction actions. As a result, the Group has taken further action to reduce costs and is working on additional measures to improve performance. However, after assessing the potential range of future cash flows within the Yarns business, we have decided to provide £11.2m for the impairment of assets.

Increased Dividend

To reflect the Board's continuing confidence in the Group's future, we are proposing a final dividend payment of 1.6 pence per share (2011: 1.4 pence). Subject to shareholders' approval at the Annual General Meeting in April, the dividend will be paid on 18 April 2013 to members registered as of 22 March 2013. The proposed full year dividend of 2.4 pence per share (2011: 2.1 pence per share) is covered 2.6 times (2011: 2.8 times) by earnings before amortisation and non-recurring items.

People

At the heart of our business lie our people. Our current and future success rests entirely with them. I believe that Low & Bonar has a highly skilled and motivated team which is ambitious to achieve further success. I would like to take this opportunity to thank them for their hard work during the year.

Folkert Blaisse will be stepping down after six years as a non-executive director of the Company once a new non-executive director has been appointed, which we expect to be at the end of April 2013. I thank Folkert for his valuable support to the Board during a period of significant change.

Outlook

These are good results during a period of continued macroeconomic challenge, particularly within Europe, providing further evidence of the quality and resilience of our business and its growth prospects.

To enhance these growth prospects, the Group has made significant investments in reorganising activities, building capability and extending capacity in attractive segments and geographies. These investments will begin to pay back in the coming year and further underpin the Board's confidence in a continuation of cash generative, profitable growth. The year has started in line with our expectations.



Martin Flower
5 February 2013

Performance Review

Steve Good

Group Chief Executive

Mike Holt

Group Finance Director



The Group has made further investments totalling £19.5m to support management initiatives for future growth.



Low & Bonar PLC is an international performance materials group using proprietary technologies to engineer polymers for a wide range of applications in niche industrial markets.

Sustaining growth in underlying sales and margin improvement

| | 2012 £m | 2011 £m | Actual | Constant ¹ Currency |
|---|--------------|------------|--------|-----------------------------------|
| <i>Revenues from external customers</i> | | | | |
| Bonar ² | 238.7 | 238.7 | – | +4.5% |
| Technical Coated Fabrics | 115.3 | 119.4 | -3.4% | +2.5% |
| Yarns ³ | 26.5 | 30.6 | -13.4% | -11.8% |
| | 380.5 | 388.7 | -2.1% | 2.6% |
| Group operating margin ⁴ | 8.0% | 7.9% | | |

- (1) Constant currency is calculated by retranslating comparative period results at current period exchange rates
 (2) Formerly Performance Technical Textiles
 (3) Previously reported within Performance Technical Textiles
 (4) Before amortisation and non-recurring items

Underlying sales grew by 2.6%, with Bonar and Technical Coated Fabrics increasing by 4.5% and 2.5% respectively. Yarns sales declined by 11.8%. Volumes for the year increased by 0.8%; average prices were 1.8% higher. In more difficult European markets, which represent some 70% of Group sales, it is pleasing to report another year of underlying sales growth. A combination of positive growth drivers in key segments, supported by market share growth, meant that we were able to offset the impact of a softening in demand in more cyclical segments.

Group operating margin improved to 8.0% (2011: 7.9%) despite a significant deterioration in the performance of the Yarns business and investments to build organisational capability across the Group. Excluding Yarns, margins for the remainder of the Group increased to 9.1% from 8.5% last year, based largely on higher average selling prices and more effective procurement. Raw material prices were volatile during the year; however, average prices were broadly comparable with last year's levels. This further improvement in margins continues to reflect the strength of the Group's market positions and its ability to manage sales pricing in volatile raw material polymer markets.

Reorganising and investing to drive future growth

The Group has continued to make investments to accelerate growth, increase capability and create a stronger business. During the year, there have been three areas of focus: investing in people and organisational change; capital expenditure; and bolt-on acquisitions to expand either the Group's product range or its geographic reach.

The Group has implemented an organisational change and merged the two major businesses within the Performance Technical Textiles division, Colbond and Fabrics. The overlaps between these two businesses are significant and together they have greater scope and scale to grow globally. The enlarged business is being organised regionally with global business roles directing overall strategy for our key Civil Engineering, Flooring and Building & Industrial markets. In January 2013, the merged business was re-branded 'Bonar'. Bonar has a clear opportunity to leverage its successful European business and expertise in other regions and this organisational change is designed to accelerate this development and put it on a clear path to globalisation. At the same time, the Group made leadership changes within the Technical Coated Fabrics division to accelerate performance improvement. Across the Group we have been building organisational capabilities in support of these initiatives, with a consequent increase in the cost base. To drive growth and build a more market driven Group with global reach, the major areas of investment have been in sales, marketing and strategy development. Further recruitment is under way and we expect investments to begin to pay back in the coming year. We have also continued to invest and increase effectiveness in procurement and health and safety, both of which are already benefiting the Group.

We have increased capital investment to achieve capacity and capability extensions in target growth markets, most notably to support our US flooring business. Full year expenditure was £13.2m. In addition, we invested £3.6m in our Saudi Arabian joint venture, which will provide a strong platform to access the fast growing civil engineering market in the Middle East.

On 2 March 2012, we announced the acquisition of Xeroflor for €6.0m. Xeroflor is an innovative business with a strong position in the fast growing green roofing market. Its core activity is the design and supply of value-added pre-vegetated mats used in green roof construction in both new and refurbished buildings. The Group sells a range of components to the green roofing market that are complementary to Xeroflor's designs and the acquisition has significantly improved the Group's access to this attractive niche in the building products market. The combination of Xeroflor's considerable expertise and the Group's scale and reach is supporting the next phase in the expansion of this sector. Xeroflor has been successfully integrated and is performing in line with our expectations.

**Performance
Review**

Continued



Progress against medium term targets

During the last three years, the Group has made significant financial progress since setting out medium term targets for growth and improvements in the quality of earnings. Underlying sales have grown by 33% since 2009, significantly higher than the 1.5 – 2.0 x GDP target. Over the three year period, operating margin has increased to 8.0% (9.1% ex-Yarns) from 7.3%, compared to a target of 10%, and return on capital employed has improved to 17.2% from 11.4%, compared to a medium term target of 17%. As a result, profits have increased by 55% since 2009, and with strong cash conversion the Group has been able to fund growth investments and reinstate and grow dividends, whilst significantly reducing total net debt.

This year, the Group has invested significantly in the capabilities and capacities required to build a global performance materials business. It is therefore an appropriate time to update the Group's medium term targets. The organic growth target is being increased and will now be related to Eurozone growth, our dominant regional market. The new target is to grow at an annual rate at least 3% greater than the growth in Eurozone GDP. This reflects the Group's continued confidence in being able to grow faster than the economies within its core geographic region and a continued commitment to market led innovation. In addition, we will continue to invest in our business outside of Europe to enhance our growth prospects.

The quality of earnings targets will not change: operating margins of 10% and return on capital of 17%. The return on capital target is not being increased from the current 17%. The Group's aim is to build a bigger and more global Group with at least 17% return on capital.

The Group has the ambition, opportunity and resolve to build a high quality global performance materials business. The updated targets are, in our view, good benchmarks to track our progress in the medium term.

EARNINGS PER SHARE*

6.3p

(2011: 6.0p)

PBTA*

£24.5m

(2011: £23.4m)

OPERATING MARGIN*

8.0%

(2011: 7.9%)

* before amortisation and non-recurring items

Bonar*Review*

REVENUE

£238.7m

(2011: £238.7m; 2011 at constant currency: £228.4m)

OPERATING PROFIT

£25.0m

(2011: £22.8m; 2011 at constant currency: £21.9m)

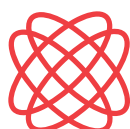
OPERATING MARGIN

10.5%

(2011: 9.6%)

Bonar – Partners in Performance**Investment in organisational capability to accelerate global development.**

During 2012 the Group implemented an organisational change to integrate the two major businesses within the Performance Technical Textiles division, Colbond and Fabrics, into a new global business: Bonar. The enlarged business is organised regionally with global business roles directing overall strategy for the key Civil Engineering, Interiors and Transport and Building and Infrastructure markets.



Bonar
partners in performance

Bonar

Our Bonar division (formerly Performance Technical Textiles) supplies products such as geosynthetics, carpet tile backing, agrotexiles and construction fibers to the civil engineering, flooring, transport, industrial and construction sectors.

| | 2012 £m | 2011 £m | Actual | Constant ¹ Currency |
|-------------------------------|--------------|------------|--------|-----------------------------------|
| Revenue | 238.7 | 238.7 | – | +4.5% |
| Operating profit ² | 25.0 | 22.8 | +9.6% | +14.7% |
| Operating margin ² | 10.5% | 9.6% | | |

(1) Constant currency is calculated by retranslating comparative period results at current period exchange rates

(2) Before amortisation and non-recurring items

Underlying sales grew by 4.5%. Reported sales were flat year on year as average exchange rates used to translate overseas sales into Sterling had a significant adverse impact compared to last year's rates. Operating margins increased 90bps to 10.5%. Average selling prices were approximately 1.7% higher in the division and, whilst raw material costs were volatile during the year, they were marginally lower than last year. The key development this year has been the merger of the Colbond and Fabrics organisations to form 'Bonar'. The first phase of the integration is almost complete and the division is now moving on to the second phase where activities will be regionalised. It is very pleasing that, during a year when a great deal of management time has been committed to the integration, operating profits, on a constant currency basis, improved by 14.7%. The division has added costs this year to augment capabilities, particularly in sales and marketing, and this will also be a feature of the coming year as it invests in resources to build a more effective, globally present business.

Underlying sales to the Building Products, Flooring and Industrial sectors, which together represent more than 50% of sales, all grew strongly. Building Products advanced 15%, including a maiden contribution from the Xeroflor acquisition which contributed approximately half of this improvement. Growth in the USA was strong, supported by a modest recovery in the residential housing market and new product introductions. Sales in Europe were mixed. A strong performance in niche sectors, notably green roofing, more than offset a softening in demand for more traditional commercial building roofing products. The Flooring sector had another good year, advancing 8%. Sales in the USA and Asia grew strongly with European sales stable. The successful launch of "green" and better performing products continues to sustain our global product leadership in this sector. Sales also continue to benefit from the growing preference for tiles in commercial flooring installations, with the business also enjoying some success in penetrating new application areas of the flooring market. Sales in the Industrial sector improved by 9%, with agrotexile applications the strongest performers. New products were launched in both the screens and groundcover niches and the initiative to build sales outside of the dominant Dutch market has been successful.

The Civil Engineering sector had a mixed year. Underlying sales were at the same level as a strong 2011, which delivered 20% growth. Sales of geotextiles and construction fibre products grew well; however, a reduction in tunneling projects adversely impacted sales of our other geosynthetic products. Sales improved markedly from a small base in the USA and we are reviewing options to be a more significant player in this region. The European market was tougher, particularly in the second half of the year when demand softened in some construction sectors. We continue to target emerging market growth; however, we have yet to capitalise materially on the significant opportunities which exist in these markets for our products and technologies. The integration of the Colbond and Fabrics commercial activities in this sector and a new 'go-to-market' organisation are important steps to secure more traction in this initiative. The commissioning, in the coming year, of our geotextile joint venture plant in Saudi Arabia will be a catalyst for accelerating growth in this attractive region. Transport sales were disappointing. The recovery in the US market was largely in low- to mid-end platforms where our products are not specified and, in Europe, sales suffered from some destocking and premium brand platform transitions.

Investment projects to upgrade and expand capacities for flooring products in the USA were successfully commissioned during the year. Disappointingly, the commissioning date for our joint venture geotextile plant in Saudi Arabia has been delayed due to local administration complexities. We now expect to be manufacturing in the second quarter of 2013. Investment in health and safety related capital expenditure has been increased to support the Group-wide focus on improving our health and safety performance. This improvement programme was launched last year and the division is well advanced with its plans to become 'best in class'. Accident rates have reduced again this year; however, there remains some way to go to achieve all of our objectives.

Bonar remains well positioned to grow in its attractive European markets and is investing to accelerate its exposure to markets outside Europe, where significant growth opportunities exist for its products and technologies.

Technical Coated Fabrics

Review



REVENUE

£115.3m

(2011: £119.4m; 2011 at constant currency: £112.5m)

OPERATING PROFIT

£10.7m

(2011: £10.7m; 2011 at constant currency: £10.0m)

OPERATING MARGIN

9.3%

(2011: 9.0%)

Mehler Texnologies' view from the top

Mehler Texnologies coated fabrics used to construct a permanent walkway for the 'Up at the O2' attraction.

Mehler Texnologies was commissioned to deliver the architectural membranes and tensioned side safety nets to meet the architect's demanding requirements for the walkway, which leads up to and down from an observation platform at a height of 60 metres. A dedicated project team developed a PVC-coated polyester fabric with a base fabric using a newly developed web technology. The surface embossment is specifically designed to avoid slipping and sliding in all weather conditions and at gradients of up to 30 degrees, and a special lacquer coating prevents the erosion of the surface by continued usage.



Technical Coated Fabrics

Our Technical Coated Fabrics division, 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.

| | 2012 £m | 2011 £m | Actual | Constant ¹ Currency |
|-------------------------------|--------------|------------|--------|-----------------------------------|
| Revenue | 115.3 | 119.4 | -3.4% | +2.5% |
| Operating profit ² | 10.7 | 10.7 | – | +7.5% |
| Operating margin ² | 9.3% | 9.0% | | |

(1) Constant currency is calculated by retranslating comparative period results at current period exchange rates

(2) Before amortisation and non-recurring items

Underlying sales grew by 2.5%. Reported sales were 3.4% lower as average exchange rates used to translate overseas sales into Sterling had a significant adverse impact compared to last year's rates. Margins improved by 30bps to 9.3%, with constant currency operating profits growing by 7.5%. The rate of sales growth was adversely influenced, particularly in the first half of the year, by a focus on margin quality. A more balanced approach to volume and margin management has been instigated by the new leadership team with a consequent improvement in volumes in the second half.

Sales performance, on a constant currency basis, was mixed across sectors. In the Building Products sector the division's permanent and semi-permanent architectural membranes for building applications grew strongly. Once again, a number of important reference projects were supplied this year as part of the initiative to enhance exposure to this attractive sector. These will aid future sales as will the investment we are making in building our product and personnel capabilities in the sector. In the Transport sector, sales to the trailer side curtain market also improved, despite new truck registrations falling this year. Sales in the Industrial sector were lower. Growth in mining and container applications was more than offset by a further decline in print volumes, with Asian competitors continuing to gain share in low-end applications. In the Leisure sector, sales to boat and pool applications were also lower as these markets continue to suffer from reduced discretionary spending; Southern Europe was, as expected, particularly weak. The division has continued to build its capability to directly service regions outside of Europe with investments being made to accelerate progress in India, Brazil and the USA.

Some progress has been made in improving operating efficiencies and a key focus of the new leadership team is to accelerate this. Significant improvements continue in the management of health and safety and all risks associated with operations. Accident rates have reduced again. The focus for capital expenditure is on efficiency and health and safety improvements, but expenditure levels will continue to remain well below depreciation.

The division has attractive growth opportunities in architectural, industrial and other niches and this, combined with a commitment to operational excellence, will drive further improvements in the growth and quality of earnings.

Yarns

Review



Credit: SIS

Bonar Yarns debuts in rugby union

Bonar Yarns MN Ultra grass yarns have been used to create the first synthetic playing surface in professional rugby union.

The new synthetic playing surface at Saracens' Allianz Park stadium was created using Bonar monofilament grass yarns. The Bonar MN Ultra synthetic fibres are durable enough to sustain heavy contact in rugby matches and soft enough to cushion impacts. The synthetic pitch will allow more frequent use than grass pitches and will significantly reduce maintenance and upkeep costs.



REVENUE

£26.5m

(2011: £30.6m)

OPERATING (LOSS)/PROFIT

£(1.8)m

(2011: £0.3m)

OPERATING MARGIN

(6.8)%

(2011: 1.0%)

Yarns

Our Yarns division, which was previously reported within Performance Technical Textiles, supplies yarns used in the manufacture of artificial grass in sports and landscaping applications as well as yarns used as a backing material in the manufacture of woven carpets.

| | 2012 £m | 2011 £m | Actual | Constant ⁽¹⁾ Currency |
|--|---------------|------------|--------|-------------------------------------|
| Revenue | 26.5 | 30.6 | -11.8% | -13.4% |
| Operating (loss)/profit ⁽²⁾ | (1.8) | 0.3 | | |
| Operating margin ⁽²⁾ | (6.8)% | 1.0% | | |

(1) Constant currency is calculated by retranslating comparative period results at current period exchange rates

(2) Before amortisation and non-recurring items

The business, which represents 7% of Group sales, has endured a difficult year. The Group restructured the business in 2011, removing some £3m of costs by consolidating manufacturing on two sites, one in Dundee and one in Abu Dhabi. This enabled the business to return a small operating profit last year despite its principal market, artificial grass yarns, being affected by a reduction in discretionary public funding for new and replacement sports fields. This trend continued in 2012, with volumes and prices lower, resulting in the business making an operating loss of £1.8m. Actions have already been taken to reduce costs across the business and we are working on additional measures to further improve performance. As a result, the Group is confident that the performance of the business will improve in 2013.

Financial Review

Pre-tax profit

Profit before tax, amortisation and non-recurring items from continuing operations increased by 4.7% to £24.5m (2011: £23.4m), an increase of 10.7% on a constant currency (underlying) basis. Operating profits were 5.2% higher on an underlying basis, but the impact of a weaker Euro (on largely Euro denominated profits) resulted in reported profits of £30.5m showing no improvement (2011: £30.6m). Interest costs were £1.2m lower at £6.0m (2011: £7.2m). Notional interest on pension liabilities was £0.9m (2011: £1.2m) and borrowing costs fell to £5.1m (2011: £6.0m), largely as a result of a lower blended interest rate during the year. Statutory profit before tax was £6.1m (2011: £23.4m), with a net non-recurring charge of £12.6m (2011: £5.7m credit) and a £5.8m charge for amortisation (2011: £5.7m).

Non-recurring items

During the year, the Group incurred £12.6m of non-recurring costs from continuing operations (2011: £5.7m credit) and £nil (2011: £2.2m credit) from discontinued operations.

The carrying value of assets within the Yarns business has been reviewed. Taking into account the potential recoverable value of its assets and the projected value in use of the Yarns business, an impairment charge of £11.2m (2011: £nil) has been booked against these assets.

The Group incurred £0.7m (2011: £nil) of costs in connection with its acquisition of Xeroflor and the investigation of another potential acquisition, and £0.2m (2011: £0.3m) of start-up costs in relation to Bonar Natpet, its joint venture in Saudi Arabia.

A further £0.5m (2011: £nil) of non-recurring costs arose in relation to the integration of the Group's principal Performance Technical Textile operations into a single global business, Bonar.

In the year to November 2011, non-recurring credits totalling £5.7m arose mainly from the closure of the UK pension scheme to future accrual and the switch from RPI to CPI in the calculation of future pension increases.

A £2.2m non-recurring credit, on a partial refund of the European Commission fine levied on one of the Group's former businesses, was also recognised in discontinued operations in 2011. The refund was received in December 2011.

Taxation

The overall tax charge on the profit before tax was £4.7m (2011: £4.2m). The tax charge on profit from continuing operations before amortisation and non-recurring items was £6.4m (2011: £5.8m), a rate of 26.0% (2011: 25.0%). The effective tax rate during 2012 was 28.3% (2011: 28.0%), marginally higher than last year due to a higher proportion of profits in the USA and losses within Yarns. Prior year adjustments reduced the tax rate by 2.3% (2011: 3.0%) and relate primarily to changing estimates in respect of earlier years. The Group continues to benefit from Innovation Box credits in the Netherlands. The tax rate for 2013 is expected to be marginally higher than 2012.

Acquisitions

On 2 March 2012, the Group acquired the business of Xeroflor for cash consideration of €6.0m, generating goodwill of £1.5m. Xeroflor's business has been integrated into our Bonar segment, and contributed £2.3m and £0.4m to the Group's sales and operating profit before amortisation and non-recurring items for the year respectively.

During the year, the Group paid the initial equity investment of £5.3m for its 50/50 Saudi Arabian joint venture, Bonar Natpet. After repayment of £1.7m of prepayments made in 2011, the net cash outflow was £3.6m in the year. A further £0.2m (2011: £0.3m) of start-up costs were incurred. The joint venture is expected to be commissioned in the second quarter of 2013.

Cash

Overall net debt decreased to £82.6m from £85.3m at November 2011 even though £19.5m was invested to increase the Group's capacity and capability to drive future growth. Trade working capital as a percentage of sales increased from 21% last year to 22%, contributing to a cash outflow into working capital of £4.3m (2011: £11.1m outflow). Cash inflow from operations was £40.3m (2011: £29.7m).

During the year, the Group spent £8.6m (2011: £1.7m) on acquisitions and joint ventures and £14.2m (2011: £13.1m) on property, plant and equipment and intangible assets. Excluding replacement capital expenditure, the amount invested in driving future growth was £19.5m (2011: £11.3m).

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

| | 2012 £m | 2011 £m |
|----------------------------|------------|------------|
| Cash and cash equivalents | 26.9 | 20.9 |
| Total bank debt | (109.5) | (106.2) |
| Net bank debt | (82.6) | (85.3) |
| Net derivative liabilities | – | – |
| Total external debt | (82.6) | (85.3) |

The gearing ratio of total external debt to EBITDA was unchanged at 1.9 times (2011: 1.9 times).

Pensions

The charges for pensions are calculated in accordance with the requirement of IAS 19 Employee Benefits. During the year, the Group's UK defined benefit scheme 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 was held at 25% of the scheme's assets (2011: 22%). The UK scheme deficit has risen to £15.1m (2011: £6.1m), principally due to a reduction in the rate used to discount the scheme's liabilities, which was itself impacted by the reduction in bond yields. The deficit in the Group's overseas schemes in Belgium, Germany and the USA increased to £9.7m (2011: £8.1m).

Return on capital

The Group's return on operating capital employed further improved during the year to 17.2% (2011: 16.8%; 2010: 15.2%).

Earnings per share

Earnings per share before amortisation and non-recurring items increased by 5.2%, marginally ahead of pre-tax profit growth, to 6.3 pence (2011: 6.0 pence) based on a weighted average number of 288.4 million shares (2011: 287.9 million).

Dividends

Taking into account these good results and our confidence in the future prospects of the Group, the Board is recommending a final dividend of 1.6 pence per share (2011: 1.4 pence), increasing the full year dividend to 2.4 pence per share (2011: 2.1 pence). Subject to shareholders' approval at the Annual General Meeting in April, the dividend will be paid on 18 April 2013 to members registered as of 22 March 2013. The proposed full year dividend is covered 2.6 times by earnings before amortisation and non-recurring items.

Principal Risks and Uncertainties

The Group has an established risk management framework which is designed to identify, evaluate and manage the risks and uncertainties facing the Group. Within this framework we classify risks into four distinct categories according to their potential impact upon the Group:

Strategic – risks impacting long-term strategic objectives.

Operational – risks arising during day-to-day activities which if not managed could impact upon the running of the business.

Financial – risks impacting directly upon the finances of the business.

Compliance – risks relating to legal and regulatory sanctions and damage to goodwill arising from failure to comply with applicable laws and regulations.

STRATEGIC RISK

MITIGATION

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.

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.

Growth strategy

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

The current focus of the Group is on profitable, cash generative organic growth supplemented by acquisition where appropriate.

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

Acquisitions would be made subject to clearly defined criteria 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.

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.

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.

OPERATIONAL RISK

Business continuity

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

MITIGATION

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 risk management and internal audit. Where appropriate, risks are partially transferred through insurance programmes.

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.

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

The strength of the Group's product propositions and its focus on operating efficiencies has in the past allowed the effect of raw material cost increases to be successfully mitigated.

Employees

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

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.

FINANCIAL 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.

MITIGATION

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.

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 20 to the accounts.

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.

Pension funding

The Group may be required to increase its contributions into its defined benefit pension schemes 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.

The main Group scheme is closed to new members and to future benefit accrual; 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.

COMPLIANCE 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.

MITIGATION

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.

Corporate Social Responsibility



Xeroflor vegetation blanket,
Butchart Gardens, Victoria, Canada

Acquisition of Xeroflor

In March 2012 the Group acquired Xeroflor, an innovative business with a strong position in the fast growing green roofing market.

Regulators, architects and consumers increasingly demand sustainable solutions in all aspects of construction. The Xeroflor brand is synonymous with innovative extensive green roof vegetation technology. Xeroflor vegetation mats help to significantly extend the lifespan of waterproofing membranes, and green roofs clean the air by absorbing up to 85% of particulate matter. The green top layer protects the membrane from UV light and reduces thermal strain from temperature variation. All Xeroflor vegetation systems are tailored to specific climatic requirements.



Corporate responsibility is at the heart of Low & Bonar's business values and we understand that our stakeholders, including our employees, customers, investors and site neighbours, have rising expectations of our corporate responsibility commitment and performance. Whilst each of our business values has a corporate responsibility context, it remains our value of integrity, which we describe as "maintaining the highest ethical standards wherever we operate...and to ensure the health and safety of all our people and minimise our impact on the environment", through which we bring corporate responsibility into our day-to-day business operations.

This year has seen continued commitment and focus in key areas of our corporate responsibility management within all of our businesses and across all of our manufacturing sites. We have again identified and agreed that we can and should do more, and our future plans reflect this commitment and effort, as we aim to become 'best in class' in all of our activities.

Environment

Environmental management is an important area of focus for the Group. We recognise that we have an environmental impact through our use of raw materials, our manufacturing processes and our products. We continually seek to improve in all aspects of our environmental management and regard compliance with environmental regulation as the minimum standard to be achieved.

Our businesses play a key role in environmental management and their environmental impacts are specific to their manufacturing processes and locations, as well as to their product portfolios. Each business has local environmental policies and improvement plans in place to support the Group environmental policy, and environmental performance metrics form an integral part of their management information. This information, along with close customer communication, has supported the development of a number of environmental initiatives, especially with respect to product development.

Divisional environmental overview

Mehler Technologies continues to operate its "Eco-care" programme to demonstrate its commitment to environmental issues. The programme has been designed to bring the responsible management of energy and resources, sustainable materials and recycling of coated textiles under one all-embracing label. The Eco-care concept accompanies products throughout their life cycle, including incorporation of ecological criteria in the selection of raw materials, the use of less environmentally harmful production processes, the use of recyclable packaging materials and participation in the development of recycling systems. More information and a brochure on Eco-care can be found at www.mehler-technologies.com/EN/technologies/eco-care.php.

Bonar focuses its efforts on the use of "green" energy, the reduction of energy use and emissions, the replacement of virgin raw materials with recycled ones where possible and the minimisation of waste. Bonar in Belgium has been certified to the Environmental Management Systems ISO 14001:2004 Certificate since 1998, and recertification was successfully completed in 2011, with an ongoing active performance improvement programme. More information can be found at www.bonartf.com/en/x/108/hse-management. Bonar is seeking to further develop its leading position in the use of recycled and sustainable raw materials, to optimise its manufacturing technologies in order to further reduce the consumption of energy, and is 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. Bonar seeks to provide the most environmentally benign product lines available for customers' applications and to develop solutions that promote environmentally sustainable products within its core markets.

Low & Bonar products

The Group's performance material products are able to support our customers in reducing the environmental footprint within their supply chain.

Alternative energy infrastructure

Mehler Technologies offers a range of products for the safe storage of biogas, a renewable energy source. Biogas is volatile and explosive and must be stored in containers that meet strict safety standards. Mehler's flexible VALMEX® enviro pro gas tanks are specifically designed to suit the demands of this application. Further details can be found at www.mehler-technologies.com/EN/products/environment/index.php.

Screens and groundcover materials

Many Bonar products are used in applications that support environmental protection and sustainability. Examples include energy-saving screens, weed controlling groundcovers (which reduce or eliminate the need for pesticides) and soil stabilising and filtering geotextiles which provide protection against soil erosion and contamination. A key component of Bonar's sustainable groundcover product range is Duracover, developed by Bonar's Research Centre in 2010. Duracover is a 100% bio-based textile/compostable groundcover which earned a 4-star certificate from AIB Vinçotte¹. Duracover is based on polylactide (PLA), a polymer derived from renewable resources such as sugarcane or corn starch.

This year our Bonar business has extended its range of Phormitex greenhouse screens with two new product lines, Lumina and Clima+, which have been designed to reduce energy consumption in greenhouses. PhormiTex Lumina O allows optimal light diffusion and superior climate control capabilities.

**Corporate
Social
Responsibility***Continued***Architectural membranes****Mehler Technologies architectural membrane roof covers Guangzhou waste water treatment basins.**

15,000 square metres of Mehler Technologies' VALMEX® enviro pro WTC900 white architectural membranes were used to cover the waste water treatment basins at a new plant in Pearl River New District, Guangzhou, China. The VALMEX PVC-coated high-strength polyester fabrics are specifically designed to meet the chemical resistance criteria for waste water treatment plant installations. The outside coating is particularly resistant to weathering and microbes; the underside coating contains components for chemical and biological resistance appropriate to the microclimate within covered treatment plants.



Artificial grass

Bonar Yarns is a leading manufacturer of artificial grass yarns. The use of artificial grass reduces customer water consumption, along with consequent reductions in energy use and other emissions related to water production. Artificial grass also allows the end user to eliminate completely the use of fossil fuels for lawn or pitch maintenance and to avoid the harmful dispersion of fertilisers and herbicides into the environment.

Green building infrastructure materials

Bonar recognises the importance of "Green Building" design and that LEED² Certification of buildings is becoming increasingly prominent. Bonar's green roof products, compliance with energy performance criteria and optimisation of energy performance provide important aids to architects, landscape architects and engineers to help their buildings achieve LEED Certification. It is estimated that Bonar's products can help customers to achieve up to 19 LEED points to support their goal of sustainable buildings and sites.

Our acquisition of the Xeroflor business has significantly enhanced our presence in the green roof market. Xeroflor's core activity is in the design and supply of value-added pre-vegetated mats used in green roof construction in both new and refurbished buildings. Xeroflor also supplies other key functional components in green roofing systems to a network of customers globally, and complements our existing product lines in this area. Green roofs create habitats for wildlife and filter pollutants and carbon dioxide from the air. They can also be used to reduce heat loss and energy consumption.

Raw material usage

Raw material usage is an important impact for all manufacturing businesses. Sourcing and the efficient use of raw material, including, where possible, the use of previously used or recycled material, remain important environmental management activities.

Colbond last year announced the launch of Colback[®] Green, a high performance carpet backing made of 100% sustainable raw materials. 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.

Bonar has recently also increased the use of recycled materials in its Colbondrain[®] range of products. This is a pre-fabricated vertical drain for accelerating soil consolidation in civil engineering projects which has a patented high performance drainage core made of polyolefin from recycled bottles, caps and labels. Bonar 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.

Mehler Technologies is now selling 1.5 million square metres per annum of coated fabric based on recycled material, and our Bonar business used 120 tons of recycled polypropylene made from production waste as part of an improvement programme to reduce waste and use of virgin raw material in its Belgian facilities. A recycling facility at Bonar's plant in Zele was started up in 2011 to convert non-woven waste into usable fibres. 32 tons of waste have been recycled since installation, and a goal of 28 tons has been set for 2013.

Energy management and the use of renewable energy

Energy use is a key manufacturing impact for Low & Bonar, as well as a significant cost. The Group's businesses continually review opportunities to reduce energy use and review the balance of renewable energy in their energy mix.

All electrical consumption across Bonar's manufacturing sites in Belgium, equivalent to 4,000 tonnes of CO₂ in 2011, is 100% sourced from renewable green energy sources such as wind, geothermal and hydro power, substantially reducing the division's environmental footprint.

Since 2008 Bonar has been working with an energy audit organisation established under the framework of the Kyoto Protocol. Bonar's non-woven and woven fabrics production site has been screened for its energy consumption and all significant energy uses in the plant were measured separately, enabling us to take targeted measures where necessary. As a result, the CO₂ emission per ton produced has been significantly lowered and a 12.5% reduction in the gas consumption (in MWh/ton) compared to 2011 has been achieved.

In the fleecing plant in Arnhem, a modification has been designed and is planned on the energy system of the Colback non-woven line. In the current design, hot air, used for the bonding of the fleece, is mixed with cold air. These air streams will be separated in future and a heat exchanger will be built in the air stream towards the chimney to recover energy. This energy will be fed back to the line, with an energy saving of approximately 20%.

Energy management studies were carried out this year at Mehler Technologies' German production sites at Hückelhoven and Fulda to review usage measurement and options for improvement.

Waste Management

Waste generation is a key environmental impact of our business, as well as a cost, and a waste hierarchy process which starts with avoiding waste production through re-use and recycling is being adopted throughout our operations.

At Mehler Technologies the recycling of PVC waste is key to environmental performance. Mehler Technologies is a member of and financially supporting:
<http://www.pvc-partner.com/>
<http://www.aktion-pvc-recycling.de/>
<http://www.vinyl2010.org/>

In seeking to minimise waste for customers, Bonar 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.

In Lokeren an on-line waste recycling unit on one of our extrusion lines was installed to reduce waste generation. A study is being undertaken to investigate the feasibility of adding additional on-line waste recycling installations at Lokeren.

Water

Water usage is not a significant environmental impact for the Group due to the nature of our manufacturing operations. However, as an important resource, water usage is tracked and monitored by Group companies.

Corporate Social Responsibility

Continued



Health and safety focus

The health and safety of our employees is a key management responsibility throughout the business.

A Group-wide Health and Safety Strategy was developed by the Global Environmental, Health and Safety Committee, a sub-committee of the Risk Oversight Committee, and was approved by the Board of Directors in February 2012. The strategy supports both our 'Zero Accident Goal' and 'Best in Class' aspirations and embeds a strong and proactive health and safety culture across all aspects of our business.

Health and safety

| | |
|--------|-------|
| 2010 | 1,553 |
| 2011 | 748 |
| 2012 | 696 |
| Target | 580 |

The number of accidents that result in absences of three or more days, per 100,000 employees.

Management of health and safety

The health and safety of our employees, as well as others who may be involved in the Group's operations, is a key management responsibility throughout the business. This principle was confirmed in a new Group Health and Safety Policy. The policy is currently being implemented across all of our operations and has been published on the Low & Bonar website. Our focus on health and safety has intensified this year as planned as we continue to aim for continuous improvement both in our health and safety performance and in our arrangements for managing health and safety.

In the year to 30 November 2012, the Group recorded an accident rate³ of 696, compared to a rate of 748 in 2011. This represents both an improvement over last year's performance and also continued progress towards the interim Group accident rate benchmark of 580 or less, to be reached in 2013. Our current performance compares well to the EU manufacturing sector's accident rate of 3,656⁴, based on the same definition of accident rate used by Low & Bonar. However, we are mindful that there still remains much room for improvement and that accident statistics such as these continue to reveal only part of the story on successful health and safety management.

A Group-wide Health and Safety Strategy was developed by the Global Environmental, Health and Safety Committee, a sub-committee of the Risk Oversight Committee and was approved by the Board of Directors in February 2012. The Strategy supports both our 'Zero Accident Goal' and 'Best in Class' aspirations, and embeds a strong and proactive health and safety culture across all aspects of our business. The cornerstones of the strategy encompass improvements to visible leadership, risk based management and health and safety competence. Good progress has been made in implementing this strategy and a number of initiatives were either started this year or fully implemented across the Group.

This work includes:

- A review of the health and safety resourcing requirements of the Group was completed this year, and a number of changes have already been implemented to enhance the resourcing available to support our ambitious improvement program. Similarly, enhancements to health and safety operating expenditure and capital expenditure have been approved to facilitate our ability to deliver these changes.
- A broader range of health and safety metrics has been introduced, which has provided us with a better understanding of risk improvement opportunities. Within these new metrics, a new category, 'near miss' incident, has been introduced, allowing us to further improve our focus on accident avoidance.
- Risk management and accountability improvements have been developed via the enhancement of the Group Risk Register.
- A Global Health and Safety Community has been established, involving all plant managers and HSE professionals, which facilitates best practice exchange and is a key forum for professional development.
- The development of the health and safety elements of a competency framework for Plant Managers and Supervisors has commenced.
- Three Global Health and Safety Directives have been implemented throughout the Group, covering slip, trip and fall accidents, the safety of international business travellers, and fixed fire protection equipment.

- As part of a visible leadership initiative, an introductory behavioural safety programme called '5 Golden H&S Rules' was introduced across all sites.
- A Health and Safety Communication Protocol was agreed and is being rolled out to all locations to improve communication and engagement with all employees.
- Global Improvement Programmes covering Machinery Safety, Safe Loading and Unloading of Road Transport Vehicles, Thermal Oil Systems, and Management of Change have been initiated.
- A Global IT platform for Group Health and Safety Standards has been developed to improve accessibility to Group Health and Safety policies and standards, and population of this intranet site has commenced.

Divisional health and safety initiatives

Our businesses develop health and safety initiatives besides the Group initiatives, bespoke to their local requirements. Examples include:

- Start-up of a bespoke 'behaviour-based safety' improvement program at Lokeren.
- Active survey among all employees regarding labour-related issues in Belgium.
- A programme of risk assessments on machine safety and ergonomics at the Emmen and Arnhem plants, carried out by a specialist independent consultancy.
- A scheme to improve machinery guarding of winders of coating and lacquering lines in Hückelhoven and Lomnice has been designed and a budget has been approved with a pilot line trial due to take place during 2013.
- Health and safety management efforts resulted in a 1-year +3 Day LTA-free period across all Colbond sites.

The Group has continued to develop its working relationships with its insurance risk surveyors and insurance brokers and underwriters during the year, and recognises the important role played by these partners. Risk improvement recommendations made by risk surveyors as a result of site visits continue to provide valuable information to support risk improvement activities.

Footnotes

- 1 AIB Vinçotte provides independent inspection, monitoring and certification services, analyses and tests for applications in the field of electricity, hoisting apparatus, pressure equipment, civil engineering, safety in the work place, environmental protection and radiant protection.
- 2 LEED certification is a recognised standard for measuring building sustainability. The LEED green building rating system, developed and administered by the US Green Building Council, is designed to promote design and construction practices that increase profitability while reducing the negative environmental impacts of buildings and improving occupant health and well-being.
- 3 Number of accidents at work with more than three days' absence that occurred during the year per 100,000 employees.
- 4 Based on European Commission Eurostat data for 2007, which is the most up-to-date information available, and currently classified as provisional.

Board of Directors



Martin Flower

Non-Executive Chairman (66)

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.



Steve Good

Group Chief Executive (51)

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.



Mike Holt

Group Finance Director (52)

Joined Low & Bonar as Group Finance Director in 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 in the UK, the USA and Hong Kong. He is a trustee and treasurer of Target Ovarian Cancer.



Steve Hannam
Senior Non-Executive Director (63)
Appointed as a Non-Executive Director in September 2002. Chairman of Devro plc and a non-executive director of McBride 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 and a member of the Audit, Remuneration and Nomination Committees. Mr Hannam has been Chairman of the Remuneration Committee since 1 March 2012.



Folkert Blaisse
Non-Executive Director (67)
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 Finacor BV, Chairman of the Rotterdam Eye Hospital 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. Mr Blaisse is set to leave the Board following the recruitment of a new Non-Executive Director expected to occur by the end of April 2013.



John Sheldrick
Non-Executive Director (62)
Appointed as a Non-Executive Director on 1 October 2011. Mr Sheldrick was Group Finance Director of Johnson Matthey Plc from 1995 to 2009. Prior to joining Johnson Matthey in 1990, he was Group Treasurer of The BOC Group plc. He is also a non-executive director of GKN plc and Fenner PLC and a former non-executive director of API Group PLC. Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Report of the Directors

Matthew Joy
Company Secretary

The Directors present their report and the accounts of the Company and the Group for the year ended 30 November 2012.

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 Directors are 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 2012 and of the position of the Group at the end of that financial year together with 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 on pages 1 to 29.

Results and dividends

The Group's consolidated profit for the year attributable to equity holders of the Company was £1.4m (2011: £21.0m).

The Company paid an interim dividend for the year ended 30 November 2012 of 0.8 pence per share on 27 September 2012 to Ordinary Shareholders whose names appeared in the register at the close of business on 31 August 2012. The Directors recommend that a final dividend of 1.6p (2011: 1.4p) be paid on 18 April 2013 to Ordinary Shareholders on the register at close of business on 22 March 2013.

| Dividends | 2012 | 2011 | % Increase |
|--------------|------------|------|------------|
| Interim | 0.8 | 0.7 | 14% |
| Final | 1.6 | 1.4 | 14% |
| Total | 2.4 | 2.1 | 14% |

Directors

The present Directors of the Company are shown on pages 30 and 31. They all held office throughout the financial year under review. Chris Littmoden served as a director of the Company until 28 February 2012.

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, November 2010 for Mike Holt and October 2011 for John Sheldrick) and are currently in force.

Re-election of Directors

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 2012 for a term of one year up to 31 August 2013. 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 is subject to annual re-election due to his long tenure on the Board. Further details regarding Mr Hannam's reappointment are set out on page 35.

Steve Good retires by rotation and, being eligible, offers himself for reappointment. Mr Good was appointed as a Director of the Company in September 2009. 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.

Folkert Blaisse is retiring and will leave the Board following the recruitment of a new Non-Executive Director, which is expected to occur by the end of April 2013. Further details of the search for a new Non-Executive Director are given on page 37.

The Chairman confirms to shareholders that, following formal performance evaluation, the performance of each of the Directors proposed for reappointment continues to be effective and to demonstrate commitment to the role.

Directors' interests

Directors' interests in shares and debentures of the Company are shown on page 48.

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:

| | No. of Ordinary Shares | % of Ordinary Shares |
|--|------------------------------|----------------------------|
| Cazenove Capital Management | 36,774,653 | 12.64 |
| AXA Framlington Investment Managers | 30,655,813 | 10.54 |
| Aberforth Partners | 26,921,334 | 9.25 |
| M&G Investments | 23,419,347 | 8.05 |
| Schroders Investment Management | 20,995,801 | 7.22 |
| JO Hambro Capital Management | 11,160,000 | 3.84 |
| Legal & General Investment Management | 9,799,442 | 3.37 |
| RWC Focus Asset Management | 9,783,715 | 3.36 |
| Standard Life Investments | 9,638,735 | 3.31 |

Ordinary share capital

Details of the Company's issued share capital at 30 November 2012 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 25 to the accounts.

Annual General Meeting

The Annual General Meeting will be held at The Thistle Hotel Marble Arch, Bryanston Street, London W1H 7EH on 9 April 2013 commencing at 10 am. 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 equity securities for cash other than on a pre-emptive basis and to adopt a new long-term incentive plan.

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.

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, including a European Works Council which was established and met for the first time in 2012.

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.

Charitable and political contributions

The Company made charitable donations totalling £12,000 in 2012 (2011: £15,000). No political donations were made during the year (2011: £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
5 February 2013

Corporate Governance

Martin Flower
Non-Executive
Chairman



In my Chairman's Statement I have highlighted the priorities and main areas of focus for the Board during the last financial year. In this report, I am pleased to discuss more fully the work and operation of the Board and the framework of governance it deploys to lead and control the business and report on the Group's performance.

We are committed to maintaining high standards of corporate governance and to applying the principles of good governance as set out in the UK Corporate Governance Code (the "Code") published by the FRC in June 2010 which has been applicable to the Company from 1 December 2010. The Directors can confirm compliance throughout the year with the Code except in the following respect: Provision D.2.2 of the Code requires that the Remuneration Committee should have delegated responsibility for setting the remuneration of the Chairman. At Low & Bonar, the remuneration of the Chairman is determined by the Board based on the recommendation of the Remuneration Committee. This gives full transparency and allows the views of the Executive Directors to be taken into account.

The Board

The Group is controlled through its Board of Directors, which provides entrepreneurial leadership of the Group and is ultimately responsible for its long-term success. Our main objectives are to create value for shareholders, to set the Group's strategic objectives, to ensure that the necessary financial and human resources are made available to enable it to meet those objectives and to review executive management performance, all within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board also sets the Group's values and standards and ensures that its obligations to shareholders and others are understood and met.

We have a formal schedule of reserved powers which we retain 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.

I chair the Board. The Group Chief Executive is Steve Good and the Senior Independent Non-Executive Director is Steve Hannam.

Our current thoughts on the issue of diversity as it pertains to membership of the Board are given in the section dealing with the Nomination Committee on pages 36 and 37.

The roles of the Chairman and Group Chief Executive

My role and that of the Group Chief Executive are separate and clearly defined and were reassessed by the Board at the time that I became Chairman in 2010. I am 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, although Folkert Blaisse will retire from the Board once the process for recruiting a new Non-Executive Director (examined more fully on page 37 below) is complete, which is expected to be by the end of April 2013. The names of the Directors, together with their biographical details, are set out on pages 30 and 31. In determining the membership of the Board, we are mindful that it should be of sufficient size that the requirements of the business can be met and that changes to its composition and that of the committees can be managed without undue disruption, but should not be so large as to be unwieldy. I believe that our Board has the appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) and that no individual or small group of individuals can dominate decision taking.

I am also concerned to ensure that the Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. This principle has been under active consideration during the search for a new Non-Executive Director to replace Folkert Blaisse.

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. We believe 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 Directors may take independent professional advice at the Company's expense.

Details of my professional commitments are included in my biography. The Board is satisfied that these are not such as to interfere with the performance of my 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, John Sheldrick and Folkert Blaisse, the Non-Executive Directors, are independent in character and judgement and we continue to monitor whether there are relationships or circumstances which are likely to affect, or could appear to affect, a Director's judgement. Although he has served on the Board for more than ten years, we continue to view Steve Hannam as independent in character and judgement. Steve is highly experienced in both relevant executive and non-executive roles and continues to offer a regular and substantive challenge to the Executive Directors on their strategy for and management of the business. Steve is asked to submit himself for re-election to the Board annually given his long tenure and we consider his continued membership of the Board rigorously. In light of the significant changes which the Board has undergone since late 2009, we continue to value his contribution (and the continuity which it brings) highly.

I ensure that the Non-Executive Directors meet without the Executive Directors present from time to time.

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. I work to ensure that the Directors continually update their skills and the knowledge and familiarity with the Group required to fulfill their role both on the Board and its committees and to make sure that the necessary resources for developing and updating Directors' knowledge and capabilities are made available. I encourage Directors to avail themselves of opportunities to meet our major shareholders.

The Board has established a process, led by me, for the annual evaluation of the performance of the Board and its principal committees. A list of questions is drawn up by me with the assistance of the Company Secretary to provide a framework for the evaluation process during a meeting of the Board. Again this year, we considered the merits of using external assistance in connection with the evaluation but determined that it was not necessary to do so given the size of the Board, the good working practices and relationships which we have established over the years and the open and constructive way in which Directors express their views in relation to the operation of the Board on an ongoing basis.

I have also reviewed the contribution of individual Directors, in conjunction with my colleagues as appropriate, to reassure myself and the Board that each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and any other duties). The Senior Independent Non-Executive Director leads the Non-Executive Directors in conducting my annual performance evaluation, taking into account the views of the Executive 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. It is my goal to ensure that the information available to the Board is accurate, timely and clear. Executive management reports on a continuing basis against the Group's budget (set at the start of the financial year) and the quarterly forecasts for the year which are made three times a year. The Board also considers other key developments, such as the implementation of major projects. I encourage the Non-Executive Directors to seek clarification and amplification of information where necessary.

I set the agenda in discussion with executive management and the Company Secretary and consideration is given to ensuring that adequate time is available for discussion of all agenda items. The 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 strategy for and performance of businesses within the Group. I also now arrange for the Board to meet in separate session to consider and approve the strategy for the Group so that adequate time can be given to this vital aspect of its role away from the normal business of monthly Board meetings. As we reorganise our business into regional and market-focused divisions, we continue to consider and improve the strategic input from the Board and Directors' understanding of our business and its place in its markets.

Corporate Governance *continued*

I also arrange for the Board to meet in more informal surroundings several times a year to discuss topics of interest and relevance to the Group and our external advisers are often invited to these sessions to offer their counsel.

The full Board had eight scheduled meetings during the year and all Directors who served throughout the year attended each scheduled meeting. I also encourage the Board to establish closer links with the Group's subsidiaries and their key executive management by visiting the Group's facilities and, in 2012, one of the Board meetings was held at the Group's manufacturing facility in Asheville, North Carolina. I am considering ways in which the Board's links to the subsidiaries and their executive management might be strengthened further in 2013. 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. I also encourage individual Non-Executive Directors to meet with executive management to ensure constructive relations between them and to continue to promote a culture of openness and debate and to improve the effectiveness of the contribution of our Non-Executive Directors as I believe that, to function effectively, all Directors need appropriate knowledge of the Group and access to its operations and staff.

The Company Secretary is tasked with advising the Board on governance matters through me. I use the Board agenda to ensure that Directors, especially Non-Executive Directors, have access to independent professional advice at the Company's expense where we judge it necessary to discharge our responsibilities as Directors. This includes the Group's corporate finance, insurance, public relations, legal and pensions advisers attending Board meetings from time to time.

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 of 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.

Committees

In accordance with the 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 via 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 38.

The Board recognises the value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals in deciding chairmanship and membership of committees. Membership of our committees has been refreshed over the last two years and all of the main committees have appointed new chairmen since July 2010.

We adhere to the principle that no one other than the committee chairman and members are entitled to be present at a meeting of the Nomination, Audit or Remuneration Committees, but others may attend at the invitation of the committee and our practice in this respect is addressed below.

Audit Committee

The work of our Audit Committee is addressed in more detail on pages 39 and 40 by its chairman, John Sheldrick.

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: Steve Hannam (Chairman of the Remuneration Committee); Martin Flower; John Sheldrick and Folkert Blaisse. Chris Littmoden was Chairman of the Committee until his retirement from the Board in February 2012. The Remuneration Committee met on three occasions during the year ended 30 November 2012 and those meetings were attended by all of the Committee members.

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 and approving, 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.

Further information on the work of this Committee is given in the Directors' Report on Remuneration on pages 41 to 49.

Nomination Committee

The Nomination Committee comprises the Chairman, the Group Chief Executive and the three Non-Executive Directors. The Nomination Committee met on three occasions during the year ended 30 November 2012 and those meetings were attended by all of the Committee members.

The Committee, which is established with formal written terms of reference, is responsible for regularly reviewing the structure, size and composition of the Board 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 and, as Chairman of the Committee, I am mindful that there should be a formal, rigorous and transparent procedure for the appointment of new Directors. The selection criteria are agreed by me in conjunction with my colleagues and we make use of independent recruitment consultants and the final appointment rests with the full Board.

As part of its review of non-executive succession, the Committee identified the need for the recruitment of a new non-executive director in 2013 and discussed the appropriate role specification and time commitment expected. It was agreed that this should include the requirement for recent experience in an international "B2B" manufacturing business. An independent consultant, Korn/Ferry Whitehead Mann, was appointed to conduct the search and a long list of names was developed by them in consultation with me. A short-list of candidates has been developed and the best candidates for the role will be seen by myself and the Group Chief Executive and our favoured candidate will be seen by all members of the Board prior to formal appointment. We expect to make this appointment by the end of April 2013. Korn/Ferry Whitehead Mann has no other connection with the Company.

The Board is mindful, in the context of the current focus on the value of gender diversity, of the Company's approach to the diversity of its management and of the representation of women in senior roles. During the ongoing process for appointment of our new Non-Executive Director, a number of female candidates for the role are being considered. We have not set, and do not intend to set, a specific target for the number of female members of the Board and wish to continue to appoint the best candidate available to us for any particular role. However, in setting the criteria for selection of candidates, for both executive and non-executive roles, I am conscious that it is possible to inadvertently discourage the successful candidacy of women and we intend to bear this in mind for all future appointments and to continue to have regard to the benefits of diversity, including as to gender. We have requested of our search consultants that they provide a sufficient number of female candidates for any role. The Company has adopted a formal diversity policy during 2012 under which Low & Bonar is committed to: ensuring that everyone should have the same opportunities for employment and promotion based on their ability, qualifications and suitability for the work in question; seeking excellence in our employees through the implementation of recruitment, incentivisation, performance review, development and promotion processes that are fair to all; and capitalising on the added value that diversity brings. We consider discrimination in the workplace on the basis of age, gender, disability, ethnic origin, nationality, sexual orientation, gender reassignment, religion or belief, marital status and pregnancy and maternity to be unacceptable.

In 2012, I also used the Nomination Committee to assist me in reviewing the training and development needs for each Director.

Relations with shareholders

I work to ensure that there is a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. Whilst recognising that most shareholder contact is with the Group Chief Executive and Group Finance Director, I ensure that all Directors are made aware of major shareholders' issues and concerns in whatever ways are most practical and efficient. This includes meeting directly with our brokers and public relations advisers and receiving written reports from them, as well as through direct meetings with shareholders. The Board is also given copies of the reports on the Group written by analysts. It is also our practice to consider feedback from shareholders following results presentations. Our Non-Executive Directors have opportunities to meet with shareholders on request and, in 2013, I will again encourage them to attend results presentations and investor days so that they have an opportunity to meet with key stakeholders in person.

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. I have met with a number of the Group's largest shareholders during the year to discuss governance and strategy with them.

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. I, as Chairman of the Board and Nomination Committee, Steve Hannam as Senior Independent Non-Executive Director and as Chairman of the Remuneration Committee, and John Sheldrick as Chairman of the Audit Committee, will answer questions, as appropriate, at the Annual General Meeting.

Shareholders are given the opportunity to vote separately on each proposal, including on the report and accounts. For each resolution, proxy appointment forms provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote. The proxy form and any announcement of the results of a vote make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

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. The Company ensures that all valid proxy appointments received for general meetings are properly recorded and counted by its registrar. For each resolution, where a vote has been taken on a show of hands, we ensure that the following information is given at the meeting and made available as soon as reasonably practicable on our website:

- the number of shares in respect of which proxy appointments have been validly made;
- the number of votes for the resolution;
- the number of votes against the resolution; and
- the number of shares in respect of which the vote was directed to be withheld.

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

Internal control and risk management

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 our review, the Directors have regard to what controls in our judgement are appropriate to the Group's businesses, to the materiality and the likelihood of the risks

Corporate Governance *continued*

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. Since 2010, the Group's work in the area of risk management has been facilitated by the Risk Oversight Committee. Its membership comprises the Group Chief Executive, the Group Finance Director (who chairs the Committee) and the other members of senior executive management, including the Deputy Group Finance Director, the Group Internal Auditor and the Head of Legal Affairs. Health and safety and environmental matters have been overseen by a sub-committee, known as the Environmental, Health and Safety Committee, which is chaired by the Group Health and Safety Director. Formal responsibility for risk matters set out in the Group Risk Register is divided between the Board, the Audit Committee and the Risk Oversight Committee. The Board has primary responsibility for those risks broadly categorised as political risks, take-overs, funding and capital, acquisitions, the funding of pensions and investor relations. The Audit Committee has delegated responsibility for control of funding and capital, financial controls, evaluation and control of acquisitions, information, valuation and reporting in respect of pensions and treasury matters.

The Risk Oversight Committee has delegated responsibility for risks in the areas of health and safety, the environment, major physical or operational incidents, raw materials, product failure, new product development, competition, customers, human resources and regulatory and compliance issues. The Remuneration Committee considers risks associated with remuneration structures and advises the Board, the Audit Committee and the Risk Oversight Committee accordingly.

The Risk Oversight Committee meets at least three times a year and operates under formal terms of reference established by the Board and is committed to continuing to develop and embed risk management processes within the Group. The Risk Oversight Committee is specifically charged with developing Group management of, and policy towards, environmental, social and governance ("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. The work of all of the Board committees relating to risk management are discussed at full Board meetings on a regular basis in addition to the work undertaken by the Board on key risk issues. The Risk Oversight Committee receives reports from the Environmental, Health and Safety Committee and reports on relevant matters to the Board. The Group Health and Safety Director, who deals with health, safety and environmental issues, reports to the Risk Oversight Committee in his capacity as Chairman of the Environmental, Health and Safety Committee. The Group Internal Auditor 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 quarterly 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 Code provisions on internal control in the course of the financial year ended 30 November 2012.

The Risk Oversight Committee also ensures that the Group is able to respond adequately to the UK's Bribery Act 2010 and has overseen an enterprise-wide risk assessment process and developed a detailed set of policies and procedures in response to the findings of that assessment. The Group values its reputation for ethical behaviour and for financial integrity and has a commitment to carry out business fairly, honestly and openly. We will not tolerate bribery in our dealings. It is illegal and harmful for business. Any involvement with improper inducements in order to secure business or gain any advantage for either any Group company or our employees reflects adversely on our image and reputation and undermines the confidence of our customers and other business partners in us. We seek to eliminate bribery in our business dealings by:

- setting out a clear anti-bribery policy;
- training all of our employees so that they can recognise and avoid the use of bribery by themselves and others;
- encouraging our employees to be vigilant and to report any suspicion of bribery through suitable channels of communication and ensuring sensitive information is treated appropriately;
- rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution; and
- taking firm and vigorous action against any individual(s) involved in bribery.

Audit Committee Report

John Sheldrick
Non-Executive Director
and Chairman of the
Audit Committee



The Board has established formal and transparent arrangements for considering how they should apply the Group's corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditor. This responsibility is primarily discharged through the Audit Committee.

Composition and governance

The Committee comprises the three independent Non-Executive Directors, John Sheldrick (Chairman of the Committee), Steve Hannam and Folkert Blaisse, who, collectively, have the skills and experience required to fully discharge its duties. John Sheldrick meets the requirements of recent and relevant financial experience having been Group Finance Director of Johnson Matthey Plc from 1995 until his retirement in 2009.

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. Both the Group Internal Auditor and the external auditor have direct access to the Chairman of the Committee outside of formal Committee meetings.

The Audit Committee meets at least three times a year. It is required to:

- monitor the integrity of the financial statements of the Company and the Group and any formal announcements relating to the Company and the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- review the Group's internal financial controls and to review the Group's internal control and risk management systems;
- monitor and review the effectiveness of the Group's internal audit function;
- make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- take specific responsibility for certain key areas of risk management to support the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation, including funding and capital, financial controls, evaluation and control of acquisitions, information, pensions and treasury matters.

The Audit 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.

Activities in 2012

The Audit Committee met on three occasions during 2012 and those meetings were attended by all of the Committee members. The meetings of the Committee coincided with key dates in the financial reporting and audit cycle. The external auditor, KPMG Audit Plc, and the Group Internal Auditor attended all of the meetings.

Audit Committee Report *continued*

In 2012, 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 in accordance with the policy it has adopted;
- 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;
- assisting the Board with overseeing an enterprise-wide approach to risk identification, management and mitigation;
- receiving regular reports from the Group Internal Auditor following operational audits;
- reviewing the performance and effectiveness of internal and external audit; and
- reviewing the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

External auditor

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.

The current overall tenure of the external auditor KPMG Audit Plc 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. In 2012, a new lead partner was appointed in line with KPMG's policy of partner rotation to ensure continued auditor independence.

Following a review by the Audit Committee, the Board is recommending the re-appointment of the external auditor to shareholders at the Annual General Meeting for a period of one year.

Internal audit

During the year, the Committee reviewed the results of audits undertaken by Internal Audit and management responses, including the implementation of any recommendations made. The Committee considered and approved the 2012 internal audit programme. The effectiveness of internal audit was formally reviewed, taking into account the views of Directors and senior management on such matters as objectivity, proficiency, resourcing and audit strategy and planning.

Directors' Report on Remuneration

Introductory Chairman's Letter

Steve Hannam
Senior Independent
Non-Executive Director
and Chairman of the
Remuneration
Committee



As described in the Business Review, the results achieved for the financial year ending 30 November 2012 illustrate the ability of our business to continue growing despite tough global economic conditions.

The increase in profitability achieved during the year under review demonstrates the quality and resilience of our business, the strong and effective leadership of our management team and the commitment and enthusiasm of our employees.

In light of executive management's achievements during the year, the Remuneration Committee (the "Committee") considers the remuneration paid to the executive management team to fairly reflect their performance during the year. As a result of delivering (i) underlying growth in profit before tax, amortisation and non-recurring items of 10.7%, and (ii) achieving a return on capital employed of 17.2%, the annual bonus paid out to the Executive Directors was at 79.3% of salary and 79.3% of the maximum opportunity available.

With regard to the Company's longer-term performance, reflecting the Company's successful implementation of its growth strategy since the appointment of the current Group Chief Executive, the Long-Term Incentive Plan awards granted in 2009 vested in August 2012 at 98.7% of the maximum opportunity. This level of vesting was triggered as a result of exceeding the maximum three-year EPS target set by 16.2% and delivering a three-year total shareholder return of 87.9%, which was marginally below the upper quartile level of the FTSE Small Cap Index over the three-year period. Given the challenging economic conditions during the entire three-year performance period, the level of performance was considered to be an excellent result.

New Long-Term Incentive Plan

Our 2003 Long-Term Incentive Plan expires in February 2013 and, as a result, the Committee reviewed its remuneration policy during the year under review. The primary conclusions of the review were that the current policy remains "fit for purpose", provides a competitive total remuneration opportunity and strikes an appropriate balance between fixed pay and incentivising the delivery of the Company's key short and long-term objectives.

As a result, other than in respect of a number of minor modifications to bring the current plan into line with current best practice, shareholder approval is being sought at the 2013 AGM for a replacement plan that is to operate on broadly similar terms to the 2003 plan. There is no proposed increase in overall incentive opportunity when compared with long-term incentive policy over recent years. The renewal of the plan was the subject of prior consultation with the Company's major shareholders and a summary of the principal terms of the plan is included in the 2013 Notice of AGM which accompanies the Annual Report.

With regards to other elements of remuneration, consistent with the conclusions of the review of remuneration policy noted above, there are to be no substantive changes in relation to the current financial year. However, Executive Directors' salary levels have been increased by 3% with effect from 1 December 2012, which is consistent with the salary budget operated for the Group as a whole. This increase was considered appropriate in light of the continued strong performance of each of the Executive Directors and the need to remain competitive against the external market.

Risk

The Committee is satisfied that the current arrangements do not inadvertently encourage undue risk-taking given the clear long-term focus in our policy. The introduction of the proposed 2013 Long-Term Incentive Plan will continue to ensure that a substantial proportion of pay is earned based on long-term performance with the Company's share ownership guidelines ensuring further long-term alignment between our executive team and shareholders. The Committee also includes clawback provisions in its incentive structures for Executive Directors which provide a further safeguard to shareholders in the event of a material misstatement in our results.

The Committee looks forward to your continuing support of our remuneration policy at the 2013 Annual General Meeting.

Directors' Report on Remuneration *continued*

Directors' Report on Remuneration

The Committee has adopted the principles of good governance relating to directors' remuneration as set out in the 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: Steve Hannam, Chairman of the Committee; Folkert Blaisse; Martin Flower; and John Sheldrick, who were all members of the Committee throughout the year under review. 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 on 6 July 2010 and, while it is no longer appropriate to apply the test of independence to him following his appointment as Chairman, he was considered by the Board to be independent on his initial appointment as a Non-Executive Director. Mr Hannam succeeded Chris Littmoden as Chairman of the Committee with effect from 1 March 2012, at which time Mr Littmoden ceased to be a director of the Company.

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 New Bridge Street ("NBS", an Aon Hewitt Company), Squire Sanders (UK) LLP 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. NBS has no connection with the Company other than in the provision of advice in relation to executive remuneration and nor does Aon Hewitt, the ultimate parent company of NBS. Freshfields Bruckhaus Deringer and Squire Sanders (UK) LLP provide 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, a copy of which is available on the Company's website. In 2012, 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 environment, social and governance 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 liaison between the Risk Oversight, 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 results of a remuneration risk assessment that was undertaken during 2012. This assessment confirmed that the Company's remuneration policy is aligned with the Group's strategy and does not encourage undue risk-taking given the internal controls operated by the Group, the range of performance measures used for incentive purposes and the significant weighting placed on long-term performance.

The Committee intends to keep the Company's remuneration policy under review to ensure that an appropriate balance between fixed and variable pay is maintained.

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).

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

| Element | Purpose | Opportunity | Summary Details | Changes |
|-----------------------------------|--|--|---|--|
| Salary | To position at a competitive level for similar roles in comparable international manufacturing companies and companies from across all FTSE sectors. | 2011/12 CEO – £332,175 FD – £252,350 2012/13 CEO – £342,140 FD – £260,000 | Reviewed 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. | The Executive Directors' salaries were increased by 3% with effect from 1 December 2012. The increases for 2012/13 are broadly in line with those awarded to the workforce more generally. |
| Other Benefits | To provide competitive benefits in line with market practice. | Market-consistent benefits provided. | 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. | N/A |
| Annual Bonus | To incentivise delivery of performance objectives. | Maximum (% salary) CEO – 100% FD – 100% | Bonuses are earned based on performance against a sliding scale of challenging financial targets including: <ul style="list-style-type: none"> • Profit (70%); • ROCE (30%); and Bonus earned in respect of ROCE is subject to achieving a pre-determined level of profitability. Payments under the annual bonus plan may be subject to clawback in the event of a material misstatement of the Company's financial results. | In 2011/12, bonuses were similarly at 100% of salary as a maximum level, but targets were: <ul style="list-style-type: none"> • Profit (60%); • ROCE (30%); and • Sales growth for the Group outside of its heartland markets (10%). |
| Long-Term Incentive Plan | To drive superior long-term financial performance and shareholder returns, aid retention and align the interests of Executive Directors with shareholders. | Maximum (% salary) 2011/12 CEO – 110% FD – 100% 2012/13 A plan maximum of 200% but with policy to award a maximum opportunity of: CEO – 125% FD – 125% except in exceptional circumstances | Long-term incentive awards are granted subject to a sliding scale of challenging three-year targets including: <ul style="list-style-type: none"> • EPS growth (50%); and • Relative total shareholder return performance vis-à-vis the constituents of the FTSE Small Cap Index (50%). Performance is measured over a three-year period. | Since the 2003 Long-Term Incentive Plan expires in February 2013, shareholder approval is being sought for a replacement plan (with broadly similar terms but aligning to current best practice) at the AGM. A summary of the principal terms of the new plan is included in the Notice of AGM. |
| Share Ownership Guidelines | To align interests of Executive Directors with shareholders. | % Salary CEO – 100% FD – 100% | A 100% of salary share ownership guideline applies to the Executive Directors. Executive Directors are expected to retain 50% of the after-tax number of vested long-term incentive awards until the guideline is achieved (applicable to awards granted from 2011 onwards). | N/A |

Directors' Report on Remuneration *continued*

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.

The salary levels of the current Executive Directors, are as follows:

- Group Chief Executive: £342,140 (effective from 1 December 2012; £332,175 from 1 December 2011); and
- Group Finance Director: £260,000 (effective from 1 December 2012; £252,350 from 1 December 2011).

The increase awarded to the Group Chief Executive and the Group Finance Director, at 3%, 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.

ii) Performance-related bonus – Executive Directors

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

The metrics used in the annual bonus plan in the year under review were chosen to be aligned with the Group's stated medium-term objectives. This resulted in a combination of profit, ROCE and sales growth targets being set. The actual sliding scales of targets set took due account of both internal planning and the external market's expectations for the Company's performance.

The bonus earned against the targets set, and a summary of the targets and weightings applying to each measure for 2012, is set out below:

| Metric | Opportunity (% Salary) | Achievement (% Target) | Payment (% Salary) |
|---|---------------------------|---------------------------|-----------------------|
| Profit* | 60% | 97% | 49.3% |
| ROCE** | 30% | 100% | 30.0% |
| Sales Growth** (outside of Group's heartland) | 10% | 0% | 0.0% |

* Underlying profit before tax, amortisation and non-recurring items.

** ROCE and sales growth targets are subject to achieving a threshold level of underlying profit before tax amortisation and non-recurring items to ensure that the sales growth and returns are delivered on a profitable basis. This threshold was exceeded in relation to the current financial year.

The above levels of performance resulted in bonuses becoming payable at 79.3% of the maximum and at £263,415 and £200,114, respectively, for the Group Chief Executive and Group Finance Director. The bonuses earned are subject to clawback provisions which will enable the Remuneration Committee to recover any value overpaid in the event of a material misstatement of the Company's financial results or misconduct that leads to such misstatement. The clawback provisions will operate for a two-year period following the date the bonuses are paid.

In 2013, the Executive Directors will again be eligible to receive a performance-related bonus of up to 100% of salary with the metrics and opportunity composed as follows:

| Metric | Opportunity (% Salary) |
|---------|---------------------------|
| Profit* | 70% |
| ROCE** | 30% |

* Underlying profit before tax, amortisation and non-recurring items.

** ROCE target subject to achieving a threshold level of profit before tax, amortisation and non-recurring items.

Both targets are set as a challenging sliding scale. No bonus is earned against non-financial targets. As was the case with 2011/12 bonuses, the 2012/13 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 2013 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

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

The 2003 LTIP, which was approved by shareholders in February 2003, has formed the long-term element of the remuneration structure for the Executive Directors and senior executives for the last 10 years. As a result of the 2003 LTIP expiring in February 2013, the Company is seeking approval from its shareholders at its upcoming AGM for a new long-term incentive plan. Further details of that plan are set out in the Notice of AGM which accompanies this Annual Report.

Under the 2003 LTIP, 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) were granted. Executive Directors received restricted share awards. At 30 November 2012, a total of 48 current employees of the Group held restricted share awards and 14 held share options.

Executive Directors have historically received awards of restricted shares under the 2003 LTIP which have been subject to a combination of EPS and TSR performance conditions. The use of EPS and TSR performance targets in tandem with the 2003 LTIP was 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.

A full summary of the outstanding historical awards made to the Executive Directors to date under the 2003 LTIP and the targets applying to each award are set out in Table 3 on page 49.

The Low & Bonar 2013 Long-term Incentive Plan (the "2013 LTIP")

Under the 2013 LTIP (if adopted), awards may be structured as either (i) conditional share awards (ii) nil cost options or (iii) market value share options. Irrespective of the structure of the award granted, awards to Executive Directors will be subject to challenging performance conditions. Neither conditional share awards nor nil cost options require payments to be made on receipt of vested shares. Market value options require the participant to pay an exercise cost to receive vested shares but it is not expected that Executive Directors will receive awards of market value share options under the 2013 LTIP. Consistent with typical market practice, it is anticipated that Executive Directors will receive awards that are structured as nil cost options.

A full summary of the principal terms of the 2013 LTIP is included in the accompanying Notice of AGM. The terms of the plan were subject to prior consultation with the Company's major shareholders.

In respect of the first awards under the 2013 LTIP (which will be made in April 2013 following the AGM if the 2013 LTIP is approved), it is anticipated that the award levels and performance targets will be as set out below.

2013 Award levels

The quantum of awards was set after taking due account of the competitive positioning of each executive against comparative market data and the challenging nature of the performance targets. Awards are to be granted, subject to the 2013 LTIP being approved by the Company's shareholders, at the following levels:

- Group Chief Executive: 125% of salary (110% of salary in 2011/12); and
- Group Finance Director: 125% of salary (100% of salary in 2011/12).

2013 performance Targets

The performance targets to apply to the initial awards under the 2013 LTIP, subject to the plan being approved by the Company's shareholders, will be as in prior years with awards 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 (excluding investment trusts). The proposed targets, each tested over three years, 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)

| Adjusted Annualised EPS Growth | Percentage vesting |
|--------------------------------|--------------------|
| Below 6% | 0% |
| 6% p.a. | 20% |
| 14% p.a. | 100% |

Straight-line vesting between performance points

The Committee will have a power to reduce vesting if the Company's overall financial performance over the performance period is significantly worse than the level of vesting indicates. In such circumstances, the Committee may reduce the level of vesting of an award so that, in the reasonable opinion of the Committee, it reflects the Company's overall financial performance over the performance period. In making its assessment, the Committee will consider the Company's broad range of key performance indicators from time to time (which currently include profit before tax and return on capital employed).

The use of EPS and relative TSR, consistent with the approach taken in prior years, reflects our continued long-term focus on delivering long-term profitable growth and creating above market levels of shareholder value. Setting EPS targets as actual numbers for the financial year ending 30 November 2015 is considered to provide a clear and transparent approach to incentivising Executive Directors and mirrors the approach taken in recent years. The range of EPS targets reflect the current trading environment and are aligned with the Group Chief Executive's continued focus on profitable growth, which is a key factor in our strategy. Use of relative TSR provides clear alignment between the Executive Directors and the Company's shareholders. We believe the targets to be appropriately challenging given the proposed level of the awards.

When testing the targets, the Committee's policy is to (i) request from its advisers an independent assessment of the extent to which the relative TSR target has been satisfied and (ii) consider the Company's audited results (and the need to make any adjustments) when determining the extent of vesting in respect of EPS targets.

Directors' Report on Remuneration *continued*

The above proposed awards, as was the case with the awards granted in 2012 under the 2003 LTIP to Executive Directors, will be subject to clawback provisions which will enable the Committee to recover the value overpaid to an Executive Director under an award in respect of performance to the year ending 30 November 2015 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.

iv) Other share-based incentives

Executive Directors remain eligible to participate in the Low & Bonar 1997 Sharesave Scheme (the SAYE 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 and Mike Holt. 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

Share ownership guidelines operate in respect of long-term incentive awards. Executive Directors are expected 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 (in respect of awards granted from 2011 onwards).

vi) Other benefits

Executive Directors receive a car allowance, private health insurance, death in service cover and a Company pension contribution of up to 25% of salary. They may also join the SAYE scheme on the same terms as all other Company employees.

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 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 following his becoming Group Chief Executive) 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 basic 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 basic 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.

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:

| | Original appointment date | Renewed for a period of 3 years from |
|------------------------------|---------------------------|--------------------------------------|
| Steve Hannam ¹ | 1/9/2002 | 1/9/2012 |
| Folkert Blaisse ² | 1/1/2007 | 1/1/2010 |
| Martin Flower ³ | 1/1/2007 | 1/1/2010 |
| John Sheldrick | 1/10/2011 | N/A |

- 1 Mr Hannam's appointment has been renewed until 31 August 2013.
- 2 Mr Blaisse's appointment was not formally renewed at the end of 2012 as it was already his intention to leave the Board in early 2013 once a successor had been found.
- 3 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. Continuation of an appointment is contingent on re-election by the shareholders as required by the Articles.

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 fourth consecutive year without an increase being awarded. The fee for chairing the Remuneration Committee also remains at £5,000 and the fee for chairing the Audit Committee remains at £7,000.

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 48.

iii) Martin Flower, Chairman

Martin Flower has a service contract with the Company dated 12 February 2010 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 2013. 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.

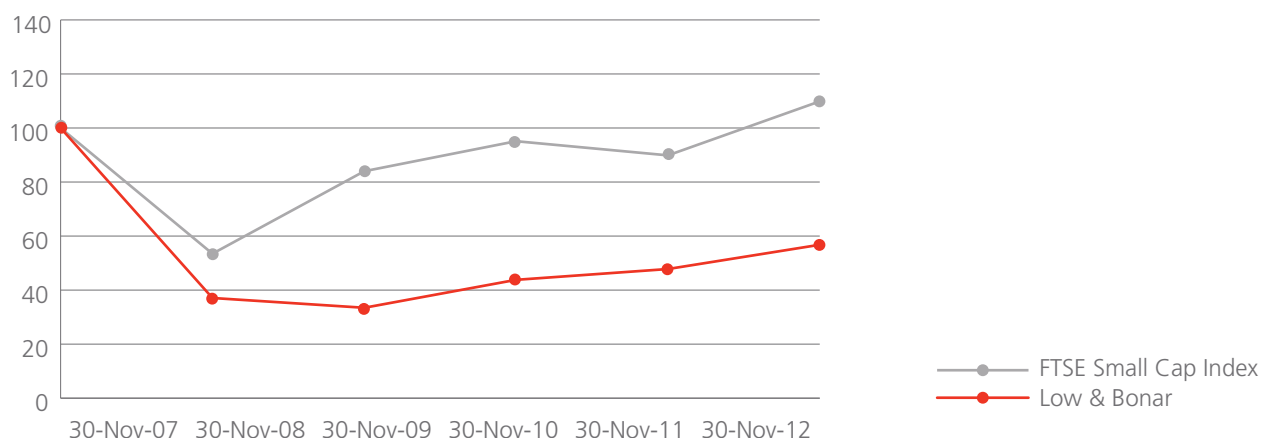
Mr Flower's appointment is for a period of three years from 30 June 2010, and will be extended for a further three years on its expiry in June 2013. The appointment may be terminated at any time by either party giving to the other six months' prior written notice. If the Company gives notice it may, 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.

The Committee recommends the remuneration of the Chairman to the Board. Remuneration paid to the Chairman during the year is shown in Table 1 on page 48.

4. 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 constituents are also used for the purposes of measuring the Company's relative TSR performance in the 2003 LTIP (and the 2013 LTIP, if adopted), which governs 50% of each award's vesting. 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 2012, of £100 invested in the Company's Ordinary Shares on 30 November 2007 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.

Directors' Report on Remuneration *continued***Part 2: Audited Information****Table 1 Analysis of individual Directors' emoluments**

| | Salaries and fees £ | Annual bonus £ | Pensions £ | Benefits in kind ¹ £ | Total 2012 £ | Total 2011 £ |
|--------------------------------|---------------------------|----------------------|---------------|---------------------------------------|--------------------|--------------------|
| Executive Directors | | | | | | |
| S Good ² | 332,175 | 263,415 | 83,044 | 19,649 | 698,283 | 682,505 |
| M Holt ² | 252,350 | 200,114 | 63,087 | 18,449 | 534,000 | 522,537 |
| | 584,525 | 463,529 | 146,131 | 38,098 | 1,232,283 | 1,205,042 |
| Non-Executive Directors | | | | | | |
| SJ Hannam ³ | 41,762 | – | – | – | 41,762 | 43,835 |
| C Littmoden ⁴ | 10,753 | – | – | – | 10,753 | 43,012 |
| MC Flower | 135,757 | – | – | – | 135,757 | 135,757 |
| FB Blaisse | 38,012 | – | – | – | 38,012 | 38,012 |
| JN Sheldrick ⁵ | 45,000 | – | – | – | 45,000 | 7,500 |
| | 271,284 | – | – | – | 271,284 | 268,116 |
| | 855,809 | 463,529 | 146,131 | 38,098 | 1,503,567 | 1,473,158 |

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

2 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:

| | % 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 £ |
|--------|-----------------------------|---|--|--|
| S Good | 25 | 33,044 | 50,000 | 83,044 |
| M Holt | 25 | 13,087 | 50,000 | 63,087 |
| | | 46,131 | 100,000 | 146,131 |

3 Steve Hannam received a fee of £5,000 for his Chairmanship of the Remuneration Committee from 1 March 2012 onwards (a pro-rata portion of which is included in the number in the table). He also received a fee of £7,000 per annum in 2011 for his Chairmanship of the Audit Committee up to 1 October 2011 (which is included in the number in the table).

4 Chris Littmoden received a fee of £5,000 for his Chairmanship of the Remuneration Committee (which is included in the number in the table). He ceased to be a Director of the Company on 28 February 2012 and the information in this report for 2012 relates only to the period up to that date.

5 John Sheldrick became a Director on 1 October 2011 and information in this report for 2011 relates only to the period from that date to 30 November 2011. Mr Sheldrick receives a fee of £7,000 for his chairmanship of the Audit 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:

| | 30/11/2012 | 1/12/2011 |
|-------------|----------------|-----------|
| S Good | 429,842 | 208,193 |
| MC Flower | 388,142 | 388,142 |
| SJ Hannam | 348,232 | 348,232 |
| FB Blaisse | 189,285 | 124,285 |
| J Sheldrick | 70,000 | – |
| M Holt | 65,000 | – |
| C Littmoden | n/a | 166,458 |

During the period 1 December 2012 to 5 February 2013, 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 November 2012 or at 5 February 2013.

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

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

| | At 1/12/2011 | Awarded in year | Vested in year | Lapsed in year | At 30/11/2012 | Award price | Date of award |
|--------|--------------|-----------------|----------------|----------------|------------------|-------------|-------------------------|
| S Good | 292,858 | – | 289,051* | 3,807 | – | 35.00p | 21/8/2009 ¹ |
| S Good | 146,428 | – | 144,524* | 1,904 | – | 35.00p | 3/9/2009 ¹ |
| S Good | 1,397,932 | – | – | – | 1,397,932 | 33.00p | 1/3/2010 ² |
| M Holt | 980,000 | – | – | – | 980,000 | 45.00p | 22/11/2010 ² |
| S Good | 753,505 | – | – | – | 753,505 | 53.50p | 15/3/2011 ³ |
| M Holt | 572,430 | – | – | – | 572,430 | 53.50p | 15/3/2011 ³ |
| S Good | – | 570,926 | – | – | 570,926 | 64.00p | 15/3/2011 ⁴ |
| M Holt | – | 394,297 | – | – | 394,297 | 64.00p | 15/3/2011 ⁴ |

1 The performance criteria applying to these awards were structured as follows:

50% of the 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, 25% of shares vested for EPS in the financial year ended 30/11/2011 of 4.2 pence, rising on a straight-line basis to full vesting for EPS of 5.0 pence. Under the TSR element, 25% of shares vested for median TSR, rising on a straight-line basis to full vesting for upper quartile.

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 30/11/2012 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.

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, 20% of shares vest for EPS in the financial year ended 30/11/2013 of 5.9 pence, rising on a straight-line basis to full vesting for EPS of 7.0 pence. Under the TSR element, 20% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.

4 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, 20% of shares vest for EPS in the financial year ended 30/11/2014 of 7.1 pence, rising on a straight-line basis to full vesting for EPS of 8.8 pence. Under the TSR element, 20% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.

* The 2009 Long-Term Incentive Plan awards vested in August 2012 to 98.7% of the maximum. This level of vesting was triggered as a result of achieving (i) EPS of 5.81p in the year ending 30 November 2012 which was above the maximum EPS target of 5.0p and thus resulted in maximum vesting in respect of this part of the award and (ii) a three year total shareholder return of 87.9% which was marginally below the upper quartile level of the FTSE Small Cap (excluding investment trusts) over the three-year period of 91.4% which triggered vesting in respect of 97.4% of this part of the award. At vesting (21 August 2012), the value of the vested shares was £251,474 (using the closing price on the 20 August 2012 of 58p).

Directors' share options

As at 30 November 2012, Steve Good held 10,543 options under the SAYE Scheme. As at 30 November 2012, Mike Holt held 36,039 options under the SAYE Scheme. Mr Good exercised 14,100 options during the year ended 30 November 2012. No options have been granted to any Director during the period 1 December 2012 to 5 February 2013.

The market price of a share at 30 November 2012 was 51.25p and the range during the year to 30 November 2012 was 38p to 66.5p.

Steve Hannam

Chairman, Remuneration Committee
On behalf of the Board of Directors
5 February 2013

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 parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent 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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable 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 parent company will continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies 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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the 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 the position of the company and 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
5 February 2013



Mike Holt
5 February 2013

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

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 2012 set out on pages 52 to 97. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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 34 to 40 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; or
- 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 33, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Wayne Cox (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

5 February 2013

Consolidated Income Statement

for the year ended 30 November

| | Note | 2012 | | | 2011 | | |
|--|------|--|--|---------------|--|--|----------|
| | | 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 | 380.5 | – | 380.5 | 388.7 | – | 388.7 |
| Operating profit/(loss) | 1 | 30.5 | (18.4) | 12.1 | 30.6 | – | 30.6 |
| Financial income | 6 | 7.0 | – | 7.0 | 10.6 | – | 10.6 |
| Financial expense | 6 | (13.0) | – | (13.0) | (17.8) | – | (17.8) |
| Net financing costs | | (6.0) | – | (6.0) | (7.2) | – | (7.2) |
| Profit/(loss) before taxation | 2 | 24.5 | (18.4) | 6.1 | 23.4 | – | 23.4 |
| Taxation | 7 | (6.4) | 1.7 | (4.7) | (5.8) | 1.6 | (4.2) |
| Profit/(loss) after taxation | | 18.1 | (16.7) | 1.4 | 17.6 | 1.6 | 19.2 |
| Profit/(loss) for the year from continuing operations | | 18.1 | (16.7) | 1.4 | 17.6 | 1.6 | 19.2 |
| Profit for the year from discontinued operations | 30 | – | – | – | – | 2.2 | 2.2 |
| Profit/(loss) for the year | | 18.1 | (16.7) | 1.4 | 17.6 | 3.8 | 21.4 |
| Attributable to | | | | | | | |
| Equity holders of the Company | | 18.1 | (16.7) | 1.4 | 17.2 | 3.8 | 21.0 |
| Non-controlling interest | 28 | – | – | – | 0.4 | – | 0.4 |
| | | 18.1 | (16.7) | 1.4 | 17.6 | 3.8 | 21.4 |
| Earnings per share | | | | | | | |
| | 10 | | | | | | |
| Continuing operations: | | | | | | | |
| Basic | | 6.28p | | 0.47p | 5.97p | | 6.53p |
| Diluted | | 6.08p | | 0.46p | 5.81p | | 6.36p |
| Discontinued operations: | | | | | | | |
| Basic | | – | | – | – | | 0.76p |
| Diluted | | – | | – | – | | 0.74p |
| Total: | | | | | | | |
| Basic | | 6.28p | | 0.47p | 5.97p | | 7.29p |
| Diluted | | 6.08p | | 0.46p | 5.81p | | 7.10p |

Consolidated Statement of Comprehensive Income

for the year ended 30 November

| | Note | 2012 £m | 2011 £m |
|---|------|---------------|------------|
| Profit for the year | | 1.4 | 21.4 |
| Other comprehensive income | | | |
| Actuarial (loss)/gain on defined benefit pension schemes | 4 | (13.9) | 3.7 |
| Deferred tax on defined benefit pension schemes | 4 | 0.7 | – |
| Exchange differences on translation of foreign operations, net of hedging | | (8.3) | 2.6 |
| Total other comprehensive income for the year, net of tax | | (21.5) | 6.3 |
| Total comprehensive income for the year | | (20.1) | 27.7 |
| Attributable to | | | |
| Equity holders of the parent | | (20.2) | 27.1 |
| Non-controlling interest | 28 | 0.1 | 0.6 |
| | | (20.1) | 27.7 |

Balance Sheets

as at 30 November

| | Note | Group | | Company | |
|--|------|--------------|------------|--------------|------------|
| | | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Non-current assets | | | | | |
| Goodwill | 11 | 74.2 | 84.9 | – | – |
| Intangible assets | 12 | 36.7 | 40.6 | – | – |
| Property, plant and equipment | 13 | 108.8 | 115.0 | 0.2 | 0.3 |
| Investment in subsidiaries | 14 | – | – | 93.6 | 94.7 |
| Investment in joint venture | 15 | 5.3 | – | – | – |
| Investment in associate | 16 | 0.4 | 0.4 | – | – |
| Deferred tax assets | 21 | 3.3 | 2.5 | – | – |
| Other receivables | 18 | – | – | 76.8 | 80.9 |
| | | 228.7 | 243.4 | 170.6 | 175.9 |
| Current assets | | | | | |
| Inventories | 17 | 75.1 | 75.6 | – | – |
| Trade and other receivables | 18 | 69.3 | 75.2 | 85.4 | 79.4 |
| Cash and cash equivalents | 20 | 26.9 | 20.9 | 3.8 | 9.8 |
| | | 171.3 | 171.7 | 89.2 | 89.2 |
| Current liabilities | | | | | |
| Interest-bearing loans and borrowings | 20 | – | 2.1 | 0.8 | 0.8 |
| Current tax liabilities | 19 | 6.2 | 5.4 | 1.7 | 1.8 |
| Trade and other payables | 19 | 76.2 | 80.2 | 15.8 | 22.2 |
| Provisions | 22 | 0.1 | 0.5 | – | – |
| | | 82.5 | 88.2 | 18.3 | 24.8 |
| Net current assets | | 88.8 | 83.5 | 70.9 | 64.4 |
| Total assets less current liabilities | | 317.5 | 326.9 | 241.5 | 240.3 |
| Non-current liabilities | | | | | |
| Interest-bearing loans and borrowings | 20 | 109.5 | 104.1 | 109.5 | 104.1 |
| Deferred tax liabilities | 21 | 23.5 | 24.8 | – | – |
| Post employment benefits | 4 | 24.8 | 14.2 | 15.1 | 6.1 |
| Other payables | 23 | 1.8 | 1.0 | – | – |
| | | 159.6 | 144.1 | 124.6 | 110.2 |
| Net assets | | 157.9 | 182.8 | 116.9 | 130.1 |
| Equity attributable to equity holders of the parent | | | | | |
| Share capital | 25 | 45.5 | 45.3 | 45.5 | 45.3 |
| Share premium account | 26 | 55.5 | 54.1 | 55.5 | 54.1 |
| Translation reserve | 27 | (37.0) | (28.6) | – | – |
| Retained earnings | | 87.9 | 106.1 | 15.9 | 30.7 |
| Total equity attributable to equity holders of the parent | | 151.9 | 176.9 | 116.9 | 130.1 |
| Equity holders of the parent | | 151.9 | 176.9 | 116.9 | 130.1 |
| Non-controlling interest | 28 | 6.0 | 5.9 | – | – |
| Total equity | | 157.9 | 182.8 | 116.9 | 130.1 |

The consolidated financial statements on pages 52 to 97 were approved by the Board on 5 February 2013 and signed on its behalf by:



Steve Good
5 February 2013



Mike Holt
5 February 2013

Consolidated Cash Flow Statement

for the year ended 30 November

| | Note | 2012 £m | 2011 £m |
|--|------|---------------|------------|
| Profit for the year from continuing operations | | 1.4 | 19.2 |
| Profit for the year from discontinued operations | | – | 2.2 |
| Profit for the year | | 1.4 | 21.4 |
| Adjustments for: | | | |
| Depreciation | | 12.1 | 12.3 |
| Impairment of non-current assets | | 11.2 | – |
| Amortisation | | 6.4 | 6.3 |
| Income tax expense | | 4.7 | 4.2 |
| Net financing costs | | 6.0 | 7.2 |
| Non-recurring pension credits | | – | (6.0) |
| Partial EU fine refund | | 2.2 | (2.2) |
| Increase in inventories | | (2.8) | (15.3) |
| Increase in trade and other receivables | | (1.6) | (2.5) |
| Increase in trade and other payables | | 0.1 | 6.7 |
| Decrease in provisions | | (0.4) | (3.1) |
| Gain on disposal of non-current assets | | (0.2) | (0.2) |
| Equity-settled share-based payment | | 1.2 | 0.9 |
| Cash inflow from operations | | 40.3 | 29.7 |
| Interest received | | 0.1 | 2.9 |
| Interest paid | | (4.9) | (8.7) |
| Tax paid | | (3.9) | (7.6) |
| Pension cash contributions in excess of operating charge | | (3.9) | (3.4) |
| Net cash inflow from operating activities | | 27.7 | 12.9 |
| Acquisition of subsidiaries | | (5.0) | – |
| Equity investment in joint ventures | | (5.3) | – |
| Prepaid participation in joint ventures | | 1.7 | (1.7) |
| Acquisition of property, plant and equipment | | (13.2) | (12.1) |
| Intangible assets purchased | | (1.0) | (1.0) |
| Proceeds from disposal of non-current assets | | 0.4 | 0.4 |
| Net cash outflow from investing activities | | (22.4) | (14.4) |
| Drawdown of borrowings | | 9.1 | 66.7 |
| Repayment of borrowings | | (1.7) | (33.5) |
| Proceeds of share issues | | 0.2 | – |
| Finance lease capital repayments | | – | (0.2) |
| Settlement of cash flow hedges | | – | (16.9) |
| Equity dividends paid | | (6.3) | (5.2) |
| Net cash inflow from financing activities | | 1.3 | 10.9 |
| Net cash inflow | 29 | 6.6 | 9.4 |
| Cash and cash equivalents at start of year | | 20.9 | 11.6 |
| Foreign exchange differences | | (0.6) | (0.1) |
| Cash and cash equivalents at end of year | | 26.9 | 20.9 |

Company Cash Flow Statement

for the year ended 30 November

| | Note | 2012 £m | 2011 £m |
|--|------|--------------|------------|
| Profit for the year | | 3.2 | 5.0 |
| Adjustments for: | | | |
| Depreciation | | 0.1 | – |
| Income tax credit | | (0.2) | (0.1) |
| Net financing (income)/costs | | (0.7) | 1.0 |
| Increase in receivables | | (7.4) | (6.1) |
| (Decrease)/increase in payables | | (5.7) | 7.3 |
| Non-recurring pension credits | | – | (6.0) |
| Partial EU fine refund | | 1.0 | (1.0) |
| Increase in provision against investment in subsidiary | | 1.1 | – |
| Decrease in net financial liabilities | | – | (0.8) |
| Equity-settled share-based payment | | 1.2 | 0.9 |
| Cash inflow from operations | | (7.4) | 0.2 |
| Interest received | | 6.4 | 11.0 |
| Interest paid | | (4.7) | (9.9) |
| Pension cash contributions in excess of operating charge | | (3.3) | (3.0) |
| Net cash outflow from operating activities | | (9.0) | (1.7) |
| Net cash inflow from investing activities | | – | – |
| Proceeds of share issues | | 0.2 | – |
| Drawdown of borrowings | | 9.1 | 66.7 |
| Repayment of borrowings | | – | (33.5) |
| Settlement of cash flow hedges | | – | (16.9) |
| Equity dividends paid | | (6.3) | (5.2) |
| Net cash inflow from financing activities | | 3.0 | 11.1 |
| Net cash (outflow)/inflow | 29 | (6.0) | 9.4 |
| Cash and cash equivalents at start of year | | 9.8 | 0.4 |
| Foreign exchange differences | | – | – |
| Cash and cash equivalents at end of year | | 3.8 | 9.8 |

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 | Non-controlling interest £m | Total equity £m |
|--|---------------------|---------------------|---------------------------|-------------------------|---|--------------------------------|--------------------|
| At 1 December 2010 | 45.3 | 54.1 | (31.0) | 85.7 | 154.1 | 5.3 | 159.4 |
| Total comprehensive income for the year | – | – | 2.4 | 24.7 | 27.1 | 0.6 | 27.7 |
| Dividends paid to Ordinary Shareholders | – | – | – | (5.2) | (5.2) | – | (5.2) |
| Share-based payment | – | – | – | 0.9 | 0.9 | – | 0.9 |
| Net increase for the year | – | – | 2.4 | 20.4 | 22.8 | 0.6 | 23.4 |
| At 30 November 2011 | 45.3 | 54.1 | (28.6) | 106.1 | 176.9 | 5.9 | 182.8 |
| Total comprehensive income for the year | – | – | (8.4) | (11.8) | (20.2) | 0.1 | (20.1) |
| Dividends paid to Ordinary Shareholders | – | – | – | (6.3) | (6.3) | – | (6.3) |
| Shares issued | 0.2 | 1.4 | – | (1.3) | 0.3 | – | 0.3 |
| Share-based payment | – | – | – | 1.2 | 1.2 | – | 1.2 |
| Net increase/(decrease) for the year | 0.2 | 1.4 | (8.4) | (18.2) | (25.0) | 0.1 | (24.9) |
| At 30 November 2012 | 45.5 | 55.5 | (37.0) | 87.9 | 151.9 | 6.0 | 157.9 |

Company Statement of Changes in Equity

for the year ended 30 November

| | Share capital £m | Share premium £m | Retained earnings £m | Total equity £m |
|---|------------------------|------------------------|----------------------------|-----------------------|
| At 1 December 2010 | 45.3 | 54.1 | 26.3 | 125.7 |
| Profit for the year | – | – | 5.0 | 5.0 |
| Actuarial gain on defined benefit pension scheme | – | – | 3.7 | 3.7 |
| Dividends paid to Ordinary Shareholders | – | – | (5.2) | (5.2) |
| Share-based payment | – | – | 0.9 | 0.9 |
| Net increase for the year | – | – | 4.4 | 4.4 |
| At 30 November 2011 | 45.3 | 54.1 | 30.7 | 130.1 |
| Profit for the year | – | – | 3.2 | 3.2 |
| Actuarial loss on defined benefit pension scheme | – | – | (11.6) | (11.6) |
| Dividends paid to Ordinary Shareholders | – | – | (6.3) | (6.3) |
| Shares issued | 0.2 | 1.4 | (1.3) | 0.3 |
| Share-based payment | – | – | 1.2 | 1.2 |
| Net increase/(decrease) for the year | 0.2 | 1.4 | (14.8) | (13.2) |
| At 30 November 2012 | 45.5 | 55.5 | 15.9 | 116.9 |

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 2012 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 1 to 29. The further information contained in the Business Review and Note 20 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 22 and 23 provides further details of the principal risks affecting the Group and Company.

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 by using the current facilities available to it (see Note 20).

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 on 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 IFRS as adopted by the EU ("adopted IFRS"). At the date of authorisation of these financial statements, there are a number of Standards, Interpretations and Amendments 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 adopted IFRS applied by the Group in the preparation of these financial statements are those that were effective at 30 November 2012. The Group has adopted the following new Standards, Interpretations and Amendments which became effective during the year with no significant impact on the Group's consolidated financial results or position:

- Amendments to IFRS 7 Financial Instruments: Disclosures (disclosure of specific types of assets which are transferred but not de-recognised).
- Amendments to IAS 12 Income Taxes (deferred tax on investment property revaluations).
- Revised IAS 23 Related Party Disclosures (simplified definition of 'related party' and amended definitions concerning related parties to government organisations).

(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 financial statements, investments in subsidiaries are carried at cost less impairment.

The interest of non-controlling interests is initially stated at the non-controlling interest'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) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

The Group accounts for its joint ventures using the equity method. The investment in the joint venture is recognised initially at cost and is adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture.

(iv) Transactions eliminated on consolidation

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

Significant Accounting Policies *continued*

(v) 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 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 the translation of foreign operations, and of related qualifying hedges, are taken to Other Comprehensive Income. They are released to the income statement upon disposal. Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the net investment in the foreign operation.

(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 resulting gain or loss being recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resulting 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); or

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

All financial instruments have been measured using 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 in Other Comprehensive Income. When the firm commitment or forecast 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 of the foreign operation.

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

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 losses (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 with different useful lives, the components are accounted for as separate items of plant, property and equipment.

(ii) Leased assets

Leases whereby the Company or the Group assumes 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 costs 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 is recognised only in a business combination and is measured as a residual. Goodwill represents the excess of the fair value of the consideration paid over the share of the identifiable assets acquired and liabilities assumed.

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 when it is incurred.

Expenditure on development activities, where 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 when it 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.

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's 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.

(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 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 accruals 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

Directly attributable and incremental 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 of the Group.

(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.

The Group determines the extent to which payments made which fulfil obligations to make future contributions to cover an existing shortfall will be available as a refund or reduction in future contributions after they are paid in to the plan. To the extent that the contributions payable will not be available after they are paid in to the plan, the Group recognises a liability when the obligation arises.

Actuarial gains and losses are recognised immediately in Other 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 taking into account market conditions and 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 values 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 EPS.

(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

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 income statement (see accounting policy E). Interest income is recognised in the income statement as it accrues, using the effective interest rate.

(S) Non-recurring items

Items which are both material and non-recurring are presented within their relevant consolidated income statement category and are described in more detail in Note 5. The separate reporting of non-recurring items helps to 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.

Significant Accounting Policies *continued*

Deferred tax is provided using the balance sheet liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following timing differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the timing difference and it is probable that the timing difference will 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.

A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables which are described in more detail in Note 18. A number of accounting estimates and judgements are incorporated within the provisions for share-based payments. These are described in more detail in Note 25.

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 timing differences which arise as a result of different accounting and tax treatments. These timing 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 various 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

Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, these are considered to be insurance arrangements and are accounted for as such. In this respect, the Company 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

On the date on which these financial statements were authorised the following Standards, Interpretations and Amendments had been issued by the IASB or IFRIC but were not effective for the year ended 30 November 2012 and have not yet been adopted by the Group:

- IFRS 9 Financial Instruments and additions to IFRS 9 (issued October 2010) – effective for the year ending 30 November 2016.
- IFRS 10 Consolidated Financial Statements* – effective for the year ending 30 November 2014.
- IFRS 11 Joint Arrangements* – effective for the year ending 30 November 2014.
- IFRS 12 Disclosure of Interests in Other Entities* – effective for the year ending 30 November 2014.
- IFRS 13 Fair Value Measurement* – effective for the year ending 30 November 2014.
- IAS 1 Financial Statement Presentation (presentation of items of Other Comprehensive Income)* – effective for the year ending 30 November 2013.
- IAS 1 Financial Statement Presentation (clarification of the requirements for comparative information)* – effective for the year ending 30 November 2014.

- IAS 16 Property, Plant and Equipment (classification of servicing equipment) – effective for the year ending 30 November 2014.
- Amendments to IAS 19 Employee Benefits* – effective for the year ending 30 November 2014.
- IAS 27 Separate Financial Statements* – effective for the year ending 30 November 2014.
- IAS 28 Investments in Associates and Joint Ventures* – effective for the year ending 30 November 2014.
- IAS 32 Financial Instruments (tax effect of distribution to holders of equity instruments) – effective for the year ending 30 November 2014.
- IAS 32 Financial Instruments (offsetting financial assets and financial liabilities)* – effective for the year ending 30 November 2015.
- IAS 34 Interim Financial Reporting (interim financial reporting and segment information for total assets and liabilities) – effective for the year ending 30 November 2014.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* – effective for the year ending 30 November 2014.

* Denotes that the Standard or Interpretation has been endorsed by the European Financial Reporting Advisory Group.

It is anticipated that adoption of these Standards and Interpretations in future periods will not have a material impact on the Group's financial results; however the following Standards will alter disclosure:

- The Amendments to IAS 19 will alter the recognition and disclosure requirements for the Group's defined benefit plans.
- The adoption of IFRS 9 will affect the measurement and disclosure of the Group's financial instruments.

Notes to the Accounts

1. Segmental information

For the purposes of management reporting to the chief operating decision maker, the Group is organised into three reportable operating divisions: Bonar, Technical Coated Fabrics and Yarns. 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 reportable segments have changed to reflect the integration of the Group's principal Performance Technical Textiles operations into a single global business, Bonar, and comparative information has been restated on the same basis.

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. The Group's business is focused on three areas of activity in the international technical textiles industry: the production and supply of (a) performance technical textiles; (b) technical coated fabrics for use in the transport, print and architectural market, and (c) artificial yarns for use in landscaping, sports and flooring markets; and information is presented in this form for the purposes of management reporting to the chief operating decision maker. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

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. Inter-segment sales are not material.

| | 2012 | | | | Total £m |
|---|-------------|--------------------------------------|-------------|------------------------------|----------------|
| | Bonar £m | Technical Coated Fabrics £m | Yarns £m | Unallocated Central £m | |
| Revenue from external customers – continuing operations | 238.7 | 115.3 | 26.5 | – | 380.5 |
| Operating profit/(loss) before amortisation and non-recurring items | 25.0 | 10.7 | (1.8) | (3.4) | 30.5 |
| Amortisation | (3.0) | (2.8) | – | – | (5.8) |
| Operating profit/(loss) before non-recurring items | 22.0 | 7.9 | (1.8) | (3.4) | 24.7 |
| Non-recurring items | (0.8) | – | (11.2) | (0.6) | (12.6) |
| Operating profit/(loss) | 21.2 | 7.9 | (13.0) | (4.0) | 12.1 |
| Net financing costs | | | | | (6.0) |
| Profit before taxation | | | | | 6.1 |
| Taxation | | | | | (4.7) |
| Profit for the year – continuing operations | | | | | 1.4 |
| Reportable segment assets | 145.6 | 83.9 | 23.4 | – | 252.9 |
| Intangible assets and goodwill | | | | | 110.9 |
| Investment in joint venture | | | | | 5.3 |
| Investment in associate | | | | | 0.4 |
| Cash and cash equivalents | | | | | 26.9 |
| Other unallocated assets | | | | | 3.6 |
| Total Group assets | | | | | 400.0 |
| Reportable segment liabilities | (49.0) | (21.8) | (6.2) | – | (77.0) |
| Loans and borrowings | | | | | (109.5) |
| Post employment benefits | | | | | (24.8) |
| Other unallocated liabilities | | | | | (30.8) |
| Total Group liabilities | | | | | (242.1) |
| Other information | | | | | |
| Additions to property, plant and equipment | 10.9 | 2.1 | 0.1 | – | 13.1 |
| Depreciation | 7.4 | 3.5 | 1.2 | – | 12.1 |

1. Segmental information *continued*

| | 2011 | | | | Total £m |
|---|-------------|--------------------------------------|-------------|------------------------------|----------------|
| | Bonar £m | Technical Coated Fabrics £m | Yarns £m | Unallocated Central £m | |
| Revenue from external customers – continuing operations | 238.7 | 119.4 | 30.6 | – | 388.7 |
| Operating profit/(loss) before amortisation and non-recurring items | 22.8 | 10.7 | 0.3 | (3.2) | 30.6 |
| Amortisation | (2.7) | (3.0) | – | – | (5.7) |
| Operating profit/(loss) before non-recurring items | 20.1 | 7.7 | 0.3 | (3.2) | 24.9 |
| Non-recurring items | – | – | – | 5.7 | 5.7 |
| Operating profit/(loss) | 20.1 | 7.7 | 0.3 | 2.5 | 30.6 |
| Net financing costs | | | | | (7.2) |
| Profit before taxation | | | | | 23.4 |
| Taxation | | | | | (4.2) |
| Profit for the year – continuing operations | | | | | 19.2 |
| Reportable segment assets | 147.8 | 87.5 | 29.0 | – | 264.3 |
| Intangible assets and goodwill | | | | | 125.5 |
| Investment in joint venture | | | | | – |
| Investment in associate | | | | | 0.4 |
| Cash and cash equivalents | | | | | 20.9 |
| Other unallocated assets | | | | | 4.0 |
| Total Group assets | | | | | 415.1 |
| Reportable segment liabilities | (47.3) | (22.0) | (8.6) | – | (77.9) |
| Loans and borrowings | | | | | (106.2) |
| Post employment benefits | | | | | (14.2) |
| Other unallocated liabilities | | | | | (34.0) |
| Total Group liabilities | | | | | (232.3) |
| Other information | | | | | |
| Additions to property, plant and equipment | 8.0 | 2.6 | 1.5 | – | 12.1 |
| Depreciation | 7.8 | 3.5 | 1.0 | – | 12.3 |

The geographical analysis of external revenue by location of customers and non-current assets by location of assets, as presented to the chief operating decision maker, is as follows:

| | External revenue by location of customers | | | | Non-current assets by location of assets | |
|-------------------|--|--------------|------------|-----------|---|------------|
| | 2012 £m | 2012 % | 2011 £m | 2011 % | 2012 £m | 2011 £m |
| Western Europe | 233.5 | 61.4 | 245.6 | 63.2 | 180.0 | 199.5 |
| Eastern Europe | 27.3 | 7.2 | 29.4 | 7.6 | 10.8 | 11.5 |
| North America | 67.3 | 17.7 | 58.5 | 15.0 | 25.3 | 18.2 |
| Middle East | 13.7 | 3.6 | 15.1 | 3.9 | 7.2 | 8.1 |
| Asia | 24.5 | 6.4 | 24.7 | 6.4 | 5.4 | 6.1 |
| Rest of the World | 14.2 | 3.7 | 15.4 | 3.9 | – | – |
| Total | 380.5 | 100.0 | 388.7 | 100.0 | 228.7 | 243.4 |

Revenues arising in the UK, which is the parent Company's country of domicile, were £24.2m (2011: £22.1m). The net book value of non-current assets located in the UK at 30 November 2012 was £3.2m (2011: £3.4m). More than 10% of the Group's revenues arise in Germany. The net book value of non-current assets located in Germany at 30 November 2012 was £86.4m (2011: £92.8m) and revenues in the year to 30 November 2012 were £65.4m (2011: £70.4m).

Notes to the Accounts *continued***2. Profit before taxation**

| | 2012 £m | 2011 £m |
|---|--------------|------------|
| Total operating costs | 368.4 | 358.1 |
| Total operating costs above include: | | |
| Staff costs | 74.6 | 74.0 |
| Inventories | | |
| Cost of inventories recognised as an expense | 185.1 | 188.2 |
| Write down of inventories recognised as an expense | 0.6 | 0.3 |
| Change in provisions held against inventories | (0.4) | (0.3) |
| Depreciation of property, plant and equipment | 12.1 | 12.3 |
| Amortisation of intangible assets | 6.4 | 6.3 |
| Impairment of non-current assets | 11.2 | – |
| Exchange differences recognised as a (gain)/loss | (0.1) | 0.1 |
| Gain on disposal of non-current assets | (0.2) | (0.2) |
| Amounts payable under operating leases: | | |
| Property | 4.1 | 4.2 |
| Plant and equipment | 1.3 | 0.9 |
| Research and development expenditure recognised as an expense | 3.3 | 3.1 |

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:

| | 2012 £m | 2011 £m |
|---|------------|------------|
| Audit of these financial statements | 0.2 | 0.2 |
| Audit of financial statements of subsidiaries | 0.3 | 0.3 |
| Non-audit services: | | |
| Corporate tax compliance | – | 0.1 |
| Corporate tax consultancy | 0.1 | 0.1 |
| Other non-audit services | 0.1 | – |

The total amount paid to the auditor was £0.7m (2011: £0.7m).

3. Staff numbers and costs

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

| | Group | |
|----------------|--------------|-------|
| | 2012 | 2011 |
| Production | 1,415 | 1,419 |
| Sales | 235 | 223 |
| Administrative | 236 | 228 |
| | 1,886 | 1,870 |

The average number of persons employed by the Company during the year was 17 (2011: 18).

The aggregate staff costs were:

| | Group | |
|-----------------------|-------------|------------|
| | 2012 £m | 2011 £m |
| Wages and salaries | 59.2 | 58.9 |
| Social security costs | 12.1 | 11.8 |
| Pension costs | 3.3 | 3.3 |
| | 74.6 | 74.0 |

| | Company | |
|-----------------------|------------|------------|
| | 2012 £m | 2011 £m |
| Wages and salaries | 2.5 | 2.6 |
| Social security costs | 0.3 | 0.3 |
| Pension costs | 0.2 | 0.2 |
| | 3.0 | 3.1 |

The Directors of the Company are listed on pages 30 and 31.

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 £3.0m (2011: £3.0m).

b) Defined benefit schemes

i) United Kingdom

The UK defined benefit scheme (the "Scheme") was independently valued by a qualified actuary at 31 March 2011 using the projected unit method. The main assumption in carrying out the valuation was for investment returns of 6.4% per annum in respect of investments in higher risk assets and 4.65% in respect of lower risk assets. At 31 March 2011, the total market value of assets in the UK scheme was £142.2m. The overall level of funding was 86%. The net income statement charge for the year ended 30 November 2012 for the UK pension scheme was £0.7m (2010: £5.0m credit). The Scheme is held by the Company and all of the UK disclosures relate to the Company and the Group.

Following the 2011 valuation of the UK scheme, the Company has agreed a schedule of contributions with the Trustee of the Scheme under which the Company will pay contributions of £3.3m per annum from the year ending 30 November 2012. The Company may be required to make further contributions to the UK scheme if the Group's net cash inflow exceeds certain agreed levels provided that the total contributions payable in any one year will be no more than £4.0m and the total contributions payable under the revised schedule (which runs to 2019) shall not exceed £28.4m. The Company made a payment of £3.3m during the year ending 30 November 2012 (2011: £3.0m).

Following the announcement by the UK 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 Trustee of the Group's main UK pension scheme notified deferred members of this change. After due consideration by the Company, including discussions with its legal advisers and the Trustee, of the impact of the change on the valuation of the Scheme liabilities at 30 November 2011, and pursuant to the guidance set out in UITF 48, a gain of £4.9m was credited to the income statement as a non-recurring past service credit in the year ended 30 November 2011. The Group's UK defined benefit scheme was also closed to future accrual during the period to 30 November 2011, resulting in a non-recurring curtailment credit to the income statement of £1.1m.

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 Dutch businesses, which are members of an industry-wide scheme; it is not possible to separately identify assets and liabilities and therefore 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 valuations 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 | |
|----------------------------------|-------------|-----------|------------------|-----------|
| | 2012 % | 2011 % | 2012 % | 2011 % |
| Discount rate | 4.20 | 4.80 | 3.40–3.70 | 4.75–5.00 |
| Expected return on scheme assets | 4.10 | 4.50 | 3.70–7.00 | 4.50–7.00 |
| Future salary increases | – | – | 2.25 | 2.25–3.50 |
| Future pension increases | 2.80 | 3.00 | 2.00 | 2.00 |
| Inflation increase | 2.00 | 2.10 | 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 UK Scheme male member, currently aged 65, will survive a further 21 years and a female member for a further 23 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.

Notes to the Accounts *continued*

4. Post employment benefits *continued*

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 | |
|---|----------------|------------|----------------|------------|----------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Fair value of scheme assets | 148.3 | 145.6 | 9.3 | 9.0 | 157.6 | 154.6 |
| Present value of defined benefit obligations | (163.4) | (151.7) | (19.0) | (17.1) | (182.4) | (168.8) |
| Net liability recognised in the balance sheet | (15.1) | (6.1) | (9.7) | (8.1) | (24.8) | (14.2) |

Amounts recognised as a charge/(credit) to the income statement in respect of the defined benefit pension schemes are as follows:

| | UK schemes | | Non-UK schemes | | Total | |
|--|--------------|------------|----------------|------------|--------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Current service cost | – | 0.1 | 0.3 | 0.2 | 0.3 | 0.3 |
| Interest cost | 7.1 | 8.1 | 0.7 | 0.8 | 7.8 | 8.9 |
| Expected return on scheme assets | (6.4) | (7.2) | (0.5) | (0.5) | (6.9) | (7.7) |
| Effect of change in pension indexation legislation | – | (4.9) | – | – | – | (4.9) |
| Curtailment gain | – | (1.1) | – | – | – | (1.1) |
| | 0.7 | (5.0) | 0.5 | 0.5 | 1.2 | (4.5) |

Amounts recognised in Other Comprehensive Income are as follows:

| | Group | | Company | |
|-------------------------|---------------|------------|---------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Actuarial (loss)/gain | (13.9) | 3.7 | (11.6) | 3.7 |
| Associated deferred tax | 0.7 | – | – | – |

The cumulative actuarial loss recognised in Other Comprehensive Income is £(30.2)m (2011: £(16.3)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 | |
|--|--------------|------------|----------------|------------|--------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Opening defined benefit obligation | 151.7 | 156.1 | 17.1 | 16.9 | 168.8 | 173.0 |
| Current service cost | – | 0.1 | 0.3 | 0.2 | 0.3 | 0.3 |
| Interest cost | 7.1 | 8.1 | 0.7 | 0.8 | 7.8 | 8.9 |
| Plan participants' contributions | – | – | – | – | – | – |
| Actuarial loss/(gain) | 13.7 | 0.9 | 2.3 | (0.2) | 16.0 | 0.7 |
| Benefits paid | (9.1) | (7.5) | (0.7) | (0.8) | (9.8) | (8.3) |
| Benefits paid directly by the employer | – | – | (0.1) | – | (0.1) | – |
| Effect of change in pension indexation legislation | – | (4.9) | – | – | – | (4.9) |
| Curtailment gain | – | (1.1) | – | – | – | (1.1) |
| Exchange adjustments | – | – | (0.6) | 0.2 | (0.6) | 0.2 |
| Closing defined benefit obligation | 163.4 | 151.7 | 19.0 | 17.1 | 182.4 | 168.8 |

4. Post employment benefits *continued*

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

| | UK schemes | | Non-UK schemes | | Total | |
|-------------------------------------|--------------|------------|----------------|------------|--------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Opening fair value of scheme assets | 145.6 | 138.2 | 9.0 | 8.8 | 154.6 | 147.0 |
| Expected return | 6.4 | 7.2 | 0.5 | 0.5 | 6.9 | 7.7 |
| Actuarial gain/(loss) | 2.1 | 4.6 | – | (0.2) | 2.1 | 4.4 |
| Contributions by employers | 3.3 | 3.1 | 0.8 | 0.7 | 4.1 | 3.8 |
| Plan participants' contributions | – | – | – | – | – | – |
| Benefits paid | (9.1) | (7.5) | (0.7) | (0.8) | (9.8) | (8.3) |
| Exchange adjustments | – | – | (0.3) | – | (0.3) | – |
| Closing fair value of scheme assets | 148.3 | 145.6 | 9.3 | 9.0 | 157.6 | 154.6 |

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

| | 2012 £m | 2012 % | 2011 £m | 2011 % |
|--------------------------|--------------|------------|------------|-----------|
| Equity securities | 36.5 | 25 | 32.6 | 22 |
| Debt securities | 30.9 | 21 | 29.1 | 20 |
| Index-linked Gilts | – | – | 34.7 | 24 |
| Diversified growth funds | 28.8 | 19 | 27.4 | 19 |
| LDI funds | 16.5 | 11 | 7.0 | 5 |
| Property | 13.8 | 9 | 12.9 | 9 |
| Cash and other | 21.8 | 15 | 1.9 | 1 |
| | 148.3 | 100 | 145.6 | 100 |

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

| | 2012 £m | 2012 % | 2011 £m | 2011 % |
|-------------------|------------|------------|------------|-----------|
| Equity securities | 3.3 | 35 | 3.3 | 37 |
| Debt securities | 5.6 | 60 | 5.3 | 59 |
| Property | 0.1 | 2 | 0.2 | 2 |
| Cash and other | 0.3 | 3 | 0.2 | 2 |
| | 9.3 | 100 | 9.0 | 100 |

History of experience gains and losses – UK scheme:

| | 2012 £m | 2011 £m | 2010 £m | 2009 £m | 2008 £m |
|---|----------------|------------|------------|------------|------------|
| Fair value of scheme assets | 148.3 | 145.6 | 138.2 | 136.4 | 121.0 |
| Present value of defined benefit obligation | (163.4) | (151.7) | (156.1) | (155.9) | (125.4) |
| Deficit in the scheme | (15.1) | (6.1) | (17.9) | (19.5) | (4.4) |
| Experience adjustments to scheme assets | | | | | |
| Amount | 2.1 | 4.6 | 0.3 | 13.3 | (33.3) |
| Percentage of present value of scheme assets | 1% | 3% | 0% | 10% | (27%) |
| Experience adjustments to scheme liabilities | | | | | |
| Amount | (1.0) | 3.4 | 3.1 | (2.5) | (2.5) |
| Percentage of present value of scheme liabilities | (1%) | 2% | 2% | (2%) | (2%) |

Notes to the Accounts *continued***4. Post employment benefits** *continued*

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

| | 2012 £m | 2011 £m | 2010 £m | 2009 £m | 2008 £m |
|---|------------|------------|------------|------------|------------|
| Fair value of scheme assets | 9.3 | 9.0 | 8.8 | 6.0 | 5.7 |
| Present value of defined benefit obligation | (19.0) | (17.1) | (16.9) | (13.7) | (13.2) |
| Deficit in the scheme | (9.7) | (8.1) | (8.1) | (7.7) | (7.5) |
| Experience adjustments to scheme assets: | | | | | |
| Amount | – | (0.2) | – | 0.6 | (1.8) |
| Percentage of fair value of scheme assets | 0% | (2%) | 0% | 10% | (31%) |
| Experience adjustments to scheme liabilities: | | | | | |
| Amount | 0.6 | 0.2 | 0.2 | 0.1 | (0.2) |
| Percentage of present value of scheme liabilities | 3% | 1% | 1% | 1% | (2%) |

c) Post retirement medical plans in the USA

The assumed medical trend rates for the Group's post-retirement medical schemes in the USA are as follows:

| | 2012 | 2011 |
|--------------------------------|------|------|
| Assumed healthcare trend rate: | | |
| Immediate | 7.4% | 7.6% |
| Ultimate | 4.5% | 4.5% |

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed trend is shown by the table below:

| | 2012 +1% £'000 | 2012 –1% £'000 | 2011 +1% £'000 | 2011 –1% £'000 |
|---|----------------------|----------------------|----------------------|----------------------|
| Effect on total service cost and interest cost components | 5 | (4) | 6 | (4) |
| Effect on defined benefit obligation | 46 | (40) | 41 | (36) |

5. Amortisation and non-recurring items

During the year the Group recognised significant non-recurring items and amortisation of acquired intangible assets as detailed below:

| | 2012 £m | 2011 £m |
|---|-------------|--------------|
| Amounts charged/(credited) to operating profit | | |
| Joint venture start up costs | 0.2 | 0.3 |
| Acquisition related costs | 0.7 | – |
| Reorganisation costs | 0.5 | – |
| Impairment of assets | 11.2 | – |
| Effect of change in pension indexation legislation | – | (4.9) |
| Curtailment gain | – | (1.1) |
| Total non-recurring items | 12.6 | (5.7) |
| Amortisation charge | 5.8 | 5.7 |
| Total charge to operating profit | 18.4 | – |
| Amounts credited to discontinued operations | | |
| Partial EU fine refund | – | (2.2) |

Current year

During the year, the Group has incurred £0.2m (2011: £0.3m) of initial costs in respect of its joint venture in Saudi Arabia.

The Group incurred £0.7m of costs in the period in connection with the acquisition of the trade and assets of Xero Flor International GmbH (see Note 24) and in connection with another potential acquisition.

Reorganisation costs of £0.5m were incurred during the period in relation to the integration of the Group's principal Performance Technical Textile operations into a single global business, Bonar.

The performance of the Yarns business during the year has been affected by deteriorating market conditions, particularly by further reductions in discretionary public funding for artificial sports pitches, which have had an adverse impact on the projected value in use of the Yarns CGU. Consequently an impairment charge of £11.2m has been recognised, of which £8.4m has been allocated to goodwill and £2.8m has been allocated to property, plant and equipment (see Note 11).

5. Amortisation and non-recurring items *continued*

Prior year

Following the announcement by the UK 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 Trustee of the Group's main UK pension scheme notified deferred members of this change. After due consideration by the Company, including discussions with its legal advisers and the Trustee, of the impact of the change on the valuation of the Scheme liabilities at 30 November 2011, and pursuant to the guidance set out in UITF 48, a gain of £4.9m was credited to the income statement as a non-recurring past service credit in the year ended 30 November 2011. The Group's UK defined benefit scheme was also closed to future accrual during the period to 30 November 2011, resulting in a non-recurring curtailment credit to the income statement of £1.1m.

In November 2011 the EU's General Court agreed a 25% reduction in the €12.24m fine imposed on the Company and its subsidiary Bonar Technical Fabrics NV by the European Commission in 2005, for infringing Article 81 of the European Community Treaty in connection with a cartel relating to industrial bags, a market the Group exited in 1997 following the sale of its Belgian packaging business. The reimbursement, including interest and net of associated legal costs, totalled £2.2m and has been shown as a non-recurring item within discontinued operations. The reimbursement was received in December 2011.

6. Financial income and financial expense

| | 2012 £m | 2011 £m |
|--|---------------|------------|
| Financial income | | |
| Interest income | 0.1 | 2.9 |
| Expected return on pension scheme assets | 6.9 | 7.7 |
| | 7.0 | 10.6 |
| Financial expense | | |
| Interest on bank overdrafts and loans | (4.9) | (8.5) |
| Amortisation of bank arrangement fees | (0.5) | (0.5) |
| Interest on pension scheme liabilities | (7.8) | (8.9) |
| Amounts capitalised within property, plant and equipment | 0.2 | 0.1 |
| | (13.0) | (17.8) |

7. Taxation

Recognised in the income statement

| | 2012 £m | 2011 £m |
|---|--------------|------------|
| Current tax | | |
| UK corporation tax | | |
| – current year | – | – |
| – prior year | (0.2) | – |
| Overseas tax | | |
| – current year | 5.5 | 5.4 |
| – prior year | (0.4) | (0.9) |
| Total current tax | 4.9 | 4.5 |
| Deferred tax | (0.2) | (0.3) |
| Total tax charge in the income statement | 4.7 | 4.2 |

The amount of deferred tax income relating to changes in tax rates is £0.1m (2011: £nil).

Notes to the Accounts *continued*

7. Taxation *continued*

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 24% (2011: 27%) to the profit before tax are as follows:

| | 2012 £m | 2011 £m |
|--|------------|-------------|
| Profit before tax from continuing operations | 6.1 | 23.4 |
| Profit before tax from discontinued operations | – | 2.2 |
| Profit before tax | 6.1 | 25.6 |
| Tax charge at 24% (2011: 27%) | 1.5 | 6.9 |
| Expenses not deductible and income not taxable | 0.8 | (4.1) |
| Higher tax rates on overseas earnings | 1.3 | 0.5 |
| Current tax losses not utilised | 1.9 | 1.2 |
| Tax losses utilised | – | – |
| Other short-term timing differences | (0.2) | 0.6 |
| Prior period adjustments | (0.6) | (0.9) |
| Total tax charge for the year | 4.7 | 4.2 |

Deferred tax recognised directly in Other Comprehensive Income

| | 2012 £m | 2011 £m |
|--|------------|------------|
| Actuarial gains and losses relating to post employment benefit obligations | 0.7 | – |
| Total | 0.7 | – |

In March 2012 the Chancellor of the Exchequer announced a further phased reduction in the main UK corporation tax rate from 23% to 22% by April 2014. In December 2012 the Chancellor announced an additional 1% reduction in the eventual main UK corporation tax rate, which will fall to 21% by April 2014. A 2% reduction, from 26% to 24%, took effect from 1 April 2012. Given that the Group does not expect to pay corporation tax in the UK in the foreseeable future, these changes are not considered to have any material impact on the Group.

8. Profits of the 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 £3.2m (2011: £5.0m).

9. Dividends

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

| | 2012 £m | 2011 £m |
|--|------------|------------|
| Final dividend for the year ended 30 November 2011 – 1.4 pence per share (2010: 1.1 pence per share) | 4.0 | 3.2 |
| Interim dividend for the year ended 30 November 2012 – 0.8 pence per share (2011: 0.7 pence per share) | 2.3 | 2.0 |
| | 6.3 | 5.2 |

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2012 of 1.6 pence per share which will absorb an estimated £4.7m 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 9 April 2013, it will be paid on 18 April 2013 to Ordinary Shareholders who are on the register of members at close of business on 22 March 2013.

During the year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2011 of 1.4 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 23 March 2012.

The Directors declared an interim dividend on Ordinary Shares in relation to the year ended 30 November 2012 of 0.8 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 31 August 2012.

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.

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

| | 2012 | | | 2011 | | |
|--|----------------|--|------------------------------|----------------|--|------------------------------|
| | 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 per share | | | | | | |
| Earnings attributable to Ordinary Shareholders | 1.4 | 288.447 | 0.47 | 18.8 | 287.889 | 6.53 |
| Effect of dilutive items | | | | | | |
| Share-based payment | – | 9.215 | | – | 7.959 | |
| Diluted earnings per share | 1.4 | 297.662 | 0.46 | 18.8 | 295.848 | 6.36 |
| Statutory – discontinued operations | | | | | | |
| Basic earnings per share | | | | | | |
| Earnings attributable to Ordinary Shareholders | – | 288.447 | – | 2.2 | 287.889 | 0.76 |
| Effect of dilutive items | | | | | | |
| Share-based payment | – | 9.215 | | – | 7.959 | |
| Diluted earnings per share | – | 297.662 | – | 2.2 | 295.848 | 0.74 |
| Statutory – total operations | | | | | | |
| Basic earnings per share | | | | | | |
| Earnings attributable to Ordinary Shareholders | 1.4 | 288.447 | 0.47 | 21.0 | 287.889 | 7.29 |
| Effect of dilutive items | | | | | | |
| Share-based payment | – | 9.215 | | – | 7.959 | |
| Diluted earnings per share | 1.4 | 297.662 | 0.46 | 21.0 | 295.848 | 7.10 |
| Before amortisation and non-recurring items | | | | | | |
| Basic earnings per share | | | | | | |
| Earnings attributable to Ordinary Shareholders | 18.1 | 288.447 | 6.28 | 17.2 | 287.889 | 5.97 |
| Effect of dilutive items | | | | | | |
| Share-based payment | – | 9.215 | | – | 7.959 | |
| Diluted earnings per share | 18.1 | 297.662 | 6.08 | 17.2 | 295.848 | 5.81 |

11. Goodwill

| | Group | |
|--------------------------------------|-------------|-------------|
| | 2012 £m | 2011 £m |
| Cost | | |
| At 1 December | 84.9 | 83.3 |
| Exchange adjustments | (3.8) | 1.6 |
| Arising on acquisition (Note 24) | 1.5 | – |
| At 30 November | 82.6 | 84.9 |
| Accumulated impairment losses | | |
| At 1 December | – | – |
| Impairment loss recognised | 8.4 | – |
| At 30 November | 8.4 | – |
| Net book value at 30 November | 74.2 | 84.9 |

Notes to the Accounts *continued*

11. Goodwill *continued*

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 | |
|-------------------------------|--|--|
| | 2012 Cost and net book value £m | 2011 Cost and net book value £m |
| Cash generating unit | | |
| Specialist yarns | – | 9.2 |
| Fabrics and fibres | 10.8 | 10.7 |
| Polymeric mats and composites | 27.2 | 26.8 |
| Technical coated fabrics | 35.9 | 37.9 |
| Other | 0.3 | 0.3 |
| At 30 November | 74.2 | 84.9 |

The Group tests goodwill values for impairment at each reporting date. The recoverable amounts are determined using value in use calculations for each CGU based on projected cash flows, discounted to calculate the net present value.

Cash flow projections

Cash flow projections for each CGU are derived from the most recent annual budgets and five year plans approved by the Board, which take into account the long-term average and projected growth rates for each of the key markets served by the CGUs, along with forecast changes to selling prices and direct costs. Assumptions are based on past experience and management's expectations of future changes in markets using external sources of information where appropriate.

Long-term growth rates

The value in use calculations assume terminal growth rates of between 2% and 3% (2011: between 2% and 3%) beyond year five.

Discount rate

Forecast pre-tax cash flows for each CGU are discounted to net present value using the Group's discount rate, calculated based on external advice and adjusted for individual CGUs where necessary to reflect applicable forecast risks and potential cash flow volatilities. Pre-tax discount rates ranged from 9.7% to 11.9% (2011: 9.7% to 11.3%) to calculate value in use for CGUs.

Sensitivity analysis has shown that with an increase of 510 basis points in the pre-tax discount rate applied to each CGU, except Yarns, there would be no impairment at a terminal growth rate of 2.0% (2011: no impairment with an increase of 430 basis points and 2.0% terminal growth rate).

Conclusion

The performance of the Yarns business during the year has been affected by deteriorating market conditions, particularly by further reductions in discretionary public funding for artificial sports pitches, which have had an adverse impact on the projected value in use of the Yarns CGU, and consequently resulted in an impairment to goodwill of £8.4m and an impairment to property, plant and equipment of £2.8m. The pre-tax discount rate used to measure the CGU's value in use was 11.9% (2011: 9.7%).

No impairment arose as a result of the valuations of the other CGUs. Management believe that the valuations are sufficiently robust such that reasonably foreseeable variations in the key assumptions would not result in significant changes to the results of the impairment tests. The assumptions have been reviewed in the light of the current economic environment and are considered appropriate. The value in use calculations, with the exception of the calculations for Yarns, show at least 62% headroom compared to the book values of the CGUs.

12. Intangible assets

| Group | Computer software £m | Research and development £m | Order backlog £m | Customer relationships £m | Marketing related £m | Technology based £m | Non-compete agreements £m | Total £m |
|---|-------------------------|--------------------------------|---------------------|------------------------------|-------------------------|------------------------|------------------------------|--------------|
| Cost | | | | | | | | |
| At 30 November 2010 | 2.1 | 2.3 | 0.1 | 32.5 | 13.6 | 20.1 | 1.3 | 72.0 |
| Exchange adjustment | 0.2 | – | – | 0.5 | 0.3 | 0.4 | – | 1.4 |
| Additions | 0.3 | 0.7 | – | – | – | – | – | 1.0 |
| Retirements | – | (0.2) | – | – | – | – | – | (0.2) |
| At 30 November 2011 | 2.6 | 2.8 | 0.1 | 33.0 | 13.9 | 20.5 | 1.3 | 74.2 |
| Exchange adjustment | (0.1) | (0.1) | – | (1.4) | (0.7) | (1.0) | – | (3.3) |
| Additions | 0.2 | 0.8 | – | – | – | – | – | 1.0 |
| Arising on acquisition (Note 24) | – | – | 0.3 | 1.5 | 0.7 | 1.0 | – | 3.5 |
| At 30 November 2012 | 2.7 | 3.5 | 0.4 | 33.1 | 13.9 | 20.5 | 1.3 | 75.4 |
| Aggregate amortisation | | | | | | | | |
| At 30 November 2010 | 1.5 | 0.7 | 0.1 | 10.6 | 3.4 | 9.6 | 1.3 | 27.2 |
| Exchange adjustment | 0.1 | – | – | – | – | 0.2 | – | 0.3 |
| Charge for the year | 0.2 | 0.4 | – | 2.5 | 1.1 | 2.1 | – | 6.3 |
| Retirements | – | (0.2) | – | – | – | – | – | (0.2) |
| At 30 November 2011 | 1.8 | 0.9 | 0.1 | 13.1 | 4.5 | 11.9 | 1.3 | 33.6 |
| Exchange adjustment | (0.1) | – | – | (0.4) | (0.3) | (0.5) | – | (1.3) |
| Charge for the year | 0.3 | 0.3 | 0.3 | 2.4 | 1.1 | 2.0 | – | 6.4 |
| At 30 November 2012 | 2.0 | 1.2 | 0.4 | 15.1 | 5.3 | 13.4 | 1.3 | 38.7 |
| Net book value | | | | | | | | |
| At 30 November 2012 | 0.7 | 2.3 | – | 18.0 | 8.6 | 7.1 | – | 36.7 |
| At 30 November 2011 | 0.8 | 1.9 | – | 19.9 | 9.4 | 8.6 | – | 40.6 |
| At 30 November 2010 | 0.6 | 1.6 | – | 21.9 | 10.2 | 10.5 | – | 44.8 |

Notes

- 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 and internet domain names.
- Non-compete agreements prohibit a seller from competing with the purchaser of a business.
- Customer relationships consist of customer lists, customer contracts and relationships and non-contractual customer relationships.
- Technology based intangible assets relate to innovations and technological advances and include patented and unpatented technology, databases and trade secrets.
- 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.

Notes to the Accounts *continued***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 2010 | 47.9 | 195.5 | 243.4 | 0.5 | – | 0.5 |
| Exchange adjustment | 0.9 | 2.8 | 3.7 | – | – | – |
| Additions | 0.4 | 11.7 | 12.1 | – | – | – |
| Capitalisation of interest | – | 0.1 | 0.1 | – | – | – |
| Disposals | – | (2.9) | (2.9) | – | – | – |
| At 30 November 2011 | 49.2 | 207.2 | 256.4 | 0.5 | – | 0.5 |
| Exchange adjustment | (2.2) | (7.8) | (10.0) | – | – | – |
| Additions | 1.2 | 11.9 | 13.1 | – | – | – |
| Capitalisation of interest | – | 0.2 | 0.2 | – | – | – |
| Disposals | (0.1) | (2.1) | (2.2) | – | – | – |
| At 30 November 2012 | 48.1 | 209.4 | 257.5 | 0.5 | – | 0.5 |
| Accumulated depreciation | | | | | | |
| At 30 November 2010 | 16.3 | 113.4 | 129.7 | 0.2 | – | 0.2 |
| Exchange adjustment | 0.3 | 1.8 | 2.1 | – | – | – |
| Charge for the year | 1.1 | 11.2 | 12.3 | – | – | – |
| Disposals | – | (2.7) | (2.7) | – | – | – |
| At 30 November 2011 | 17.7 | 123.7 | 141.4 | 0.2 | – | 0.2 |
| Exchange adjustment | (0.8) | (4.8) | (5.6) | – | – | – |
| Charge for the year | 1.1 | 11.0 | 12.1 | 0.1 | – | 0.1 |
| Impairment | – | 2.8 | 2.8 | – | – | – |
| Disposals | (0.1) | (1.9) | (2.0) | – | – | – |
| At 30 November 2012 | 17.9 | 130.8 | 148.7 | 0.3 | – | 0.3 |
| Net book value | | | | | | |
| At 30 November 2012 | 30.2 | 78.6 | 108.8 | 0.2 | – | 0.2 |
| At 30 November 2011 | 31.5 | 83.5 | 115.0 | 0.3 | – | 0.3 |
| At 30 November 2010 | 31.6 | 82.1 | 113.7 | 0.3 | – | 0.3 |

The carrying value of freehold land not depreciated at 30 November 2012 was £3.2m (2011: £3.4m).

Committed capital expenditure at 30 November 2012 totalled £0.2m (2011: £2.3m).

The impairment charge to plant and equipment relates to the Yarns business (see Note 11).

14. Investment in subsidiaries

| | Company | |
|---|--------------|------------|
| | 2012 £m | 2011 £m |
| Cost at 1 December and 30 November | 103.5 | 103.5 |
| Provision for impairment at 1 December | (8.8) | (8.8) |
| Increase in provision | (1.1) | – |
| Provision for impairment at 30 November | (9.9) | (8.8) |
| Net book value at 1 December | 94.7 | 94.7 |
| Net book value at 30 November | 93.6 | 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 joint venture

| | Group | |
|------------------------------------|------------|------------|
| | 2012 £m | 2011 £m |
| Cost and net book value | | |
| At 1 December | – | – |
| Equity investment in joint venture | 5.3 | – |
| Share of retained profit | – | – |
| Exchange adjustment | – | – |
| At 30 November | 5.3 | – |

The Group's share of the assets, liabilities, income and expenses of its joint venture is shown below:

| | 2012 £m | 2011 £m |
|------------------------------------|------------|------------|
| Total assets | 17.6 | – |
| Total liabilities | (7.0) | – |
| Net assets | 10.6 | – |
| Group share of net assets | 5.3 | – |
| Revenue | – | – |
| Profit for the year | – | – |
| Group share of profit for the year | – | – |

The joint ventures 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. Investment in associate

| | Group | |
|--------------------------------|------------|------------|
| | 2012 £m | 2011 £m |
| Cost and net book value | | |
| At 1 December | 0.4 | 0.4 |
| Share of retained profit | 0.1 | 0.1 |
| Dividends received | (0.1) | (0.1) |
| At 30 November | 0.4 | 0.4 |

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

| | 2012 £m | 2011 £m |
|------------------------------------|------------|------------|
| Total assets | 1.4 | 1.3 |
| Total liabilities | (0.1) | (0.2) |
| Net assets | 1.3 | 1.1 |
| Group share of net assets | 0.4 | 0.4 |
| Revenue | 4.1 | 3.5 |
| Profit for the year | 0.4 | 0.2 |
| 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.

Notes to the Accounts *continued***17. Inventories**

| | Group | |
|------------------|-------------|------------|
| | 2012 £m | 2011 £m |
| Raw materials | 17.6 | 17.4 |
| Work in progress | 13.9 | 15.3 |
| Finished goods | 43.6 | 42.9 |
| | 75.1 | 75.6 |

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.

18. Trade and other receivables

| | Group | |
|---|-------------|------------|
| | 2012 £m | 2011 £m |
| Current | | |
| Trade receivables | 63.6 | 65.3 |
| Provision for impairment of receivables | (3.3) | (3.7) |
| Net trade receivables | 60.3 | 61.6 |
| Other receivables | 7.6 | 9.5 |
| Prepayments and accrued income | 1.4 | 4.1 |
| | 69.3 | 75.2 |
| | | |
| | Company | |
| | 2012 £m | 2011 £m |
| Non-current | | |
| Amounts owed by subsidiaries | 76.8 | 80.9 |
| Current | | |
| Amounts owed by subsidiaries | 84.6 | 77.4 |
| Other receivables | 0.4 | 1.7 |
| Prepayments and accrued income | 0.4 | 0.3 |
| | 85.4 | 79.4 |

Included within the Group's other receivables is an amount of £nil (2011: £3.0m) due from the European Commission, representing a partial refund of the fine that was previously paid by the Group in relation to its Belgian packaging business, which was sold in 1997 (see Note 5). The Company's share of this refund receivable is £nil (2011: £1.5m). The reimbursement of £2.2m, including interest and after deducting associated legal costs, was received in December 2011.

Included within the Group's prepayments is £nil (2011: £1.7m) of down-payments made on behalf of the Group's Saudi Arabian joint venture, Bonar Natpet.

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.

18. Trade and other receivables *continued*

Impairment losses

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

| | Group | |
|-----------------------------|-------------|-------------|
| | 2012 £m | 2011 £m |
| Not past due | 53.7 | 52.8 |
| 0–30 days past due | 3.5 | 4.2 |
| 31–120 days past due | 2.0 | 3.0 |
| More than 120 days past due | 4.4 | 5.3 |
| | 63.6 | 65.3 |

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

| | Group | |
|---------------------------|--------------|--------------|
| | 2012 £m | 2011 £m |
| Balance at 1 December | (3.7) | (4.4) |
| Increased during the year | (0.8) | (0.2) |
| Reversed during the year | – | 0.3 |
| Utilised during the year | 1.0 | 0.7 |
| Exchange adjustments | 0.2 | (0.1) |
| At 30 November | (3.3) | (3.7) |

The allowance for impairment in respect of trade receivables at the end of the year was allocated against aged receivables as follows:

| | Group | |
|-----------------------------|--------------|--------------|
| | 2012 £m | 2011 £m |
| Not past due | – | – |
| 0–30 days past due | – | – |
| 31–120 days past due | (0.1) | (0.1) |
| More than 120 days past due | (3.2) | (3.6) |
| At 30 November | (3.3) | (3.7) |

Provisions for impairment of receivables are estimated by management based on prior experience and their assessment of the current economic environment. The trade receivables impairment provision as at 30 November 2012 was £3.3m (2011: £3.7m). Management believe that this provision is adequate to cover the risk of bad debts and exposure to credit risk. At 30 November 2012, 64.5% (2011: 57.2%) of trade receivables were insured.

19. Trade and other payables

| | Group | |
|---------------------------------|-------------|-------------|
| | 2012 £m | 2011 £m |
| Current | | |
| Trade payables | 51.8 | 54.8 |
| Other taxes and social security | 2.4 | 2.5 |
| Other payables | 5.5 | 5.0 |
| Accruals | 16.5 | 17.9 |
| | 76.2 | 80.2 |
| Current tax liabilities | 6.2 | 5.4 |
| | 82.4 | 85.6 |

Notes to the Accounts *continued*

19. Trade and other payables *continued*

| | Company | |
|---------------------------------|-------------|------------|
| | 2012 £m | 2011 £m |
| Current | | |
| Amounts owed to subsidiaries | 12.5 | 18.3 |
| Other taxes and social security | 0.1 | 0.1 |
| Other payables | 1.1 | 1.0 |
| Accruals | 2.1 | 2.8 |
| | 15.8 | 22.2 |
| Current tax liabilities | 1.7 | 1.8 |
| | 17.5 | 24.0 |

20. Financial assets, liabilities, derivatives and financial risk management

The objectives of the Group's treasury policies 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 2012.

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.

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 2012 £m | Book value 2012 £m | Fair value 2011 £m | Book value 2011 £m | Fair value 2012 £m | Book value 2012 £m | Fair value 2011 £m | Book value 2011 £m |
| Cash at bank and in hand | 26.9 | 26.9 | 20.9 | 20.9 | 3.8 | 3.8 | 9.8 | 9.8 |
| Trade and other receivables | 67.9 | 67.9 | 71.1 | 71.1 | 161.8 | 161.8 | 160.0 | 160.0 |
| Trade and other payables | (84.2) | (84.2) | (86.6) | (86.6) | (17.5) | (17.5) | (24.0) | (24.0) |
| Bank overdrafts | – | – | (2.1) | (2.1) | (0.8) | (0.8) | (0.8) | (0.8) |
| Preference shares | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) |
| Prepaid arrangement fees | 1.1 | 1.1 | 1.6 | 1.6 | 1.1 | 1.1 | 1.6 | 1.6 |
| Floating rate borrowings | (73.7) | (73.7) | (66.8) | (66.8) | (73.7) | (73.7) | (66.8) | (66.8) |
| Fixed rate borrowings | (38.7) | (36.5) | (38.9) | (38.5) | (38.7) | (36.5) | (38.9) | (38.5) |
| | (101.1) | (98.9) | (101.2) | (100.8) | 35.6 | 37.8 | 40.5 | 40.9 |

Estimation of fair value

The major methods and assumptions used in estimating the fair values of financial instruments reflected in the table are summarised as follows.

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.

20. Financial assets, liabilities, derivatives and financial risk management *continued*

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

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

Funding and liquidity

The Group's committed borrowing facilities at 30 November 2012 totalled €175.0m (£142.0m) (2011: €175.0m (£149.8m)), comprising:

- a €130m unsecured multicurrency revolving credit facility with a syndicate of five of its key relationship banks, committed until February 2015, which bears interest at between 1.40% to 2.40% above LIBOR depending on the ratio of the Group's net debt to EBITDA at each of its half year and year end reporting dates; and
- a €45m senior loan note raised by 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.

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 | |
|--------------|--------------|------------|
| | 2012 £m | 2011 £m |
| Net debt | 82.6 | 85.3 |
| Total equity | 157.9 | 182.8 |
| | 240.5 | 268.1 |

Analysis of cash and cash equivalents

| | Group | | Company | |
|-----------|-------------|------------|------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Sterling | 0.3 | 10.2 | – | 9.8 |
| Euro | 19.0 | 5.8 | 3.8 | – |
| US Dollar | 5.0 | 2.1 | – | – |
| Other | 2.6 | 2.8 | – | – |
| | 26.9 | 20.9 | 3.8 | 9.8 |

Notes to the Accounts *continued***20. Financial assets, liabilities, derivatives and financial risk management** *continued***Analysis of interest-bearing borrowings**

| | Group | | Company | |
|--|--------------|------------|--------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Borrowings falling due within one year or on demand | | | | |
| Bank loans and overdrafts | – | 2.1 | 0.8 | 0.8 |
| | – | 2.1 | 0.8 | 0.8 |
| Borrowings falling due after more than one year | | | | |
| Bank loans and overdrafts | 72.9 | 65.6 | 72.9 | 65.6 |
| 5.9% €45m Senior Note due 2016 | 36.2 | 38.1 | 36.2 | 38.1 |
| Other borrowings | | | | |
| – Preference shares | 0.4 | 0.4 | 0.4 | 0.4 |
| | 109.5 | 104.1 | 109.5 | 104.1 |

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

The following tables show the undiscounted contracted cash flows and maturities of financial liabilities together with their carrying amounts and average effective interest rates as at the balance sheet date:

| | Effective rate % | Carrying amount £m | Contractual cash flows £m | Group 2012 | | | |
|--|------------------------|--------------------------|---------------------------------|---------------|-----------------|-----------------|----------------|
| | | | | <1 year £m | 1–2 years £m | 2–5 years £m | >5 years £m |
| Non-derivative financial liabilities: | | | | | | | |
| Multicurrency revolving facility | | | | | | | |
| – Sterling | 2.4 | (23.5) | (25.3) | (0.6) | (0.6) | (24.1) | – |
| – Euro | 2.0 | (40.2) | (42.8) | (0.8) | (0.8) | (41.2) | – |
| – US Dollar | 2.1 | (10.0) | (10.7) | (0.2) | (0.2) | (10.3) | – |
| 5.9% €45m Senior Note due 2016 | 5.9 | (36.5) | (46.9) | (2.2) | (2.2) | (42.5) | – |
| Bank overdrafts | | | | | | | |
| – Sterling | | – | – | – | – | – | – |
| – Euro | | – | – | – | – | – | – |
| – Other | | – | – | – | – | – | – |
| Preference shares | 5.8 | (0.4) | (0.4) | – | – | – | (0.4) |
| Prepaid arrangement fees | | 1.1 | – | – | – | – | – |
| | | (109.5) | (126.1) | (3.8) | (3.8) | (118.1) | (0.4) |
| Trade and other payables | | (84.2) | (84.2) | (82.4) | (1.8) | – | – |
| Derivative financial liabilities: | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| – Outflow | | – | – | – | – | – | – |
| | | (193.7) | (210.3) | (86.2) | (5.6) | (118.1) | (0.4) |

20. Financial assets, liabilities, derivatives and financial risk management *continued*

| Group 2011 | | | | | | | |
|--|------------------|--------------------|---------------------------|------------|--------------|--------------|-------------|
| | Effective rate % | Carrying amount £m | Contractual cash flows £m | <1 year £m | 1–2 years £m | 2–5 years £m | >5 years £m |
| Non-derivative financial liabilities: | | | | | | | |
| Multicurrency revolving facility | | | | | | | |
| – Sterling | 2.6 | (15.5) | (17.2) | (0.4) | (0.4) | (16.4) | – |
| – Euro | 3.1 | (37.3) | (42.3) | (1.2) | (1.2) | (39.9) | – |
| – US Dollar | 2.2 | (14.0) | (15.3) | (0.3) | (0.3) | (14.7) | – |
| 5.9% €45m Senior Note due 2016 | 5.9 | (38.5) | (49.5) | (2.3) | (2.3) | (44.9) | – |
| Bank overdrafts | | | | | | | |
| – Sterling | 3.0 | (0.2) | (0.2) | (0.2) | – | – | – |
| – Euro | 3.4 | (1.7) | (1.7) | (1.7) | – | – | – |
| – Other | 2.5 | (0.2) | (0.2) | (0.2) | – | – | – |
| Preference shares | 5.8 | (0.4) | (0.4) | – | – | – | (0.4) |
| Prepaid arrangement fees | | 1.6 | – | – | – | – | – |
| | | (106.2) | (126.8) | (6.3) | (4.2) | (115.9) | (0.4) |
| Trade and other payables | – | (86.6) | (86.6) | (85.6) | (1.0) | – | – |
| Derivative financial liabilities: | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| – Outflow | | – | – | – | – | – | – |
| | | (192.8) | (213.4) | (91.9) | (5.2) | (115.9) | (0.4) |

| Company 2012 | | | | | | | |
|--|------------------|--------------------|---------------------------|------------|--------------|--------------|-------------|
| | Effective rate % | Carrying amount £m | Contractual cash flows £m | <1 year £m | 1–2 years £m | 2–5 years £m | >5 years £m |
| Non-derivative financial liabilities: | | | | | | | |
| Multicurrency revolving facility | | | | | | | |
| – Sterling | 2.4 | (23.5) | (25.3) | (0.6) | (0.6) | (24.1) | – |
| – Euro | 2.0 | (40.2) | (42.8) | (0.8) | (0.8) | (41.2) | – |
| – US Dollar | 2.1 | (10.0) | (10.7) | (0.2) | (0.2) | (10.3) | – |
| 5.9% €45m Senior Note due 2016 | 5.9 | (36.5) | (46.9) | (2.2) | (2.2) | (42.5) | – |
| Bank overdrafts | | | | | | | |
| – Sterling | 2.8 | (0.7) | (0.7) | (0.7) | – | – | – |
| – Euro | | – | – | – | – | – | – |
| – Other | 2.5 | (0.1) | (0.1) | (0.1) | – | – | – |
| Preference shares | 5.8 | (0.4) | (0.4) | – | – | – | (0.4) |
| Prepaid arrangement fees | | 1.1 | – | – | – | – | – |
| | | (110.3) | (126.9) | (4.6) | (3.8) | (118.1) | (0.4) |
| Trade and other payables | | (17.5) | (17.5) | (17.5) | – | – | – |
| Derivative financial liabilities: | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| – Outflow | | – | – | – | – | – | – |
| | | (127.8) | (144.4) | (22.1) | (3.8) | (118.1) | (0.4) |

Notes to the Accounts *continued***20. Financial assets, liabilities, derivatives and financial risk management** *continued*

| | Company 2011 | | | | | | |
|--|------------------|--------------------|---------------------------|------------|--------------|--------------|-------------|
| | Effective rate % | Carrying amount £m | Contractual cash flows £m | <1 year £m | 1-2 years £m | 2-5 years £m | >5 years £m |
| Non-derivative financial liabilities: | | | | | | | |
| Multicurrency revolving facility | | | | | | | |
| – Sterling | 2.6 | (15.5) | (17.2) | (0.4) | (0.4) | (16.4) | – |
| – Euro | 3.1 | (37.3) | (42.3) | (1.2) | (1.2) | (39.9) | – |
| – US Dollar | 2.2 | (14.0) | (15.3) | (0.3) | (0.3) | (14.7) | – |
| 5.9% €45m Senior Note due 2016 | 5.9 | (38.5) | (49.5) | (2.3) | (2.3) | (44.9) | – |
| Bank overdrafts | | | | | | | |
| – Sterling | 3.0 | (0.4) | (0.4) | (0.4) | – | – | – |
| – Euro | 3.4 | (0.2) | (0.2) | (0.2) | – | – | – |
| – Other | 2.5 | (0.2) | (0.2) | (0.2) | – | – | – |
| Preference shares | 5.8 | (0.4) | (0.4) | – | – | – | (0.4) |
| Prepaid arrangement fees | | 1.6 | – | – | – | – | – |
| | | (104.9) | (125.5) | (5.0) | (4.2) | (115.9) | (0.4) |
| Trade and other payables | | (24.0) | (24.0) | (24.0) | – | – | – |
| Derivative financial liabilities: | | | | | | | |
| Forward exchange contracts used for hedging | | | | | | | |
| – Outflow | | – | – | – | – | – | – |
| | | (128.9) | (149.5) | (29.0) | (4.2) | (115.9) | (0.4) |

At 30 November 2012 and 30 November 2011, the Group's committed borrowing facilities comprised a multi-currency revolving credit facility of €130m, expiring in February 2015, and a €45m Senior Note falling due in September 2016.

Foreign exchange risk**(a) Translational**

The Group has significant net assets based outside of the UK, predominantly in the Eurozone and the USA, with further amounts held in the Czech Republic, Hungary, Middle East and China. The Group has elected to use its 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. Profit before tax, amortisation and non-recurring items for the year ended 30 November 2011 retranslated using 2012 average exchange rates would have been £1.3m lower.

(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.

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

| | Carrying and fair value amount 2012 | | | | | |
|---|-------------------------------------|-----------------------------------|--|-----------------------------|----------------------|---------------------------|
| | 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 |
| Forward exchange contracts designated as cash flow hedges | 4.4 | – | – | – | – | – |

20. Financial assets, liabilities, derivatives and financial risk management *continued*

| | Carrying and fair value amount 2011 | | | | | |
|---|-------------------------------------|--------------------------------------|---|--------------------------------|-------------------------|------------------------------|
| | 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 |
| Forward exchange contracts designated as cash flow hedges | 4.0 | – | – | – | – | – |

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the year to 30 November 2012, an amount of £nil (2011: £nil) was recognised due to hedge ineffectiveness. The amount recognised in equity in the year in respect of hedges was a gain of £1.3m (2011: loss of £1.9m).

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:

| | 2012 | | 2011 | |
|-----------------------|------------------|-----------------------|------------------|-----------------------|
| | Currency million | Average exchange rate | Currency million | Average exchange rate |
| Sterling/Euro | 1.8 | 1.22 | 0.9 | 1.16 |
| Sterling/US Dollar | – | – | – | – |
| Euro/US Dollar | 0.6 | 1.30 | 0.2 | 1.37 |
| Euro/Hungarian Forint | 906.9 | 282.17 | 1,141.2 | 304.30 |

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

| | 2012 | | 2011 | |
|---------------|------------------|-----------------------|------------------|-----------------------|
| | Currency million | Average exchange rate | Currency million | Average exchange rate |
| Sterling/Euro | – | – | – | – |

The following significant exchange rates applied during the year:

| | Average rate 2012 | Average rate 2011 | Year end rate 2012 | Year end rate 2011 |
|---------------------------|-------------------|-------------------|--------------------|--------------------|
| | Sterling/Euro | 1.23 | 1.15 | 1.23 |
| Sterling/US Dollar | 1.59 | 1.61 | 1.60 | 1.57 |
| Sterling/Czech Crown | 30.93 | 28.30 | 31.13 | 29.51 |
| Sterling/Hungarian Forint | 356.69 | 319.90 | 346.51 | 354.80 |

Notes to the Accounts *continued*

20. Financial assets, liabilities, derivatives and financial risk management *continued*

Sensitivity analysis

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

| | 2012 | | 2011 | |
|------------------|--------------|--------------|--------------|--------------|
| | Profit £m | Equity £m | Profit £m | Equity £m |
| US Dollar | (0.4) | (1.1) | (0.3) | (1.3) |
| Euro | (1.0) | (6.4) | (1.0) | (5.8) |
| Czech Crown | (0.3) | (1.0) | (0.1) | (1.1) |
| Hungarian Forint | (0.1) | (0.4) | (0.1) | (0.4) |

A 10% weakening of Sterling against the above currencies as at 30 November 2012 and 2011 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 18 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.

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 | |
|--|-------------|------------|--------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Financial assets at fair value through profit and loss | – | – | – | – |
| Trade and other receivables | 67.9 | 71.1 | 161.8 | 160.0 |
| Cash and cash equivalents | 26.9 | 20.9 | 3.8 | 9.8 |
| | 94.8 | 92.0 | 165.6 | 169.8 |

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 2012 and 2011 were on a floating rate basis, apart from preference debt with an average coupon rate of 5.75% and 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 a margin of between 1.40% and 2.40%, and cash deposits and bank overdrafts which bear interest at market rates.

20. Financial assets, liabilities, derivatives and financial risk management *continued*

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 | |
|---|---------------|------------|----------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Fixed rate | | | | |
| Net debt | (36.6) | (38.5) | (36.6) | (38.5) |
| Financial instruments | – | – | – | – |
| Total fixed rate | (36.6) | (38.5) | (36.6) | (38.5) |
| Floating rate | | | | |
| Net debt | (46.0) | (46.8) | (69.9) | (56.7) |
| Financial instruments | – | – | – | – |
| Total floating rate | (46.0) | (46.8) | (69.9) | (56.7) |
| Total interest-bearing net debt and financial instruments | (82.6) | (85.3) | (106.5) | (95.2) |

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased equity by £0.7m (2011: £0.2m). The impact on the profit or loss for the period would have been to increase or decrease profit by £0.7m (2011: £0.2m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

21. Deferred taxation

Group

Recognised deferred tax assets and liabilities:

| | 2012 | | | 2011 | | |
|--------------------------------|--------------|-------------------|------------------------------------|--------------|-------------------|------------------------------------|
| | Assets £m | Liabilities £m | Net assets/ (liabilities) £m | Assets £m | Liabilities £m | Net assets/ (liabilities) £m |
| Intangible assets | – | (8.8) | (8.8) | – | (10.9) | (10.9) |
| Retirement benefit liabilities | 1.7 | – | 1.7 | 1.2 | – | 1.2 |
| Accelerated tax depreciation | – | (14.0) | (14.0) | – | (13.6) | (13.6) |
| Other | 1.6 | (0.7) | 0.9 | 1.3 | (0.3) | 1.0 |
| Tax assets/(liabilities) | 3.3 | (23.5) | (20.2) | 2.5 | (24.8) | (22.3) |

Unrecognised deferred tax assets:

| | 2012 £m | 2011 £m |
|--------------------------------|-------------|------------|
| Tax losses | 30.1 | 31.7 |
| Retirement benefit liabilities | 4.5 | 1.6 |
| Employee share schemes | 1.0 | 0.8 |
| Accelerated tax depreciation | 1.0 | – |
| | 36.6 | 34.1 |

Tax losses include an amount of £8.8m (2011: £9.9m) in respect of capital losses. The tax losses have no expiry date.

Movement in deferred tax during the year ended 30 November 2012:

| | Balance 1 Dec 2011 £m | Recognised in Other Comprehensive Income £m | Recognised in income £m | Exchange adjustments £m | Balance 30 Nov 2012 £m |
|--------------------------------|-----------------------------|---|-------------------------------|-------------------------------|------------------------------|
| Intangible assets | (10.9) | – | 1.5 | 0.6 | (8.8) |
| Retirement benefit liabilities | 1.2 | 0.7 | (0.2) | – | 1.7 |
| Accelerated tax depreciation | (13.6) | – | (0.9) | 0.5 | (14.0) |
| Other | 1.0 | – | (0.2) | 0.1 | 0.9 |
| | (22.3) | 0.7 | 0.2 | 1.2 | (20.2) |

Notes to the Accounts *continued*

21. Deferred taxation *continued*

Group

Movement in deferred tax during the year ended 30 November 2011:

| | Balance 1 Dec 2010 £m | Recognised in Other Comprehensive Income £m | Recognised in income £m | Exchange adjustments £m | Balance 30 Nov 2011 £m |
|--------------------------------|-----------------------------|---|-------------------------------|-------------------------------|------------------------------|
| Intangible assets | (12.2) | – | 1.6 | (0.3) | (10.9) |
| Retirement benefit liabilities | 0.8 | – | 0.4 | – | 1.2 |
| Accelerated tax depreciation | (13.3) | – | (0.2) | (0.1) | (13.6) |
| Other | 2.5 | – | (1.5) | – | 1.0 |
| | (22.2) | – | 0.3 | (0.4) | (22.3) |

The Group has recognised deferred tax assets of £3.3m (2011: £2.5m) 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 timing difference and it is probable that the timing 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.

Company

The Company has no recognised deferred tax assets or liabilities.

Unrecognised deferred tax assets:

| | 2012 £m | 2011 £m |
|--------------------------------|------------|------------|
| Tax losses | 18.4 | 20.0 |
| Retirement benefit liabilities | 3.5 | 1.6 |
| Employee share schemes | 1.2 | 0.8 |
| | 23.1 | 22.4 |

Tax losses include an amount of £5.9m (2011: £6.7m) in respect of capital losses. The tax losses have no expiry date.

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

22. Provisions

| | Restructuring £m |
|-----------------------------|---------------------|
| Current | |
| At 30 November 2010 | 3.6 |
| Utilised in the year | (3.1) |
| Exchange difference | – |
| At 30 November 2011 | 0.5 |
| Utilised in the year | (0.4) |
| Exchange difference | – |
| At 30 November 2012 | 0.1 |

The provision created in the year ended 30 November 2010 related to the restructuring of the Yarns business. The restructuring was completed by June 2011 and the majority of associated costs have been paid during the years ended 30 November 2011 and 30 November 2012.

23. Other payables

| | Group | |
|------------------------------|------------|------------|
| | 2012 £m | 2011 £m |
| Non-current | | |
| Other payables | 1.8 | 1.0 |
| | | |
| | Company | |
| | 2012 £m | 2011 £m |
| Non-current | | |
| Amounts owed to subsidiaries | – | – |

24. Business combination

On 1 March 2012 the Group acquired the trade and assets of Xero Flor International GmbH (“Xeroflor”), an innovative business with a strong position in the fast growing green roofing market, on a cash-free debt-free basis for a cash consideration of €6.0m (£5.0m). Costs of £0.3m relating to the acquisition have been charged to non-recurring items. Results of the acquired business are included within the results of the Bonar segment.

The acquired business contributed £2.3m to the Group’s consolidated revenue for the period and increased the Group’s consolidated profit before interest, tax, amortisation and non-recurring items for the period by £0.5m. Had the business been owned by the Group for the entire period, the contribution to the Group’s consolidated revenue and consolidated profit before interest, tax, amortisation and non-recurring items would have been £3.0m and £0.6m respectively.

The provisional fair values of the identifiable assets and liabilities acquired are as follows:

| | Book value at acquisition £m | Fair value adjustments £m | Provisional fair value £m |
|--|------------------------------------|---------------------------------|---------------------------------|
| Intangible assets | | | |
| Marketing related | – | 0.7 | 0.7 |
| Customer relationships | – | 1.5 | 1.5 |
| Technology based | – | 1.0 | 1.0 |
| Order backlog | – | 0.3 | 0.3 |
| Property, plant and equipment | 0.1 | – | 0.1 |
| Inventories | 0.2 | – | 0.2 |
| Trade and other receivables | – | – | – |
| Trade and other payables | (0.3) | – | (0.3) |
| Net assets acquired | – | 3.5 | 3.5 |
| Consideration | | | |
| Cash consideration | | | 4.6 |
| Consideration in escrow | | | 0.4 |
| Fair value of consideration | | | 5.0 |
| Goodwill arising on acquisition | | | 1.5 |

The intangible assets acquired were independently valued at the acquisition date. The goodwill arising on acquisition is attributable to the operating and commercial synergies that can be generated from the integration of Xeroflor into the Group.

The fair values ascribed to the assets and liabilities above are provisional. Should new information be obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date which would necessitate adjustments to the above amounts or the recognition of additional liabilities that existed at the acquisition date, then the acquisition accounting will be revised.

Notes to the Accounts *continued***25. Share capital**

| | Group and Company 2012 | | Group and Company 2011 | |
|--|------------------------|-----------------------|------------------------|-----------------------|
| | Ordinary Shares £m | Deferred Shares £m | Ordinary Shares £m | Deferred Shares £m |
| Allotted, called up and fully paid | | | | |
| At 1 December | | | | |
| 287,927,609 (2011: 287,907,108) Ordinary Shares at 5 pence each | 14.4 | – | 14.4 | – |
| 154,571,152 Deferred Shares at 20 pence each | – | 30.9 | – | 30.9 |
| Shares issued to employees | | | | |
| 2,987,189 Ordinary Shares (2011: 20,501) issued under share option plans and long-term incentive plans | 0.2 | – | – | – |
| At 30 November | | | | |
| 290,914,798 (2011: 287,927,609) Ordinary Shares of 5 pence each | 14.6 | – | 14.4 | – |
| 154,571,152 Deferred Shares of 20 pence 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 5 pence and one Deferred Share of 20 pence; and (ii) the subdivision of each authorised but unissued Ordinary Share into five new Ordinary Shares of 5 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 5 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.

Shares issued during the year

During the year ended 30 November 2012, 627,709 shares (2011: 20,501 shares) were issued to employees who exercised share options. 2,359,480 shares were issued pursuant to awards made under the 2003 LTIP (2011: nil).

Preference Shares

| | Group and Company | |
|--|-------------------|------------|
| | 2012 £m | 2011 £m |
| Allotted, called up and fully paid | | |
| 100,000 (2011: 100,000) 6% first cumulative preference stock of £1.00 each | 0.1 | 0.1 |
| 100,000 (2011: 100,000) 6% second cumulative preference stock of £1.00 each | 0.1 | 0.1 |
| 200,000 (2011: 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 41 to 49. Employees are also invited to participate in the Low & Bonar Sharesave schemes.

25. Share capital *continued*

Share options

Under the provisions of the employee share option schemes there were options for a total of 3.6 million Ordinary Shares outstanding at 30 November 2012 (2011: 4.2 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 0.3 million (2011: 0.3 million).

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

| Year of grant | Average fair value in pence | Exercise price in pence | Exercise period | Ordinary Shares of 5p each | | | | 30 Nov 2012 |
|------------------------------|-----------------------------|-------------------------|-----------------|----------------------------|----------------|------------------|------------------|------------------|
| | | | | 1 Dec 2011 | Granted | Exercised | Lapsed | |
| Share options | | | | | | | | |
| 2004 | 29.30 | 91.45 | 2007 to 2014 | 53,322 | – | – | – | 53,322 |
| 2006 | 27.23 | 108.18 | 2009 to 2016 | 442,126 | – | – | – | 442,126 |
| 2007 | 31.41 | 101.95 | 2012 to 2013 | 5,780 | – | – | – | 5,780 |
| 2008 | 19.98 | 75.73 | 2013 to 2014 | 8,594 | – | – | – | 8,594 |
| 2008 | 18.31 | 75.73 | 2013 to 2014 | 52,133 | – | – | (7,826) | 44,307 |
| 2009 | 14.08 | 32.18 | 2012 to 2015 | 275,423 | – | (156,228) | – | 119,195 |
| 2009 | 14.07 | 32.18 | 2012 to 2015 | 916,688 | – | (471,481) | (76,318) | 368,889 |
| 2010 | 13.50 | 26.00 | 2013 to 2015 | 751,911 | – | – | (82,749) | 669,162 |
| 2010 | 13.50 | 26.00 | 2013 to 2015 | 795,538 | – | – | (10,708) | 784,830 |
| 2011 | 22.17 | 42.80 | 2014 to 2016 | 129,159 | – | – | (9,698) | 119,461 |
| 2011 | 22.16 | 42.80 | 2014 to 2016 | 123,187 | – | – | – | 123,187 |
| 2012 | 19.61 | 51.20 | 2015 to 2017 | – | 120,271 | – | (585) | 119,686 |
| 2012 | 19.31 | 51.20 | 2015 to 2017 | – | 146,833 | – | – | 146,833 |
| Phantom share options | | | | | | | | |
| 2004 | 1.95 | 91.45 | 2007 to 2014 | 267,677 | – | – | – | 267,677 |
| 2006 | 2.93 | 108.18 | 2009 to 2016 | 336,836 | – | – | – | 336,836 |
| Total | | | | 4,158,374 | 267,104 | (627,709) | (187,884) | 3,609,885 |

The weighted-average exercise price of share options outstanding at 30 November 2012 was 55.97p (2011: 50.07p). The weighted average exercise prices of share options granted, exercised and lapsed in the year to 30 November 2012 were 51.20p, 33.75p and 32.16p respectively. 1.2 million share options were exercisable at 30 November 2012.

The fair values of share options granted in the year to 30 November 2012 ranged from 19.06p to 20.96p and were derived using the Black-Scholes model. The assumed future volatility ranged from 54% to 55%, the dividend yield was 3.7%, the expected term ranged from 3.4 years to 5.4 years and the risk-free rate ranged from 0.6% to 1.0%.

The fair values of the phantom share options were recalculated based on data at 30 November 2012 using the Stochastic model. The assumed future volatility ranged from 41% to 42%, the dividend yield was 3.7%, the expected term ranged from 1.6 years to 3.4 years and the risk-free rate ranged from 0.3% to 0.4%.

The average share price in the year ended 30 November 2012 was 55.45p.

Long-term incentive plan awards

Under the provisions of the long-term incentive plan there were awards for a total of 11.1 million Ordinary Shares outstanding at 30 November 2012 (2011: 10.9 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 3.3 million (2011: 3.1 million).

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

| Year of grant | Average fair value in pence | Award price in pence | Vesting period | Ordinary Shares of 5p each | | | | 30 Nov 2012 |
|---------------|-----------------------------|----------------------|----------------|----------------------------|------------------|--------------------|------------------|-------------------|
| | | | | 1 Dec 2011 | Awarded | Exercised | Lapsed | |
| 2009 | 28.33 | 35.25 | 2009 to 2012 | 2,244,132 | – | (2,214,956) | (29,176) | – |
| 2009 | 30.48 | 35.00 | 2009 to 2012 | 146,428 | – | (144,524) | (1,904) | – |
| 2010 | 25.19 | 33.00 | 2010 to 2013 | 4,341,636 | – | – | (297,380) | 4,044,256 |
| 2010 | 36.87 | 45.00 | 2010 to 2013 | 980,000 | – | – | – | 980,000 |
| 2011 | 41.11 | 53.50 | 2011 to 2014 | 3,141,788 | – | – | (296,760) | 2,845,028 |
| 2012 | 45.40 | 61.00 | 2012 to 2015 | – | 3,030,194 | – | – | 3,030,194 |
| 2012 | 45.02 | 62.00 | 2012 to 2015 | – | 229,839 | – | – | 229,839 |
| Total | 36.20 | 47.26 | | 10,853,984 | 3,260,033 | (2,359,480) | (625,220) | 11,129,317 |

No instruments awarded under the long-term incentive plan were exercisable at 30 November 2012 or 30 November 2011.

Notes to the Accounts *continued*

25. Share capital *continued*

The fair values of awards made in the year to 30 November 2012 ranged from 34.54p to 55.49p and were derived using the Black-Scholes or Stochastic models. The assumed future volatility used ranged from 41% to 45%, the dividend yield was 3.7%, the expected term was 3 years and the risk-free rate ranged from 0.2% to 0.7%.

The total amount charged to the Consolidated Income Statement in respect of share-based payments was £1.2m (2011: £0.9m). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2012 or 30 November 2011.

26. Share premium account

| | Group and Company | |
|---|-------------------|-------------|
| | 2012 £m | 2011 £m |
| At 1 December | 54.1 | 54.1 |
| Premium on Ordinary Shares issued during the year | 1.4 | – |
| At 30 November | 55.5 | 54.1 |

27. Translation reserve

| | Group | |
|---|---------------|---------------|
| | 2012 £m | 2011 £m |
| At 1 December | (28.6) | (31.0) |
| Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging | (8.4) | 2.4 |
| At 30 November | (37.0) | (28.6) |

28. Non-controlling interest

| | Group | |
|--------------------------------|------------|------------|
| | 2012 £m | 2011 £m |
| At 1 December | 5.9 | 5.3 |
| Share of profit after taxation | – | 0.4 |
| Exchange adjustment | 0.1 | 0.2 |
| At 30 November | 6.0 | 5.9 |

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

| | Group | |
|--|---------------|---------------|
| | 2012 £m | 2011 £m |
| For the year ended 30 November | | |
| Net increase in cash and cash equivalents | 6.6 | 9.4 |
| Net cash flow from movements in debt financing | (7.4) | (34.8) |
| Prepaid bank arrangement fees | – | 1.6 |
| Amortisation of bank arrangement fees | (0.5) | (0.5) |
| Finance lease capital repayments | – | 0.2 |
| Foreign exchange differences | 4.0 | 0.8 |
| Movement in net debt in the year | 2.7 | (23.3) |
| Net debt at 1 December | (85.3) | (62.0) |
| Net debt at 30 November | (82.6) | (85.3) |

| | Company | |
|--|----------------|---------------|
| | 2012 £m | 2011 £m |
| For the year ended 30 November | | |
| Net (decrease)/increase in cash and cash equivalents | (6.0) | 9.4 |
| Net cash flow from movements in debt financing | (9.1) | (34.8) |
| Prepaid bank arrangement fees | – | 1.6 |
| Amortisation of bank arrangement fees | (0.5) | (0.5) |
| Foreign exchange differences | 4.2 | 0.9 |
| Movement in net debt in the year | (11.4) | (23.5) |
| Net debt at 1 December | (95.1) | (71.7) |
| Net debt at 30 November | (106.5) | (95.1) |

30. Discontinued operations

The profit attributable to discontinued operations arose from the partial refund of an EU fine paid by the Group in relation to its Belgian packaging business, which the Group sold in 1997, as follows:

| | Group | |
|---|------------|------------|
| | 2012 £m | 2011 £m |
| Operating profit before amortisation and non-recurring items | – | – |
| Non-operating non-recurring items – partial EU fine refund | – | 2.2 |
| Profit before and after tax attributable to discontinued operations | – | 2.2 |

31. Operating lease commitments

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

| | Group | | Company | |
|---|-------------|-------------|------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Plant and equipment | | | | |
| Lease payments within one year | 1.0 | 1.0 | – | – |
| Lease payments between one and two years | 0.8 | 0.6 | – | – |
| Lease payments between two and five years | 0.7 | 0.5 | – | – |
| Lease payments beyond five years | 0.2 | – | – | – |
| | 2.7 | 2.1 | – | – |
| Property | | | | |
| Lease payments within one year | 3.9 | 4.1 | 0.2 | 0.3 |
| Lease payments between one and two years | 3.6 | 4.0 | – | 0.2 |
| Lease payments between two and five years | 10.9 | 11.3 | – | – |
| Lease payments beyond five years | 10.8 | 9.4 | – | – |
| | 29.2 | 28.8 | 0.2 | 0.5 |

32. 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 2012, an accrual of £0.1m (2011: £0.1m) 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 2012, £1.2m of guarantees were outstanding (2011: £8.6m).

Notes to the Accounts *continued*

33. Related party transactions

At 30 November 2012 the Group was owed £0.1m (2011: £nil) by Bonar Natpet LLC, a joint venture.

The Company provides debt finance to various operating subsidiaries. A total of £161.4m was outstanding at 30 November 2012 (2011: £158.3m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2012, the total amount payable to subsidiaries was £12.5m (2011: £18.3m).

The Company received income in respect of management services provided to its subsidiaries totalling £3.5m (2011: £3.8m).

The Company received interest income from related parties totalling £6.5m (2011: £6.9m) and accrued interest payable to related parties of £0.1m (2011: £0.6m).

The Company received dividend income from its subsidiaries of £11.6m (2011: £nil).

All related party transactions were conducted on an arm's-length basis.

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

| | 2012 £m | 2011 £m |
|--------------------------|------------|------------|
| Short-term benefits | 2.2 | 2.3 |
| Post employment benefits | 0.3 | 0.3 |
| Share-based payments | 0.8 | 0.7 |
| | 3.3 | 3.3 |

Key personnel comprise two Executive Directors (2011: two), three Business Unit Managing Directors (2011: three) who are directly responsible for the Group's operating companies and one Director of Marketing and Strategy (2011: one).

Full details of Directors' emoluments, pension benefits and interests in the shares of the Company are set out in the Directors' Report on Remuneration on pages 41 to 49.

34. Group companies

| Subsidiary undertakings | Principal product areas | Country | % |
|--|--|----------------------------|--------|
| Bonar | | | |
| Bonar NV | Woven and non-woven fabrics | Belgium | 100.0 |
| Yihua Bonar Yarns & Fabrics Co. Ltd | Woven fabrics | People's Republic of China | 60.0 |
| Bonar Limited (trading as ADFIL) | Construction fibres | England and Wales | 100.0 |
| Bonar Geosynthetics Kft | Non-woven fabrics | Hungary | 100.0 |
| Bonar BV | Polymeric mats and composites | The Netherlands | 100.0 |
| Bonar Produktions GmbH | Polymeric mats and composites | Germany | 100.0 |
| Bonar GmbH and Co.KG | Polymeric mats and composites, and holding company | Germany | 100.0 |
| Bonar SARL | Polymeric mats and composites | France | 100.0 |
| Bonar Inc | Polymeric mats and composites | USA | 100.0 |
| Bonar Xeroflor GmbH | Green roofs | Germany | 100.0 |
| XF Technologies BV | Intellectual property | The Netherlands | 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 | England and Wales | 100.0 |
| Mehler Texnologies S.p.A. | Technical coated fabrics | Italy | 100.0 |
| Mehler Texnologies SARL | 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 |
| Mehler Texnologies Middle East General Trading LLC | Technical coated fabrics | UAE | 100.0 |
| Low & Bonar Technical Textiles Russia Ltd | Technical coated fabrics | Russia | 100.0 |
| Yarns | | | |
| Bonar Yarns & Fabrics Limited | Specialist yarns | Scotland | 100.0* |
| Bonar Emirates Technical Yarns Industries LLC | Specialist yarns | United Arab Emirates | 49.0 |
| Bonar Xirion NV | Specialist yarns | Belgium | 100.0 |
| Bonar Technical Yarns Inc | Specialist yarns | USA | 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 and Wales | 100.0* |
| Low & Bonar Technical Textiles Holding BV | Holding company | The Netherlands | 100.0 |
| Colbond Holding BV | Holding company | The Netherlands | 100.0 |
| Low & Bonar Verwaltungs GmbH | Holding company | Germany | 100.0 |
| Colbond (Nederland) BV | Holding company | The Netherlands | 100.0 |
| Joint venture | | | |
| Bonar Natpet LLC | Geotextiles | Saudi Arabia | 50.0 |
| 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.

Five Year History

| | 2012 £m | 2011 £m | 2010 £m | 2009 £m | 2008 £m |
|---|---------------|------------|------------|------------|------------|
| Revenue | | | | | |
| Continuing operations | 380.5 | 388.7 | 344.6 | 304.8 | 335.2 |
| Discontinued operations | – | – | – | – | 96.0 |
| Total (including discontinued operations) | 380.5 | 388.7 | 344.6 | 304.8 | 431.2 |
| Operating profit before amortisation and non-recurring items | | | | | |
| Continuing operations | 30.5 | 30.6 | 25.8 | 22.1 | 26.7 |
| Discontinued operations | – | – | – | – | 10.4 |
| Total (including discontinued operations) | 30.5 | 30.6 | 25.8 | 22.1 | 37.1 |
| Operating profit | | | | | |
| Continuing operations | 12.1 | 30.6 | 12.0 | 9.2 | 19.1 |
| Discontinued operations | – | – | – | – | 9.0 |
| Total (including discontinued operations) | 12.1 | 30.6 | 12.0 | 9.2 | 28.1 |
| Profit before tax, amortisation and non-recurring items | | | | | |
| Continuing operations | 24.5 | 23.4 | 18.6 | 15.8 | 16.0 |
| Discontinued operations | – | – | – | – | 10.3 |
| Total (including discontinued operations) | 24.5 | 23.4 | 18.6 | 15.8 | 26.3 |
| Profit before tax | | | | | |
| Continuing operations | 6.1 | 23.4 | 10.2 | 0.7 | 2.2 |
| Discontinued operations | – | 2.2 | – | 0.4 | 64.8 |
| Total (including discontinued operations) | 6.1 | 25.6 | 10.2 | 1.1 | 67.0 |
| Net debt | (82.6) | (85.3) | (62.0) | (67.4) | (104.5) |
| Per Ordinary Share | | | | | |
| Basic earnings/(loss) per share (including discontinued operations) (pence) | 0.47 | 7.29 | 2.19 | (0.25) | 39.45 |
| Dividends declared per share (pence) | 2.4 | 2.1 | 1.6 | 0.8 | 1.925 |

Discontinued operations in 2008 and 2009 represent the Floors Division (discontinued in 2008) and, in 2011, a non-recurring profit arising from the Group's Belgian packaging business (discontinued in 1997).

Advisers and Financial Calendar

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Corporate finance advisers

NM Rothschild & Sons Limited

Brokers

Numis Securities Limited

Financial Calendar

Annual General Meeting 9 April 2013

Announcements for results for the year
ending 30 November 2013
Half year July 2013
Full year February 2014

Final dividend payment for the year ended
30 November 2012
Ordinary Shares 18 April 2013

First, second and third
cumulative preference stock 1 March 2013 and
1 September 2013

Notes

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