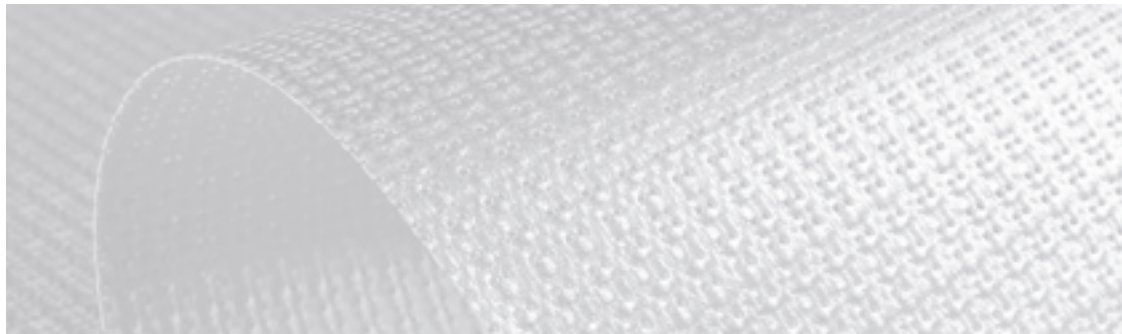
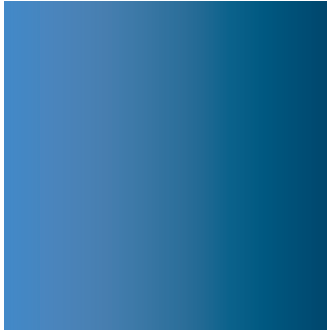
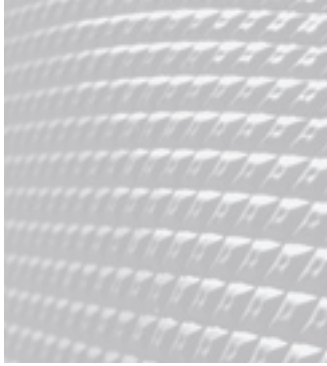


# Low & Bonar

Performance materials engineered  
to help build your business



Annual Report 2014

# 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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## Visit us online

Our website contains a full investor relations section with news, reports, webcasts, financial calendar and share price information. Visit [www.lowandbonar.com](http://www.lowandbonar.com) and click on Investor centre.

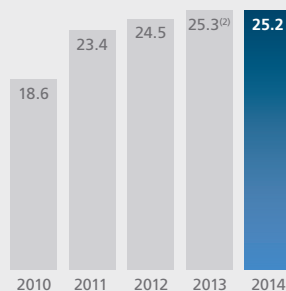


# Highlights



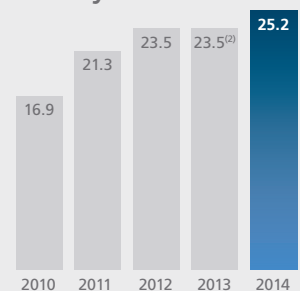
Profit before tax<sup>(1)</sup> £m

**£25.2m**  
-0.4%



Profit before tax<sup>(1)</sup> at constant currency<sup>(3)</sup> £m

**£25.2m**  
+7.4%



## Our Financial Performance

### Good progress against a challenging backdrop

- Revenue of £410.6m (2013: £403.1m), up 7.2% on a constant currency<sup>(3)</sup> basis
- Profit before tax<sup>(1)</sup> of £25.2m (2013<sup>(2)</sup>: £25.3m), an increase of 7.4% at constant currency<sup>(3)</sup>

### Further self-funded investment in growth and infrastructure

- Capital expenditure of £20.2m (2013: £13.4m)
- Net debt broadly unchanged at £88.0m (2013: £86.8m)

### Full year dividend increased 4% to 2.7 pence per share (2013: 2.6 pence per share)

- (1) Before amortisation and non-recurring items  
 (2) Adjusted for IAS 19 changes in accounting for pensions  
 (3) Constant currency is calculated by retranslating comparative period results at current period exchange rates

## Operational Highlights

### Continued progress despite European slow-down

- Good progress in MTX and Yarns; Bonar held back by slow-down in European construction sales in H2
- Strong sales outside Europe; seeding of China market developing well
- Saudi JV manufacturing running well; key approvals expected in H1 2015

### Strategic investments continue

- £5.3m spend on new production facility in China; commissioning in early 2016
- Yarns operational restructuring announced in October 2014 to improve efficiency, enabled by buy-out of non-controlling interest in Abu Dhabi business in May 2014
- New bank facility signed in July 2014; increased headroom to support growth

# Low & Bonar at a Glance

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.



## Where we operate

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

### Manufacturing facilities

#### Bonar

Belgium – Zele and Lokeren  
The Netherlands – Arnhem and Emmen  
Germany – Obernburg  
Hungary – Tiszaújváros  
USA – Asheville, NC  
China – Yizheng  
Slovakia – Ivanka pri Nitre  
Saudi Arabia – Yanbu

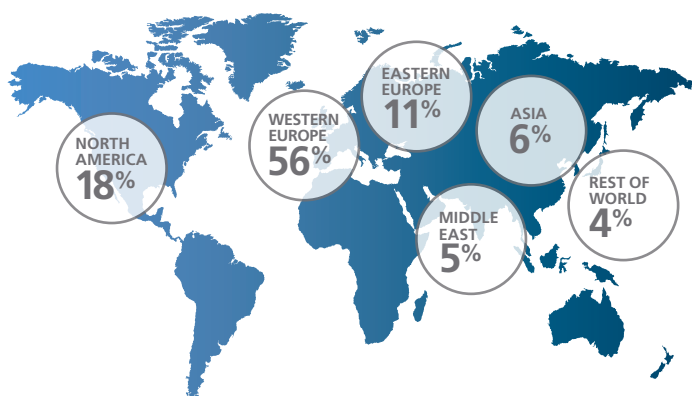
#### Technical Coated Fabrics

Germany – Hückelhoven and Fulda  
Czech Republic – Lomnice

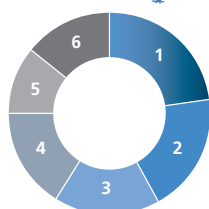
#### Yarns

UK – Dundee  
UAE – Abu Dhabi

### Revenue by destination:



### Revenue by end market:



## Bonar

### Revenue

**£246.2m**  
**+0.2%**

### Our Bonar division serves these markets:

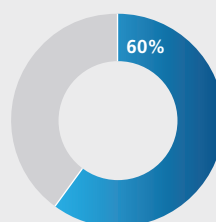
- Civil engineering
- Flooring
- Transport
- Industrial
- Building products

### Companies

Bonar – Belgium, The Netherlands, USA and UK  
Bonar Geosynthetics – Hungary, Slovakia  
Bonar Xeroflor – Germany  
Yihua Bonar – China (60%)  
Bonar Natpet – Saudi Arabia (50%)

### 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



### Revenue

**2014 £246.2m**  
2013 £245.6m  
2012 £238.7m





## Technical Coated Fabrics

Revenue

**£128.2m**  
**+2.7%**

Our Technical Coated Fabrics division serves these markets:

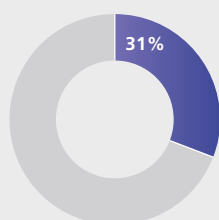
- Building products
- Transport
- Leisure
- Industrial

Companies

Mehler Technologies ("MTX") – Germany, Czech Republic and 19 sales offices and warehouses throughout the world

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



Revenue

**2014 £128.2m**  
2013 £124.7m  
2012 £115.3m



## Yarns

Revenue

**£36.2m**  
**+10.8%**

Our Yarns division serves these markets:

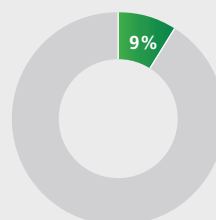
- Artificial grass yarns
- Woven carpet backing

Companies

Bonar Technical Yarns – UK, UAE, Belgium and USA

Yarns products

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



Revenue

**2014 £36.2m**  
2013 £32.8m  
2012 £26.5m

# Our Markets

**We hold leading positions in niche markets across the globe**

Low & Bonar is an international Group, manufacturing and supplying a wide range of products to the performance materials industry. We are a global business, supplying yarns, fabrics and fibres to a broad range of end markets, including civil engineering, flooring, building products, transport, sports and leisure, agriculture and other industrial applications.

You may not always see our products, but they invariably add key performance characteristics to our customers' products.



**Civil engineering**  
% of revenue  
**23%**

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 are used for erosion control, drainage, soil reinforcement and stabilisation and soil consolidation. Construction fibres are used in concrete to reduce shrinkage and settlement cracking and as an alternative to steel mesh reinforcement.



#### Growth Drivers

- Urbanisation and need for more and better infrastructure
- Lower carbon footprint and environmental benefits compared to traditional materials
- Faster, safer construction and better durability
- Increased quality control in performance and safety



**Flooring**  
% of revenue  
**19%**

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



#### Growth Drivers

- Ease of installation, aesthetic and design flexibility drive substitution of wall-to-wall solutions around the world
- Recovery in the North American markets and development of the Chinese markets
- Environmental and technological leadership to provide differentiation for the end consumer



### Industrial % of revenue

# 17%

A wide range of products for 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. Supplier of support media for automotive cabin air and combi filters.



#### Growth Drivers

- Clean air and water
- Higher agricultural productivity
- Sustainable and environmentally acceptable solutions in the supply, control and management of waste, liquids and gases
- Continued growth in outdoor advertising



### Building products % of revenue

# 16%

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 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.



#### Growth Drivers

- Safe, 'green' environmental building solutions
- Innovative and cost-effective added functionality
- Steady global economic recovery
- More need for sun protection through design



### Sport and leisure % of revenue

# 11%

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.



#### Growth Drivers

- Highly innovative, cost-effective aesthetics and functionality
- Highly bespoke solutions to different segments



### Transport % of revenue

# 14%

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. Highly resilient and weatherproof tarpaulins are used in transport applications, including trailer side curtain manufacture and transport protection in air, road, rail and sea freight.



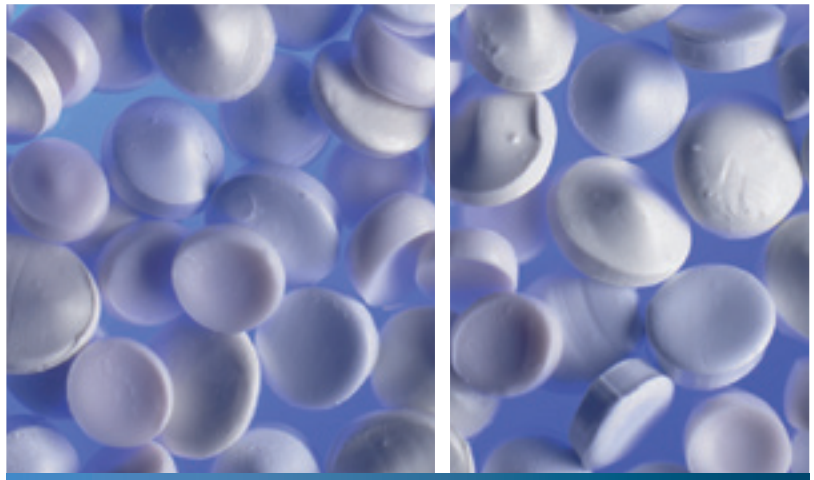
#### Growth Drivers

- Environmental leadership including light weight vehicles
- Auto manufacture moving East to support fast growing Asian markets
- North American vehicle market recovery
- Wide product range, flexible and fast response times to haulage tarpaulin market

# Our Business Model

## Gaining 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.



## New product development



## Our core capabilities

### 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.

### 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 greater efficiencies.

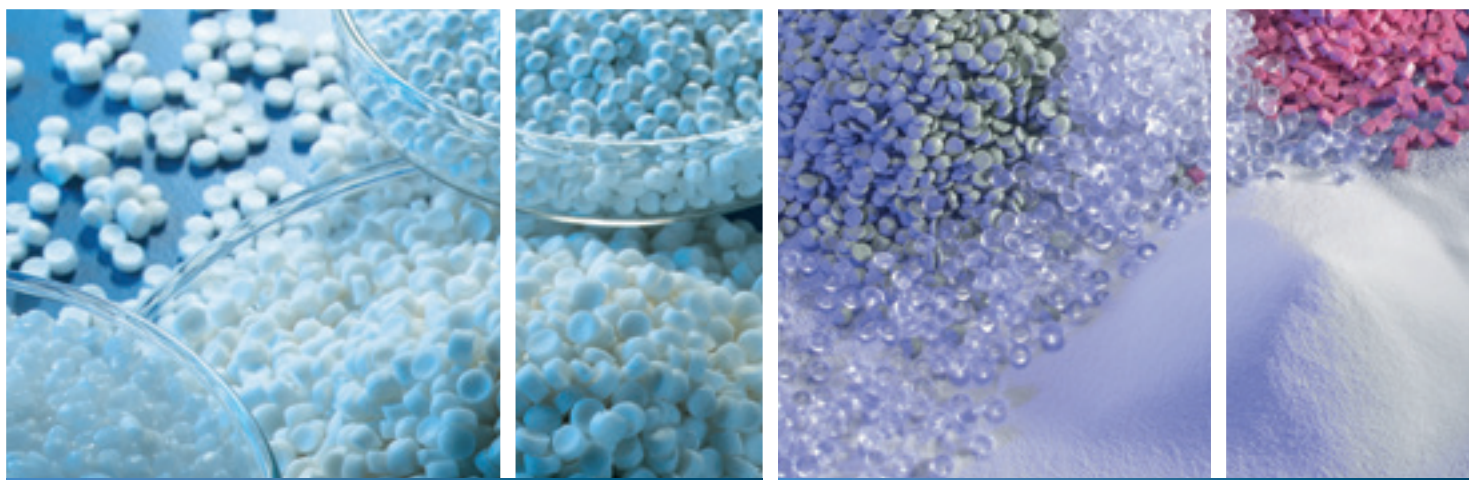
### Operational capability and efficiency

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.

### 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.





### Applied technology



### Customer insight



- **Speciality Yarns**
- **Speciality Fabrics**
- **Coated and Composite Materials**

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 is 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 customers' final product or process.

### Our Strategy

#### Accelerating growth

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

#### 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.

#### Driving efficiencies and building capability

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

#### 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.

# Our Strategy

## Accelerating growth

We build strong relationships with our customers and the markets we serve, so that we can identify how best to exploit technologies to provide more added value through differentiation. We seek to accelerate our expansion into markets which have the opportunity to grow faster than the global average.

Geographically, these include China, North America, the Middle East 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
- South America
- Middle East

### Deliverables

- Accelerated growth
- Global business
- Scale benefits

We intend to accelerate our global expansion by being more focused on large, fast-growing segments where we can demonstrate differentiated added value. We will deliver our growth strategies through focused market-oriented teams, dedicated to serving the best needs of our customers.

### Progress

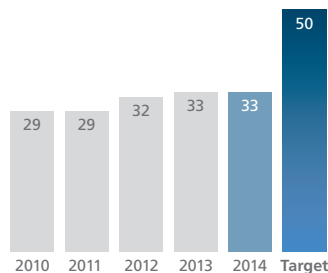
We have established global, market-focused teams, responsible for developing better customer insight and strong growth strategies, which are then delivered through sales teams located close to the customer.

### KPI

Sales outside Europe %

### Objectives

- Annual growth at least 3% higher than Eurozone GDP growth
- 50% of Group sales outside Europe



Credit – Shaw Industries Group Inc.





Credit – Desso



## EXPANSION IN CHINA

The announcement of a €32m investment in a new Colback™ manufacturing plant in China marks a significant milestone in the Group's strategy to become a global business. We will be the first international company to set up local carpet backing production facilities in China and this should give us a significant selling advantage whilst also meeting our customers' needs and maintaining our leading global position.

The plant offers us a huge opportunity to grow our market share in a fast-growing market. Bonar is the market leader for innovative carpet tile backing within Europe and the USA and this investment is an important step to building critical mass in Asia.

The new plant will be built in the Changzhou region, close to Bonar's automotive and carpet tile manufacturing customers. Land has already been acquired and the new plant is expected to open in 2016 with one spinning and one fleecing line producing 60 million m<sup>2</sup> of Colback non-wovens in Phase 1. Once fully operational, the plant will employ just under 100 people, the majority from the local area, with internal experts bringing know how from across Bonar to leverage our existing product and manufacturing expertise.

The foundation ceremony took place in September 2014 and was a great success with a large number of customers and the local community attending.

See page 19  
for more divisional  
details on Bonar



# Our Strategy

continued

## Excelling in innovation

Our leading position in niche industrial markets is built on a highly responsive approach to customer needs and by leveraging our broad range of technologies.

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

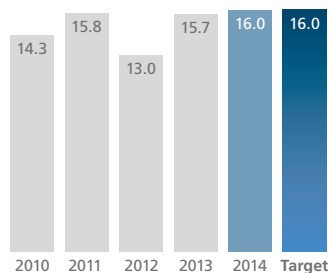
- Share gain
- Customer traction
- High-quality business

### Progress

Our global business strategies determine the prioritisation of resources to drive our innovation portfolio, with marketing taking clear responsibility to lead innovation in partnership with R&D. In 2014, we have continued to sign a number of co-development agreements with major customers, reflecting our commitment to focus on customer needs and market-driven innovation. 16% of the Group's revenue comes from new products with close to 10% coming from new-to-the-world solutions. We have close to 100 patents.

### KPI

The percentage of sales made from products launched in the last three years %



### Objectives

- Prioritised innovation addressing sustainability, functionality or efficiency
- Increase proportion of patent-protected innovation








### MN ULTRA SCORES A WINNER

The latest installation of MN Ultra for Scottish Championship football team, Queen of the South, is delivering all the usual benefits of MN Ultra, but with a difference. As well as offering a high performance surface for players, this was the first time we had manufactured our yarns for artificial turf using woven technology. We usually see our yarns tufted but, using this technique, the fibres stay more upright and so offer a superior playing experience, offering a unique balance between resilience, durability and skin-friendliness.

The new manufacturing technique was developed in collaboration with one of our leading customers, ACT Global. This is the first time Yarns has supplied yarn for use in a woven stadium field; the first matches have been played and feedback is good. The Queen of the South contract is on the back of successful sales in Brazil, where seven of the nine World Cup stadiums featured products from Yarns in the artificial turf used in the dug-outs.

 See page 21  
for more divisional  
details on Yarns

## 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
- Technology leadership
- Technical Coated Fabrics

### Key areas

- Health and safety
- Productivity
- Market insight
- Sales force effectiveness

### Deliverables

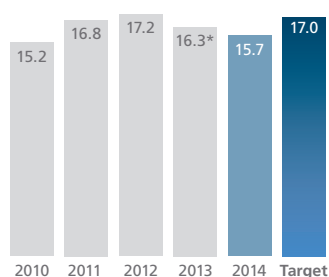
- Leverage all expertise to build global business
- Underpin speciality offer with cost and efficiency leadership

### Progress

We have delivered operating margins of 7.7%, despite a tough second half of the year. Our asset efficiency ratio has reduced to 15.7%, due primarily to the higher level of capital expenditure in the year, including £5.3m on our new manufacturing plant in Changzhou, China.

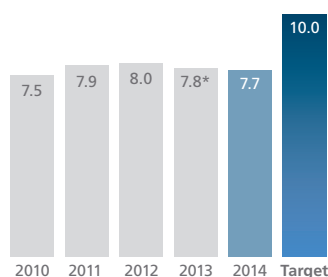
#### KPI

Asset efficiency %<sup>(1)</sup>



#### KPI

Operating margins %<sup>(2)</sup>



### Objectives

- Organisational capability, leadership and marketing
- Further Texiplast integration to maximise efficiencies and synergies

(1) Operating profit before amortisation and non-recurring items as a percentage of operating capital (including property, plant and equipment, trade working capital and prepayments and accruals and excluding intangible assets and goodwill)

(2) Operating profit before amortisation and non-recurring items as a percentage of sales

\* Adjusted for IAS19 changes in accounting for pensions







### MTX DELIVERS ICONIC ROOF FOR TURKISH STADIUM

The distinctive new roof for the Konya Stadium in Turkey takes its inspiration from the city's reputation as the 'Cycling City', with the roof resembling the colourful spokes of a wheel.

The new multi-use stadium will be the Turkish venue for the 2020 European Football Championships and meets all UEFA standards.

In the stadium, which seats a capacity crowd of 42,000, approximately 76,000m<sup>2</sup> of Valmex™ FR 1000 Mehatop were used to create a distinctive pattern using green and white triangular shapes.

This was the first big stadium project for MTX in Turkey, and its ability to meet the tight timescales, combined with a good working relationship with the constructor and competitive prices, were instrumental in securing the contract. The project also helps to highlight and enhance MTX's flexible production capability, with the capacity to manage large orders while maintaining high quality standards and operating efficiencies.

See page 20  
for more divisional  
details on TCF

# Our Strategy

continued

## Complementary M&A

We will complement our organic growth strategies with “bolt-on” M&A which either accelerates our progress to be more global or gives us access to new products in existing markets or in attractive adjacent markets.

**“Bolt-on” investments accelerating growth in under-developed markets**

- Creating business and technology platforms outside our ‘heartland’
- Leveraging existing technology, products and expertise to exploit opportunities

**Accelerating growth in target segments**

- Product and technology in-fills
- Improving innovation capability

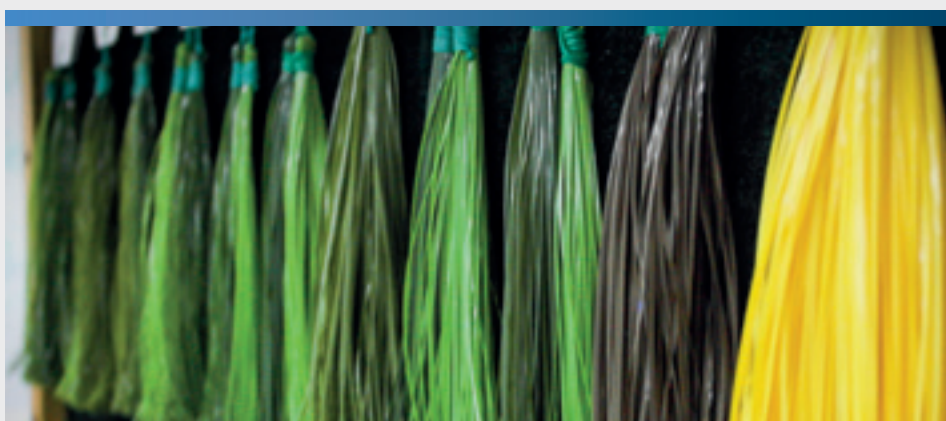
We will augment our organic growth with M&A, which either accelerates our global expansion or supports our strategies in existing markets.

**Progress**

The acquisition of the non-controlling interest in Bonar Emirates Technical Yarns Industries LLC has allowed the Group complete control over the future growth plans for the entity, which operates in a market with growing demand which we are well placed to develop.







### **PURCHASE OF THE NON-CONTROLLING INTEREST IN BONAR EMIRATES TECHNICAL YARNS INDUSTRIES LLC**

In May 2014, we acquired the non-controlling interest in Bonar Emirates Technical Yarns Industries LLC ("BETY"). BETY is a manufacturer of artificial grass based in Abu Dhabi that forms part of the Yarns Division, and has grown significantly in the last two years as the demand for artificial grass has improved.

BETY benefits from its proximity to growing end-user markets and access to competitively priced raw materials, energy and labour. With growing demand for both sports and landscape applications driving the artificial grass market, the acquisition of the non-controlling interest allows the Group complete control over future growth plans.



# Chairman's Statement

Martin Flower

I am pleased to report that the Group has continued to progress, despite challenging European market conditions.



**Martin Flower**  
Chairman

In the face of very difficult economic conditions across most of Europe, I am pleased to be able to report that the Group has continued to progress.

Having started the year well, the Group experienced a significant drop in demand across its European civil engineering markets from mid-July which resulted in a change to full year expectations. The Group still delivered profit before tax, amortisation and non-recurring items of £25.2m, similar to last year, despite a significant foreign exchange headwind of some £2.2m. On a constant currency basis, profits before tax increased by 7.4% with existing businesses advancing by 12.2% before taking into account the Group's share of losses within our Saudi Arabian joint venture. Results were buoyed by strong and improving results within Technical Coated Fabrics, further progress in Yarns and good results in Bonar's North American business. The Group also made good progress in seeding the flooring and filtration markets in China, supported by the newly established sales office in Shanghai.

The Group has continued to invest in assets to support growth. Capital expenditure totalled £19.0m (2013: £11.3m) including £5.3m on a new factory build in Changzhou, China which is expected to cost a further £21.0m by its completion scheduled for the first quarter of 2016. The Group's joint venture in Saudi Arabia, Bonar Natpet, began commercial operations in October 2013 and its results have been included for the first time this year. The quality of manufactured products is of the highest standard. The JV incurred a loss of £2.2m in the year of which the Group's share was £1.1m. This largely relates to slower than anticipated sales growth which has been hindered by procedural delays in gaining product approvals. We are pleased to report that product approvals are now starting to come through.

Earnings per share, before amortisation and non-recurring items, were 5.5 pence (2013 restated: 6.0 pence) and reflect the share placing in September 2013, the weak Euro in comparison to last year and the lower than originally anticipated sales and profit growth.

The Board is recommending an unchanged final dividend of 1.75 pence per share which would make the full year dividend 2.7 pence per share (2013: 2.6 pence). The Board believes that this represents a sensible base for future dividends taking into account the anticipated sales and profit growth for the Group whilst balancing the need to support and fund further investment. The proposed full year dividend is covered 2.0 times (2013: 2.3 times) by earnings before amortisation and non-recurring items. Subject to shareholder approval at the Annual General Meeting in March, the final dividend will be paid on 16 April 2015.

As always, it is my pleasure to acknowledge the skills and dedication of employees throughout the Group who have worked hard to deliver further progress for the Group under some trying circumstances in the latter part of this year. In particular, I would like to thank Steve Good, our former Group Chief Executive, for re-positioning the Group and building its organisational capability. Last but not least, this year we were delighted to welcome Brett Simpson as our new Group Chief Executive.

Whilst market conditions in Europe are expected to remain challenging, the Board is confident that the Group will continue to make further progress this year.



**Martin Flower**  
Chairman  
3 February 2015

## 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

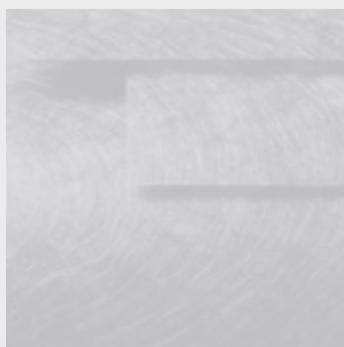
We innovate in everything we do from products to processes and in our organisations to create value for our stakeholders.

### 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.



# Business Review

Brett Simpson and Mike Holt

Sales and profits within Technical Coated Fabrics and Yarns grew strongly however the slowdown in the European construction industry in the second half of the year led to a disappointing result for Bonar.



**Brett Simpson**  
Group Chief Executive



**Mike Holt**  
Group Finance Director

## Revenue

**£410.6m**

(2013: £403.1m)

## Group Operating Margin\*

**7.7%**

(2013: 7.8%\*\*)

\* Before amortisation and non-recurring items

\*\* Adjusted for IAS 19 changes in accounting for pensions

Year ended 30 November

	2014	2013 <sup>(1)</sup>	Actual	Constant currency <sup>(2)</sup>
Revenue	<b>£410.6m</b>	£403.1m	+1.9%	+7.2%
Operating profit <sup>(3)</sup>	<b>£31.7m</b>	£31.4m	+1.2%	+8.2%
Profit before tax, excluding JVs <sup>(3)</sup>	<b>£26.3m</b>	£25.3m	+4.0%	+12.2%
Share of JV results <sup>(3)</sup>	<b>£(1.1)m</b>	–		
Profit before tax <sup>(3)</sup>	<b>£25.2m</b>	£25.3m	-0.4%	+7.4%
Profit before tax (statutory) <sup>(4)</sup>	<b>£16.7m</b>	£16.7m	–	–

(1) Adjusted for IAS 19 changes in accounting for pensions

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

(3) Before amortisation and non-recurring items

(4) After amortisation and non-recurring items

The Group has continued to make progress this year, albeit full year results were severely impacted by a drop in demand across its European civil engineering markets from mid-July. This also affected the first full year contribution from Texiplast. Sales on a constant currency basis increased by 7.2% to £410.6m and operating profits increased by 8.2% to £31.7m. On a like-for-like basis, excluding Texiplast, which was acquired in H2 last year, constant currency sales were up 5.5%.

Sales and profits in both Technical Coated Fabrics and Yarns grew strongly aided by market share gains and ongoing actions to improve operational efficiency. Having started the year reasonably well, the slowdown in construction activity within Europe in the second half of the year led to a disappointing result for Bonar despite strong performances within its flooring and industrial markets.

Profit before tax, amortisation and non-recurring items, excluding our share of JV results, increased by 12.2% to £26.3m. The Group's joint venture in Saudi Arabia (selling geotextiles into the region's civil engineering market) made a loss of £2.2m due to a slower than anticipated build-up in sales order intake; the Group's share of this loss is £1.1m. For the most part, this relates to a delay in product certification by key customers which is expected to be resolved shortly. Including these losses, the Group's profit before tax, amortisation and non-recurring items was £25.2m, an increase of 7.4% on a constant currency basis.

Return on capital employed was 15.7%, slightly lower than last year (2013 restated: 16.3%).



## Bonar

### Revenue

**£246.2m**

(2013: £245.6m)

### Operating Profit

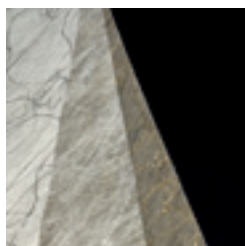
**£21.0m**

(2013: £23.0m)

### Operating Margin

**8.5%**

(2013: 9.4%)



Our Bonar division supplies products such as geosynthetics, carpet tile backing, agrotexiles and construction fibres to the civil engineering, flooring, transport, industrial and construction sectors.

	2014	2013	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£246.2m</b>	£245.6m	+0.2%	+5.5%
Operating profit <sup>(2)</sup>	<b>£21.0m</b>	£23.0m	(8.5)%	(3.9)%
Operating margin <sup>(2)</sup>	<b>8.5%</b>	9.4%		

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

(2) Before amortisation and non-recurring items

On a constant currency basis, sales increased by 2.8% excluding acquisitions. Texiplast contributed a further 2.7% to constant currency sales growth. Given lower than expected sales growth, operating margins suffered falling to 8.5%. Sales mix contributed, but the recent investment in sales, application management and business development teams to build organisational capability and drive sales has yet to be leveraged and deliver promised sales and profit growth.

Flooring sales, which have grown strongly over the last three years, recovered from a slow start to the year and increased by 6.7% year-on-year aided by strong sales growth in China supported by our recently established sales and technical service organisation in Shanghai and a strong sales performance in North America. Good progress has been made in building our activities in the filtration market, which together with new product launches helped industrial sales advance by 7.2%. As anticipated, sales to the transport sector were weak in the first half of the year, following the loss of a major automotive platform part way through last year, but recovered in the second half, ending the year 1.6% lower than 2013.

## VÁC AND MARMARAY RAILWAY STATION

In 2014, Bonar was involved in the construction of the railway stations in Vac, Hungary and Marmaray, Turkey, providing soil reinforcement and soil consolidation products, respectively.

The projects were very exciting for the Group for a number of reasons:

- each solution was extremely challenging to develop, taking into account the very high usage of the products. This meant that the teams had to be very innovative in meeting the needs of the customers;
- they help us to maintain and enhance our position in the railways market throughout Europe; and
- they were highly prestigious and our involvement heightened the credibility of our brand, products and solutions.

The projects have been a success and support us in our strategy to accelerate our expansion by focusing on fast-growing segments as well as excelling in innovation and ensuring a highly responsive and flexible approach to customers' needs.



Within civil engineering, sales were on track through mid-year but suffered a severe set-back mid-July. Sales on a like-for-like basis were 7.9% lower in Q3 and 2.8% down in Q4 compared to 2013 ending the second half 5.1% lower. Activity levels have stabilised but remain subdued due to difficult economic conditions in our main European markets. Sales by Texiplast were £8.8m for the full year, some £3m lower than had been expected at the start of the year. The shortfall largely relates to very weak sales in Poland, currently the main sales territory for its products, due to economic slowdown and geopolitical tensions in Eastern Europe.

Despite the difficulties during the second half of the year, we remain confident that we are well positioned in core markets and that the recent investments will deliver results in the next few years. Some leadership changes have been made within the division and the main focus is on improving customer intimacy and our commercial effectiveness, particularly within the civil engineering markets.

# Business Review

## continued

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

## Technical Coated Fabrics

### Revenue

**£128.2m**

(2013: £124.7m)

### Operating Profit

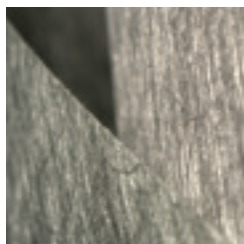
**£14.2m**

(2013: £12.1m)

### Operating Margin

**11.1%**

(2013: 9.7%)



	2014	2013	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£128.2m</b>	£124.7m	+2.7%	+8.8%
Operating profit <sup>(2)</sup>	<b>£14.2m</b>	£12.1m	+18.0%	+27.8%
Operating margin <sup>(2)</sup>	<b>11.1%</b>	9.7%		

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

(2) Before amortisation and non-recurring items

Technical Coated Fabrics delivered strong sales and profit growth, building on the momentum achieved last year. Sales grew by 8.8% on a constant currency basis. Sales were better than last year in all major sectors and margins improved by 140 bps to 11.1% with constant currency operating profits growing by 27.8%. Improved margins reflect increased volumes and further operational efficiencies in Fulda and Huckelhoven in Germany and Lomnice in the Czech Republic.

Significant growth was achieved in the targeted, higher margin architecture and industrial sectors. Sales of building products, principally tensioned architectural membranes, grew by 10.8% and industrial product sales increased by 10.5%. Sales to the transport sector increased by 7.1% buoyed by market share gains as the trailer market enjoyed a modest cyclical recovery. Sales outside Europe grew by 18.1%. Recent investments in sales and distribution in India, Brazil and Malaysia, together with a greater share of the growing architectural market, should continue this trend.

Over the last two years £3.2m has been invested in the Technical Coated Fabrics division to enable margin improvement through improved operational efficiencies and a further £1.1m is expected to be invested in the coming year. We continue to believe that the division is well positioned to secure further value from operational excellence and niche market growth.



### BOAT AND POOL INNOVATION

MTX worked with a long-term Italian customer to develop new pools for their portfolio. The customer was working alongside a number of garden architects to bring to the market new pool designs in a range of different colours, which would be introduced in autumn 2014 for the new season in 2015.

The key was to break through the tradition of "Blue pools" and integrate new colours such as blackberry, lime, rose and turquoise to enhance the assimilation of the pools into a garden environment.

The challenge for MTX was to exactly match the required colours with comparable UV resistance used in the more traditional colours. In addition, the time frame was very short, with first trial runs for the pools required in three weeks.

MTX was able to provide our customer with the required products in the required timeframe and the introduction to the market was a success, with significant interest and pre-ordering for the innovative new pool colours.

## Yarns

### Revenue

**£36.2m**

(2013: £32.8m)

### Operating Profit

**£0.8m**

(2013: £0.5m)

### Operating Margin

**2.2%**

(2013: 1.5%)



Our Yarns division supplies yarns used in the manufacture of artificial grass in sports and landscaping applications as well as yarns used as backing material in the manufacture of woven carpet installations.

	2014	2013	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£36.2m</b>	£32.8m	+10.8%	+14.1%
Operating profit <sup>(2)</sup>	<b>£0.8m</b>	£0.5m	+56.8%	+58.1%
Operating margin <sup>(2)</sup>	<b>2.2%</b>	1.5%		

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

(2) Before amortisation and non-recurring items

Yarns delivered another significant improvement this year, albeit profits and margins remain well below target level. Sales increased by 14.1% on a constant currency basis in markets that showed modest recovery. Market share gains are being achieved through a growing reputation for product quality and customer service.

Actions taken to improve efficiency added to operational leverage but, with margins still well below target level, additional measures are currently being implemented. In October, we announced our intention to relocate production of fibrillated yarn from Dundee in order to concentrate the majority of production at our class-leading facility in Abu Dhabi. The consultation process was completed on 27 November 2014 and the equipment is now being transferred. To date, about a third of the reduction in staffing has been completed. The transfer of production to Abu Dhabi was enabled by the buy-out of the non-controlling interest in the business, which was completed in May 2014 at a cost of £1.4m.



### UNDER-20 WOMEN'S WORLD CUP AND WOMEN'S WORLD CUP

In August 2014, Montreal hosted the Women's Under-20 World Cup and is due to host the Women's World Cup in 2015.

Due to the cold climate in Canada, preparing and maintaining natural grass is challenging, time-consuming and costly. The Canadian Soccer Association and JSA Sport Architect Inc. needed a consistent, high-quality surface which utilised high-quality grass fibres as well as synthetic turf from a FIFA Preferred Producer for professional play. Therefore, they specifically chose ACT Global, who in turn chose Yarns to create a high-performance monofilament yarn for this very prestigious project.

The chosen system features our highest quality and most advanced yarn technology, and is part of a joint development between Yarns and ACT Global. The turf combines our MN Ultra grass fibres and a unique diamond shaped monofilament to create MN Global, a highly durable yet resilient and skin-friendly yarn which outperforms all other monofilaments available on the market.



# Financial Review

## Pre-tax profit

Reported profit before tax, amortisation and non-recurring items from continuing operations was slightly below last year at £25.2m (2013<sup>(1)</sup>: £25.3m); on a constant currency basis this represents an increase of 7.4%. Operating profits were 1.2% higher than last year at £31.7m (2013<sup>(1)</sup>: £31.4m) including a contribution of £1.1m (2013: £0.4m) from Bonar Geosynthetics a.s. (formerly Texiplast), acquired on 6 September 2013. Operating profit growth at constant currency was 8.2%. Statutory profit before tax was £16.7m (2013<sup>(1)</sup>: £16.7m) after a net non-recurring charge of £3.3m (2013<sup>(1)</sup>: £3.0m) and a £5.2m charge for amortisation (2013: £5.6m).

## Non-recurring items

The Group's continuing operations incurred £3.3m (2013<sup>(1)</sup>: £3.0m) of non-recurring items.

Restructuring and redundancy costs of £2.2m (2013: £0.2m) were incurred in relocating part of the Yarns business from Dundee to Abu Dhabi, and in the integration of the Group's principal Performance Technical Textile operations into a single global business, Bonar. Initial costs relating to the Group's construction of a new manufacturing location in Changzhou, China, represented a further £0.2m. In 2013, £1.5m start-up costs related to the Group's sales office in Shanghai, China and the commissioning of its joint venture, Bonar Natpet.

Acquisition related costs of £0.1m were expensed in the year (2013: £1.0m, principally in relation to the acquisition of Texiplast). A further £0.5m of non-recurring costs, and £0.4m of capital expenditure, were incurred this year on site clean-up and environmental rectification work to bring Texiplast in line with Group environmental, health and safety standards.

The Group also incurred £0.3m (2013<sup>(1)</sup>: £0.3m) of non-recurring pension administration costs relating to data cleansing for its UK defined benefit scheme.

## Taxation

The overall tax charge on the profit before tax was £4.9m (2013<sup>(1)</sup>: £4.9m). The tax charge on profit from continuing operations before amortisation and non-recurring items was £7.0m (2013: £6.7m), a rate of 26.5% (2013: 26.0%).

## Acquisitions

On 11 May 2014, the Group purchased the non-controlling interest in Bonar Emirates Technical Yarns Industries LLC for a cash consideration of \$2.0m (£1.2m). As this was a transaction with minority equity owners of the business without a change of control, it has been recognised as an equity transaction in the Group's reserves and not as a business combination or investment. Directly attributable costs of £0.2m have been recorded in equity.

## Net debt and refinancing

Overall net debt increased to £88.0m from £86.8m at November 2013. Cash inflow from operations was £38.1m (2013<sup>(1)</sup>: £39.9m) excluding movements in loans to the Group's Saudi Arabian joint venture, Bonar Natpet.

Trade working capital as a percentage of sales increased slightly to 24% from 23% in the prior year, contributing to a cash outflow into working capital of £7.0m (2013: £4.8m) excluding the joint venture loan.

During the year, the Group spent £1.4m (2013: £15.9m) on acquisitions, joint ventures and purchases of non-controlling interests, £19.0m (2013: £11.3m) on property, plant and equipment and £1.2m (2013: £2.1m) on intangible assets. Excluding replacement and health & safety capital expenditure, the amount invested in equipment to support future growth was £16.2m (2013: £5.3m).

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

	2014 £m	2013 £m
Cash and cash equivalents	25.8	17.9
Total bank debt	(113.8)	(104.7)
<b>Net bank debt</b>	<b>(88.0)</b>	<b>(86.8)</b>

The gearing ratio of total net debt to EBITDA was unchanged at 1.9 times.

The Group successfully refinanced its revolving credit facility in July 2014 with a syndicate of four relationship banks. The new facility is for a term of five years with an increased availability of €165m, with a further €30m available through an accordion facility if required. Pricing for the new facility is 40bps lower than the old facility. The Group's total committed debt facilities now total €210m (2013: €175m).

## Dividends

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2014 of 1.75 pence per share which will absorb an estimated £5.7m 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 24 March 2015, it will be paid on 16 April 2015 to Ordinary Shareholders who are on the register of members at close of business on 20 March 2015.

## Pensions

The charges for pensions are calculated in accordance with the requirement of IAS 19 Employee Benefits (revised). 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 reduced to 23% of the scheme's assets (2013: 27%). At 30 November 2014 the UK scheme showed a surplus of £0.2m (2013: £3.8m deficit), principally due to the outperformance of the scheme's assets against their expected return. The deficit in the Group's overseas schemes in Belgium, Germany and the USA increased to £11.0m (2013: £8.9m).

## Restatement

The Group adopted a new accounting standard, revised IAS 19 Employee Benefits, during the year, and as required the comparative amounts for the year ended 30 November 2013 have been restated. The impact from the revision of the accounting policy is that the Group's operating profit and profit before tax, amortisation and non-recurring items for the year to 30 November 2013 are £0.8m lower; and statutory operating profit and profit before tax are £1.1m lower. This is due to changes to the treatment of pension scheme administration costs and net financing costs, which are explained further in Accounting policy (A).

## Joint venture

The Group's joint venture in Saudi Arabia, Bonar Natpet, made a loss during the year of £2.2m, of which the Group's share was £1.1m.

## Discontinued operations

A profit from discontinued operations of £0.9m has arisen from the release of a warranty accrual held in relation to the Floors business, which was sold in 2008, on expiry of the warranty period.





(1) Adjusted for IAS 19 changes in accounting for pensions



# 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 on the Group.

## Identify

-  **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.








## Evaluate

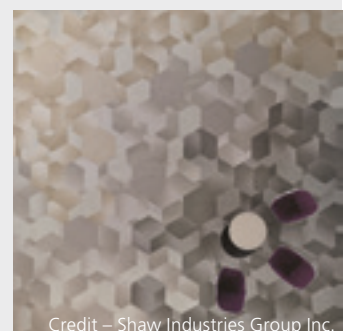
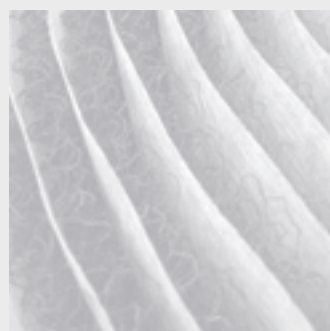
Formal responsibility for risk matters set out in the Group Risk Register is divided between the Board, the Audit Committee, the Remuneration Committee and the Risk Oversight Committee. Internal Audit also has a direct reporting line to the Audit Committee and attends Audit Committee meetings by invitation. As careful management of risk is also a key management activity, the Group's work in the area of operational risk management has been facilitated by the Risk Oversight Committee.

The key risks noted below are evaluated by these bodies as a standing agenda item at each of the relevant meetings in terms of the probability of the risk occurring and the impact it would have on the Group.

## Mitigate

Each identified risk has a mitigation process developed for it, including how often the mitigation activity takes place, who is accountable for the process, the timetable for the assessment of the adequacy of the mitigation strategy and who will undertake the assurance to ensure that the risk is mitigated.

Risk Profile (relative to prior year)	 Strategic	 Operational	 Financial	 Compliance
Increasing 	<ul style="list-style-type: none"> <li>• Global economic activity</li> </ul>	<ul style="list-style-type: none"> <li>• Raw material pricing</li> </ul>		
Stable 	<ul style="list-style-type: none"> <li>• Growth strategy</li> <li>• Cyber security</li> <li>• Organic growth/competition</li> </ul>	<ul style="list-style-type: none"> <li>• Employee</li> <li>• Business continuity</li> </ul>		<ul style="list-style-type: none"> <li>• Health and Safety</li> </ul>
Reducing 			<ul style="list-style-type: none"> <li>• Funding</li> <li>• Treasury</li> <li>• Pension funding</li> </ul>	<ul style="list-style-type: none"> <li>• Law and regulations</li> </ul>



Credit – Shaw Industries Group Inc.

# Principal Risks and Uncertainties

continued

Risk	Movement	Mitigating Strategy
<p><b>👁️ Global economic activity</b></p> <p>The Group may be adversely affected by global economic conditions, particularly in its principal markets in mainland Europe and North America. The volatility of international markets could result in reduced levels of demand for the Group's products, a greater risk of customers defaulting on payment terms, supply chain risk and a higher risk of inventory obsolescence.</p>		<p>Local operating management monitor 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 and cash generation in the face of a sustained reduction in volumes.</p> <p>The Group also has a broad base of customers. 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.</p> <p>Procurement management mitigates supply chain risk by identifying and qualifying alternative sources of key raw materials.</p>
<p><b>👁️ Growth strategy</b></p> <p>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.</p>		<p>The current focus of the Group is on profitable, cash-generative organic growth supplemented by acquisitions where appropriate.</p> <p>The senior management team is experienced and has successfully executed and integrated several acquisitions and joint ventures in the past. Acquisitions are 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.</p>
<p><b>👁️ Organic growth/competition</b></p> <p>The markets in which the Group operates are competitive with respect to price, geographic distinction, functionality, brand recognition and the effectiveness of sales and marketing.</p>		<p>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.</p> <p>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.</p> <p>The Board believes that these factors maintain the Group's strong competitive position.</p>
<p><b>👁️ Cyber security</b></p> <p>Disruption to or penetration of our information technology platforms could have a material adverse effect on the Group.</p>		<p>The Group has business continuity measures in place to minimise the impact of any disruption to its operations. The Group's information technology resources are continuously monitored and maintained by appropriately trained staff and safeguards are in place to provide security of our networks and data.</p>
<p><b>🔧 Business continuity</b></p> <p>The occurrence of major operational problems could have a material adverse effect on the Group. These may include risks of fire or major environmental damage.</p>		<p>The Group has business continuity/disaster recovery plans in place to minimise the impact of any disruption to its operations and has process controls and proactive maintenance programmes designed to avoid problems arising. These are supported by regular site visits from risk management and internal audit staff, and training programmes provided by the global health, safety and environment committee.</p> <p>Where appropriate, risks are partially transferred through insurance programmes.</p>
<p><b>🔧 Raw material pricing</b></p> <p>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.</p>		<p>The Group has a good level of expertise in polymer purchasing and uses a number of suppliers to ensure a balance between competitive pricing and continuity of supply.</p> <p>The Group's focus on operating efficiencies and the strength of its product propositions has in the past allowed the effect of raw material cost fluctuations to be successfully managed.</p>

Risk	Movement	Mitigating Strategy
<p><b>⊕ Health and Safety</b></p> <p>The nature of the Group's operations present risks to the health and safety of employees, contractors and visitors. Furthermore, inadequate health and safety practices could lead to business disruption, financial penalties or loss of reputation.</p>	→	<p>The Group's health and safety strategy aims to embed a strong and proactive health and safety culture across all aspects of our business. Health and safety matters are discussed at Group Board and business level meetings, and the Global health, safety and environmental committee meets regularly to develop and implement Group health and safety standards and Global Improvement Programmes, investigate incidents and near misses, and share best practice. Performance is monitored against Group-wide health and safety KPIs.</p>
<p><b>🔧 Employee</b></p> <p>The Group is reliant on its ability to attract, develop and retain key employees.</p>	→	<p>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 effective communication with employees and employee development. We empower our people to take initiative, to think and act for themselves.</p>
<p><b>£ Funding</b></p> <p>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.</p>	↓	<p>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 regularly 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.</p>
<p><b>£ Treasury</b></p> <p>Foreign exchange is the most significant treasury risk for the Group.</p> <p>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.</p>	↓	<p>Group policy aims to naturally hedge transactional foreign exchange risks by buying and selling in the same currency. Policy in relation to residual risk 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.</p>
<p><b>£ Pension funding</b></p> <p>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.</p>	↓	<p>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.</p>
<p><b>⊕ Laws and regulations</b></p> <p>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.</p>	↓	<p>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.</p> <p>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.</p>

# Corporate & Social Responsibility

Corporate & social responsibility continues to lie at the heart of Low & Bonar's business values, and we understand and recognise that our stakeholders, ranging from our site neighbours and employees through to our customers and investors, have rising expectations of both our corporate & social responsibility commitment and performance. Whilst each of our business values has a corporate & social 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 & social responsibility into our day-to-day business operations and practices.

2014 has again been a period during which we have focused significant effort, resource and capital in key areas of our corporate & social responsibility management programmes across all of our businesses. We remain committed to reviewing all aspects of our corporate & social responsibility management processes and looking for opportunities to improve them, as we are clear that by doing so we are also supporting the long-term strategy of the Group.





2014 Priorities	2014 Progress	2015 Priorities
<b>Develop new Group Environmental policy statement</b>	Integrated Group Health, Safety and Environmental ("HSE") policy statement developed.	Embed new HSE policy statement across all Group companies.
<b>Review Low &amp; Bonar Environmental Management</b>	The review was completed by establishing a broad-based Group Environmental Panel, supported by the Global HSE Committee. The three primary outputs from this review included; 1. agreement of the key points to be included in the new Group HSE policy statement; 2. a preferred list of environmental metrics to be introduced; and 3. a new comprehensive environmental programme.	Introduce new environmental metrics and launch enhanced environmental programme.
<b>Expand use of Environmental Management Systems</b>	A number of sites have commenced work towards introducing ISO 14001, and three sites have made progress in moving towards ISO 50001 certification.	Continue with the programme to expand the use of Environmental Management Systems.
<b>Complete further energy saving projects</b>	A number of projects have been completed to reduce energy use, including both gas and electricity use.	Carry out a series of formal energy audits across selected locations as part of our new environmental programme.
<b>Complete further waste reduction projects</b>	A number of waste reduction projects have been completed as well as investments to increase re-use of on-site and offsite waste streams.	A survey of key waste reduction projects that have been completed at our sites will be carried out to review opportunities for further waste reduction and re-use.
<b>New product development</b>	We have continued to seek to develop new products that have applications to support global sustainability megatrends.	Carry out further review of eco-efficiency opportunities.
<b>Enhance employee engagement for our health and safety programmes</b>	Successful second Low & Bonar Global health and safety week event held and annual Global HSE Community Meeting held.	Continue to seek to enhance employee engagement for HSE programmes.
<b>Use health and safety Global Improvement Programmes (GIPs) to reduce inherent risk and deal with accident hot spot topics</b>	1. Good progress has been made on our Machinery Safety Programme; and 2. GIPs on hand injuries, manual handling and slip/trip/fall accidents have been launched and are already having an impact.	Continue with Machinery Safety Programme and GIPs on hand injuries, manual handling and slip/trip/fall accidents. In addition, launch of our GIP on fire safety of key plant items.
<b>Introduce a range of new Global health and safety standards</b>	Four new health and safety standards were issued this year covering Low & Bonar's health and safety management system, the notification, reporting and investigation of accidents and incidents, safe loading and unloading of road transport vehicles and thermographic examination of electrical equipment.	A range of further new/updated health and safety standards will be issued this year based on the results of a survey carried out within the business.
<b>Reduce LTA incident rate to 1,000 by the end of 2015</b>	LTA incident rate reduced to 823 in 1 year.	A new LTA target rate will be set for the Group.

# Corporate & Social Responsibility

continued

## ENVIRONMENT

### Environmental Management – Low & Bonar Group approach

Environmental management remains a key area of focus for the Group and this year we have developed a new integrated health, safety and environmental (“HSE”) policy statement. This was led by our new Group Chief Executive, Brett Simpson, in order to restate our commitment to these priority topic areas, both internally and externally. We recognise that we have environmental impacts as a result of our use of raw materials, our manufacturing processes, including use of energy, and our products. Therefore, we continually seek to improve in all aspects of our environmental management, and we regard compliance with environmental regulation as the minimum standard to be achieved.

Last year, we reported that the Group was reviewing its environmental management programme, including our environmental management system approach, as well as key performance indicators for environmental performance across the business. This review was completed as planned and has resulted in:

- an agreement to introduce a new broadly-defined environmental incident reporting requirement. This change was implemented immediately and four environmental incidents were recorded in 2014, all of which were noise complaints from local neighbours. These incidents were fully investigated and appropriate remedial actions were implemented;
- an additional agreement to expand the range of environmental performance metrics to be measured and reported across the Group, which will be piloted in 2015. We will seek to ensure that the selected metrics conform to the Global Reporting Initiative’s G4 guidelines where possible;

- an enhanced Group-wide environmental programme has been defined and will be launched early in 2015 and run for circa two years prior to review. The key elements of the programme will include:
  - expanding the Group health and safety information sharing platform to include environmental topics;
  - developing and delivering a Low & Bonar Environmental Masterclass to the Global HSE Community;
  - carrying out checks to confirm environmental compliance across all sites;
  - setting goals and targets for reductions in key environmental impact areas when the enhanced environmental performance data collection process mentioned above has been launched;
  - a continued focus on energy efficiency as one of our key environmental impacts, and carrying out formal energy audits at each location;
  - a continued focus on waste reduction, the use of internal waste streams as feedstock, and the use of external waste streams, where this is possible;
  - a review of all site emissions to identify potential areas for emission control improvements; and
  - opportunities for process efficiency improvements and innovation opportunities to reduce our environmental impacts and enhance the positive impacts of our products.

Currently, Bonar’s two manufacturing sites in Belgium and our joint venture operation in China are certified to the Environmental Management Systems ISO 14001:2004. The Bonar and Yarns divisions are currently looking to expand the number of sites certified to this standard, and have now commenced a two-year programme to include more sites. Meanwhile, both MTX’s and Bonar’s manufacturing sites in Germany have made good progress in implementing the ISO 50001:2011 Energy Management Systems Standard, and expect to become certified to this standard during the course of 2015.

### Greenhouse Gas emissions

This year, we report for the second time our Greenhouse Gas Emission Footprint. This emission data covers all direct and indirect emissions for all relevant Group companies. More information is included on page 29.

### Environmental Management – Business Unit approach

Our businesses continue to play a key role in environmental management as 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 HSE Policy, and environmental performance metrics form an integral part of their management information. Each business seeks to continuously improve the management of their environmental impacts, ensure that their existing products provide the best environmental performance available and, where possible, to innovate with new products that have sustainability at their core, and to add real value to our customers.

### Divisional environmental overview

MTX 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 on Eco-care can be found at [www.mehler-textologies.com/mta/Expect-More/Environmental.php](http://www.mehler-textologies.com/mta/Expect-More/Environmental.php).

Bonar focuses its efforts on energy efficiency, the reduction of process emissions, the replacement of virgin raw materials with recycled material, where possible, and the minimisation of waste. Active plans are in place to support continuous improvement and these plans will be enhanced by improved reporting metrics and the broader adoption of certified environmental management systems as described above. Please go to [www.bonar.com/europe/ru/about-bonar/health-safety-environment-and-quality/](http://www.bonar.com/europe/ru/about-bonar/health-safety-environment-and-quality/) for more information.



Yarns also places environmental management and performance at the heart of its business. Yarns use a technology which allows the recycling of much of the polymer waste from the production process by re-extruding it into pellets, which are then reused as raw material in specific products. This makes the production process both environmentally and financially efficient. Please go to: [www.bonaryarns.eu/environment/#1!environment/](http://www.bonaryarns.eu/environment/#1!environment/) for more information.

**Low & Bonar products**

The Group is proud of its many products, which, as well as providing excellent quality and value, often support our customers in reducing the environmental footprint within their supply chain.

**Alternative energy infrastructure and energy saving products**

Alternative energy sources such as biogas are becoming increasingly important. Biogas is highly volatile and explosive and must be stored in containers that offer maximum levels of safety. Flexible VALMEX® enviro pro gas tanks, manufactured by MTX, are ideally suited to this application due to their special fabric design meeting strict safety standards. Further details can be found at [www.mehler-texnologies.com](http://www.mehler-texnologies.com).

The recent introduction of Bonar’s Lumina and Clima ranges, designed to reduce energy consumption in greenhouses, remain an important development in our product range. In addition, World Textile Information Network, publisher of the international technical textiles magazine Future Materials, launched the Future Materials Awards to recognise success in textile innovation. In the category Best Innovation-Agro textile, Bonar’s PhormiTex

**GREENHOUSE GAS EMISSIONS**

This is our second greenhouse gas (“GHG”) emissions report in line with UK mandatory reporting requirements as set out under the Companies Act 2006 (Strategic and Directors’ Reports) Regulations 2013. This report reflects certain improvements in the processes used to capture and record data compared to our first reporting year (see footnotes). It also reflects an uplift in turnover in some parts of the business and the positive impact of certain energy efficiency measures that have been implemented since the publication of the previous report.

We have used the methodology set out by the Department for Environment, Food and Rural Affairs (“DEFRA”) Environmental Reporting Guidelines 2013 to compile this report. As required, we have reported on our scope 1 and 2 emissions. These are direct emissions, such as heating and vehicle fuel, and indirect emissions, such as purchased electricity. We have captured all material qualifying emissions from around the Group.

These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. Where data relates to a joint venture (or similar) the emissions have been apportioned on the basis of equity ownership.

We have computed our emissions using the DEFRA Environmental Reporting Guidelines: including mandatory Greenhouse Gas Emissions reporting guidance issued in June 2013. For our UK operations, we have used the UK Government’s 2014 conversion factors. For non-UK operations we have used the relevant government data where that is available. Where no local government data was available to us, we have used the best available source. Our total GHG footprint in line with these guidelines is 112,458 tonnes of CO<sub>2</sub>e, equivalent to 273.9 tonnes of CO<sub>2</sub>e per £1m of Group revenue.

Low & Bonar emission data for period 1 December 2013 to 30 November 2014

	Tonnes of CO <sub>2</sub> e		
	2013	2013 (Restated)	2014
Energy for own use <sup>1,2</sup>	102,347	102,347	111,412
Process emissions <sup>3</sup>	19,361	–	–
Fugitive emissions	100	100	72
Vehicle related emissions	84	84	974
<b>Total CO<sub>2</sub>e</b>	<b>121,892</b>	<b>102,531</b>	<b>112,458</b>
<b>Intensity ratio per £1m of Group revenue</b>	<b>302.4</b>	<b>254.3</b>	<b>273.9</b>

1. There has been an uplift in emissions associated with ‘energy for own use’. This is partly associated with the inclusion of Texiplast (Slovakia) for a full year (2014) rather than a part year (2013). It is also partly due to the fact that the emissions from the 50% owned JV, Bonar Natpet LLC, are included within the ‘energy for own use’ emissions but the associated revenue is not included in the intensity ratio as the JV is equity accounted for in the Group consolidated accounts.  
 2. In addition, we experienced a significant uplift in consumption of diesel for running back-up generators at our North American facility in Asheville due to the unexpected loss of the mains gas line to the site for part of the year.  
 3. In our 2013 report we adopted a precautionary approach to emissions reporting and included certain process emissions. Subsequent assessments have identified that these process emissions fall outside the reporting boundaries and, as such, have been excluded from this 2014 report. For the purposes of comparison, a restated 2013 intensity ratio has been provided.

# Corporate & Social Responsibility

## continued

Eclipse won the award. This new product supports those plant growers that require a screen which ensures complete darkness, but also reflects the sunlight to avoid warming and enables moisture transport when the screen is closed on hot summer days. However, there has been growing concern that these same screens could represent a fire hazard due to the lights and other electrical equipment used in greenhouses. The new PhormiTex Eclipse products are flame retardant to minimise this risk.

### **Ground management and groundcover materials**

Bonar continues to supply its weed-controlling groundcovers, which reduce or eliminate the need for pesticides, as well as 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, a 100% bio-based textile/compostable groundcover earning a 4-star certificate from AIB Vinçotte<sup>1</sup>.

1. AIB Vinçotte provides specialised and independent inspection, monitoring and certification services, analyses and tests for a wide range of applications in the field of electricity, hoisting apparatus, pressure equipment, civil engineering, safety in the work place, environmental protection and radiant protection. See [www.vincotte.com/en/home/](http://www.vincotte.com/en/home/)

### **Artificial grass**

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 the use of fossil fuels for lawn or pitch maintenance and to avoid the dispersion of fertilisers and herbicides into the environment.

### **Green building infrastructure materials**

Bonar recognises the importance of "Green Building" design and that LEED Certification<sup>2</sup> of buildings (along with other green building rating schemes) is becoming increasingly important. 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.

2. LEED Certification is a recognised standard for measuring building sustainability. The LEED green building rating system, developed and administered by the U.S. 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. See [www.usgbc.org/LEED](http://www.usgbc.org/LEED)

### **Environmental impacts and examples of improvement programmes**

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 activities for Low & Bonar, with product range examples including:

- Bonar Colback® Green, a high-performance carpet backing made from 100% recycled 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's Colbondrain® range of products, a pre-fabricated vertical drain for accelerating soil consolidation in civil engineering projects has a patented high-performance drainage core made of recycled polyolefin;
- 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;
- MTX sold 2.3 million m<sup>2</sup> of coated fabric based on recycled material in 2014, an increase of circa 28% compared to last year, continuing the upward trend of using recycled material; and
- Yarns' innovative Bonaeco® carpet yarns are made from 100% recycled material.

### **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.

Yarns are part of the UK Government's Carbon Reduction Commitment ("CRC") energy efficiency scheme and share the information across their international operations.

Since 2005, Bonar's two sites in Belgium have been working with an energy audit organisation established under the framework of the Kyoto Protocol. Bonar's non-woven and woven fabrics production sites have been screened for their energy consumption and all significant energy uses in the plants were measured separately, enabling us to take targeted measures where necessary. For example, in 2014, there was continued investment in energy saving equipment at our Lokeren site: in the extrusion department we have replaced the lighting resulting in better lighting and less energy consumption. In addition, an air compressor replacement will result in a reduced use of compressed air and energy. A further project was completed at our Zele site, also involving the installation of new energy efficient lighting in the construction fibres department. The intensity of the lighting is regulated by the intensity of daylight which enters the building via roof-lights.

The further investment at Arnhem to further reduce gas consumption at the site that was announced last year took place as planned and has so far achieved a gas saving of circa 3% per m<sup>2</sup> of product. Additional projects have resulted in an electricity savings of 7%.

In addition, our Emmen site carried out a number of projects in the drying and conditioning units which have resulted in electricity savings of circa 4%.



## 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 to re-use and recycling has been adopted throughout our operations.

At MTX, the recycling of PVC waste is key to environmental performance, and MTX is a member and financial supporter of the following industry programmes:

www.pvc-partner.com  
www.aktion-pvc-recycling.de  
www.vinyl2010.org.

Following the installation of an online waste recycling unit on one of the extrusion lines at Bonar's Lokeren site to reduce waste levels last year, a third online recycling installation was completed this year and additional waste savings of 100 tons of polypropylene are anticipated in 2015.

At our Slovakian operation, a project on waste reduction on the extrusion line has delivered a considerable polypropylene waste saving.

This year at our manufacturing site in Asheville, circa 290 US tons of waste materials, such as process by-product, waste packaging materials and obsolete materials, were diverted from landfill disposal. These were instead redirected toward re-use and recycling processes (equivalent to preventing circa 15 tractor trailer loads of waste from being placed in landfill).

## 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 and water management activities are regularly reviewed. As an example, in 2014, a new water retention basin to buffer rainwater discharge was installed at our Zele site in Belgium. The slopes are lined with our Enkadrain product and filled with asphalt and grass seeds to provide aesthetically pleasing green slopes and showcase our products.

## MANAGEMENT OF HEALTH AND SAFETY

The health and safety of our employees, as well as others who may be affected by the Group's operations, remains a key priority throughout the business. Our focus on health and safety has continued this year as we continue to aim for improvement both in our health and safety performance and in our arrangements for managing health and safety. This year we have developed a new integrated HSE Policy Statement, led by our new Group Chief Executive, Brett Simpson, in order to restate our commitment to these priority topic areas, both internally and externally.

The Group-wide health and safety strategy, developed by the Global HSE Committee, a sub-committee of the Risk Oversight Committee, and approved by the Board of Directors remains in place. Good progress has again been made in implementing the strategy this year, supporting both our "Zero Accident Goal" and "Best in Class" aspirations, with the aim of embedding a strong and proactive health and safety culture across all aspects of our business. The cornerstones of the strategy encompass improvements to visible leadership, employee engagement, risk-based management, accountability and health and safety competence, and a number of initiatives were either started this year or fully implemented group-wide. These include:

- in addition to the inclusion of senior operations employees on the Global HSE Committee last year, we will seek to introduce Engineering & Technology as well as Human Resource representation this coming year. This committee is key to ensure we have good employee engagement on HSE matters, as well as striking the correct balance between corporate and operational risk management;
- continuing on the theme of employee engagement, Low & Bonar held its second successful global health and safety week this year, involving all group sites and focusing on travel safety;
- enhancement of our HSE resourcing continued this year, with more resources added in order to support our ambitious HSE improvement program. We will review our structure again this year to ensure it is right-sized and fit for purpose;
- there has continued to be strong Board and executive management support for our health and safety programmes this year, with health and safety operating expenditure and capital expenditure being approved to facilitate our ability to deliver these changes;

- the Global Improvement Programmes on hand safety, slips, trips and falls and manual handling accidents, which account for around 80% of all of our accidents, are being implemented across the Group, and we have seen approximately a 10% reduction in the number of first aid accidents reported this year, against a backdrop of encouragement to report even the most minor accidents;
- the embedding of a broader range of health and safety metrics that has enabled us to better understand our risk improvement opportunities. Within these new metrics, the first aid/medical treatment category has now been fully integrated, and the category of "Near Miss" incident introduced last year has led to circa 800 near miss reports being submitted in the last 12-month period, a circa 26% increase over last year's reporting. This information allows us to further improve our focus on accident avoidance;
- a global IT data sharing platform for Group health and safety information has been implemented as planned and access to the site includes all of our Global HSE Community members;
- a new process for introducing global health and safety standards was introduced this year, mandatory across all Group companies, and the first four health and safety standards have now been issued. These standards cover Low & Bonar's health and safety management system, the notification, reporting and investigation of accidents and incidents, the safe loading and unloading of road transport vehicles and thermographic examination of electrical equipment;
- a process of best practice exchange visits is ongoing, and involves all business operations. These visits aim to identify best practices at locations and then share the information across the group so that we share the knowledge and experience that exists in the business; and
- our Global HSE Community, involving all plant managers and HSE professionals, which facilitates best practice exchange and is a key forum for professional development, continues to meet. A key focus this year was our accident reduction Global Improvement Programmes, and professional development sessions on electrostatic hazards and greenhouse gas emission reporting.

# Corporate & Social Responsibility

## continued

### Health and safety performance

Last year, we announced a move away from setting targets and measuring health and safety performance based on the number of work related accidents that resulted in more than three days' absence from work per 100,000 employees. We reported then that we would move to a new, more onerous, monitoring and target setting process, based on the number of work related accidents that involved the loss of any time from work (LTAs) per 100,000 employees. Thus, whilst our goal remains zero accidents, we set a new LTA interim incident rate target of 1,000, to be reached over two years, a target of a further 33% improvement in the LTA incidence rate. We are pleased, however, to confirm that we in fact achieved an LTA incidence rate of 823 in 2014, a reduction of 49%, in one year, and will now set a new interim target incidence rate.

It is now more difficult to accurately benchmark Low & Bonar's health and safety performance, but we note that the LTA incidence rate for LTAs with more than three days lost (less onerous) across all industry sectors in the EU 28 member states in 2011 (the latest year for which information is available) was 1,601. [http://ec.europa.eu/eurostat/statisticsexplained/index.php/Health\\_and\\_safety\\_at\\_work\\_statistics](http://ec.europa.eu/eurostat/statisticsexplained/index.php/Health_and_safety_at_work_statistics).

Two occupational ill health incidents were reported this year, both were hearing threshold shifts (loss) and these events have been fully investigated.

Our efforts to reduce the number of fire incidents in the business have been successful this year, with a reduction in all fire events of 50%, with ongoing plans to reduce further fire events.

However, we remain mindful that there is still much room for improvement, and that accident statistics such as these continue to reveal only part of the story of successful health and safety management, and that health and safety culture is key. As such, and as reported last year, a health and safety survey of 156 plant managers, supervisors, shift leaders and HSE professionals was carried out across all Group companies in order to understand our health and safety culture better.

The 87% survey response rate gives us a high degree of confidence in the survey findings which overall were positive, indicating high levels of understanding of our health and safety programme and strong commitment to deliver it. One of the key outcomes of this survey was a clear need to carry out further health and safety training for all those with management or supervisory roles within our operational teams, based on the real day-to-day risks that exist within our business. To that end, a Low & Bonar health and safety masterclass has been developed, covering topics from machinery safety through to electric hazards, and will be delivered across the Group in all local languages in the first part of 2015.

The Group continues to maintain its strong working relationship with its insurance risk surveyors, 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. New brokers were appointed this year and are supporting us in enhancing our risk management approach.

### COMMUNITIES AND CHARITIES

Our relationship with the communities in which we operate is important to both our long-term financial and social success, and efforts have again been ongoing this year to increase our outreach programmes. Some examples of these efforts are as follows:

- in Asheville, volunteers from Bonar participated in a "day of caring" and helped to paint a local children's shelter. The site also held a Health Fair and raised funds for the United Way (a local charitable organization);
- MTX is working in co-operation with a sheltered workshop. The employees of this workshop help to create thousands of our brochures and sample cards. Tasks like gluing samples on a brochure or preparing colour swatches are performed by their employees in a relaxed atmosphere, where every employee can take as much time for their work as they need. The workshop also offers leisure time facilities like a gym and an employee managed café;

- at our Tiszaujvaros site in Hungary, in order to support our move to new leased premises acquired to facilitate and increase our manufacturing capacity and product range, local staff initiated a family day for staff members and their children at the new premises prior to our move there. Activities included;
  - a HSE and transport safety quiz for the children and adults;
  - an environmental game where different types of production waste were provided and children had to put them into the correct waste bins; and
  - a health and safety game where some items of personal protective equipment (PPE) were provided, in a box and when typical workplace hazards were described, children had to dress up each other with the correct PPE;
- charity material donation – MTX supports the "moving school project" at the Thai/Burmese border and also supports "Building Trust International UK", a non-profit organization, to develop a school for refugee children. They launched an international design competition asking architects, designers and engineers to come up with an innovative design solution for a mobile, modular school which they would then construct for a displaced community of migrants and refugees on the border. The application of a fabric roof is the first of its kind for a school in the area, hopefully outlasting the palm alternatives in the heavy rain which is common to the area and will be quieter than a corrugated metal option. MTX's 8509 Poly Opak (blockout) fabric has made it possible to trial such a roof for the first time utilizing Profil Tension System fixings; and
- other charitable community donations include local primary schools and a local football team.

### HUMAN RIGHTS

As we do not believe it is necessary for an understanding of the development, performance or position of the Company's business, this document does not contain detailed information about human rights issues or the Company's policies in relation to those matters. However, the Company does wish to record its commitment to respecting the human rights of its employees and its commitment to operating in accordance with its legal obligations. Other parts of this report refer to its policies with regard to diversity amongst its workforce and our commitment to corporate social responsibility.

## GENDER DIVERSITY

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. We have one woman on our Board and, during the on-going process for appointment of our new Non-Executive Director, a number of female candidates for the role have been 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, the Group is 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 future roles.

The Group has a diversity policy 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.

The following table sets out a breakdown by gender showing at 30 November 2014 (i) the number of persons who were directors of the Company; (ii) the number of persons who were senior managers of the Group (other than persons falling within sub-paragraph (i)); and (iii) the number of persons who were employees of the Group.

	Number of men	% of women	Number of women	%
Directors	5	83%	1	17%
Senior managers <sup>1</sup>	3	100%	0	0%
Employees <sup>2</sup>	1,663	77.9%	473	22.1%

1 The Group has three senior managers; the managing directors of the business units, Bonar EMEA, Bonar NAFTA and MTX.  
 2 Employees of its consolidated subsidiaries, excluding Bonar Natpet LLC.



## CONSTRUCTION FIBRES EXPANSION IN ZELE

A new macro fibre line is in the final stages of completion at our Zele plant. The new line was commissioned due to an increase in demand for our macro fibres and also due to the large potential for these types of products identified in the construction market by our sales and marketing team.

The new line has the ability to produce two distinctive fibre types; one with a dogbone profile and one with an embossed finish, which will enable us to make a fibre tailored to the distinctive market segments found in the construction projects we are involved in.

The fibres produced on the new line have significant product benefits over steel reinforcement, these include:

- no corrosion issues;
- an increased speed of construction;
- a reduced cost of construction;
- no off loading/lifting, cutting and fabrication of mesh on site;
- reduced truck movements on public roads and on construction sites;
- ready mixed concrete arrives on site with the fibre reinforcement which reduces the number of site practises required; and
- concrete at the end of its life or use can be broken up and recycled into “hard-core” more easily when fibres are present in the concrete instead of steel mesh.

They also have significant HSE benefits, including:

- less storage space required;
- reduced manual handling;
- no cutting and fabrication of mesh on site;
- reduced trip hazards when compared to steel mesh;
- a section of concrete with a protruding steel fibre can pierce human skin, this is virtually impossible with the new fibres; and
- macro fibres can reduce the carbon footprint of concrete by up to 38%.



# Board of Directors



## Martin Flower

Chairman (68)

Appointed as a Non-Executive Director: January 2007. Appointed Chairman: June 2010.

### Experience:

Previously 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 and a non-executive director of Morgan Advanced Materials plc.

### External appointments:

Chairman of Croda International Plc.

### Committee membership:

Chairman of the Nomination Committee and member of the Remuneration Committee.



## Brett Simpson

Group Chief Executive (50)

Appointed as a Director and Group Chief Executive: August/September 2014.

### Experience:

Previously Chief Executive Officer of Belgium-based LBC Tank Terminals Group from 2009 to 2014. During his earlier career, he worked with the Dow Chemical Company for 23 years in a variety of senior engineering, operational, commercial and business management roles.

### External appointments:

None.

### Committee membership:

Member of the Nomination Committee and the Risk Oversight Committee.



## Mike Holt

Group Finance Director (54)

Appointed as a Director and Group Finance Director: November 2010.

### Experience:

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.

### External appointments:

Non-executive Director of Asian Total Return Investment Company PLC.

Trustee and treasurer of Target Ovarian Cancer.

### Committee membership:

Chairman of the Risk Oversight Committee.



## Steve Hannam

Senior Independent Non-Executive Director,  
Chairman of Remuneration Committee (65)

Appointed as a Non-Executive Director:  
September 2002.

### Experience:

Formerly non-executive director with Clariant AG, Chairman of Aviagen International Inc., non-executive director of AZ Electronic Materials Services Limited, Chairman of Devro plc and Group Chief Executive of BTP Chemicals plc.

### External appointments:

Non-executive director of McBride plc.

### Committee membership:

Chairman of the Remuneration Committee. Member of the Audit and Nomination Committees.



## John Sheldrick

Non-Executive Director,  
Chairman of Audit Committee (65)

Appointed as a Non-Executive Director:  
October 2011.

### Experience:

Group Finance Director of Johnson Matthey Plc until his retirement in 2009. Formerly non-executive director of GKN plc and API Group Plc.

### External appointments:

Non-executive director of Fenner PLC.

### Committee membership:

Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.



## Trudy Schoolenberg

Non-Executive Director (56)

Appointed as a Non-Executive Director:  
May 2013.

### Experience:

Formerly Vice-president of Global Research and Development at Wartsila Oy, having previously worked for 21 years for Royal Dutch Shell plc.

### External appointments:

Director of Integrated Supply Chain and RD&I for AKZO Nobel's Paints Division.

Non-executive director of COVA and of Spirax-Sarco Engineering Plc.

### Committee membership:

A member of the Audit, Remuneration and Nomination Committees.

**We rely on our Board to provide us with leadership and inspiration.**

**They help to develop a clear Group strategy, monitor our operational and financial performance against agreed objectives and ensure that we have the right controls and systems in place to manage risk.**

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# Report of the Directors

The Directors present their report and the accounts of the Company and the Group for the year ended 30 November 2014.

## Strategic Report

The Directors have presented their Strategic Report on pages 1 to 33, which contains a fair review of the Company's business, and a description of the principal risks and uncertainties facing the Company. The review is intended to be a balanced and comprehensive analysis of the development and performance of the Company's business during the financial year, and the position of the Company's business at the end of that year, consistent with the size and complexity of the business. The review includes, to the extent necessary for an understanding of the development, performance or position of the Company's business, analysis using financial key performance indicators. As the Company is a quoted company, the strategic report also, to the extent necessary for an understanding of the development, performance or position of the Company's business, includes (a) the main trends and factors likely to affect the future development, performance and position of the Company's business, and (b) information about (i) environmental matters (including the impact of the Company's business on the environment), (ii) the Company's employees, and (iii) social, community and human rights issues, including information about policies of the Company in relation to those matters and the effectiveness of those policies. The Report of the Directors should be read in conjunction with the Strategic Report, 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 and an indication of the activities of the Group in the field of research and development.

The Strategic Report was approved by the Board of Directors on 3 February 2015.

## Greenhouse gas reporting

The Directors are required to set out in this report the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use. This report is shown on page 29 and forms part of this report.

## Results and dividends

The Group's consolidated profit for the year attributable to equity holders of the Company was £12.4m (2013 restated – see Accounting policy (A): £11.3m).

The Company paid an interim dividend for the year ended 30 November 2014 of 0.95 pence per share on 25 September 2014 to ordinary shareholders whose names appeared in the register at the close of business on 29 August 2014. The Directors recommend that a final dividend of 1.75p (2013: 1.75p) be paid on 16 April 2015 to ordinary shareholders on the register at close of business on 20 March 2015.

Dividends	2014	2013	% Increase
Interim	<b>0.95</b>	0.85	11.8%
Final	<b>1.75</b>	1.75	0%
<b>Total</b>	<b>2.70</b>	2.60	3.8%

## Directors

The present Directors of the Company are shown on pages 34 and 35. They all held office throughout the financial year under review, with the exception of Brett Simpson who joined the Board with effect from 26 August 2014. Steve Good served as a Director of the Company until 30 September 2014.

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 for Mr Flower and Mr Hannam, November 2010 for Mr Holt, October 2011 for Mr Sheldrick, May 2013 for Ms Schoolenberg and August 2014 for Mr Simpson and are currently in force.

## Re-election of Directors

Steve Hannam retires by rotation and, being eligible, offers himself for re-appointment. 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 2014 for a term of one year up to 31 August 2015. Mr Hannam's re-appointment 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 re-appointment are set out on page 41.

Martin Flower retires by rotation and, being eligible, offers himself for re-appointment. Mr Flower was appointed as a Director of the Company in 2007 and as Chairman in June 2010. His appointment may be terminated by either him or the Company giving not less than six months' notice in writing. Mr Flower's re-appointment 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.

Mr Simpson was appointed during the year and, in accordance with the Company's Articles of Association, offers himself for re-appointment. His employment may be terminated by the Company giving him not less than twelve months' notice in writing or by Mr Simpson giving the Company not less than six months' notice in writing.

The Chairman confirms to shareholders that, following formal evaluation, the performance of each of the Directors proposed for re-appointment 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 63.

# Report of the Directors continued

## Substantial interests

As at 30 November 2014, the Company's register of substantial shareholdings showed the following interests in 3% or more of the Company's issued Ordinary Shares, which include interests disclosed to the Company in accordance with Rule 5 of the UKLA's Disclosure and Transparency Rules:

	No. of Ordinary Shares	% of Ordinary Shares
Cazenove Capital Management	36,173,318	11.03
AXA Framlington Investment Managers	35,710,411	10.89
JO Hambro Capital Management	33,291,468	10.16
M&G Investments	25,226,185	7.70
Unicorn Asset Management	21,432,965	6.54
Schroders Investment Management	18,225,316	5.56
Aberforth Partners	12,834,094	3.92
Henderson Global Investors	10,361,535	3.16

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, which include the interests disclosed to the Company in accordance with Rule 5 of the UKLA's Disclosure and Transparency Rules:

	No. of Ordinary Shares	% of Ordinary Shares
AXA Framlington Investment Managers	36,060,411	11.00
JO Hambro Capital Management	33,291,468	10.16
Cazenove Capital Management	32,946,569	10.05
M&G Investments	25,226,185	7.70
Unicorn Asset Management	21,432,965	6.54
Schroders Investment Management	17,172,525	5.24
Aberforth Partners	12,834,094	3.92
Henderson Global Investors	10,361,535	3.16

## Ordinary share capital

The Company's issued share capital as at 30 November 2014 consisted of 327,813,741 ordinary shares with voting rights, 154,571,152 deferred shares without voting rights and £100,000 6 per cent first cumulative preference stock, £100,000 6 per cent second cumulative preference stock and £200,000 5.5 per cent third cumulative preference stock (the "preference stock"). Provided that preference dividends remain paid in accordance with the Company's Articles of Association, the preference stock does not carry voting rights. The Company does not hold any ordinary shares in treasury. The total number of voting rights in the Company is, therefore, 327,813,741. Further details of the Company's issued share capital at 30 November 2014 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. The Company operates an employee benefit trust to hold shares in relation to satisfying awards made under certain employee share schemes. At 30 November 2014, the trust held 26,752 ordinary shares (2013: 26,752 ordinary shares). During the year, 1,162,264 new ordinary shares were subscribed for by the Trust to satisfy employee share awards which vested. The Company issued a total of 1,520,135 ordinary shares to employees, including 1,162,264 issued on the exercise of long-term incentive awards to senior executives and the remainder to employees on the exercise of options under the Group's save-as-you-earn plans. Allotment of these shares took place at various points during the year at prices ranging from £0.3218 to £0.8825 pence per share according to the terms of the options and awards.

At a general meeting of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, shall have one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution shall have one vote. No member shall, unless the directors otherwise determine, be entitled to be present or to be counted in a quorum or to vote either personally or by proxy or otherwise at any general meeting of the Company or at any separate general meeting of the holders of any class of the shares of the Company or upon a poll or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of shares in the Company of which he is the holder (whether alone or jointly with any other person), together with interest, costs, charges and expenses (if any), remains unpaid. If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information thereby required, then (unless the directors otherwise determine) in respect of: the shares comprising the shareholding account in the Register of Members which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the default shares, which expression shall include any further shares which are issued in respect of such shares); and any other shares held by the member, the member shall (for so long as the default continues) not nor shall any transferee to which any of such shares are transferred other than pursuant to an approved transfer or pursuant to the Articles be entitled to be present or to vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of shares of the Company or to exercise any other right conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company. The profits which the Company may determine to distribute in respect of any financial year or other period for which its accounts are made up shall be applied, in the first place, in paying to the holders of the first cumulative preference stock a fixed cumulative preferential dividend at the rate of 6 per cent. per annum: in the second place, in paying to the holders of the second cumulative preference stock a fixed cumulative preferential dividend at the rate of 6 per cent. per annum: and, in the third place, in paying to the holders of the third cumulative preference stock a fixed cumulative preferential dividend at the rate of 5½ per cent. per annum, and, subject to any special rights which may be attached to any shares hereafter created or issued, the balance of the said profits shall be distributed among the holders of the ordinary shares. On a return of assets on liquidation or otherwise, the assets of the Company available for distribution among the members shall be applied, in the first place, in repaying to the holders of the first cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital): in the second place, in repaying to the holders of the second cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital): and, in the third place, in repaying to the holders of the third cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital), and, subject to any special rights which may be attached to any shares hereafter created or issued, the balance shall belong to and be distributed among the holders of the ordinary shares. A Deferred Share 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 (i)

the amounts entitled to be paid to holders of the preference stock, and (ii) the capital paid up on each ordinary share of five pence in the share capital of the Company and the further payment of £10,000,000 on each such ordinary share. The full rights and obligations attaching to ownership of shares in the Company are contained in its Articles of Association.

The Directors have authority to allot relevant securities and to allot equity securities for cash without first offering them pro rata to existing shareholders granted at last year's Annual General Meeting. The Directors will seek to renew this authority at the upcoming Annual General Meeting as those existing authorities will expire.

The current authority to allot "Relevant Securities" in accordance with section 551 of the Companies Act 2006 (the 2006 Act) is as follows:

1. in relation to a pre-emptive rights issue only, equity securities up to a maximum nominal amount of £10,876,453.50, which represented approximately 66.66% of the Company's issued ordinary shares at the date the authority was granted (reduced by the nominal amount of any Relevant Securities allotted under the next paragraph); and
2. in any other case, Relevant Securities up to a maximum nominal amount of £5,438,226.75, (approximately 33.33% of the Company's issued ordinary shares), reduced by the nominal amount of any equity securities allotted under the previous paragraph.

The current authority to allot equity securities (as defined by section 560 of the 2006 Act) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing holdings is as follows:

1. in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £10,876,453.50; or
2. in any other case, up to a maximum nominal amount of £815,734.00, which represented approximately 5% of the Company's issued ordinary shares (excluding treasury shares) as at the date the authority was granted.

In compliance with the guidelines issued by the Pre-Emption Group, the Directors will ensure that, other than in relation to a rights issue, no more than 7.5% of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non pre-emptive basis over a rolling three-year period unless shareholders have been notified and consulted in advance.

### Annual General Meeting

The Annual General Meeting will be held at The Pullman Hotel, London St Pancras, 100-110 Euston Road, London NW1 2AJ on 24 March 2015, commencing at 10am. 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.

### 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 publication of a company newsletter, "Your Low & Bonar", at least twice a year, and regular meetings with employees' representatives, including a European Works Council. The Group's employees are invited to participate in sharesave plans to encourage equity ownership.

### Disabled employees

The Group has a policy for giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, for continuing the employment of, and for arranging appropriate training for, employees who have become disabled persons during the period when they were employed by the Group and for their training, career development and promotion. The terms of the Group's diversity policy are given on page 33.

### Financial Instruments

The financial risk management objectives and policies of the Company and policies for hedging each major type of forecasted transaction for which hedge accounting is used and the exposure of the Company to price risk, credit risk, liquidity risk and cashflow risk are set out in note 20 on pages 97 to 103.

### Significant agreements

The Group's principal banking facilities may become repayable upon a change of control of the Company.

### 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

A resolution to reappoint KPMG LLP as auditor will be proposed at the forthcoming Annual General Meeting.

### Fair, balanced and understandable

The Directors consider this annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

### Matthew Joy

Company Secretary  
3 February 2015

# 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. 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 Brett Simpson 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 on page 33.

## **The roles of the Chairman and Group Chief Executive**

My role and that of the Group Chief Executive are separate and clearly defined. 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. The names of the Directors, together with their biographical details, are set out on pages 34 and 35. 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 making. A search for a new Non-Executive Director to join the Board and augment its skill set and knowledge base later in 2015 is underway.



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.

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 Trudy Schoolenberg, 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 twelve 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. 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 information 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 sessions 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.

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. The attendance details of the meetings of the Board and its main committees are set out below:

	Board Meetings 8 meetings	Audit Committee Meetings 3 meetings	Remuneration Committee Meetings 3 meetings	Nomination Committee Meetings 3 meetings
Martin Flower	7	–	2	3
Brett Simpson <sup>1</sup>	3	–	–	1
Steve Good <sup>2</sup>	6	–	–	2
Mike Holt	7	–	–	–
Steve Hannam	8	3	3	3
John Sheldrick	8	3	3	3
Trudy Schoolenberg	8	3	3	3

1 Mr Simpson joined the Board on 26 August 2014 and has attended all its meetings and those of its committees held since that date.

2 Mr Good left the Board on 30 September 2014 and attended all its meetings and those of its committees held on or prior to that date.

# Corporate Governance continued

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 2014, one of the Board meetings was held at the Group's manufacturing facility in Slovakia. I am considering ways in which the Board's links to the subsidiaries and their executive management might be strengthened further in 2015. 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 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: [www.lowandbonar.com/investor-centre/corporate-governance.aspx](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 itself has delegated authority to committees to deal with health and safety and information security) which is discussed in more detail on pages 44 and 45.

Committee	Key members	Invited to attend regularly
Audit Committee	John Sheldrick, Chairman Steve Hannam Trudy Schoolenberg	Chairman Group Chief Executive Group Finance Director Deputy Group Finance Director Representative of the Internal Audit function External auditor
Remuneration Committee	Steve Hannam, Chairman Martin Flower John Sheldrick Trudy Schoolenberg	Group Chief Executive Remuneration consultants
Nomination Committee	Martin Flower, Chairman Steve Hannam John Sheldrick Trudy Schoolenberg Steve Good, until his retirement on 30 September 2014 Brett Simpson, from his appointment on 26 August 2014	
Risk Oversight Committee	Group Chief Executive Group Finance Director, Chairman Other members of senior executive management, including the Managing Directors of Bonar EMEA, Bonar NA, MTX, the Deputy Group Finance Director, the Group Health and Safety Director, a representative of Internal Audit and the Head of Legal Affairs	

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 few years and all of the main committees have appointed new chairmen since July 2010. The new Non-Executive Director who will join the Board in 2015 will be asked to join its committees.

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 46 to 48 by its Chairman, John Sheldrick.

### **Remuneration Committee**

The work of our Remuneration Committee is addressed in more detail on pages 49 to 65 by its Chairman, Steve Hannam. The Remuneration 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.

### **Nomination Committee**

The Nomination Committee 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 2015 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, 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 was developed and the best candidates for the role were interviewed by myself and the Group Chief Executive and our favoured candidates are also being seen by all members of the Board prior to final selection and formal appointment. The Committee was also instrumental in developing the specification for the new Group Chief Executive and in the eventual recruitment of Brett Simpson, again with the assistance of Korn Ferry. Mr Simpson was interviewed by all members of the Board prior to his recruitment. Korn Ferry has no other connection with the Company.

In 2014, 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 2015, 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](http://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.

# Corporate Governance continued

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 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. 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 internal audit function has a direct reporting line to the Audit Committee and relevant representatives attend Audit Committee meetings by invitation. The Remuneration Committee considers risks associated with remuneration structures and advises the Board, the Audit Committee and the Risk Oversight Committee accordingly.

As careful management of risk is also a key management activity, the Group's work in the area of operational risk management is facilitated by the Risk Oversight Committee. The Risk Oversight Committee has delegated responsibility for risks in the areas of health and safety, information security, the environment, major physical or operational incidents, raw materials, product failure, new product development, competition, customers, human resources and regulatory and compliance issues. HSE matters have been overseen by a sub-committee, known as the Global HSE Committee, which is chaired by the Group Health and Safety Director. Information security matters are now overseen by a sub-committee, known as the Information Security Committee, which is chaired by the Deputy Group Finance Director.



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 Global HSE Committee and the Information Security Committee and reports on relevant matters to the Board. The Group Health and Safety Director, who deals with HSE issues, reports to the Risk Oversight Committee in his capacity as Chairman of the Global HSE Committee.

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 HSE matters), 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 2014.

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.

#### **Martin Flower**

Non-Executive Chairman  
On behalf of the Board of Directors  
3 February 2015

# Audit Committee Report



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

## **Audit Committee Report**

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report.

## **Composition and governance**

The Committee comprises the three independent Non-Executive Directors, John Sheldrick (Chairman of the Committee), Steve Hannam and Trudy Schoolenberg, who, collectively, have the skills and experience required to fully discharge their 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 internal audit. The Audit Committee meets privately with the external auditor and internal audit at least once a year. Both internal audit 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. The primary role of the Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the Group's financial statements and any formal announcements relating to its financial performance;
- the Group's internal financial controls and internal control and risk management systems;
- the effectiveness of the Group's internal audit function;
- the effectiveness of the external audit process and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- policy on the engagement of the external auditor to supply non-audit services; and
- taking 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.

Its terms of reference are available on the Company's website at [www.lowandbonar.com](http://www.lowandbonar.com).

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 2014

The Audit Committee met on three occasions during 2014. The meetings of the Committee coincided with key dates in the financial reporting and audit cycle. The external auditor, KPMG LLP, and the Group's internal audit function attended all of the meetings.

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 and also reporting to the Board the significant issues that the Committee considered in relation to the financial statements and how those issues were addressed, having regard to matters communicated to it by the auditor;
- 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 audit function 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.

## Financial reporting and significant areas of judgement

The Audit Committee reviewed a wide range of financial reporting and related matters in respect of the Company's half-year and annual results statements and the Annual Report prior to their consideration by the Board. Reports highlighting key accounting matters and significant judgements were also received from KPMG LLP in respect of the year-end statements and discussed by the Committee. In particular, these included the significant judgement area of the impairment of goodwill:

Area of judgement	Detail	Company response
Impairment of goodwill	Under IFRS, goodwill arising on acquisitions is tested for impairment at each reporting date based on projected cash flows discounted to calculate their net present value. Details of the assumptions used in these valuations are set out in note 11 on page 92	<p>The Group has significant goodwill in three of its cash generating units: Bonar EMEA, Bonar North America and Technical Coated Fabrics (see Note 11). Both Bonar North America and Technical Coated Fabrics performed well in 2014. However, Bonar EMEA experienced a drop in demand in its European civil engineering markets in the second half of the year. The 2015 budget for Bonar EMEA, which has been used in preparing the cash flow projections in the goodwill impairment review, reflects the more subdued activity levels in that market in the near-term.</p> <p>The Committee discussed with KPMG LLP the cashflow projections and discount rates used in these calculations and the headroom for each group of cash generating units.</p>

Analysis to support the going concern statement given on page 39 was also reviewed, with the Committee receiving reports from management and the external auditor on this matter.

Following consideration of the matters presented to it and discussion with both management and KPMG LLP, the Committee was satisfied that the significant judgements made were justified and that the financial reporting disclosures made were appropriate.

## Whistleblowing

Low & Bonar operates a Group-wide international telephone hotline to support whistleblowing. The hotline is facilitated by an independent third party with a market-leading reputation in the provision of such services. The hotline facilitates arrangements whereby employees can make confidential disclosures about suspected impropriety and wrongdoing, in compliance with local laws and regulations in the relevant jurisdiction. Any matters so reported are investigated by management as appropriate considering the nature of the issues involved and can, where relevant and appropriate, be reported to the Audit Committee. A report summarising all disclosures made during the period is considered by the Audit Committee annually.

# Audit Committee Report continued

## 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 LLP 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 the external auditor. 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. During the year, non-audit fees amounting to £0.2m were incurred, all of which were for corporate tax consultancy and compliance services. The Committee is satisfied that the majority of the tax services supplied by KPMG LLP 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 Committee received and reviewed written confirmation from the external auditors on all relationships that, in their judgement, may bear on their independence. The external auditors have also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

The current overall tenure of the external auditor, KPMG LLP (and its predecessor KPMG Audit PLC), dates from 1975, although a re-tender exercise was conducted in 2002 and a limited review was conducted in 2008. 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.

The UK Corporate Governance Code has recommended that companies in the FTSE 350 index put their external audit contract out to tender at least every ten years. The Committee has considered this recommendation and it has recommended to the Board that the external audit contract be put out to tender in 2016. Mindful of FRC advice on the impracticality of all companies conducting a tender exercise at the same time, the precise timing of this exercise will be kept under review.

The performance and effectiveness of the external auditor was formally reviewed by the Committee taking into account the views of Directors and senior management on such matters as independence, objectivity, proficiency, resourcing and audit strategy and planning. The Committee concluded that the performance of the external auditor remained satisfactory following the review. The performance of the external auditor will continue to be reviewed annually. The Committee has recommended to the Board that KPMG LLP should be re-appointed as the Company's external auditor for the next financial year. Following this recommendation, the Board is proposing the re-appointment of the external auditor to shareholders at the Annual General Meeting.

## Internal audit

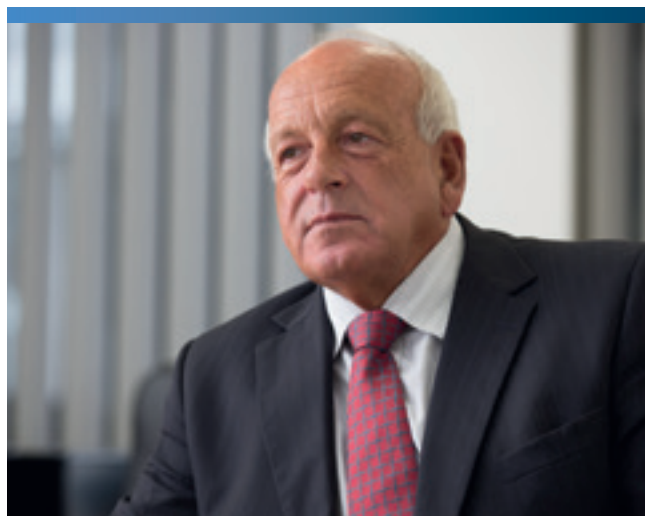
During the year, the Committee reviewed the results of audits undertaken by internal audit and management responses, including the implementation of any recommendations made. The Committee considered and approved the 2014 internal audit programme. The effectiveness of internal audit was formally reviewed. For 2014, the Company has co-sourced its internal audit function with PricewaterhouseCoopers LLP ("PwC") following the retirement of the Head of Internal Audit who left the Company at the end of 2013. The PwC partner-in-charge attends Audit Committee meetings.

## John Sheldrick

Non-Executive Director and Chairman of the Audit Committee  
On behalf of the Board of Directors  
3 February 2015



# Directors' Report on Remuneration



**Steve Hannam**

Senior Independent Non-Executive Director, Chairman of the Remuneration Committee

## ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

This report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid relating to the year ended 30 November 2014.

Last year, our first remuneration Policy Report was put to shareholders in a binding vote at the AGM on 24 March 2014. I am pleased to report that this was approved with 99.4% of shareholder votes for the relevant resolution. The policy is therefore in place for three years from 24 March 2014. For reference the policy is once again reproduced on pages 50 to 57 of this report.

The Annual Report on Remuneration (set out on pages 57 to 65) describes how the policy has been implemented over the year to 30 November 2014 and how we intend to implement the policy for the year ahead. As usual the Annual Report on Remuneration will be subject to an advisory vote at the AGM.

## Performance and Reward

As described in the Chairman's Statement, the year started well but, during the summer, the European economic market suffered a marked slowdown particularly affecting the civil engineering markets we serve. As a result, key financial targets for the year were not met and there will be no annual bonus payable to our Executive Directors this year.

The slowdown in the second half of the year also affected the performance targets for awards under the Long Term Incentive Plan ("LTIPs") and, as a result, there will be no vesting of shares under the awards made in 2012 on the EPS performance condition (the period for which ended with the 2014 financial year).

In order to incentivise management, we will be making further long-term incentive awards to our Executive Directors in line with our remuneration policy. Awards for the current year will, therefore, be at 125% of salary and linked to performance targets in line with those used in previous years.

## Change of Chief Executive

A major event during the year was the retirement of Steve Good as Group Chief Executive in September 2014 and the appointment of Brett Simpson as his successor.

Steve Good continued to be remunerated within the policy until his retirement and no payment was made to him in connection with his retirement. As a retiree, he was a "good leaver" in relation to his outstanding long-term incentive awards and his awards will vest (subject to the relevant performance targets being met) following the conclusion of the relevant three year performance periods and a time pro-rata reduction where relevant in line with the plan rules (consistent with our policy).

Brett Simpson was appointed with a salary 2% higher than his predecessor and with the same bonus and long-term incentive opportunities. His salary will not be reviewed until 1st December 2015.

When there is a change in a small executive team there is always additional load on the remaining member. The Board recognised this and in agreeing for Mike Holt, the Group Finance Director, to take on additional duties during the prolonged CEO transfer period it also agreed to make an additional monthly payment to him of £3,333.33 over the transfer period (for one year from 1 April 2014). Further details, including a summary of the enhanced role undertaken by the Group Finance Director, are set out on page 58 below. In his normal annual review, Mike Holt's salary was increased by 2.5%, which is consistent with the increases awarded to UK-based employees.

# Directors' Report on Remuneration continued

## Risk

In terms of risk, the Committee is comfortable that the current arrangements do not inadvertently encourage undue risk-taking given the clear long-term focus in our policy. The operation of the 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 has also embedded clawback provisions in its incentive structures for Executive Directors, providing a further safeguard to shareholders in the event of a misstatement in results.

## Chairman and other fees

There will be no change to the fees payable to the Chairman or our Non-Executive Directors in 2015.

The Committee looks forward to your continuing support of our remuneration policy.

Yours sincerely

## Steve Hannam

Senior Independent Non-Executive Director and Chairman of the Remuneration Committee  
On behalf of the Board of Directors  
3 February 2015

## POLICY REPORT

This part of the Directors' Report on Remuneration sets out the key elements of the remuneration policy for the Company which was approved by shareholders at last year's AGM in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). The policy was developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders and describes the policy to be applied in relation to the current financial year and future financial years. The Policy Report was put to a binding shareholder vote at the 2014 AGM and, having received majority shareholder support, has been effective from the Effective Date (25 March 2014) for the purposes of complying with the Regulations.

The summary of the policy that follows is as per the Policy Report included in last year's Directors' Remuneration Report with the only amendments being to remove the references made last year to specific levels of pay in the 2014 financial year (e.g. the base salaries set with effect from 1 December 2013 and the scenarios chart which was based on these salary levels) and the specific contents of individual Executive Directors' service contracts which has been moved to the Annual Report on Remuneration so that the specific terms of Brett Simpson's service contract can be disclosed alongside those of the Group Finance Director. The full text of the policy, as approved by shareholders, is available in our 2013 Annual Report, which can be viewed on the Company's website at [www.lowandbonar.com/investor-centre/reports-and-presentations/yr-2013.aspx](http://www.lowandbonar.com/investor-centre/reports-and-presentations/yr-2013.aspx).

## Overview of the 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, taking into account their geographical location and the territories which their responsibilities cover, 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. The Committee keeps the Company's remuneration policy under review to ensure that an appropriate balance between fixed and variable pay is maintained.

More generally, the Committee also takes into account the principles of sound risk management when setting pay and takes action to satisfy itself that the remuneration structure at Low & Bonar does not encourage undue risk.

There are three main elements of the remuneration package for Executive Directors, and the senior executive population:

1. Fixed pay, comprising base salary, pension scheme contributions and other benefits;
2. Annual performance-related remuneration; and
3. Long-term performance-related remuneration in the form of share awards.

The policies relating to each of the constituent parts of these main components of the Executive Directors' remuneration packages are summarised in the table below:

#### Salary

Purpose and link to strategy	To provide competitive fixed remuneration that will attract, retain and motivate high-quality key employees and reflect their experience, duties and geographical location.
Operation	<p>Reviewed annually.</p> <p>Benchmarked periodically against relevant market comparators as appropriate, including companies of a similar international reach and complexity.</p> <p>Individual pay levels determined by reference to performance, skills and experience in post.</p> <p>Consideration given to the pay levels in the country in which the Executive Director lives and works and the wider salary increases across the Group more generally.</p>
Maximum opportunity	<p>Salary levels will be eligible for increases during the three-year period that the Remuneration Policy operates from the Effective Date.</p> <p>During this time, salaries may be increased each year. The Committee will be guided by general conditions (such as the level of inflation) in the country in which the Director lives, the salary increase budget set within that country for the Group and the salary budget across the workforce generally, as well as the overall financial performance of the Group.</p> <p>Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances at the Board's discretion (based on the recommendation of the Committee) such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.</p>
Framework used to assess performance and for the recovery of sums paid	The Committee considers individual salaries at the appropriate Committee meeting each year taking due account of the factors noted in operation of the salary policy.

#### Benefits

Purpose and link to strategy	To provide competitive benefits in line with market practice.
Operation	<p>The Company typically provides the following benefits:</p> <ul style="list-style-type: none"> <li>• Car allowance</li> <li>• Private health insurance</li> <li>• Death in service cover</li> <li>• Other ancillary benefits, including relocation expenses/arrangements (as required).</li> </ul> <p>Where Executive Directors are recruited from overseas, benefits more tailored to their geographical location may be provided.</p> <p>Where revised benefits are offered to employees more generally within a geographic location or across the Group, Executive Directors are likely to be eligible to receive those benefits.</p>
Maximum opportunity	The cost of some of these benefits is not pre-determined and may vary from year to year based on the overall cost to the Company in securing these benefits for a population of employees (particularly health insurance and death-in-service cover).
Framework used to assess performance and for the recovery of sums paid	None.

# Directors' Report on Remuneration continued

## Pension

Purpose and link to strategy	To provide a market competitive, yet cost-effective, long-term retirement benefit.
Operation	A Company contribution to a defined contribution scheme or the provision of a cash supplement equivalent.
Maximum opportunity	Company contributions of up to 25% of salary.
Framework used to assess performance and for the recovery of sums paid	None.

## Annual Bonus

Purpose and link to strategy	To incentivise annual delivery of performance objectives relating to the short-term goals of the Company.
Operation	Annual cash bonus awards are earned with the majority based on performance against a sliding scale of challenging profit-based targets and with a minority based on targets related to the Company's other key performance indicators (e.g. return on capital employed). The Committee adjusts these targets each year to ensure there is alignment with the Group's strategic objectives.
Maximum opportunity	Maximum (% salary):  100%
Framework used to assess performance and for the recovery of sums paid	<p>Details of the performance measures used for the bonus relating to the previous financial year and targets set for the year under review and performance against them are provided in the Annual Report on Remuneration.</p> <p>The annual bonus is determined based on performance against a range of the Company's key performance indicators and paid following the approval of the Group's audited results for the year by the Board.</p> <p>The majority of the bonus will be earned on the basis of stretching profit-based targets.</p> <p>A minority may be based on targets related to the Company's other key performance indicators (e.g. return on capital employed).</p> <p>Some guidance on targets for the bonus for the coming year is set out in the Directors' Report on Remuneration below but the specific targets are considered by the committee to be commercially sensitive and will not be disclosed in advance.</p> <p>No more than 30% of salary in total is earned at the threshold performance levels, with a graduated scale operating thereafter through to maximum bonuses being earned for out-performance of the Company's targets for the year.</p> <p>Payments under the annual bonus plan may be subject to clawback in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement or if an error is made in assessing the extent to which any target and/or any other condition imposed on the bonus was satisfied. The clawback provisions will operate for a two-year period following the date on which the bonus is paid.</p>



**Long-Term Incentive Plan Awards**

Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention and align the interests of Executive Directors with shareholders.
Operation	<p>An annual award of free shares (i.e. either conditional shares or nil-cost options) which vest after three years subject to continued service (save in "good leaver" circumstances) and the achievement of challenging performance conditions.</p> <p>A dividend equivalent provision operates enabling dividends to be paid (in cash or shares) on shares that vest.</p>
Maximum opportunity	<p>Maximum (% salary):</p> <p>125%</p> <p>In exceptional circumstances (e.g. recruitment), awards can be made up to 200% of salary.</p>
Framework used to assess performance and for the recovery of sums paid	<p>Granted subject to challenging financial (e.g. adjusted EPS) and total shareholder return performance targets tested over three years.</p> <p>20% of awards will vest for threshold performance, with full vesting taking place for equalling, or exceeding, the maximum performance targets.</p> <p>The Committee may scale back the level of vesting of an award if it considers underlying financial performance over the performance period has been significantly worse than the level of vesting would otherwise indicate.</p> <p>Payments may be subject to clawback in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement or if an error is made in assessing the extent to which any target and/or any other condition imposed on the award was satisfied. The clawback provisions will operate for a two-year period following the date on which awards vest.</p>

**All-employee Save-As-You-Earn Plan**

Purpose and link to strategy	<p>Encourages long-term shareholding in the Company.</p> <p>Provides all employees with the opportunity to become owners in the Company on similar terms.</p>
Operation	<p>Periodic invitations are made to participate in the Group's Save-As-You-Earn ("SAYE") Plan.</p> <p>Shares acquired through the SAYE Plan (via exercising an option to acquire shares at the end of a savings contract) have significant tax benefits in the UK, subject to satisfying certain HMRC requirements.</p> <p>The SAYE Plan can only operate on an "all employee"/equal terms basis. A plan operates on similar terms, but on a non-tax favoured basis, outside the UK as appropriate.</p>
Maximum opportunity	The maximum participation level in the SAYE Plan is as per HMRC limits with participants granted linked share options (by reference to projected savings) with a strike price currently up to a 20% discount to the prevailing share price at the time of grant. On the maturity of the savings contracts, participants can elect to (i) use the accumulated savings to exercise the option or (ii) request the return of their savings.
Framework used to assess performance and for the recovery of sums paid	In line with the relevant HMRC legislation (applicable to UK-based employees), there are no post-grant performance targets applicable to awards.

**Share Ownership Guidelines**

Purpose and link to strategy	To align interests of Executive Directors with shareholders.
Operation	<p>Executive Directors are expected to retain 50% of the after-tax number of vested shares issued under long-term incentive awards until the guideline is achieved (applicable to awards granted from 2011 onwards).</p> <p>The Committee will monitor progress towards the guideline on an annual basis.</p>
Maximum opportunity	A 100% of salary share ownership guideline applies to the Executive Directors.
Framework used to assess performance and for the recovery of sums paid	None.

# Directors' Report on Remuneration continued

## Bonus Plan & LTIP Policy

The Committee will operate the annual bonus plan, the LTIP and SAYE Plan according to their respective rules and in accordance with the Listing Rules and HMRC rules, where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table set out on pages 52 and 53):

- Who participates in the plans;
- The timing of the grant of an award and/or payment;
- The size of an award and/or a payment;
- The determination of vesting and/or meeting targets;
- Discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group;
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the annual bonus and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- The annual review of performance measures weighting, and targets for the annual bonus plan and the LTIP from year to year.

The Committee also retains the ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

All historic awards that were granted under the 2003 and 2013 LTIPs and remain outstanding remain eligible to vest based on their original award terms. With regards to any promotions to the executive Board, the Company will retain the ability to honour payments agreed prior to joining the Board (such as, for example, an annual bonus formulated to reflect divisional performance), albeit that any payments agreed in consideration of being promoted to the Board will be consistent with the Recruitment and Promotion Policy. A bonus may be forfeited on cessation of employment in certain circumstances as outlined in "Directors' service contracts and payments for loss of office".

## Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and LTIP awards are a subset of the Group's key performance indicators.

Under the annual bonus plan, profit is used as the primary performance metric. Other metrics based on the Company's key performance indicators are also used to provide clear alignment with the over-arching strategy of achieving profitable cash-generative growth whilst ensuring that efficient management of capital is fully encouraged.

In terms of long-term performance targets, LTIP awards vest subject to (i) challenging EPS growth targets that are aligned with the long-term levels of earnings growth targeted by the Company and (ii) relative TSR targets which provide clear alignment of interests between shareholders and executives.

Targets are set based on sliding scales that take account of internal planning and external market expectations for the Company. Only modest rewards are available for delivering threshold performance levels, with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year.

No performance targets are applied to the SAYE Plan, which is aimed at encouraging broad-based equity ownership.

## Differences in remuneration policy for Executive Directors compared to other employees

The Committee is made aware of pay structures in the different countries in which the Group operates when setting the remuneration policy for Executive Directors.

The workforce at Low & Bonar is increasingly geographically diverse and so local salary budgets are often influenced by the differing working conditions, regulations and economic conditions (including rates of inflation) in each location. As a result, when determining basic salary increases, the Committee considers the general basic salary increase and prevailing conditions for the country in which the Executive Director is based and, also, the general basic salary increase across the broader Group. Given the diverse nature of the Group, it is not as relevant to tie remuneration practices to those of the workforce more generally as, perhaps, would be the case in a UK-centric company.

The key difference between Executive Directors' remuneration and that of other employees is that, overall, the remuneration policy for Executive Directors is more heavily weighted towards variable pay. In particular, long-term incentives are not provided outside of the most senior executive population as they are reserved for those considered to have the greatest potential to influence overall levels of performance. Share ownership guidelines require lower levels of share retention for non-Directors. Annual bonuses are not made available to all employees, again being targeted at those with greater potential to influence performance, and performance targets, whilst being in line with Group objectives, are tailored to incentivise employees against targets which are relevant to the business in which they operate.

The level of variable pay varies by level of employee within the Group and is informed by the specific responsibilities of each role and local market practice as appropriate.

### How the views of employees are taken into account

The Company does not actively consult with employees on executive remuneration. The Group has a diverse workforce operating in many different countries, with various local pay practices, which would make any cost-effective consultation impractical. However, the Committee is made aware of overall pay and employment conditions in the wider workforce and takes this into account when determining executive remuneration policy.

### How the views of shareholders are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year. This feedback, together with any additional feedback received during any communications from time to time, is then considered as part of the Company's annual review of remuneration policy. The Committee consulted with key investors ahead of its 2013 AGM in relation to the adoption of the 2013 Long-Term Incentive Plan.

### Recruitment and Promotion Policy

For Executive Director recruitment and/or promotion situations, the Committee will follow the guidelines outlined below:

Remuneration Element	Policy
Base Salary	Salary for a new hire (or on promotion to Executive Director) would be set at a level sufficient to attract the best candidate available to fill the role, taking into account the Group's position and strategy and the country in which the new hire will live and work. For example, it may set the salary of a new hire at a premium to those paid to the predecessor if this was necessary to attract a candidate with experience in a business of the size which the Group aspires to become or, conversely, could be set at a discount to those offered in companies of a similar size, geographical reach and complexity initially, with a series of planned increases over subsequent years, in order to bring the salary to the desired level, subject to individual performance.
Benefits	Benefits will be set in accordance with the Company's remuneration policy. In addition, where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment and flexibility is retained to pay for legal fees and other costs incurred by the individual in relation to their appointment. Consideration may need to be given to particular elements of benefit packages if a new Director was recruited outside of the UK.
Pension	A defined contribution or cash supplement at the level provided to current Executive Directors, again subject to particular considerations for a recruit from outside the UK.
Annual Bonus	The annual bonus will operate as outlined for current Executive Directors, with the respective maximum opportunity, albeit usually pro-rated for the period of employment. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially.  The maximum ongoing incentive opportunity under the Company's policy is 100% of salary.
Long-Term Incentives	LTIP awards will be granted in line with the policy outlined for the current Executive Directors. An award may (and would usually) be made upon appointment (subject to the Company not being prohibited from doing so). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant and further awards may also be considered.  The maximum ongoing annual award level is 125% of salary but an award, in exceptional circumstances (as determined by the Committee) (e.g. as in the case of a "buy-out" as detailed below), may be granted up to 200% of salary under the rules of the LTIP.
Buy-out Awards	In the case of an external hire, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to facilitate the buy-out of value forfeited on joining the Company. This includes the use of awards made under Rule 9.4.2 of the Listing Rules. Such payments would take account of remuneration relinquished when leaving a former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.

# Directors' Report on Remuneration continued

## Directors' service contracts and payments for loss of office

The policy of the Company is to have service contracts for all the Executive Directors that continue indefinitely unless determined by their notice period.

The Committee's policy is to set notice periods of up to 12 months for the Company to dismiss an Executive Director. Should notice be served by either party, the executive will be able to continue to receive basic salary and other emoluments (but not bonus) for the duration of their notice period during which time the Company may require the individual to continue to fulfill their current duties or may assign a period of garden leave.

A bonus has only been payable if the relevant Director is in the employment of Low & Bonar PLC on the date on which bonuses are paid by the Company following the end of the relevant financial year (the "Payment Date") and he/she has not given notice of intention to leave employment. The Company's policy now includes the ability for payments to be made to Executive Directors on a pro-rata basis if the Director is a "good leaver" during the year: i.e. in certain prescribed circumstances, such as ill health, injury or disability, redundancy, retirement, transfer or sale of the employing company, or other circumstances at the discretion of the Committee. If the Company dismisses the Director on or after the final date of the financial year but before the Payment Date (other than for reasons of gross misconduct) he/she will remain eligible to receive the bonus.

Executive Directors' service contracts may be terminated without notice for certain events, such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such event occurs.

At the Company's discretion, Executive Directors may receive a payment in lieu of notice. The payment in lieu of notice would relate to the unexpired notice period and include base salary and other emoluments (but not bonus). The policy for a new hire would be that a payment in lieu of notice may be made but that it would be subject to full, on-going mitigation.

The treatment for share-based incentives previously granted to an Executive Director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. However, in relation to awards granted under the 2013 LTIP, in certain prescribed circumstances, such as retirement, injury or disability, redundancy, transfer or sale of the employing company, or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time) "good leaver" status may be applied. If treated as a good leaver, awards will remain subject to performance conditions, which will be measured over the performance period from grant to the normal vesting date, and will be reduced pro-rata to reflect the proportion of the performance period actually served (although the Committee can decide not to pro-rate if it considers it inappropriate to do so). The Committee can also decide, in exceptional circumstances, to allow the award to vest on the date of cessation, subject to performance to that date and pro-rating. Options held under the SAYE Plan generally lapse when employment ceases, subject again to certain good leaver provisions.

The Company may enable the provision of outplacement services to a departing Director, where appropriate.

With regards to awards previously granted under the 2003 LTIP, the extent of early vesting that takes place in certain good leaver circumstances is broadly equivalent to that described for the 2013 LTIP. No further awards can be granted under this arrangement.

## External appointments

The Committee recognises that Executive Directors may be invited to become Non-Executive Directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. It is the Company's policy that Board approval is required before any external appointment may be accepted by an Executive Director. The Executive Director is permitted to retain any fees paid for such services.

## Non-Executive Directors' letters of appointment

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

## Non-Executive Director's service contract

Martin Flower has a service contract with the Company dated 12 February 2010 (which replaced his letter of appointment relating to his previous service as a Non-Executive Director dated 1 January 2007). Mr Flower's appointment is for a period of three years from 30 June 2013, which can be extended for a further three-years upon expiry. 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 policy on Non-Executive Directors' fees is:

#### Fees

Purpose and link to strategy	To provide a competitive fee which will attract those high-calibre individuals with the relevant skills and experience necessary to contribute to a high performing board.
Operation	<p>The fees for the Chairman and the Non-Executive Directors are reviewed every year, although not always changed.</p> <p>Fee levels are set by reference to the expected time commitments and responsibility and are periodically market-tested to determine if fee levels are in line with those offered in companies of a comparable size, international reach and complexity for each role.</p> <p>The Chairman and Non-Executive Directors are paid an annual fee and do not participate in any of the Company's incentive arrangements or receive any pension provision.</p> <p>The Non-Executive Directors receive a basic fee, with additional fees payable for chairmanship of the Company's key committees.</p> <p>The Committee recommends the remuneration of the Chairman to the Board.</p> <p>The Chairman's fee is considered by the Remuneration Committee (during which the Chairman has no part in discussions) and the Non-Executive Directors' fee is determined by the Board excluding the Non-Executives.</p>
Maximum opportunity	The fee levels will be eligible for increases during the three-year period that the remuneration policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.
Framework used to assess performance and for the recovery of sums paid	None.

## ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Rule 9.8.6R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2015 AGM. The information on pages 61 to 63 has been audited.

### UNAUDITED INFORMATION

#### The Remuneration Committee

The Committee currently comprises the following Non-Executive Directors of the Company: Steve Hannam, Chairman of the Committee; Trudy Schoolenberg; 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.

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. The Group Chief Executive, the Group Finance Director and the Company Secretary also assist the Committee, except in relation to their own remuneration. The attendance of each Director at meetings during the year is shown on page 41.

The Committee continues to consider, in line with the Investment Association's Guidelines on Responsible Investment Disclosures, whether the incentive policies for Executive Directors and senior executives raise any ESG issues or risks by inadvertently motivating irresponsible behaviour (with liaison between the Risk Oversight, Audit and Remuneration Committees where appropriate). As part of this action, the Committee periodically commissions a remuneration risk assessment, the last one being undertaken during 2014. 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's remit is set out in its terms of reference, a copy of which is available on the Company's website. In 2014, the Committee recommended to the Board the broad policy for the remuneration of the Chairman, the Executive Directors and other senior executives.

# Directors' Report on Remuneration continued

## External advisers

The Committee has authority to obtain the advice of external independent remuneration consultants. It is solely responsible for their appointment, retention and termination and for approval of the basis of their fees and other terms. During the year, the Committee sought advice from New Bridge Street, a trading name of Aon Hewitt Limited (an Aon plc company), and, in relation to certain matters of legal compliance only, Freshfields Bruckhaus Deringer and Squire Patton Boggs. New Bridge Street has no connection with the Company other than in the provision of advice in relation to executive remuneration and Non-Executive Director fees and nor do any other companies within the Aon plc group provide other services to the Company. The total fees paid to New Bridge Street in respect of its services during the year were £46,000. New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct. Freshfields Bruckhaus Deringer and Squire Patton Boggs provide legal advice to the Company on matters other than remuneration on a regular and continuing basis. The Committee regularly reviews the external advisor relationship and is comfortable that the advice it is receiving remains objective and independent.

## Implementation of remuneration policy for year ending 30 November 2014

### i) Basic salary

The Group Chief Executive's salary was set on his appointment in August 2014 and is not set to be considered for an increase until December 2015. The Group Finance Director's base salary was reviewed in December 2014. The Committee took account of his performance in post as well as his ongoing responsibilities, skills and experience when reviewing his salary. The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole. As a result, the Committee decided to increase his salary by around 2.5% with effect from 1 December 2014. The base salary of Brett Simpson is 2% higher than that of his predecessor, Steve Good.

	Salary as at 1 December 2014	Salary as at 1 December 2013 <sup>1</sup>	Increase
Group Chief Executive	£360,000	£353,000	2.0%
Group Finance Director	£275,200	£268,500	2.5%

<sup>1</sup> With regards to the salary level for the position of the Group Chief Executive, Brett Simpson, was appointed on a base salary of £360,000 with effect from 8 September 2014 with his predecessor, Steve Good, on a base salary of £353,000 during the year under review until his retirement on 30 September 2014.

The salary levels operating with effect from 1 December 2014 are considered by the Committee to be consistent with achieving salary levels that reflect the Company's policy objective of offering base salaries that are in line with those offered by companies of a similar size, international reach and complexity. Overall, the Committee is satisfied that the salary levels of the Executive Directors' are appropriate in light of the calibre and experience of the individuals.

In addition to his base salary, the Group Finance Director was also paid an allowance from 1 April 2014 (at the rate of £40,000 per annum) in relation to fulfilling a range of additional duties and responsibilities in connection with the effective transition of responsibilities arising from the intended retirement of Mr Good as Group Chief Executive. These additional responsibilities included: taking a leading role in investor relations on behalf of the Company; being the main contact for and providing continuity in relationships with the Company's joint venture partners; having overall responsibility for the Group purchasing function, including line management responsibility for the Group Purchasing Director; and developing an interim talent management solution for the Bonar executive team. This additional fee (which does not form part of his salary for the purposes of assessing the amount of any bonus payment, in relation to the Company's contribution to his pension, an award of long-term incentive awards or any payments to him or his family under the Company's life policy/death-in-service scheme or otherwise) is payable for a period of one year from 1 April 2014 (or until such earlier date as the Board shall specify e.g. in the event that these responsibilities are transferred in part, or in full, to the current Group Chief Executive).

### ii) Pension and benefits

Executive Directors receive a car allowance (not Mr Simpson), private health insurance, death in service cover and a Company pension contribution of 25% of salary.

### iii) Performance-related bonus

Details of the annual bonus payments made and the metrics used for the year ended 30 November 2014 are set out on page 61. The specific targets relating to the annual bonus for the year ended 30 November 2015 are considered to be commercially sensitive and will not therefore be disclosed in advance. They will be disclosed in next year's Annual Report on Remuneration, along with disclosure of performance against them and the payments resulting. However, an overview of the bonus structure that is intended to operate in the current financial year is set out below.

In 2015, 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%

\* Profit before tax, amortisation and non-recurring items, at budgeted exchange rates on a constant basis throughout the year.

\*\* ROCE targets are subject to achieving a threshold level of profit before tax, amortisation and non-recurring items to ensure that the sales growth and returns are delivered on a profitable basis.

In line with the policy detailed in the Policy Report, the bonus targets operating for the year ended 30 November 2015 will be structured on a graduated scale around targeted levels of performance. In relation to the profit element of a bonus (maximum of 70% of salary), the bonus payable at the threshold performance level is 20% of salary through to a maximum bonus being earned at up to 70% of salary in relation to delivering performance ahead of the Company's target. In relation to the ROCE element of the bonus (maximum of 30% of salary), the bonus payable at the threshold performance level is 10% of salary through to a maximum bonus being earned at up to 30% of salary in relation to delivering performance ahead of the Company's target. No bonus is earned against non-financial targets. As was the case with the bonuses for the year ended 30 November 2014, the annual bonus for the year ended 30 November 2015 will also be subject to clawback provisions which will enable the Committee to recover the value overpaid to an Executive Director in respect of 2015 performance in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement or if an error is made in assessing the extent to which any target and/or any other condition imposed on the bonus was satisfied. The clawback provisions are structured so as to enable the Committee to withhold shares held under outstanding long-term incentive awards and/or future cash bonus payments as part of the process through which any overpayment of annual bonus is recovered by the Company. The Committee may also request a repayment (in cash) if any clawback cannot be satisfied through the withholding of incentive pay. The clawback provisions will operate for a two-year period following the date on which the bonus is paid. Bonuses for Executive Directors are subject to provisions allowing for payment on a pro rata basis to "good leavers" during the year as outlined above.

#### iv) Long-term Incentive Plan

The maximum normal award limit under the 2013 LTIP is 125% of salary and it is intended that awards will be granted at this level in the current financial year as nil-cost options. The quantum of awards has been set after taking due account of (i) the need to motivate and retain the Executive Directors and other participants and (ii) the challenging nature of the performance targets set.

The performance targets to apply to the awards to be granted in the current financial year under the 2013 LTIP will be, as in prior years, 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 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 <sup>1</sup>	Percentage vesting
Below 6% p.a.	0%
6% p.a.	20%
14% p.a.	100%

Straight-line vesting between performance points

<sup>1</sup> The base-year EPS (i.e. that for the year ended 30 November 2014) is 5.75p, being our reported adjusted EPS of 5.46p adjusted to exclude costs relating to the Group's pension schemes as calculated in accordance with IAS 19 Revised. The Remuneration Committee will also adjust reported EPS for these same pension-related costs when assessing achievement of performance targets at the end of the performance period in order that the volatility in results which may arise from pension scheme investment strategy, which is managed by independent trustees, is excluded from consideration of management performance.

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 absolute EPS growth targets 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 reflects the current trading environment and is aligned with the 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.

# Directors' Report on Remuneration continued

When testing these targets, the Committee's policy will be 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.

The awards 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 2017 in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement or an error is made in assessing the extent to which any target and/or any other condition imposed on vesting was satisfied. The clawback provisions are structured so as to enable the Committee to withhold shares held under outstanding long-term incentive awards and/or future cash bonus payments as part of the process through which any value overpaid is recovered by the Company. The Committee may also request a repayment (in cash) if any clawback cannot be satisfied through the withholding of incentive pay. The clawback provisions will operate for a two-year period following the date on which the awards vest.

## **v) Other share-based incentives**

Executive Directors remain eligible to participate in the SAYE Plan on the same terms as any other eligible employee.

## **vi) Directors' Service Contracts**

In relation to the current Executive Directors' service contracts, Brett Simpson entered into a service agreement in June 2014, in respect of his employment which commenced on 26 August 2014, and Mike Holt entered into a service agreement in September 2010, in respect of his appointment which commenced on 22 November 2010.

The contract of the current Group Finance Director provides that, if a payment in lieu of notice is made, then on the date of notice of termination a payment of six months' salary is made. Further payments are made only if he is not in full-time employment at the time at which the payments fall to be made. For the Group Chief Executive, the Company has reserved the right to pay any sums due in equal monthly instalments during what would have been the unexpired portion of his contractual notice period. In such circumstances, the Group Chief Executive will be under a duty to take reasonable steps to mitigate any consequential losses by seeking an alternative remunerative position, whether as employee, director, self-employed consultant or shareholder, and to notify the Company in writing as soon as any such position is accepted, of when it is due to commence and the financial terms applicable to it. If he obtains an alternative position during this period any sums due to him will be reduced or extinguished accordingly.

## **vii) External Appointments**

Mr Holt is currently a Non-Executive Director of Asian Total Return Investment Company Plc. The Executive Directors hold no other remunerated external appointments.

## **viii) Non-Executive Directors' remuneration**

The term of appointment for the Company's Non-Executive Directors are as follows:

	Original appointment date	Renewed from
Steve Hannam	1/9/2002	1/9/2014 for 1 year
Trudy Schoolenberg	1/5/2013	N/A
Martin Flower	1/1/2007	30/6/2013 for 3 years
John Sheldrick	1/10/2011	1/10/14 for 3 years

Fees for the year ended 30 November 2015 (which are unchanged from the year under review) are:

- Chairman: £135,757
- Non-Executive Director base fee: £40,000
- Chairman of the Audit Committee: £7,000
- Chairman of the Remuneration Committee: £7,000

Non-Executive Directors are not eligible to participate in short or long-term incentive plans or to receive any pension from the Group.



## AUDITED INFORMATION

**Table 1 Analysis of individual Directors' emoluments**

		Salaries and fees £	Benefits in kind <sup>1</sup> £	Annual bonus <sup>2</sup> £	LTIP awards <sup>3</sup> £	Pensions <sup>4</sup> £	Total £
<b>Executive Directors</b>							
S Good	2014 <sup>5</sup>	294,167	17,545	–	118,112	73,542	503,366
	2013	342,140	19,735	–	617,100	85,535	1,064,510
B Simpson	2014 <sup>5</sup>	95,538	682	–	–	24,000	120,220
	2013	–	–	–	–	–	–
M Holt	2014 <sup>6</sup>	295,167	19,078	–	89,728	67,125	471,098
	2013	260,000	18,535	–	439,900	65,000	783,435
<b>Non-Executive Directors</b>							
SJ Hannam <sup>7</sup>	2014	47,000					47,000
	2013	43,012					43,012
MC Flower	2014	135,757					135,757
	2013	135,757					135,757
FB Blaisse <sup>8</sup>	2014	–					–
	2013	15,838					15,838
T Schoolenberg <sup>9</sup>	2014	40,000					40,000
	2013	22,174					22,174
JN Sheldrick <sup>10</sup>	2014	47,000					47,000
	2013	45,000					45,000

1 Benefits in kind are a car allowance (Mr Good and Mr Holt) and health insurance for the Director and his spouse/children under 21. In relation to the benefits detailed in the above table, the benefit which is considered to be significant in value terms is the provision of a car allowance, which was limited to an annual cost of £16,200 for Mr Good and £15,000 for Mr Holt.

2 The annual bonus is the only payment made to Directors which falls within paragraph 7(1)(c) of Part 3 of Schedule 8 to the Regulations. In setting the bonus plan for 2013, the metrics used were chosen to be aligned with the Group's stated medium-term objectives and were set out in more detail on page 56 of last year's Annual Report.

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 and ROCE targets being set. The 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 payable to both Mr Good and Mr Simpson were to be pro-rated to the portion of the bonus year in which they were employed by the Company in accordance with the terms of their original participation in the bonus plan and the Company's remuneration policy. The bonus earned against the targets set, and a summary of the targets and weightings applying to each measure for 2014, is set out below:

Metric	Opportunity (% salary)	Payment (% salary)
Profit*	70%	0%
ROCE**	30%	0%

\* Profit before tax, amortisation and non-recurring items at budgeted exchange rates. A "profit" element of the bonus was to be paid if profit before tax, amortisation and non-recurring items ("PBTA") equalled or exceeded the lower limit of £29.0m. At the lower limit, a "profit" bonus of 17.5% of salary was payable. Below the lower limit, no "profit" element of the bonus was to be paid. At a PBTA of £30.8m (the mid-point), a profit element of the bonus of 42% of salary was to be payable. A maximum "profit" element of the bonus of 70% of salary was to be payable if PBTA was equal to or more than £32.3m (the upper limit). Between the lower and mid point and between the mid point and the upper limit, the profit bonus percentage was to increase on a straight-line basis. As the targets were set at budgeted exchange rates, the level of profit determined to have been made during the year would differ from reported profits, which are based upon actual exchange rates during the year. Certain other minor adjustments to reported profits may also be taken into account when determining profits for the purposes of annual bonuses.

\*\* ROCE targets were subject to achieving a threshold level of PBTA (calculated as set out above) to ensure that the returns were delivered on a profitable basis. A return on capital employed element of the bonus was to be payable if return on capital employed for the relevant periods equalled or exceeded the rates for the periods referred to in the table below. Return on capital employed was operating profit before non-recurring items and amortisation for the twelve-month period ending on 30 November 2014 divided by the total sum of fixed assets (property, plant and equipment), inventories, trade debtors, prepayments, trade creditors and accruals at budgeted exchange rates. Below the lower limit specified, no "return on capital employed" element of the bonus was to be paid. A maximum "return on capital employed" element of the bonus of 30% of salary was only to be payable if return on capital employed was equal to or more than the rate specified (the upper limit).

	Period-end return on capital employed	Bonus entitlement (as % of salary)
30 November 2014	15.2%	7.5%
	15.6%	18.0%
	16.0%	30.0%

Between the lower and upper limits, the return on capital employed bonus percentage was to increase on a straight-line basis. The "return on capital employed" element of the bonus was only to become payable if actual PBTA was at least £29.0m. No bonuses became payable for the Executive Directors as the adjusted PBTA for the year was below the lower limit.

# Directors' Report on Remuneration continued

3 The amounts stated for 2013 comprise the value of ordinary shares vesting and being received in that financial year under (a) LTIP awards made in 2010 in relation to the TSR performance target (but not the EPS target) as the performance period in relation to the TSR target ended in that financial year and the shares vested and were issued to the relevant Directors in April 2013 and (b) LTIP awards made in 2011 in relation to the EPS performance target (but not the TSR target) as the performance period in relation to the EPS target ended in that financial year, although those shares vested and, in the case of Mr Holt, were issued in May 2014. For last year's annual report, the amounts relating to (b) were estimated at £123,135 and £93,544, respectively, for Mr Good and Mr Holt as the values were based on the market price of the shares over the last quarter of the 2013 financial year in relation to the shares to be issued under the 2011 award (being 74.28p) and the shares were eventually issued at a price of 75.0p per share to Mr Holt. As a result, the amounts estimated have increased to £124,329 and £94,450, respectively. Mr Good has still not called for shares to be issued to him under that 2011 award, although the award vested before his retirement in accordance with its terms.

The amounts stated for 2014 comprise the value of ordinary shares (a) vesting and being received in that financial year under LTIP awards made in 2011 in relation to the TSR performance target (but not the EPS target) as the performance period in relation to the TSR target ended in that financial year and the shares vested and were issued to Mr Holt in May 2014 (Mr Good has still not called for shares to be issued to him under that award and so sums for him are stated at the price per share at which shares were issued to Mr Holt for comparison purposes) and (b) to vest and be issued under LTIP awards made in 2012 in relation to the EPS performance target (but not the TSR target) as the performance period in relation to the EPS target ended in that financial year, although those shares have not yet vested or been issued to the relevant Directors, which is expected to occur in March 2015. Unless otherwise stated, the values stated are the prices at which the relevant shares (or a portion of them) were sold in the market immediately after their allotment to the Director in respect of the shares issued under the 2010 and 2011 awards. No shares will vest under the under LTIP awards made in 2012 in relation to the EPS performance target and so no value is ascribed to them.

The 2010 LTIP awards vested as to the maximum level in relation to both the EPS and TSR performance conditions in April 2013. This level of vesting was triggered as a result of achieving (i) EPS of 6.28p in the year ending 30 November 2012, which was above the maximum EPS target of 5.4p and thus resulted in maximum vesting in respect of this part of the award and (ii) a three-year total shareholder return of 110.4%, which was above the upper quartile level of the FTSE Small Cap Index (excluding investment trusts) over the three-year period of 94.5%, which triggered vesting in respect of 100% of this part of the award. The 2011 LTIP awards vested in May 2014 to 44% of the maximum in relation to the EPS performance targets (22% of the total of the award) and 41.8% in relation to the TSR performance condition (20.9% of the total award). This level of vesting was triggered as a result of achieving (i) EPS of 6.23p in the year ending 30 November 2013 compared to the EPS target range of 5.7p to 7.0p and (ii) a three-year total shareholder return of 71.9%, which was below the upper quartile level of the FTSE Small Cap Index (excluding investment trusts) over the three-year period of 114.7% and above the median level of 55.8%, which triggered vesting in respect of 41.8% of this part of the award. The 2012 LTIP awards are due to vest in March 2015 to 0% of the maximum in relation to the EPS performance targets (0% of the total of the award). This level of vesting was triggered as a result of achieving EPS of 5.46p in the year ending 30 November 2014 compared to the EPS target range of 7.1p to 8.8p. At vesting (15 March 2015), the value of the vested shares to Executive Directors is estimated at £0 for Mr Good and £0 for Mr Holt. The LTIP Awards made in 2011 and 2012 are subject to clawback as described elsewhere in this report.

- 4 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 a contribution of 25% of salary.
- 5 Steve Good ceased to be a director on 30 September 2014 and the information in this report for 2014 relates only to the period up to that date. Brett Simpson became a director on 26 August 2014 and the information in this report for 2014 relates only to the period from that date.
- 6 Includes Mr. Holt's salary of £268,500 and also £26,667 in respect of the additional fee paid to Mr Holt from 1 April 2014 in recognition of additional duties assumed by him as set out in more detail on page 58.
- 7 Steve Hannam received a fee of £7,000 for his chairmanship of the Remuneration Committee in 2014 (2013: £5,000) (which is included in the number in the table).
- 8 Folkert Blaisse ceased to be a director on 30 April 2013 and the information in this report for 2013 relates only to the period up to that date.
- 9 Trudy Schoolenberg became a Director on 1 May 2013 and the information in this report for 2013 relates only to the period from that date until 30 November 2013.
- 10 John Sheldrick received a fee of £7,000 for his chairmanship of the Audit Committee (which is included in the number in the table).

## Table 2 The Low & Bonar Long-Term Incentive Plan

Awards held by Directors under the LTIP are as follows:

	At 1 December 2013	Awarded in year	Vested in year	Lapsed in year	At 30 November 2014	Share price at date of award	Date of award
S Good	753,505	–	<b>(323,254)</b>	<b>(430,251)</b>	–	53.50p	15/3/2011 <sup>2</sup>
M Holt	572,430	–	<b>(245,572)</b>	<b>(326,858)</b>	–	53.50p	15/3/2011 <sup>2</sup>
S Good <sup>1</sup>	570,926	–	–	–	<b>570,926</b>	64.00p	16/3/2012 <sup>3</sup>
M Holt	394,297	–	–	–	<b>394,297</b>	64.00p	16/3/2012 <sup>3</sup>
S Good <sup>1</sup>	575,993	–	–	–	<b>575,993</b>	74.25p	9/4/2013 <sup>4</sup>
M Holt	437,710	–	–	–	<b>437,710</b>	74.25p	9/4/2013 <sup>4</sup>
B Simpson	–	<b>542,168</b>	–	–	<b>542,168</b>	83.00p	26/8/14 <sup>5</sup>
M Holt	–	<b>364,810</b>	–	–	<b>364,810</b>	92.00p	3/3/14 <sup>5</sup>

1 In line with the rules of the 2003 and 2013 LTIPs, as a retiree, Mr Good is a "good leaver". As a result, his March 2012 LTIP award in respect of 570,926 ordinary shares will remain eligible to vest on its original vesting date subject to the extent that the performance targets are met. The provisions of the 2003 LTIP were such that the time pro-rating operated based on the proportion of the vesting period served rounded-up to the next complete financial year. On this basis, since Mr Good retired in the final year of the vesting period for this award, it is not subject to a pro-rata reduction. In relation to his April 2013 award in respect of 575,993 ordinary shares, this award will also remain eligible to vest on its original vesting date subject to the extent that the performance targets are met and a pro-rata reduction within the 2013 LTIP provisions is applied such that the number of shares vesting will be scaled back pro-rata for the proportion of the three year vesting period that Mr Good was in employment (rounded-up to the nearest whole month).

2 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, 20% of shares vested for EPS in the year ended 30 November 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 vested for median TSR, rising on a straight-line basis to full vesting for upper quartile. The awards vested as to 42.95% in May 2014, although Mr Good has not yet called for these shares to be issued to him in accordance with the terms of the award. The gains made by the directors on the vesting of these awards were £242,440.99 for Mr Good (2013: £985,542.06) and £184,178.60 (2013: £690,900.00) for Mr Holt.

- 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 over the period until 15 March 2015. Under the EPS element, 20% of shares vest for EPS in the year ended 30 November 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.
- 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 over the period until 8 April 2016. Under the EPS element, 20% of shares vest for EPS in the year ended 30 November 2015 of 7.5 pence, rising on a straight-line basis to full vesting for EPS of 9.3 pence. Under the TSR element, 20% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.
- 5 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 over the period until 2 March 2017. Under the EPS element, 20% of shares vest for EPS in the year ended 30 November 2016 of 7.42 pence, rising on a straight-line basis to full vesting for EPS of 9.23 pence. Under the TSR element, 20% of shares vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.

### LTIP award granted in the year

On 3 March 2014 (for Mr Holt) and 26 August 2014 (for Mr Simpson), an LTIP award was made to each of the Executive Directors at 125% of salary. The award was made on the following basis:

	Type of Award	Basis of award granted	Share price at date of grant	Number of shares awarded	Face value of award	% of face value which vests at threshold
B Simpson	Nil-cost option	125% of salary	£0.83	542,168	£450,000	20%
M Holt	Nil-cost option	125% of salary	£0.92	364,810	£335,625	20%

Details of the performance conditions attaching to this award are provided as a footnote to table 2.

### Directors' share options

As at 30 November 2014, Mike Holt held 42,579 options under the SAYE Plan. No options have been granted to any Director during the period 1 December 2014 to 3 February 2015.

The market price of a share at 30 November 2014 was 49.25p and the range during the year to 30 November 2014 was 96.00p to 44.25p.

### Table 3 Directors' interests in shares

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

	Beneficially owned as at 30 November 2014	Beneficially owned as at 1 December 2013	Target shareholding guideline level (% salary)	Outstanding LTIP awards	Outstanding LTIP awards (vested but unexercised)	Outstanding options (unvested)
S Good <sup>1</sup>	–	1,010,915	N/A	1,146,919	323,254	–
MC Flower	<b>556,912</b>	481,912	–	–	–	–
M Holt	<b>496,398</b>	366,535	100%	1,196,817	–	42,579
SJ Hannam	<b>348,232</b>	348,232	–	–	–	–
J Sheldrick	<b>76,993</b>	76,993	–	–	–	–
B Simpson	<b>75,000</b>	–	100%	542,168	–	–
T Schoolenberg	<b>36,231</b>	36,231	–	–	–	–

1 Mr Good ceased to be a director on 30 September 2014 and so information in relation to his shareholding is not included for 2014.

The Executive Directors are expected to retain 50% of the after-tax number of vested long-term incentive awards until they hold shares of a value equivalent to 100% of their salary. As at 31 January 2015 (the latest practical date prior to the completion of this report), the value of the holdings of shares held by the Executive Directors were as follows:

Director	Number of shares held	Value of holding (£)	% of salary
B Simpson	75,000	38,438	10.7
M Holt	496,398	254,404	92.4

During the period 1 December 2014 to 3 February 2015, 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 2014 or at 3 February 2015, save as set out above.

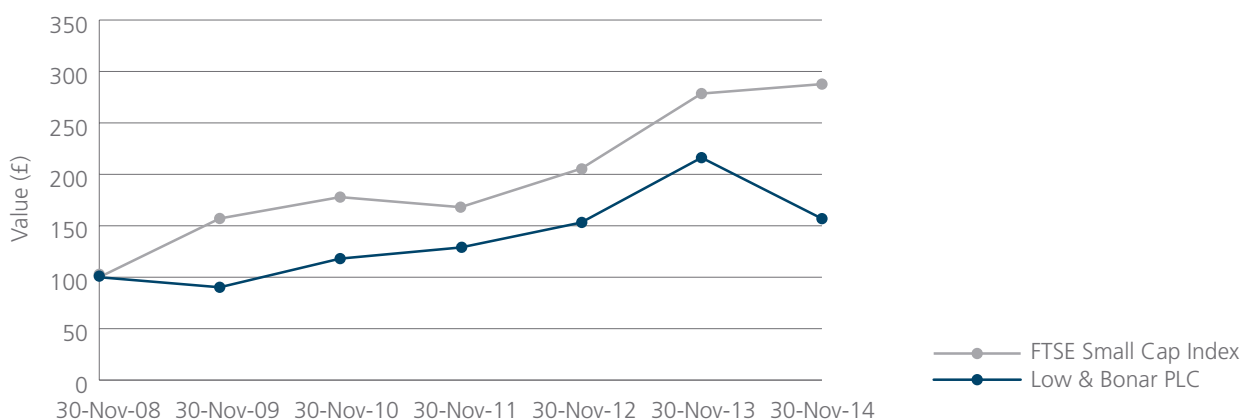
# Directors' Report on Remuneration continued

## UNAUDITED INFORMATION

### 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 six 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 which governs 50% of the vesting of each LTIP award. 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.

This graph shows the value, by 30 November 2014, of £100 invested in Low & Bonar PLC on 30 November 2008 compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year-ends.



Total shareholders return – Source: Thomson Reuters

### Remuneration of the Group Chief Executive

The table below shows the total remuneration figure for the Group Chief Executive during each of the past five financial years. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

	2010	2011	2012	2013	2014 <sup>1</sup>
Total remuneration (£)	710,067	803,309	1,308,727	1,064,510	<b>623,586</b>
Annual bonus (%)	100%	81%	79.3%	0%	<b>0%</b>
LTIP vesting (%) <sup>2</sup>	0%	50% <sup>3</sup>	98.7% <sup>4</sup>	72%	<b>20.9%</b>

1 In 2014, the Group had two Chief Executive Officers: Mr Steve Good, until 8 September 2014, and Brett Simpson, from 8 September 2014. The total remuneration for 2014 represents those amounts paid to Mr Good (£503,366) until 30 September 2014 (the date on which he ceased to be a director) and those amounts paid to Mr Simpson (£120,220) from 26 August 2014 (the date on which his employment with the Company started) to the end of that year.

2 The LTIP awards are included in relation to any financial year on the same basis as those set out in table 2 on pages 62 and 63.

3 Awards made to Paul Forman (a former CEO) in 2009 lapsed when he left the Company in 2009 and are not reflected in this column. The stated figure relates only to awards held by Mr Steve Good and relates to vesting in relation to the EPS performance condition relating to awards made in 2009.

4 Awards made to Paul Forman in 2009 lapsed when he left the Company in 2009 and are not reflected in this column. The stated figure relates only to awards held by Mr Steve Good and relates to vesting in relation to the TSR performance condition relating to awards made in 2009 and the EPS performance condition relating to awards made in 2010.

Other than his treatment as a good leaver under the rules of the 2003 and 2013 LTIPs (detailed on page 62) Mr Good will receive no further payments in connection with his retirement.



### Percentage change in remuneration levels

The table below shows the movement in the salary, benefits and annual bonus for the Group Chief Executive between the current and previous financial year compared to that for the average UK employee. The Committee has chosen this comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the Group's total wage bill, which is distorted by movements in the number of employees and variations in wage practices in our overseas markets. For the benefits and bonus per employee, this is based on those employees eligible to participate in such schemes.

	2013	2014 <sup>2</sup>	% change
<b>Chief Executive (£)</b>			
– salary	342,140	<b>353,000</b>	3.2%
– benefits	19,735	<b>20,245</b>	2.6%
– bonus	–	–	0.0%
<b>Average per employee<sup>1</sup> (£)</b>			
– salary	53,601	<b>57,845</b>	7.9%
– benefits	2,002	<b>1,930</b>	-3.6%
– bonus	3,940	<b>1,045</b>	-73.5%

1 The Group operates from four locations in the UK: its head office and one facility for each of Yarns, Bonar and MTX. The average is a weighted-average across those four locations.

2 In 2014, the Group had two Chief Executive Officers. Steve Good, until 8 September 2014, and Brett Simpson, from 8 September 2014. The salary and other amounts represent those paid to Mr Good during the year on an annualised basis, and not those sums payable to Mr Simpson, to avoid double counting of sums payable whilst they were both employees of the Company.

### Relative importance of the spend on pay

The table below shows the movement in spend on staff costs versus that in dividends.

	2013	2014	% change
– Staff costs	£79.8m	<b>£81.2m</b>	1.8%
– Dividends <sup>1</sup>	£8.2m	<b>£8.8m</b>	7.3%

1 Dividends declared in respect of the year.

### External Directorships

During the year under review, Mr Holt was a director of Asian Total Return Investment Company PLC. The Executive Directors did not hold any other external Non-Executive roles.

### Statement of shareholder voting

At last year's AGM, the remuneration policy and the Directors' Remuneration Report received the following votes from shareholders:

	2014 AGM	
<b>Remuneration policy</b>		
– Votes cast in favour	255,985,610	99.36%
– Votes cast against	1,642,039	0.64%
– Total votes cast	257,627,649	100%
– Abstentions	92,227	
<b>Directors' Remuneration Report</b>		
– Votes cast in favour	256,151,158	99.43%
– Votes cast against	1,474,466	0.57%
– Total votes cast	257,625,624	100%
– Abstentions	94,702	

During the year, the Remuneration Committee did not engage with the Company's major shareholders following the prior year's consultation on the adoption of the 2013 LTIP and the approval of the remuneration policy at the 2014 AGM. All shareholders were broadly supportive of the Committee's approach on this matter.

### Steve Hannam

Chairman, Remuneration Committee  
On behalf of the Board of Directors  
3 February 2015

# 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 Strategic Report, 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.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



**Brett Simpson**  
3 February 2015



**Mike Holt**  
3 February 2015

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

## Opinions and conclusions arising from our audit

### 1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Low & Bonar PLC for the year ended 30 November 2014 set out on pages 69 to 110. 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### 2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

#### Impairment of goodwill

Refer to page 47 (Audit Committee Report), page 81 (accounting policy) and page 92 (financial disclosures).

**The risk** The Group has significant goodwill allocated to three of its five groups of cash generating units ('CGUs'). In September 2014 the Directors announced that the Group had experienced a drop in demand across its European civil engineering markets reflecting a slowdown in construction activity and the continuing difficult economic and geopolitical climate in Europe. This sector represents approximately one quarter of the Group's sales and primarily affects the results of Bonar EMEA. In the light of these or other adverse trading conditions, the carrying value of goodwill held by the CGUs may be in excess of their recoverable amount and an impairment may arise. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the recoverable amount, this is the key judgmental area that our audit was concentrated on.

**Our response** Our audit procedures included, among others, testing the controls relating to the preparation and approval of the Group's budgeting process upon which the forecasts are based. We critically assessed the budgets in order to obtain an understanding of the risks inherent within them. We considered the historical accuracy of budgeting and considered the extent to which adverse trading conditions experienced in certain sectors in 2014 were assumed to continue in the forecast period. We challenged the assumptions in the budgets with reference to historical trends, and our own expectations based on our knowledge of the business.

In respect of the medium and longer-term growth rates used in the impairment testing, for each group of CGUs we compared, where possible, the Group's assumptions to externally derived data for inputs such as OECD country GDP forecasts.

In respect of the discount rate, we utilised our own valuation specialist to provide a view of the applicable discount rates. We applied sensitivities to the budgets for the financial year to 30 November 2015, medium and long-term growth rates and the discount rate. In particular, we applied rigorous sensitivities to the groups of CGUs that include European civil engineering markets both by increasing the discount rate, reducing budgeted profits and reducing future growth rates. This was performed in order to reflect the risks of under-performance and forecasting risk. We calculated a range of discount rates, performance shortfalls in the financial year to 30 November 2015 and growth rates where the recoverable amount of assets equalled the net book value and considered this as part of our sensitivity analysis. We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of the aggregate discounted cash flow. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected our own sensitivity analysis.

### 3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2,600,000, determined with reference to a benchmark of Group revenue, of which it represents 0.6%. We consider that revenue is appropriate to use as a benchmark for materiality as revenue is a key focus area for the users of the financial statements, the Group has a number of components in a start-up phase and a material level of non-recurring expenses.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £75,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's reporting components, we subjected nine to audits for Group reporting purposes and four to specified risk-focused audit procedures. The latter were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed, or to provide further audit coverage over the total population.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for Group reporting purposes	9	71%	78%	75%
Specified risk-focused audit procedures	4	8%	4%	9%
<b>Total</b>	<b>13</b>	<b>79%</b>	<b>82%</b>	<b>84%</b>

The remaining 21% of total Group revenue, 18% of Group profit before tax and 16% of total Group assets is represented by a number of reporting components, none of which individually represented more than 6% of any of total Group revenue, Group profit before tax or total Group assets.

For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality level, which was £1,950,000, having regard to the mix of size and risk profile of the Group across the components. The work on eight components was performed by component auditors and the remainder by the Group audit team.

The Group audit team physically attended the completion meetings for the components in the Netherlands, Belgium and Germany. Video and telephone conference meetings were also held with these component auditors and also with the component teams in the USA and Scotland. We held telephone discussions with the other component audit teams during the year as we felt appropriate. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

#### **4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 Strategic Report and 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 page 44 to 45 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.

#### **5. We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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 39 in relation to going concern; and
- the part of the Corporate Governance statement on pages 40 to 45 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

#### **Scope of report and responsibilities**

As explained more fully in the Directors' Responsibilities Statement set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

#### **Wayne Cox (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ  
3 February 2015



# Consolidated Income Statement

## for the year ended 30 November

	2014				2013 (restated – see Accounting policy (A))		
	Note	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
<b>Revenue</b>	1	<b>410.6</b>	–	<b>410.6</b>	403.1	–	403.1
<b>Operating profit/(loss)</b>	1	<b>31.7</b>	<b>(8.5)</b>	<b>23.2</b>	31.4	(8.0)	23.4
Financial income	6	<b>0.1</b>	–	<b>0.1</b>	0.1	–	0.1
Financial expense	6	<b>(5.5)</b>	–	<b>(5.5)</b>	(6.2)	–	(6.2)
Net financing costs		<b>(5.4)</b>	–	<b>(5.4)</b>	(6.1)	–	(6.1)
Share of results of joint venture	15	<b>(1.1)</b>	–	<b>(1.1)</b>	–	(0.6)	(0.6)
<b>Profit/(loss) before taxation</b>	2	<b>25.2</b>	<b>(8.5)</b>	<b>16.7</b>	25.3	(8.6)	16.7
Taxation	7	<b>(7.0)</b>	<b>2.1</b>	<b>(4.9)</b>	(6.7)	1.8	(4.9)
<b>Profit/(loss) after taxation</b>		<b>18.2</b>	<b>(6.4)</b>	<b>11.8</b>	18.6	(6.8)	11.8
<b>Profit/(loss) for the year from continuing operations</b>		<b>18.2</b>	<b>(6.4)</b>	<b>11.8</b>	18.6	(6.8)	11.8
<b>Profit for the year from discontinued operations</b>	30	–	<b>0.9</b>	<b>0.9</b>	–	–	–
<b>Profit/(loss) for the year</b>		<b>18.2</b>	<b>(5.5)</b>	<b>12.7</b>	18.6	(6.8)	11.8
<b>Attributable to</b>							
Equity holders of the Company		<b>17.9</b>	<b>(5.5)</b>	<b>12.4</b>	18.1	(6.8)	11.3
Non-controlling interest	28	<b>0.3</b>	–	<b>0.3</b>	0.5	–	0.5
		<b>18.2</b>	<b>(5.5)</b>	<b>12.7</b>	18.6	(6.8)	11.8
<b>Earnings per share</b>							
	10						
Continuing operations:							
Basic		<b>5.46p</b>		<b>3.50p</b>	5.98p		3.74p
Diluted		<b>5.37p</b>		<b>3.44p</b>	5.86p		3.66p
Discontinued operations:							
Basic		–		<b>0.26p</b>	–		–
Diluted		–		<b>0.26p</b>	–		–
Total:							
Basic		<b>5.46p</b>		<b>3.76p</b>	5.98p		3.74p
Diluted		<b>5.37p</b>		<b>3.70p</b>	5.86p		3.66p

# Consolidated Statement of Comprehensive Income

for the year ended 30 November

	Note	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Profit for the year</b>		<b>12.7</b>	11.8
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial (loss)/gain on defined benefit pension schemes	4	<b>(0.8)</b>	10.4
Deferred tax on defined benefit pension schemes	4	<b>0.8</b>	(0.4)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations, net of hedging		<b>(5.8)</b>	0.1
<b>Total other comprehensive income for the year, net of tax</b>		<b>(5.8)</b>	10.1
<b>Total comprehensive income for the year</b>		<b>6.9</b>	21.9
<b>Attributable to</b>			
Equity holders of the parent		<b>6.3</b>	21.5
Non-controlling interest	28	<b>0.6</b>	0.4
		<b>6.9</b>	21.9

# Balance Sheets

as at 30 November

	Note	Group		Company	
		2014 £m	2013 £m	2014 £m	2013 £m
<b>Non-current assets</b>					
Goodwill	11	78.0	81.2	–	–
Intangible assets	12	27.8	34.0	–	–
Property, plant and equipment	13	119.3	114.2	0.2	0.3
Investment in subsidiaries	14	–	–	93.6	93.6
Investment in joint venture	15	3.6	4.7	–	–
Investment in associate	16	0.5	0.4	–	–
Deferred tax assets	21	4.4	3.1	–	–
Other receivables	18	–	–	22.7	23.9
Post-employment benefits	4	0.2	–	0.2	–
		<b>233.8</b>	237.6	<b>116.7</b>	117.8
<b>Current assets</b>					
Inventories	17	90.9	86.8	–	–
Trade and other receivables	18	75.3	81.7	150.5	138.6
Cash and cash equivalents	20	25.8	17.9	3.6	–
Current tax receivable		–	–	0.2	–
		<b>192.0</b>	186.4	<b>154.3</b>	138.6
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	20	–	–	8.0	4.6
Current tax liabilities	19	4.8	5.4	–	1.7
Trade and other payables	19	82.4	82.9	21.1	15.9
Provisions	22	0.5	–	–	–
Derivative liabilities	20	–	0.1	–	–
		<b>87.7</b>	88.4	<b>29.1</b>	22.2
<b>Net current assets</b>		<b>104.3</b>	98.0	<b>125.2</b>	116.4
<b>Total assets less current liabilities</b>		<b>338.1</b>	335.6	<b>241.9</b>	234.2
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	20	113.8	104.7	98.2	88.5
Deferred tax liabilities	21	20.8	23.2	–	–
Post-employment benefits	4	11.0	12.7	–	3.8
Other payables	23	2.0	1.9	–	–
		<b>147.6</b>	142.5	<b>98.2</b>	92.3
<b>Net assets</b>		<b>190.5</b>	193.1	<b>143.7</b>	141.9
<b>Equity attributable to equity holders of the parent</b>					
Share capital	25	47.3	47.2	47.3	47.2
Share premium account	26	74.0	73.9	74.0	73.9
Translation reserve	27	(43.0)	(36.9)	–	–
Retained earnings		105.8	102.5	22.4	20.8
<b>Total equity attributable to equity holders of the parent</b>		<b>184.1</b>	186.7	<b>143.7</b>	141.9
Equity holders of the parent					
Non-controlling interest	28	6.4	6.4	–	–
<b>Total equity</b>		<b>190.5</b>	193.1	<b>143.7</b>	141.9

The consolidated financial statements on pages 69 to 110 were approved by the Board on 3 February 2015 and signed on its behalf by:



**Brett Simpson**  
3 February 2015



**Mike Holt**  
3 February 2015

Registered number: SC008349

# Consolidated Cash Flow Statement

## for the year ended 30 November

	Note	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Profit for the year from continuing operations</b>		<b>11.8</b>	11.8
<b>Profit for the year from discontinued operations</b>		<b>0.9</b>	–
<b>Profit for the year</b>		<b>12.7</b>	11.8
Adjustments for:			
Depreciation		12.7	12.8
Amortisation		6.1	6.3
Income tax expense		4.9	4.9
Net financing costs		5.4	6.1
Share of results of joint venture		1.1	0.6
Non-cash pension charges		1.1	1.4
Increase in inventories		(9.0)	(7.3)
(Increase)/decrease in trade and other receivables		(2.0)	0.5
Movement in short-term loan to joint venture		4.4	(9.1)
Increase in trade and other payables		4.0	2.0
Increase/(decrease) in provisions		0.5	(0.1)
Loss on disposal of non-current assets		–	0.3
Equity-settled share-based payment		0.6	0.6
<b>Cash inflow from operations</b>		<b>42.5</b>	30.8
Interest received		–	–
Interest paid		(4.5)	(4.8)
Tax paid		(7.7)	(6.8)
Pension cash contributions		(4.0)	(4.0)
<b>Net cash inflow from operating activities</b>		<b>26.3</b>	15.2
Acquisition of subsidiaries		–	(15.9)
Acquisition of property, plant and equipment		(19.0)	(11.3)
Intangible assets purchased		(1.2)	(2.1)
Proceeds from disposal of non-current assets		–	–
<b>Net cash outflow from investing activities</b>		<b>(20.2)</b>	(29.3)
Drawdown of borrowings		106.0	–
Repayment of borrowings		(93.4)	(8.5)
Proceeds of share issues from the share placing		–	19.8
Proceeds of other share issues to employees		0.1	0.1
Purchase of non-controlling interest		(1.4)	–
Equity dividends paid		(8.8)	(7.2)
<b>Net cash inflow from financing activities</b>		<b>2.5</b>	4.2
<b>Net cash inflow/(outflow)</b>	29	<b>8.6</b>	(9.9)
<b>Cash and cash equivalents at start of year</b>		<b>17.9</b>	26.9
Foreign exchange differences		(0.7)	0.9
<b>Cash and cash equivalents at end of year</b>		<b>25.8</b>	17.9

# Company Cash Flow Statement

## for the year ended 30 November

	Note	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Profit for the year</b>	8	<b>8.3</b>	2.0
Adjustments for:			
Depreciation		<b>0.1</b>	0.1
Income tax credit		<b>(1.2)</b>	–
Net financing income		<b>(1.1)</b>	(0.6)
Non-cash pension charges		<b>0.8</b>	1.1
Increase in receivables		<b>(10.5)</b>	(0.4)
Increase/(decrease) in payables		<b>5.7</b>	(0.2)
Equity-settled share-based payment		<b>0.6</b>	0.6
<b>Cash inflow from operations</b>		<b>2.7</b>	2.6
Interest received		<b>6.3</b>	6.4
Interest paid		<b>(5.6)</b>	(4.6)
Taxation paid		<b>(0.7)</b>	–
Pension cash contributions		<b>(3.3)</b>	(3.3)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(0.6)</b>	1.1
<b>Net cash outflow from investing activities</b>		<b>–</b>	(0.1)
Proceeds of share issues from the share placing		<b>–</b>	19.8
Proceeds of other share issues to employees		<b>0.1</b>	0.1
Drawdown/(repayment) of borrowings		<b>12.6</b>	(17.5)
Equity dividends paid		<b>(8.8)</b>	(7.2)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3.9</b>	(4.8)
<b>Net cash inflow/(outflow)</b>	29	<b>3.3</b>	(3.8)
<b>Cash and cash equivalents at start of year</b>		<b>–</b>	3.8
Foreign exchange differences		<b>0.3</b>	–
<b>Cash and cash equivalents at end of year</b>		<b>3.6</b>	–



# 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 2012	45.5	55.5	(37.0)	87.9	151.9	6.0	157.9
Total comprehensive income for the year	–	–	0.1	21.4	21.5	0.4	21.9
Dividends paid to Ordinary Shareholders	–	–	–	(7.2)	(7.2)	–	(7.2)
Shares issued	1.7	18.4	–	(0.2)	19.9	–	19.9
Share-based payment	–	–	–	0.6	0.6	–	0.6
Net increase for the year	1.7	18.4	0.1	14.6	34.8	0.4	35.2
At 30 November 2013	47.2	73.9	(36.9)	102.5	186.7	6.4	193.1
<b>Total comprehensive income for the year</b>	–	–	<b>(6.1)</b>	<b>12.4</b>	<b>6.3</b>	<b>0.6</b>	<b>6.9</b>
<b>Dividends paid to Ordinary Shareholders</b>	–	–	–	<b>(8.8)</b>	<b>(8.8)</b>	–	<b>(8.8)</b>
<b>Shares issued</b>	<b>0.1</b>	<b>0.1</b>	–	<b>(0.1)</b>	<b>0.1</b>	–	<b>0.1</b>
<b>Share-based payment</b>	–	–	–	<b>0.6</b>	<b>0.6</b>	–	<b>0.6</b>
<b>Purchase of non-controlling interest</b>	–	–	–	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.6)</b>	<b>(1.4)</b>
<b>Net increase/(decrease) for the year</b>	<b>0.1</b>	<b>0.1</b>	<b>(6.1)</b>	<b>3.3</b>	<b>(2.6)</b>	–	<b>(2.6)</b>
At 30 November 2014	47.3	74.0	(43.0)	105.8	184.1	6.4	190.5

# 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 2012	45.5	55.5	15.9	116.9
Profit for the year (restated – see Accounting policy (A))	–	–	2.0	2.0
Actuarial gain on defined benefit pension scheme – (restated – see Accounting policy (A))	–	–	9.7	9.7
Dividends paid to Ordinary Shareholders	–	–	(7.2)	(7.2)
Shares issued	1.7	18.4	(0.2)	19.9
Share-based payment	–	–	0.6	0.6
Net increase for the year	1.7	18.4	4.9	25.0
At 30 November 2013	47.2	73.9	20.8	141.9
<b>Profit for the year</b>	–	–	<b>8.3</b>	<b>8.3</b>
<b>Actuarial gain on defined benefit pension scheme</b>	–	–	<b>1.6</b>	<b>1.6</b>
<b>Dividends paid to Ordinary Shareholders</b>	–	–	<b>(8.8)</b>	<b>(8.8)</b>
<b>Shares issued</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.1</b>
<b>Share-based payment</b>	–	–	<b>0.6</b>	<b>0.6</b>
<b>Net increase for the year</b>	<b>0.1</b>	<b>0.1</b>	<b>1.6</b>	<b>1.8</b>
At 30 November 2014	47.3	74.0	22.4	143.7

# 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 10th Floor, 1 Eversholt Street, London, NW1 2DN.

The consolidated financial statements of the Company for the year ended 30 November 2014 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 Strategic Report on pages 1 to 33. The information contained in the Strategic Report and Note 20 to the financial statements sets out 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 23 to 25 provides further details of the key 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 Group funds its day-to-day working capital requirements by using the facilities available to it (see Note 20). 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, taking into account the recent refinancing of the Group's revolving credit facility, which is discussed further in Note 20, in July 2014. The Directors have also considered whether the Group's forecast earnings are sufficient to meet the covenants associated with its committed facilities.

After making enquiries, the Directors have a reasonable expectation that the Company and the 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 2014. 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:

- IFRS 1 (amended) (Government Loans)
- IFRS 1 (amended) (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)
- IFRS 7 (amended) (Disclosures – Offsetting Financial Assets and Financial Liabilities)
- Annual Improvements to IFRS's (2009-2011 cycle)
- IAS 12 (amended) (Deferred Tax: Recovery of Underlying Assets)
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

The Group also adopted IAS 19 Employee Benefits (Revised) in the year, the impact of which can be seen below.

The revised standard requires retrospective application, therefore the narrative below reflects the adjustments made to the comparative amounts for the year ended 30 November 2013.

The impact from the revision of the accounting policy is that operating profit and profit before tax, amortisation and non-recurring items as at 30 November 2013 are £0.8m lower; and statutory operating profit and profit before tax are £1.1m lower; due to:

- pension administration costs of £1.1m, which were previously reported within financing costs, being reclassified into administrative expenses; £0.8m of these costs have been charged against operating profit before tax, amortisation and non-recurring items, and £0.3m against non-recurring items, due to the nature of the costs concerned; and
- financing costs are £1.1m higher due to the interest cost and expected return on scheme assets being replaced by a single net interest charge, calculated by applying the discount rate to the net defined benefit liability.

Correspondingly, actuarial gains in the Consolidated Statement of Comprehensive Income increased by £1.1m for the year ended 30 November 2013. The tax impact of the restatement is a reduction in the income statement tax charge of £0.1m for the year to 30 November 2013 and a corresponding increase in the tax charge in the Consolidated Statement of Comprehensive Income.

Due to the restatement, earnings per share for the year ended 30 November 2013 (based on earnings before amortisation and non-recurring items) reduced to 5.98p from the 6.23p previously reported and statutory earnings per share reduced to 3.74p from the 4.08p previously reported.

## (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. Subsequent to this acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Changes in the Group's interest that do not result

in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### **(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.

### **(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.

### **(vi) Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

## **(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.

# Significant Accounting Policies continued

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 operations**

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, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its 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.

**(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:

- 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
- 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.

# Significant Accounting Policies continued

## **(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 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 provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances. 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, net interest costs on scheme liabilities in respect of defined benefit pension schemes, interest receivable on funds invested, dividend income 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. Non-recurring costs include items which are not expected to recur or are not related to the underlying trading activities of the Group. The separate reporting of non-recurring items helps to provide a better indication of the Group's underlying business performance. Such items may include restructuring costs, acquisition related costs, redundancy costs and costs of establishing new ventures.

**(T) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for 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.

The significant judgement area for the Group is the valuation of the Group's goodwill and intangible assets. Impairment tests have been undertaken with respect to goodwill and intangible assets (Notes 11 and 12) using commercial judgement and key assumptions and estimates including the discount rate, the long term growth rate and the cash flow projections to be used. 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.

Other judgement areas include the valuation of the Group's property, plant and equipment, the provision for post-employment benefits, the impairment provision for trade receivables, the valuation of the share based payments within the Group and key taxation judgements.

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.

Note 4 outlines the key assumptions used to value the Group's post-employment obligations and the sensitivity of obligations to changes in these assumptions. The key assumptions include the discount rate, the rate of inflation, the mortality assumptions and the rate of future pension increases. Measurement of the UK Scheme's defined benefit obligation is particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease of 0.5% in the discount rate would result in a decrease or increase in the defined benefit obligation of c £11.3m–12.6m.

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

The Group has a number of taxation judgements to consider including the recoverability of deferred tax assets, the estimation of the corporation tax in each of the jurisdictions in which it operates and the total provision for income tax based on management's interpretation of country specific tax law and the likelihood of settlement. Management evaluates each of these risks on a case by case basis and regularly re-evaluates their assessment of the likely outcome based on the latest fact pattern and information.

**(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.

# Significant Accounting Policies continued

## (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 but were not effective for the year ended 30 November 2014 (and in some cases had not yet been adopted by the EU) and have not yet been adopted by the Group:

- IFRS 9 Financial Instruments and additions to IFRS 9 (issued October 2010) – not yet endorsed by the EU.
- IFRS 10 Consolidated Financial Statements – effective for the year ending 30 November 2015.
- IFRS 11 Joint Arrangements – effective for the year ending 30 November 2015.
- IFRS 12 Disclosure of Interests in Other Entities – effective for the year ending 30 November 2015.
- IAS 27 Separate Financial Statements – effective for the year ending 30 November 2015.
- IAS 28 Investments in Associates and Joint Ventures – effective for the year ending 30 November 2015.
- IAS 32 Financial Instruments (amended) (offsetting financial assets and financial liabilities) – effective for the year ending 30 November 2015.
- IAS 36 (amended) (Recoverable Amount Disclosures for Non-Financial Assets) – effective for the year ending 30 November 2015.
- IAS 39 (amended) (Novation of Derivatives and continuation of Hedge Accounting) – effective for the year ending 30 November 2015.
- IFRIC 21 Levies – effective for the year ending 30 November 2015.
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions – not yet endorsed by the EU.
- Annual Improvements to IFRSs – 2010-2012 Cycle – not yet endorsed by the EU.
- Annual Improvements to IFRSs – 2011-2013 Cycle – not yet endorsed by the EU.
- IFRS 14 Regulatory Deferral Accounts – not yet endorsed by the EU.
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations – not yet endorsed by the EU.
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – not yet endorsed by the EU.
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants – not yet endorsed by the EU.
- Amendments to IAS 27 – Equity Method in Separate Financial Statements – not yet endorsed by the EU.
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – not yet endorsed by the EU.
- Annual Improvements to IFRSs – 2012-2014 Cycle – not yet endorsed by the EU.
- IFRS 15 – Revenue from Contracts with Customers – not yet endorsed by the EU.

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 except for the following standards that may alter measurement and disclosure:

- IFRS 9 Financial Instruments and additions to IFRS 9.
- IFRS 12 Disclosure of Interests in Other Entities.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

# Notes to the Accounts

## 1. Segmental information

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. 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. 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 and borrowings, derivative assets and liabilities, post-employment benefits and corporate assets and expenses. Inter-segment sales are not material.

	2014				Total £m
	Bonar £m	Technical Coated Fabrics £m	Yarns £m	Unallocated Central £m	
Revenue from external customers – continuing operations	246.2	128.2	36.2	–	410.6
Operating profit/(loss) before amortisation and non-recurring items	21.0	14.2	0.8	(4.3)	31.7
Amortisation of acquired intangible assets	(2.4)	(2.8)	–	–	(5.2)
Operating profit/(loss) before non-recurring items	18.6	11.4	0.8	(4.3)	26.5
Non-recurring items	(1.4)	(0.9)	(0.6)	(0.4)	(3.3)
Operating profit/(loss)	17.2	10.5	0.2	(4.7)	23.2
Financial income					0.1
Financial expense					(5.5)
Net financing costs					(5.4)
Share of results of joint venture					(1.1)
Profit before taxation					16.7
Taxation					(4.9)
Profit for the year – continuing operations					11.8
Profit for the year – discontinued operations					0.9
Profit for the year					12.7
Segment assets	217.3	143.7	29.8	–	390.8
Investment in joint venture					3.6
Investment in associate					0.5
Cash and cash equivalents					25.8
Post-employment benefits					0.2
Other unallocated assets					4.9
<b>Total Group assets</b>					<b>425.8</b>
Segment liabilities	(51.3)	(19.8)	(9.0)	–	(80.1)
Loans and borrowings					(113.8)
Post-employment benefits					(11.0)
Derivative liabilities					–
Other unallocated liabilities					(30.4)
<b>Total Group liabilities</b>					<b>(235.3)</b>
<b>Other information</b>					
Additions to property, plant and equipment	14.9	3.1	1.1	–	19.1
Additions to intangible assets and goodwill	0.8	0.4	–	–	1.2
Depreciation	8.4	3.6	0.7	–	12.7



# Notes to the Accounts continued

## 1. Segmental information continued

	2013 (restated – see Accounting policy (A))				Total £m
	Bonar £m	Technical Coated Fabrics £m	Yarns £m	Unallocated Central £m	
Revenue from external customers – continuing operations	245.6	124.7	32.8	–	403.1
Operating profit/(loss) before amortisation and non-recurring items	23.0	12.1	0.5	(4.2)	31.4
Amortisation of acquired intangible assets	(2.7)	(2.9)	–	–	(5.6)
Operating profit/(loss) before non-recurring items	20.3	9.2	0.5	(4.2)	25.8
Non-recurring items	(2.1)	–	–	(0.3)	(2.4)
Operating profit/(loss)	18.2	9.2	0.5	(4.5)	23.4
Financial income					0.1
Financial expense					(6.2)
Net financing costs					(6.1)
Share of results of joint venture					(0.6)
Profit before taxation					16.7
Taxation					(4.9)
Profit for the year – continuing operations					11.8
Segment assets	223.9	145.9	27.7	–	397.5
Investment in joint venture					4.7
Investment in associate					0.4
Cash and cash equivalents					17.9
Other unallocated assets					3.5
<b>Total Group assets</b>					<b>424.0</b>
Segment liabilities	(52.2)	(23.5)	(8.5)	–	(84.2)
Loans and borrowings					(104.7)
Post-employment benefits					(12.7)
Derivative liabilities					(0.1)
Other unallocated liabilities					(29.2)
<b>Total Group liabilities</b>					<b>(230.9)</b>
<b>Other information</b>					
Additions to property, plant and equipment	6.2	4.5	0.6	0.3	11.6
Additions to intangible assets and goodwill	8.3	0.2	–	–	8.5
Depreciation	8.3	3.7	0.8	–	12.8

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	
	2014 £m	2014 %	2013 £m	2013 %	2014 £m	2013 £m
Western Europe	231.1	56.3	238.0	59.0	177.1	189.5
Eastern Europe	43.1	10.5	33.2	8.2	10.0	10.0
North America	75.0	18.3	74.8	18.6	22.9	22.9
Middle East	20.7	5.0	17.9	4.4	7.9	7.2
Asia	26.0	6.3	23.2	5.8	11.3	4.9
Rest of the World	14.7	3.6	16.0	4.0	–	–
Total	410.6	100.0	403.1	100.0	229.2	234.5

Revenues arising in the UK, which is the parent Company's country of domicile, were £25.6m (2013: £24.3m). The net book value of non-current assets located in the UK at 30 November 2014 was £1.3m (2013: £0.9m). In the current and prior year, more than 10% of the Group's revenues arose in Germany. The net book value of non-current assets located in Germany at 30 November 2014 was £78.4m (2013: £85.2m) and revenues in the year to 30 November 2014 were £69.8m (2013: £71.1m).

## 2. Profit before taxation

	2014 £m	2013 (restated – see Accounting policy (A)) £m
Total operating costs	<b>387.4</b>	379.7
Comprises:		
Cost of sales	<b>304.6</b>	298.3
Distribution costs	<b>33.6</b>	31.5
Administrative and other costs	<b>42.0</b>	43.7
Research and development expenditure recognised as an expense	<b>3.9</b>	3.8
Non-recurring items	<b>3.3</b>	2.4
Total operating costs above include:		
Staff costs	<b>81.2</b>	79.8
Inventories		
Cost of inventories recognised as an expense	<b>198.9</b>	196.6
Write down of inventories recognised as an expense	<b>0.1</b>	–
Change in provisions held against inventories	<b>0.3</b>	(0.1)
Depreciation of property, plant and equipment	<b>12.7</b>	12.8
Amortisation of intangible assets	<b>6.1</b>	6.3
Exchange differences recognised as a loss / (gain)	<b>0.6</b>	(0.6)
Loss on disposal of non-current assets	–	0.3
Amounts payable under operating leases:		
Property	<b>4.1</b>	4.1
Plant and equipment	<b>1.5</b>	1.5

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:

	2014 £m	2013 £m
<b>Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts</b>	<b>0.2</b>	0.2
<b>Fees payable to the Company's auditor and their associates for other services to the Group:</b>		
The audit of the Company's subsidiaries	<b>0.3</b>	0.3
Non-audit services:		
Corporate tax compliance	<b>0.1</b>	–
Corporate tax consultancy	<b>0.1</b>	0.1
Other non-audit services	–	0.1

The total amount paid to the auditor was £0.7m (2013: £0.7m).

## 3. Staff numbers and costs

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

	Group	
	2014	2013
Production	<b>1,502</b>	1,499
Sales	<b>296</b>	255
Administrative	<b>246</b>	251
	<b>2,044</b>	2,005

The average number of persons employed by the Company during the year was 20 (2013:20).

# Notes to the Accounts continued

## 3. Staff numbers and costs continued

The aggregate staff costs were:

	Group	
	2014 £m	2013 £m
Wages and salaries	63.9	62.9
Social security costs	13.4	13.7
Pension costs	3.9	3.2
	<b>81.2</b>	<b>79.8</b>

	Company	
	2014 £m	2013 £m
Wages and salaries	2.4	2.6
Social security costs	0.3	0.3
Pension costs	0.3	0.2
	<b>3.0</b>	<b>3.1</b>

The Directors of the Company are listed on pages 34 and 35.

## 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 £3.1m (2013: £2.9m).

### (b) Defined benefit schemes

#### (i) United Kingdom

The UK defined benefit scheme is a funded pension scheme, closed to future accrual of benefits, providing benefits linked to inflation. The weighted duration of the expected benefit payments from the scheme is around 15 years.

The UK defined benefit scheme (the "Scheme") was independently valued by a qualified actuary at 31 March 2014 using the projected unit method. The main assumption in carrying out the valuation was for investment returns of 5.4% per annum in respect of investments in higher risk assets and 3.65% in respect of lower risk assets. At 31 March 2014 the total market value of assets in the UK scheme was £159.9m. The overall level of funding was 84.3%. The net income statement charge for the year ended 30 November 2014 for the UK pension scheme was £0.9m (2013 Restated – see Accounting policy (A): £1.8m charge). 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 agreed a schedule of contributions with the Trustee of the Scheme under which the Company paid contributions of £3.3m per annum from the year ending 30 November 2012. The Company was 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 were no more than £4.0m and the total contributions payable under the revised schedule (which ran to 2019) did not exceed £28.4m.

Following the 2014 valuation, the Company has been in discussions with the trustee of the Scheme to establish a revised schedule of contributions for the Scheme. Those discussions are ongoing and are expected to be concluded by the end of June 2015 at the latest, the statutory deadline for concluding the 2014 valuation. It is likely that there will be an increase to the annual deficit reduction contributions payable by the Company.

There is a risk that 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. This risk is mitigated by the main Group scheme being closed to new members and to future benefit accrual along with the assumptions, including funding rates, being set in line with the actuaries' recommendations. Regular dialogue also takes place with pension fund trustee and the Board regularly discusses pension fund strategy.

#### (ii) Non-UK

Defined benefit schemes are held in Germany, Belgium and the United States relating to the Bonar business and the Mehler Technologies business in Germany. Further disclosure on these schemes is detailed below, given the relative immateriality of these schemes their results have been combined in the following disclosures. 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.

#### 4. Post-employment benefits continued

##### (iii) Financial assumptions

Management determines 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 consolidated income statement, the consolidated statement of comprehensive income and the balance sheet in respect of post-employment benefits. The valuations require the exercise of judgment in relation to various assumptions, including the discount rate, future pension increases and employee and pensioner demographics. 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	
			Weighted average assumptions	
	2014 %	2013 %	2014 %	2013 %
Discount rate	<b>3.60</b>	4.40	<b>3.00</b>	3.75
Future salary increases	–	–	<b>2.25</b>	2.25
Future pension increases	<b>2.90</b>	3.30	<b>1.80</b>	2.00
Inflation increase (Consumer Price Index)	<b>2.00</b>	2.40	<b>2.00</b>	2.00
Health care cost trend – immediate	–	–	<b>7.0</b>	7.2
Health care cost trend – ultimate	–	–	<b>4.5</b>	4.5

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 21.5 years and a female member for a further 23.5 years (2013: male – 21 years, female – 23 years). They also assume that a UK Scheme male member currently aged 45, will survive a further 43.2 years and a female member for a further 45.4 years (2013: male – 42.7 years, female – 44.6 years). Management considers 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.

##### (iv) Financial impact of schemes

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

	UK schemes		Non-UK schemes		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Fair value of scheme assets	<b>176.5</b>	159.4	<b>10.0</b>	9.6	<b>186.5</b>	169.0
Present value of defined benefit obligations	<b>(176.3)</b>	(163.2)	<b>(21.0)</b>	(18.5)	<b>(197.3)</b>	(181.7)
Net asset/(liability) recognised in the balance sheet	<b>0.2</b>	(3.8)	<b>(11.0)</b>	(8.9)	<b>(10.8)</b>	(12.7)

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

	UK schemes		Non-UK schemes		Total	
	2014 £m	2013 (restated – see Accounting policy (A)) £m	2014 £m	2013 £m	2014 £m	2013 (restated – see Accounting policy (A)) £m
Current service cost	–	–	<b>0.3</b>	0.3	<b>0.3</b>	0.3
Net Interest cost	<b>0.1</b>	0.7	<b>0.3</b>	0.1	<b>0.4</b>	0.8
Administration costs	<b>0.8</b>	1.1	–	–	<b>0.8</b>	1.1
	<b>0.9</b>	1.8	<b>0.6</b>	0.4	<b>1.5</b>	2.2

Amounts recognised in Other Comprehensive Income are as follows:

	Group		Company	
	2014 £m	2013 (restated – see Accounting policy (A)) £m	2014 £m	2013 (restated – see Accounting policy (A)) £m
Net actuarial (loss)/gain in the year due to:	<b>(0.8)</b>	10.4	<b>1.6</b>	9.8
– Changes in financial assumptions	<b>(15.8)</b>	(1.1)	<b>(13.7)</b>	(1.6)
– Changes in demographic assumptions	<b>(2.4)</b>	0.6	<b>(1.9)</b>	0.6
– Experience adjustments on benefit obligations	<b>1.3</b>	(0.3)	<b>1.4</b>	(0.1)
Actual return on plan assets less interest on plan assets	<b>16.1</b>	11.2	<b>15.8</b>	10.9
Associated deferred tax	<b>0.8</b>	(0.4)	–	–

The Company has not recorded a deferred tax asset or liability against the movement recognised in Other Comprehensive Income as it is not probable that a tax benefit will be realised in the future.

# Notes to the Accounts continued

## 4. Post-employment benefits continued

### (iv) Financial impact of schemes continued

The changes in the net (liabilities)/assets recognised in the balance sheet are as follows:

	UK schemes		Non-UK schemes		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Opening balance sheet liability	<b>(3.8)</b>	(15.1)	<b>(8.9)</b>	(9.7)	<b>(12.7)</b>	(24.8)
Amount recognised in income statement	<b>(0.9)</b>	(1.8)	<b>(0.6)</b>	(0.4)	<b>(1.5)</b>	(2.2)
Amount recognised in other comprehensive income	<b>1.6</b>	9.8	<b>(2.4)</b>	0.6	<b>(0.8)</b>	10.4
Contributions paid	<b>3.3</b>	3.3	<b>0.7</b>	0.7	<b>4.0</b>	4.0
Past service cost	–	–	<b>0.1</b>	–	<b>0.1</b>	–
Exchange gain/(loss)	–	–	<b>0.1</b>	(0.1)	<b>0.1</b>	(0.1)
Closing balance sheet asset/(liability)	<b>0.2</b>	(3.8)	<b>(11.0)</b>	(8.9)	<b>(10.8)</b>	(12.7)

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

	UK schemes		Non-UK schemes		Total	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Opening defined benefit obligation	<b>163.2</b>	163.4	<b>18.5</b>	19.0	<b>181.7</b>	182.4
Current service cost	–	–	<b>0.3</b>	0.3	<b>0.3</b>	0.3
Interest cost	<b>7.0</b>	6.7	<b>0.7</b>	0.7	<b>7.7</b>	7.4
Past service cost	–	–	<b>(0.1)</b>	–	<b>(0.1)</b>	–
Actuarial loss/(gain) due to:	<b>14.2</b>	1.1	<b>2.7</b>	(0.3)	<b>16.9</b>	0.8
– Changes in financial assumptions	<b>13.7</b>	1.6	<b>2.1</b>	(0.5)	<b>15.8</b>	1.1
– Changes in demographic assumptions	<b>1.9</b>	(0.6)	<b>0.5</b>	–	<b>2.4</b>	(0.6)
– Experience adjustments on benefit obligations	<b>(1.4)</b>	0.1	<b>0.1</b>	0.2	<b>(1.3)</b>	0.3
Benefits paid	<b>(8.1)</b>	(8.0)	<b>(1.0)</b>	(1.1)	<b>(9.1)</b>	(9.1)
Benefits paid directly by the employer	–	–	–	(0.2)	–	(0.2)
Exchange adjustments	–	–	<b>(0.1)</b>	0.1	<b>(0.1)</b>	0.1
Closing defined benefit obligation	<b>176.3</b>	163.2	<b>21.0</b>	18.5	<b>197.3</b>	181.7

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

	UK schemes		Non-UK schemes		Total	
	2014 £m	2013 (restated – see Accounting policy (A)) £m	2014 £m	2013 £m	2014 £m	2013 (restated – see Accounting policy (A)) £m
Opening fair value of scheme assets	<b>159.4</b>	148.3	<b>9.6</b>	9.3	<b>169.0</b>	157.6
Interest on scheme assets	<b>6.9</b>	6.0	<b>0.4</b>	0.6	<b>7.3</b>	6.6
Actual return on scheme assets less interest on scheme assets	<b>15.8</b>	10.9	<b>0.3</b>	0.3	<b>16.1</b>	11.2
Administration costs	<b>(0.8)</b>	(1.1)	–	–	<b>(0.8)</b>	(1.1)
Contributions by employers	<b>3.3</b>	3.3	<b>0.7</b>	0.7	<b>4.0</b>	4.0
Benefits paid	<b>(8.1)</b>	(8.0)	<b>(1.0)</b>	(1.3)	<b>(9.1)</b>	(9.3)
Exchange adjustments	–	–	–	–	–	–
Closing fair value of scheme assets	<b>176.5</b>	159.4	<b>10.0</b>	9.6	<b>186.5</b>	169.0

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

	2014 £m	2014 %	2013 £m	2013 %
Equity securities	<b>40.2</b>	<b>23</b>	43.4	27
Debt securities	–	–	28.7	18
Diversified growth funds	<b>72.2</b>	<b>41</b>	43.4	27
LDI funds	<b>35.8</b>	<b>20</b>	19.5	12
Property	<b>18.0</b>	<b>10</b>	15.3	10
Cash and other	<b>10.3</b>	<b>6</b>	9.1	6
	<b>176.5</b>	<b>100</b>	159.4	100



#### 4. Post-employment benefits continued

##### (iv) Financial impact of schemes continued

The assets are invested in quoted pooled funds, apart from £72.2m invested in a segregated diversified growth fund for which quoted prices are not available. The scheme uses Liability Driven Investment (“LDI”) funds to help manage investment risk.

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

	2014 £m	2014 %	2013 £m	2013 %
Equity securities	4.3	43	3.8	40
Debt securities	5.2	52	5.1	53
Property	0.1	1	0.1	1
Cash and other	0.4	4	0.6	6
	<b>10.0</b>	<b>100</b>	9.6	100

Sensitivity analysis of significant assumptions on the UK scheme at 30 November 2014 is as follows:

	Effect on obligation (£m)	
	-0.5% pa	+0.5% pa
Discount rate	(12.6)	11.3
Inflation and pension increases (Consumer Price Inflation)	6.7	(7.0)
Life Expectancy	-1 year 7.2	+1 year (7.3)

#### 5. Amortisation and non-recurring items

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

	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Amounts charged to operating profit</b>		
Joint venture start-up costs	–	0.6
Acquisition-related costs	0.1	1.0
China office set-up costs	0.2	0.3
Site clean-up costs	0.5	–
Reorganisation costs	1.6	0.2
Redundancy costs	0.6	–
Pension administration costs	0.3	0.3
<b>Total non-recurring items</b>	<b>3.3</b>	<b>2.4</b>
Amortisation of acquired intangible assets	5.2	5.6
<b>Total charge to operating profit</b>	<b>8.5</b>	<b>8.0</b>
Share of results of joint venture	–	0.6
<b>Total charge to profit before tax</b>	<b>8.5</b>	<b>8.6</b>

Restructuring and redundancy costs of £2.2m (2013: £0.2m) were incurred in relocating part of the Yarns business from Dundee to Abu Dhabi, and in the integration of the Group’s principal Performance Technical Textile operations into a single global business, Bonar. Initial costs relating to the Group’s construction of a new manufacturing location in Changzhou, China, represented a further £0.2m (2013: £0.3m in respect of setting up a sales and distribution office in China).

Acquisition-related costs of £0.1m were expensed in the year (2013: £1.0m, principally in relation to the acquisition of Texiplast). A further £0.5m of non-recurring costs, and £0.4m of capital expenditure, were incurred this year on site clean-up and environmental rectification work to bring Texiplast in line with Group environmental, health and safety standards.

The Group also incurred £0.3m (2013: £0.3m) of non-recurring pension administration costs relating to its UK defined benefit scheme.

During the prior year, the Group incurred £1.2m of costs in respect of the start-up of its joint venture in Saudi Arabia; £0.6m incurred by the Group and £0.6m from its share of the joint venture’s results.

# Notes to the Accounts continued

## 6. Financial income and financial expense

	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Financial income</b>		
Interest income	0.1	0.1
	<b>0.1</b>	<b>0.1</b>
<b>Financial expense</b>		
Interest on bank overdrafts and loans	(4.5)	(4.8)
Interest payable on other loans	–	(0.1)
Amortisation of bank arrangement fees	(0.6)	(0.5)
Net Interest on pension scheme liabilities	(0.4)	(0.8)
Amounts capitalised within property, plant and equipment	–	–
	<b>(5.5)</b>	<b>(6.2)</b>

## 7. Taxation

### Recognised in the income statement

	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Current tax</b>		
UK corporation tax		
– current year	–	–
– prior year	(0.1)	–
Overseas tax		
– current year	6.7	6.3
– prior year	0.6	0.2
<b>Total current tax</b>	<b>7.2</b>	<b>6.5</b>
<b>Deferred tax</b>	<b>(2.3)</b>	<b>(1.6)</b>
<b>Total tax charge in the income statement</b>	<b>4.9</b>	<b>4.9</b>

The amount of deferred tax income relating to changes in tax rates is £0.1m (2013: £nil).

### Reconciliation of effective tax rate

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 21% (2013: 23%) to the profit before tax are as follows:

	2014 £m	2013 (restated – see Accounting policy (A)) £m
<b>Profit before tax from continuing operations</b>	<b>16.7</b>	<b>16.7</b>
<b>Profit before tax from discontinued operations</b>	<b>0.9</b>	<b>–</b>
<b>Tax charge at 21% (2013: 23%)</b>	<b>3.7</b>	<b>3.8</b>
Expenses not deductible and income not taxable	(1.5)	(2.0)
Higher tax rates on overseas earnings	1.3	1.0
Current tax losses not utilised	1.4	1.2
Other differences	(0.5)	0.7
Prior period adjustments	0.5	0.2
<b>Total tax charge for the year</b>	<b>4.9</b>	<b>4.9</b>

### Deferred tax recognised directly in Other Comprehensive Income

	2014 £m	2013 (restated – see Accounting policy (A)) £m
Actuarial gains and losses relating to post employment benefit obligations	0.8	(0.4)
<b>Total of items that will not be reclassified subsequently to profit or loss</b>	<b>0.8</b>	<b>(0.4)</b>

A 2% reduction in the main rate of UK corporation tax from 23% to 21% took effect from 1 April 2014 and a further 1% reduction from 21% to 20% will take effect from 1 April 2015. 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 £8.3m (2013: £2.0m (restated – see Accounting policy (A))).

## 9. Dividends

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

	2014 £m	2013 £m
Final dividend for the year ended 30 November 2013 – 1.75 pence per share (2012: 1.6 pence per share)	5.7	4.7
Interim dividend for the year ended 30 November 2014 – 0.95 pence per share (2013: 0.85 pence per share)	3.1	2.5
	<b>8.8</b>	<b>7.2</b>

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2014 of 1.75 pence per share which will absorb an estimated £5.7m 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 on 24 March 2015, it will be paid on 16 April 2015 to Ordinary Shareholders who are on the register of members at close of business on 20 March 2015.

During the year, the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2013 of 1.75 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 21 March 2014.

The Directors declared an interim dividend on Ordinary Shares in relation to the year ended 30 November 2014 of 0.95 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 29 August 2014.

## 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:

	2014			2013 (restated – see Accounting policy (A))		
	Earnings £m	Weighted average number of shares (millions)	Per share amount pence	Earnings £m	Weighted average number of shares (millions)	Per share amount pence
<b>Statutory – continuing operations</b>						
<b>Basic earnings per share</b>	<b>11.5</b>	<b>327.035</b>	<b>3.50</b>	11.3	301.035	3.74
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	5.572		–	7.249	
<b>Diluted earnings per share</b>	<b>11.5</b>	<b>332.607</b>	<b>3.44</b>	11.3	308.284	3.66
<b>Statutory – discontinued operations</b>						
<b>Basic earnings per share</b>	<b>0.9</b>	<b>327.035</b>	<b>0.26</b>	–	301.035	–
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	5.572		–	7.249	
<b>Diluted earnings per share</b>	<b>0.9</b>	<b>332.607</b>	<b>0.26</b>	–	308.284	–
<b>Statutory – total operations</b>						
<b>Basic earnings per share</b>	<b>12.4</b>	<b>327.035</b>	<b>3.76</b>	11.3	301.035	3.74
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	5.572		–	7.249	
<b>Diluted earnings per share</b>	<b>12.4</b>	<b>332.607</b>	<b>3.70</b>	11.3	308.284	3.66
<b>Before amortisation and non-recurring items – continuing and total operations</b>						
<b>Basic earnings per share</b>	<b>17.9</b>	<b>327.035</b>	<b>5.46</b>	18.1	301.035	5.98
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	5.572		–	7.249	
<b>Diluted earnings per share</b>	<b>17.9</b>	<b>332.607</b>	<b>5.37</b>	18.1	308.284	5.86

# Notes to the Accounts continued

## 11. Goodwill

	Group	
	2014 £m	2013 £m
<b>Cost</b>		
At 1 December	89.6	82.6
Exchange adjustments	(3.2)	1.3
Arising on acquisition	–	5.7
At 30 November	86.4	89.6
<b>Accumulated impairment losses</b>		
At 1 December	8.4	8.4
Impairment loss recognised	–	–
At 30 November	8.4	8.4
<b>Net book value at 30 November</b>	<b>78.0</b>	<b>81.2</b>

### Cash generating units

Goodwill is allocated to the grouping of 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	
	2014 Net book value £m	2013 Net book value £m
<b>Cash generating unit</b>		
Specialist yarns	–	–
Bonar EMEA	30.1	31.2
Bonar North America	12.4	12.9
Bonar APAC	0.3	0.3
Technical Coated Fabrics	35.2	36.8
At 30 November	78.0	81.2

The Group tests goodwill values annually for impairment or more frequently if there are indications that goodwill might be impaired. 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. The approach to what is considered to be the key assumptions within the impairment reviews is outlined below:

### 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 current market conditions and 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 and CGU specific forecast risks and potential cash volatilities. These cash flow projections are based on management’s expectations of future changes in markets informed by various external sources of information.

The Group has significant goodwill in three of its cash generating units: Bonar EMEA, Bonar North America and Technical Coated Fabrics. Both Bonar North America and Technical Coated Fabrics performed well in 2014 however Bonar EMEA experienced a drop in demand in their European civil engineering markets in the second half of the year. The 2015 budget for Bonar EMEA, which has been used in preparing the cash flow projections in the impairment review, reflects the more subdued activity levels in that market in the near-term.

### Long-term growth rates

The value in use calculations assume terminal growth rates of between 2% and 2.5% (2013: between 2% and 2.5%) 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. Pre-tax discount rates ranged from 10.8% to 11.1% (2013: 11.8% to 11.9%) to calculate value in use for CGUs.

Sensitivity analysis has shown that with an increase of 390 basis points in the pre-tax discount rate applied to each CGU, excluding Specialist yarns, there would be no impairment at a terminal growth rate of 2.0% (2013: no impairment with an increase of 750 basis points and 2.0% terminal growth rate, excluding Specialist yarns).

### Conclusion

No impairment arose as a result of the valuations of the 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, show at least 44% headroom (2013: 68% headroom) compared to the book values of the CGUs (excluding Specialist yarns).

**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
<b>Cost</b>								
At 30 November 2012	2.7	3.5	0.4	33.1	13.9	20.5	1.3	75.4
Exchange adjustment	–	0.1	–	0.5	0.4	0.5	–	1.5
Additions	1.3	0.8	–	–	–	–	–	2.1
Retirements	(0.1)	–	–	–	–	–	–	(0.1)
Arising on acquisition	–	–	–	0.4	0.3	–	–	0.7
At 30 November 2013	3.9	4.4	0.4	34.0	14.6	21.0	1.3	79.6
<b>Exchange adjustment</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>–</b>	<b>(1.3)</b>	<b>(0.6)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>(3.2)</b>
<b>Additions</b>	<b>0.2</b>	<b>1.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1.2</b>
<b>At 30 November 2014</b>	<b>3.9</b>	<b>5.2</b>	<b>0.4</b>	<b>32.7</b>	<b>14.0</b>	<b>20.2</b>	<b>1.2</b>	<b>77.6</b>
<b>Aggregate amortisation</b>								
At 30 November 2012	2.0	1.2	0.4	15.1	5.3	13.4	1.3	38.7
Exchange adjustment	–	0.1	–	0.1	0.2	0.3	–	0.7
Retirements	(0.1)	–	–	–	–	–	–	(0.1)
Charge for the year	0.3	0.4	–	2.6	1.1	1.9	–	6.3
At 30 November 2013	2.2	1.7	0.4	17.8	6.6	15.6	1.3	45.6
<b>Exchange adjustment</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(1.9)</b>
<b>Charge for the year</b>	<b>0.5</b>	<b>0.4</b>	<b>–</b>	<b>2.6</b>	<b>1.1</b>	<b>1.5</b>	<b>–</b>	<b>6.1</b>
<b>At 30 November 2014</b>	<b>2.6</b>	<b>2.0</b>	<b>0.3</b>	<b>19.8</b>	<b>7.4</b>	<b>16.5</b>	<b>1.2</b>	<b>49.8</b>
<b>Net book value</b>								
<b>At 30 November 2014</b>	<b>1.3</b>	<b>3.2</b>	<b>0.1</b>	<b>12.9</b>	<b>6.6</b>	<b>3.7</b>	<b>–</b>	<b>27.8</b>
At 30 November 2013	1.7	2.7	–	16.2	8.0	5.4	–	34.0
At 30 November 2012	0.7	2.3	–	18.0	8.6	7.1	–	36.7

**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	Assets under construction £m	Total £m	Property £m	Plant and equipment £m	Assets under construction £m	Total £m
<b>Cost</b>								
At 30 November 2012	48.1	207.0	2.4	257.5	0.5	–	–	0.5
Exchange adjustment	0.1	0.4	(0.1)	0.4	–	–	–	–
Additions	0.6	2.7	8.3	11.6	0.3	–	–	0.3
Reclassifications	0.3	4.2	(4.2)	0.3	–	–	–	–
Disposals	(0.8)	(3.5)	–	(4.3)	(0.4)	–	–	(0.4)
Acquisition of subsidiary	2.9	3.6	–	6.5	–	–	–	–
At 30 November 2013	51.2	214.4	6.4	272.0	0.4	–	–	0.4
<b>Exchange adjustment</b>	<b>(1.6)</b>	<b>(4.7)</b>	<b>0.2</b>	<b>(6.1)</b>	–	–	–	–
<b>Additions</b>	<b>0.6</b>	<b>5.1</b>	<b>13.4</b>	<b>19.1</b>	–	–	–	–
<b>Reclassifications</b>	<b>0.6</b>	<b>6.6</b>	<b>(7.0)</b>	<b>0.2</b>	–	–	–	–
<b>Disposals</b>	–	<b>(0.8)</b>	–	<b>(0.8)</b>	–	–	–	–
<b>At 30 November 2014</b>	<b>50.8</b>	<b>220.6</b>	<b>13.0</b>	<b>284.4</b>	<b>0.4</b>	–	–	<b>0.4</b>
<b>Accumulated depreciation</b>								
At 30 November 2012	17.9	130.8	–	148.7	0.3	–	–	0.3
Exchange adjustment	–	0.2	–	0.2	–	–	–	–
Charge for the year	1.1	11.7	–	12.8	0.1	–	–	0.1
Reclassifications	1.5	(1.5)	–	–	–	–	–	–
Disposals	(0.6)	(3.3)	–	(3.9)	(0.3)	–	–	(0.3)
At 30 November 2013	19.9	137.9	–	157.8	0.1	–	–	0.1
<b>Exchange adjustment</b>	<b>(0.6)</b>	<b>(3.9)</b>	–	<b>(4.5)</b>	–	–	–	–
<b>Charge for the year</b>	<b>1.1</b>	<b>11.6</b>	–	<b>12.7</b>	<b>0.1</b>	–	–	<b>0.1</b>
<b>Reclassifications</b>	<b>(1.4)</b>	<b>1.3</b>	–	<b>(0.1)</b>	–	–	–	–
<b>Disposals</b>	–	<b>(0.8)</b>	–	<b>(0.8)</b>	–	–	–	–
<b>At 30 November 2014</b>	<b>19.0</b>	<b>146.1</b>	–	<b>165.1</b>	<b>0.2</b>	–	–	<b>0.2</b>
<b>Net book value</b>								
<b>At 30 November 2014</b>	<b>31.8</b>	<b>74.5</b>	<b>13.0</b>	<b>119.3</b>	<b>0.2</b>	–	–	<b>0.2</b>
At 30 November 2013	31.3	76.5	6.4	114.2	0.3	–	–	0.3
At 30 November 2012	30.2	76.2	2.4	108.8	0.2	–	–	0.2

The carrying value of freehold land not depreciated at 30 November 2014 was £4.0m (2013: £3.2m). Committed capital expenditure at 30 November 2014 totalled £11.9m (2013: £0.5m).

## 14. Investment in subsidiaries

	Company	
	2014 £m	2013 £m
Cost at 1 December and 30 November	<b>103.5</b>	103.5
Provision for impairment at 1 December	<b>(9.9)</b>	(9.9)
Increase in provision	–	–
Provision for impairment at 30 November	<b>(9.9)</b>	(9.9)
Net book value at 1 December	<b>93.6</b>	93.6
<b>Net book value at 30 November</b>	<b>93.6</b>	93.6

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 35.

## 15. Investment in joint venture

	Group	
	2014 £m	2013 £m
<b>Cost and net book value</b>		
At 1 December	4.7	5.3
Equity investment in joint venture	–	–
Share of retained loss	(1.1)	(0.6)
Exchange adjustment	–	–
At 30 November	3.6	4.7

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

	2014 £m	2013 £m
Total assets	34.0	26.2
Total liabilities	(26.8)	(16.9)
Total net assets	7.2	9.3
Group share of net assets	3.6	4.7
Total revenue	3.8	–
Total loss for the year	(2.2)	(1.2)
Group share of loss for the year	(1.1)	(0.6)

The joint venture whose results, or financial position, in the opinion of the Directors, principally affected the results shown in these accounts is shown within Note 35.

## 16. Investment in associate

	Group	
	2014 £m	2013 £m
<b>Cost and net book value</b>		
At 1 December	0.4	0.4
Share of retained profit	0.1	0.1
Dividends received	–	(0.1)
At 30 November	0.5	0.4

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

	2014 £m	2013 £m
Total assets	1.3	1.4
Total liabilities	–	(0.1)
Total net assets	1.3	1.3
Group share of net assets	0.5	0.4
Total revenue	3.4	4.0
Total profit for the year	0.3	0.4
Group share of profit for the year	0.1	0.1

The associate whose results, or financial position, in the opinion of the Directors, principally affected the results shown in these accounts is shown within Note 35.

## 17. Inventories

	Group	
	2014 £m	2013 £m
Raw materials	19.7	17.7
Work in progress	14.6	16.2
Finished goods	56.6	52.9
	90.9	86.8

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.

# Notes to the Accounts continued

## 18. Trade and other receivables

	Group	
	2014 £m	2013 £m
<b>Current</b>		
Trade receivables	65.6	66.9
Provision for impairment of receivables	(2.8)	(3.1)
Net trade receivables	62.8	63.8
Other receivables	10.0	16.1
Prepayments and accrued income	2.5	1.8
	<b>75.3</b>	<b>81.7</b>
	Company	
	2014 £m	2013 £m
<b>Non-current</b>		
Amounts owed by subsidiaries	22.7	23.9
<b>Current</b>		
Amounts owed by subsidiaries	149.8	137.9
Other receivables	0.3	0.3
Prepayments and accrued income	0.4	0.4
	<b>150.5</b>	<b>138.6</b>

Included within the Group's other receivables is £4.7m (2013: £9.1m) owed by Bonar Natpet LLC, a joint venture. 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.

### Impairment losses

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

	Group	
	2014 £m	2013 £m
Not past due	54.3	55.1
0–30 days past due	4.5	4.3
31–120 days past due	2.2	2.0
More than 120 days past due	4.6	5.5
	<b>65.6</b>	<b>66.9</b>

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

	Group	
	2014 £m	2013 £m
Balance at 1 December	(3.1)	(3.3)
Increased during the year	(0.4)	(0.7)
Released during the year	0.2	0.3
Utilised during the year	0.3	0.7
Arising on acquisition	-	(0.1)
Exchange adjustments	0.2	-
At 30 November	<b>(2.8)</b>	<b>(3.1)</b>

**18. Trade and other receivables** continued

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

	Group	
	2014 £m	2013 £m
Not past due	–	–
0–30 days past due	–	–
31–120 days past due	(0.1)	(0.1)
More than 120 days past due	(2.7)	(3.0)
At 30 November	(2.8)	(3.1)

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 2014 was £2.8m (2013: £3.1m). Management believe that this provision is adequate to cover the risk of bad debts and exposure to credit risk. At 30 November 2014, 64.7% (2013: 61.8%) of trade receivables were insured.

**19. Trade and other payables**

	Group	
	2014 £m	2013 £m
<b>Current</b>		
Trade payables	57.3	59.9
Other taxes and social security	2.2	3.4
Other payables	7.1	5.0
Accruals	15.8	14.6
	82.4	82.9
Current tax liabilities	4.8	5.4
	87.2	88.3

	Company	
	2014 £m	2013 £m
<b>Current</b>		
Amounts owed to subsidiaries	16.0	13.5
Other taxes and social security	0.1	0.1
Other payables	4.0	1.2
Accruals	1.0	1.1
	21.1	15.9
Current tax liabilities	–	1.7
	21.1	17.6

Included within the Group's and Company's other payables is £3.1m (2013: £nil) owed to National Petrochemical Industrial Company (Natpet), the Group's joint venture partner in Bonar Natpet LLC.

**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 2014.

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 function.

# Notes to the Accounts continued

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

### Fair value of financial assets and liabilities

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

	Group				Company			
	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value
	2014	2014	2013	2013	2014	2014	2013	2013
£m	£m	£m	£m	£m	£m	£m	£m	
Cash at bank and in hand	25.8	25.8	17.9	17.9	3.6	3.6	–	–
Trade and other receivables	72.8	72.8	79.9	79.9	172.8	172.8	162.1	162.1
Trade and other payables	(89.2)	(89.2)	(90.2)	(90.2)	(21.1)	(21.1)	(17.6)	(17.6)
Derivative liabilities	–	–	(0.1)	(0.1)	–	–	–	–
Bank overdrafts	–	–	–	–	(8.0)	(8.0)	(4.6)	(4.6)
Preference shares	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Prepaid arrangement fees	1.5	1.5	0.6	0.6	1.5	1.5	0.6	0.6
Floating rate borrowings	(78.9)	(78.9)	(67.5)	(67.5)	(63.3)	(63.3)	(51.3)	(51.3)
Fixed rate borrowings	(36.7)	(36.0)	(39.1)	(37.4)	(36.7)	(36.0)	(39.1)	(37.4)
	<b>(105.1)</b>	<b>(104.4)</b>	(98.9)	(97.2)	<b>48.4</b>	<b>49.1</b>	49.7	51.4

### 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 as 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.

#### 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

Negotiations to refinance the €130m unsecured multi-currency revolving credit facility, which expired in February 2015, were completed in the year. The Group's committed borrowing facilities at 30 November 2014 totalled €210.0m (£167.2m) (2013: €175.0m (£145.5m)), comprising:

- a €165m unsecured multi-currency revolving credit facility with a syndicate of four of its key relationship banks, committed until July 2019, which bears interest at between 1.00% to 2.00% 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.



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

The Group's capital structure is as follows:

	Group	
	2014 £m	2013 £m
Net debt	<b>88.0</b>	86.8
Total equity	<b>190.5</b>	193.1
	<b>278.5</b>	279.9

**Analysis of cash and cash equivalents**

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Sterling	<b>(0.8)</b>	(0.4)	–	–
Euro	<b>10.3</b>	7.3	–	–
US Dollar	<b>6.1</b>	5.5	–	–
Other	<b>10.2</b>	5.5	<b>3.6</b>	–
	<b>25.8</b>	17.9	<b>3.6</b>	–

**Analysis of interest-bearing borrowings**

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
<b>Borrowings falling due within one year or on demand</b>				
Bank loans and overdrafts	–	–	<b>8.0</b>	4.6
	–	–	<b>8.0</b>	4.6
<b>Borrowings falling due after more than one year</b>				
Bank loans and overdrafts	<b>77.6</b>	67.2	<b>62.0</b>	51.0
5.9% €45m Senior Note due 2016	<b>35.8</b>	37.1	<b>35.8</b>	37.1
Other borrowings				
– Preference shares	<b>0.4</b>	0.4	<b>0.4</b>	0.4
	<b>113.8</b>	104.7	<b>98.2</b>	88.5

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:

	Group 2014						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multi-currency revolving facility							
– Sterling	2.1	(27.0)	(29.7)	(0.6)	(0.6)	(28.5)	–
– Euro	2.2	(41.7)	(46.0)	(0.9)	(0.9)	(44.2)	–
– US Dollar	2.1	(10.2)	(11.2)	(0.2)	(0.2)	(10.8)	–
5.9% €45m Senior Note due 2016	5.9	(36.0)	(39.9)	(2.1)	(37.8)	–	–
Bank overdrafts							
– Sterling		–	–	–	–	–	–
– Euro		–	–	–	–	–	–
– Other		–	–	–	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.5	–	–	–	–	–
		<b>(113.8)</b>	<b>(127.2)</b>	<b>(3.8)</b>	<b>(39.5)</b>	<b>(83.5)</b>	<b>(0.4)</b>
Trade and other payables		<b>(89.2)</b>	<b>(89.2)</b>	<b>(87.2)</b>	<b>(2.0)</b>	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		–	–	–	–	–	–
		<b>(203.0)</b>	<b>(216.4)</b>	<b>(91.0)</b>	<b>(41.5)</b>	<b>(83.5)</b>	<b>(0.4)</b>

# Notes to the Accounts continued

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

### Analysis of interest-bearing borrowings continued

	Group 2013						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multi-currency revolving facility							
– Sterling	2.5	(17.0)	(17.5)	(0.4)	(17.1)	–	–
– Euro	2.2	(40.7)	(41.8)	(0.9)	(40.9)	–	–
– US Dollar	2.2	(9.8)	(10.1)	(0.2)	(9.9)	–	–
5.9% €45m Senior Note due 2016	5.9	(37.4)	(43.6)	(2.2)	(2.2)	(39.2)	–
Bank overdrafts							
– Sterling		–	–	–	–	–	–
– Euro		–	–	–	–	–	–
– Other		–	–	–	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.6	–	–	–	–	–
		(104.7)	(113.4)	(3.7)	(70.1)	(39.2)	(0.4)
Trade and other payables		(90.2)	(90.2)	(88.3)	(1.9)	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		(0.1)	(0.1)	(0.1)	–	–	–
		(195.0)	(203.7)	(92.1)	(72.0)	(39.2)	(0.4)

	Company 2014						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multi-currency revolving facility							
– Sterling	2.1	(27.0)	(29.7)	(0.6)	(0.6)	(28.5)	–
– Euro	2.2	(26.1)	(28.9)	(0.6)	(0.6)	(27.7)	–
– US Dollar	2.1	(10.2)	(11.2)	(0.2)	(0.2)	(10.8)	–
5.9% €45m Senior Note due 2016	5.9	(36.0)	(39.9)	(2.1)	(37.8)	–	–
Bank overdrafts							
– Sterling	2.1	(1.7)	(1.7)	(1.7)	–	–	–
– Euro	1.3	(5.7)	(5.7)	(5.7)	–	–	–
– Other	1.7	(0.6)	(0.6)	(0.6)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.5	–	–	–	–	–
		(106.2)	(118.1)	(11.5)	(39.2)	(67.0)	(0.4)
Trade and other payables		(21.1)	(21.1)	(21.1)	–	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		–	–	–	–	–	–
		(127.3)	(139.2)	(32.6)	(39.2)	(67.0)	(0.4)

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

### Analysis of interest-bearing borrowings continued

Company 2013

	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multi-currency revolving facility							
– Sterling	2.5	(17.0)	(17.5)	(0.4)	(17.1)	–	–
– Euro	2.2	(24.5)	(25.1)	(0.5)	(24.6)	–	–
– US Dollar	2.2	(9.8)	(10.1)	(0.2)	(9.9)	–	–
5.9% €45m Senior Note due 2016	5.9	(37.4)	(43.6)	(2.2)	(2.2)	(39.2)	–
Bank overdrafts							
– Sterling	3.0	(0.6)	(0.6)	(0.6)	–	–	–
– Euro	1.3	(3.7)	(3.7)	(3.7)	–	–	–
– Other	1.6	(0.3)	(0.3)	(0.3)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.6	–	–	–	–	–
		(93.1)	(101.3)	(7.9)	(53.8)	(39.2)	(0.4)
Trade and other payables		(17.6)	(17.6)	(17.6)	–	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		–	–	–	–	–	–
		(110.7)	(118.9)	(25.5)	(53.8)	(39.2)	(0.4)

At 30 November 2014 the Group's committed borrowing facilities comprised a multi-currency revolving credit facility of €165m, expiring in July 2019, 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, the Middle East and China. The Group has elected to use its direct currency borrowings under the senior note private placement and its €165m multi-currency revolving facility as hedges against movements in the Sterling value of its Euro and US Dollar investments and mitigate the risk associated with fluctuations in foreign currency rates. The Group recognised an amount of £Nil in the income statement as a result of ineffectiveness arising from those hedges of net investments in foreign operations. Profit before tax, amortisation and non-recurring items for the year ended 30 November 2013 retranslated using 2014 average exchange rates would have been £1.8m 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 may be 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 2014					
	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	4.3	–	–	–	–	–

	Carrying and fair value amount 2013					
	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	3.3	–	–	–	–	(0.1)

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the year to 30 November 2014, an amount of £nil (2013: £nil) was recognised due to hedge ineffectiveness. The amount recognised in equity in the year in respect of hedges was £nil (2013: loss of £0.1m).

# Notes to the Accounts continued

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

### 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:

	2014		2013	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Sterling/Euro	–	–	1.1	1.17
Euro/US Dollar	–	–	0.1	1.38
Euro/Saudi Riyal	25.4	4.70	–	–
Euro/Hungarian Forint	–	–	814.0	296.1

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

	2014		2013	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Euro/Saudi Riyal	25.4	4.70	–	–

The following significant exchange rates applied during the year:

	Average rate 2014	Average rate 2013	Year end rate 2014	Year end rate 2013
Sterling/Euro	1.24	1.18	1.26	1.20
Sterling/US Dollar	1.66	1.56	1.57	1.64
Sterling/Czech Crown	34.03	30.52	34.72	32.94
Sterling/Hungarian Forint	380.88	350.83	384.83	362.54
Sterling/Chinese Yuan	10.19	9.61	9.62	9.98

### Sensitivity analysis

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

	2014		2013	
	Profit £m	Equity £m	Profit £m	Equity £m
US Dollar	(0.6)	(1.5)	(0.6)	(1.3)
Euro	(0.5)	(7.3)	(0.5)	(6.7)
Czech Crown	(0.4)	(1.1)	(0.4)	(0.9)
Chinese Yuan	(0.1)	(2.1)	(0.1)	(1.4)

A 10% weakening of Sterling against the above currencies as at 30 November 2014 and 2013 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.

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

### Exposure to credit risk

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

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Financial assets at fair value through profit and loss	–	–	–	–
Trade and other receivables	72.8	79.9	172.8	162.1
Cash and cash equivalents	25.8	17.9	3.6	–
	<b>98.6</b>	<b>97.8</b>	<b>176.4</b>	<b>162.1</b>

### 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 2014 and 2013 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 multi-currency 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 1.00% and 2.00%, and cash deposits and bank overdrafts which bear interest at market rates.

### Profile

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

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
<b>Fixed rate</b>				
Net debt	(36.2)	(37.5)	(36.2)	(37.5)
Financial instruments	–	–	–	–
Total fixed rate	<b>(36.2)</b>	<b>(37.5)</b>	<b>(36.2)</b>	<b>(37.5)</b>
<b>Floating rate</b>				
Net debt	(51.8)	(49.3)	(66.4)	(55.6)
Financial instruments	–	(0.1)	–	–
Total floating rate	<b>(51.8)</b>	<b>(49.4)</b>	<b>(66.4)</b>	<b>(55.6)</b>
Total interest-bearing net debt and financial instruments	<b>(88.0)</b>	<b>(86.9)</b>	<b>(102.6)</b>	<b>(93.1)</b>

The Group and Company's interest-bearing net debt and financial instruments do not include amounts owed or owing to joint ventures or joint venture partners.

### Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased equity by £0.6m (2013: £0.6m). The impact on the profit or loss for the period would have been to increase or decrease profit by £0.8m (2013: £0.8m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## 21. Deferred taxation

### Group

Recognised deferred tax assets and liabilities:

	2014			2013		
	Assets £m	Liabilities £m	Net assets/ (liabilities) £m	Assets £m	Liabilities £m	Net assets/ (liabilities) £m
Intangible assets	–	(6.1)	(6.1)	–	(7.7)	(7.7)
Retirement benefit liabilities	2.3	–	2.3	1.5	–	1.5
Accelerated tax depreciation	–	(13.2)	(13.2)	–	(13.7)	(13.7)
Other	2.1	(1.5)	0.6	1.6	(1.8)	(0.2)
Tax assets/(liabilities)	<b>4.4</b>	<b>(20.8)</b>	<b>(16.4)</b>	<b>3.1</b>	<b>(23.2)</b>	<b>(20.1)</b>

# Notes to the Accounts continued

## 21. Deferred taxation continued

### Group continued

Unrecognised deferred tax assets:

	2014 £m	2013 £m
Tax losses	29.0	27.9
Retirement benefit liabilities	–	0.8
Employee share schemes	1.4	0.6
Accelerated tax depreciation	0.9	0.9
	<b>31.3</b>	<b>30.2</b>

Tax losses include an amount of £7.6m (2013: £7.6m) in respect of capital losses. The tax losses have no expiry date.

Movement in deferred tax during the year ended 30 November 2014:

	Balance 1 Dec 2013 £m	Recognised in Other Comprehensive Income £m	Recognised in income £m	Exchange adjustments £m	Balance 30 Nov 2014 £m
Intangible assets	(7.7)	–	1.3	0.3	(6.1)
Retirement benefit liabilities	1.5	0.8	–	–	2.3
Accelerated tax depreciation	(13.7)	–	0.4	0.1	(13.2)
Other	(0.2)	–	0.6	0.2	0.6
	<b>(20.1)</b>	<b>0.8</b>	<b>2.3</b>	<b>0.6</b>	<b>(16.4)</b>

Movement in deferred tax during the year ended 30 November 2013:

	Balance 1 Dec 2012 £m	Recognised in Other Comprehensive Income £m	Recognised in income £m	Arising on acquisitions (Note 24) £m	Exchange adjustments £m	Balance 30 Nov 2013 £m
Intangible assets	(8.8)	–	1.4	(0.1)	(0.2)	(7.7)
Retirement benefit liabilities (restated – Accounting policy (A))	1.7	(0.4)	0.2	–	–	1.5
Accelerated tax depreciation	(14.0)	–	0.4	–	(0.1)	(13.7)
Other	0.9	–	(0.4)	(0.7)	–	(0.2)
	<b>(20.2)</b>	<b>(0.4)</b>	<b>1.6</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>(20.1)</b>

The Group has recognised deferred tax assets of £4.4m (2013: £3.1m) 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 not recognised deferred tax assets or liabilities as the Directors believe that it is not probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

Unrecognised deferred tax assets:

	2014 £m	2013 £m
Tax losses	16.3	16.1
Retirement benefit liabilities	–	0.8
Employee share schemes	1.4	0.6
	<b>17.7</b>	<b>17.5</b>

Tax losses include an amount of £5.2m (2013: £5.2m) in respect of capital losses. The tax losses have no expiry date.



## 22. Provisions

	Restructuring £m
<b>Current</b>	
At 30 November 2012	0.1
Utilised in the year	(0.1)
Exchange difference	–
At 30 November 2013	–
<b>Created in the year</b>	<b>0.5</b>
<b>Utilised in the year</b>	–
<b>Exchange difference</b>	–
<b>At 30 November 2014</b>	<b>0.5</b>

## 23. Other payables

	Group	
	2014 £m	2013 £m
<b>Non-current</b>		
Other payables	2.0	1.9
	Company	
	2014 £m	2013 £m
<b>Non-current</b>		
Amounts owed to subsidiaries	–	–

## 24. Purchase of non-controlling interest

On 11 May 2014, the Group purchased the non-controlling interest in Bonar Emirates Technical Yarns Industries LLC for a cash consideration of \$2m (£1.2m). As this was a transaction with minority equity owners of the business without a change of control, it has been recognised as an equity transaction in the Group's reserves and not as a business combination or investment. Directly attributable costs of £0.2m have been recorded in equity.

As a result of the purchase of this non-controlling interest, the financial statements show no non-controlling interest in the Consolidated Balance Sheet at 30 November 2014 in relation to Bonar Emirates Technical Yarns Industries LLC and record a non-controlling share of profits only up to 11 May 2014, being £0.0m.

## 25. Share capital

	Group and Company 2014		Group and Company 2013	
	Ordinary Shares £m	Deferred Shares £m	Ordinary Shares £m	Deferred Shares £m
<b>Allotted, called up and fully paid</b>				
At 1 December				
326,293,606 (2013: 290,914,798) Ordinary Shares at 5 pence each	16.3	–	14.6	–
154,571,152 Deferred Shares at 20 pence each	–	30.9	–	30.9
1,520,135 Ordinary Shares (2013: 5,752,808) issued under share option plans and long-term incentive plan	0.1	–	0.2	–
Nil Ordinary Shares (2013: 29,626,000) issued in placing	–	–	1.5	–
<b>At 30 November</b>				
327,813,741 (2013: 326,293,606) Ordinary Shares of 5 pence each	16.4	–	16.3	–
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.

# Notes to the Accounts continued

## 25. Share capital continued

### Shares issued during the year

During the year ended 30 November 2014, 357,871 shares (2013: 1,028,822 shares) were issued to employees who exercised share options. 1,162,264 shares were issued pursuant to awards made under the LTIPs granted in 2010 and 2011 (2013: 4,723,986). In the prior year, 29,626,000 shares were issued as part of the share placing which took place in September 2013.

### Preference Shares

	Group and Company	
	2014 £m	2013 £m
Allotted, called up and fully paid		
100,000 (2013: 100,000) 6% first cumulative preference stock of £1.00 each	0.1	0.1
100,000 (2013: 100,000) 6% second cumulative preference stock of £1.00 each	0.1	0.1
200,000 (2013: 200,000) 5.5% third cumulative preference stock of £1.00 each	0.2	0.2
	<b>0.4</b>	<b>0.4</b>

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 49 to 65. Employees are also invited to participate in the Low & Bonar Sharesave schemes.

### Share options

Under the provisions of the employee share option schemes there were options for a total of 3.9 million Ordinary Shares outstanding at 30 November 2014 (2013: 3.5 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 1.2 million (2013: 1.1 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				
				1 Dec 2013	Granted	Exercised	Forfeited	30 Nov 2014
<b>Share options</b>								
2004	29.30	91.45	2007 to 2014	53,322	–	–	(53,322)	–
2006	27.23	108.18	2009 to 2016	442,126	–	–	–	<b>442,126</b>
2007	31.41	101.95	2012 to 2013	–	–	–	–	–
2008	19.98	75.73	2013 to 2014	4,297	–	(4,297)	–	–
2008	18.31	75.73	2013 to 2014	11,858	–	(2,710)	(9,148)	–
2009	14.08	32.18	2012 to 2015	110,171	–	(110,171)	–	–
2009	14.07	32.18	2012 to 2015	216,695	–	(75,509)	–	<b>141,186</b>
2010	13.50	26.00	2013 to 2015	160,282	–	–	–	<b>160,282</b>
2010	13.50	26.00	2013 to 2015	409,492	–	–	–	<b>409,492</b>
2011	22.17	42.80	2014 to 2016	116,088	–	(77,166)	–	<b>38,922</b>
2011	22.16	42.80	2014 to 2016	119,610	–	(82,491)	(431)	<b>36,688</b>
2012	19.61	51.20	2015 to 2017	86,594	–	–	(25,077)	<b>61,517</b>
2012	19.31	51.20	2015 to 2017	143,897	–	–	(8,750)	<b>135,147</b>
2013	18.55	58.80	2016 to 2018	322,262	–	(5,527)	(34,265)	<b>282,470</b>
2013	20.29	58.80	2016 to 2018	730,540	–	–	(62,760)	<b>667,780</b>
2014	22.37	68.80	2017 to 2019	–	482,191	–	(80,700)	<b>401,491</b>
2014	21.89	68.80	2017 to 2019	–	790,308	–	(21,875)	<b>768,433</b>
<b>Phantom share options</b>								
2004	1.95	91.45	2007 to 2014	267,677	–	–	(267,677)	–
2006	2.93	108.18	2009 to 2016	336,836	–	–	–	<b>336,836</b>
<b>Total</b>				<b>3,531,747</b>	<b>1,272,499</b>	<b>(357,871)</b>	<b>(564,005)</b>	<b>3,882,370</b>

The weighted-average exercise price of share options outstanding at 30 November 2014 was 66.15p (2013: 65.13p). The weighted average exercise prices of share options granted, exercised and forfeited in the year to 30 November 2014 were 68.80p, 39.17p and 62.57p, respectively (2013: 58.80p, 27.19p and 58.34p, respectively). 0.8 million share options were exercisable at 30 November 2014 (2013: 1.1 million).

The fair values of share options granted in the year to 30 November 2014 ranged from 21.27p to 26.36p (2013: 17.96p to 26.26p) and were derived using the Black-Scholes model. The assumed future volatility ranged from 36% to 42% (2013: 40% to 55%), the dividend yield was 3.7% (2013: 3.7%), the expected term ranged from 3.3 years to 5.3 years (2013: 3.4 years to 5.4 years) and the risk-free rate ranged from 1.3% to 1.8% (2013: 0.4% to 1.0%).

**25. Share capital** continued**Share options** continued

The fair values of the phantom share options were recalculated based on data at 30 November 2014 using the Stochastic model. The assumed future volatility ranged from 41% to 42% (2013: 41% to 42%) the dividend yield was 3.7% (2013: 3.7%), the expected term ranged from 1.6 years to 3.4 years (2013: 1.6 years to 3.4 years) and the risk-free rate ranged from 0.3% to 0.4% (2013: 0.3% to 0.4%).

The average share price in the year ended 30 November 2014 was 76.45p (2013: 67.86p).

**Long-term incentive plan awards**

Under the provisions of the long-term incentive plans there were awards for a total of 7.5 million Ordinary Shares outstanding at 30 November 2014 (2013: 8.9 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 2.1 million (2013: 2.5 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 2014
				1 Dec 2013	Awarded	Exercised	Forfeited	
2009	28.33	35.25	2009 to 2012	–	–	–	–	–
2009	30.48	35.00	2009 to 2012	–	–	–	–	–
2010	25.19	33.00	2010 to 2013	265,000	–	(265,000)	–	–
2010	36.87	45.00	2010 to 2013	–	–	–	–	–
2011	41.11	53.50	2011 to 2014	2,845,028	–	(897,264)	(1,624,511)	<b>323,253</b>
2012	45.40	61.00	2012 to 2015	3,030,194	–	–	(281,564)	<b>2,748,630</b>
2012	45.02	62.00	2012 to 2015	229,839	–	–	–	<b>229,839</b>
2013	53.07	70.50	2013 to 2016	2,549,496	–	–	(536,466)	<b>2,013,030</b>
2014	75.48	89.75	2014 to 2017	–	1,798,039	–	(199,115)	<b>1,598,924</b>
2014	66.05	82.00	2014 to 2017	–	542,168	–	–	<b>542,168</b>
<b>Total</b>	<b>55.23</b>	<b>65.02</b>		8,919,557	2,340,207	(1,162,264)	(2,641,656)	<b>7,455,844</b>

323,253 instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2014 (no instruments at 30 November 2013). The fair values of awards made in the year to 30 November 2014 ranged from 50.10p to 89.75p (2013: 43.04p to 63.09p) and were derived using the Black-Scholes or Stochastic models. The assumed future volatility ranged from 29.6% to 36.9% (2013: 39%) the dividend yield was 0% (2013: 3.7%), the expected term was 3 years (2013: 3 years) and the risk-free rate ranged from 0.97% to 1.04% (2013: 0.3%).

The total amount charged to the Consolidated Income Statement in respect of share-based payments was £0.6m (2013: £0.6m). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2014 or 30 November 2013.

**26. Share premium account**

	Group and Company	
	2014 £m	2013 £m
At 1 December	<b>73.9</b>	55.5
Premium on Ordinary Shares issued during the year	<b>0.1</b>	18.4
<b>At 30 November</b>	<b>74.0</b>	73.9

**27. Translation reserve**

	Group	
	2014 £m	2013 £m
At 1 December	<b>(36.9)</b>	(37.0)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	<b>(6.1)</b>	0.1
<b>At 30 November</b>	<b>(43.0)</b>	(36.9)

**28. Non-controlling interest**

	Group	
	2014 £m	2013 £m
At 1 December	<b>6.4</b>	6.0
Share of profit after taxation	<b>0.3</b>	0.5
Acquisition of non-controlling interest	<b>(0.6)</b>	–
Exchange adjustment	<b>0.3</b>	(0.1)
<b>At 30 November</b>	<b>6.4</b>	6.4

# Notes to the Accounts continued

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

	Group	
	2014 £m	2013 £m
<b>For the year ended 30 November</b>		
Net increase/(decrease) in cash and cash equivalents	8.6	(9.9)
Net cash flow from movements in debt financing	(12.6)	8.5
Amortisation of bank arrangement fees	(0.6)	(0.5)
Finance lease capital repayments	-	-
Foreign exchange differences	3.4	(2.3)
Movement in net debt in the year	(1.2)	(4.2)
Net debt at 1 December	(86.8)	(82.6)
<b>Net debt at 30 November</b>	<b>(88.0)</b>	<b>(86.8)</b>

	Company	
	2014 £m	2013 £m
<b>For the year ended 30 November</b>		
Net increase/(decrease) in cash and cash equivalents	3.3	(3.8)
Net cash flow from movements in debt financing	(12.6)	17.5
Amortisation of bank arrangement fees	(0.6)	(0.5)
Foreign exchange differences	0.4	0.2
Movement in net debt in the year	(9.5)	13.4
Net debt at 1 December	(93.1)	(106.5)
<b>Net debt at 30 November</b>	<b>(102.6)</b>	<b>(93.1)</b>

## 30. Discontinued operations

The profit from discontinued operations arose from the release of a warranty accrual held in relation to the Floors business which was sold in 2008. This release has occurred because the time period for which the warranty accrual was valid has now expired.

	Group	
	2014 £m	2013 £m
Profit on disposal of discontinued operations	0.9	-
Attributable tax expense	-	-
<b>At 30 November</b>	<b>0.9</b>	<b>-</b>

## 31. Operating lease commitments

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

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
<b>Plant and equipment</b>				
Lease payments within one year	1.3	1.1	-	-
Lease payments between one and two years	0.9	0.8	-	-
Lease payments between two and five years	0.8	0.5	-	-
Lease payments beyond five years	-	0.1	-	-
	<b>3.0</b>	<b>2.5</b>	<b>-</b>	<b>-</b>
<b>Property</b>				
Lease payments within one year	5.4	3.9	0.1	0.1
Lease payments between one and two years	4.2	3.7	-	-
Lease payments between two and five years	10.3	9.4	-	-
Lease payments beyond five years	15.0	5.4	-	-
	<b>34.9</b>	<b>22.4</b>	<b>0.1</b>	<b>0.1</b>

### 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 2014, an accrual of £nil (2013: £nil) remains in the Group's balance sheet for the ongoing remediation costs as the Directors now believe that all costs have been incurred.

In addition, the Company from time to time guarantees certain obligations of its subsidiaries arising in the normal course of trade. At 30 November 2014, £1.0m of guarantees were outstanding (2013: £0.4m).

### 33. Related party transactions

At 30 November 2014, the Group was owed £4.7m (2013: £9.1m) by Bonar Natpet LLC, a joint venture and both the Group and Company owed £3.1m (2013: £Nil) to National Petrochemical Industrial Company (Natpet), the Group's joint venture partner in Bonar Natpet LLC.

At 30 November 2014, the Group was owed £0.3m (2013: £0.3m) by the Low & Bonar Group Retirement Benefit Scheme.

The Company provides debt finance to various operating subsidiaries. A total of £172.5m was outstanding at 30 November 2014 (2013: £161.8m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2014, the total amount payable to subsidiaries was £16.0m (2013: £13.5m). The Company received income in respect of management services provided to its subsidiaries totalling £3.9m (2013: £4.0m). The Company received interest income from related parties totalling £5.9m (2013: £6.5m) and accrued interest payable to related parties of £0.1m (2013: £0.1m). The Company received dividend income from its subsidiaries of £10.0m (2013: £3.4m).

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

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

	2014 £m	2013 £m
Short-term benefits	2.0	1.7
Post-employment benefits	0.3	0.3
Share-based payments	0.5	1.9
Termination benefits	0.2	–
	<b>3.0</b>	<b>3.9</b>

Key personnel comprise three Executive Directors (2013: two), four Business Unit Managing Directors (2013: three) who are directly responsible for the Group's operating companies and one Director of Marketing and Strategy (2013: one).

The aggregate amount of Directors' remuneration was £1.1m (2013: £0.9m) and the aggregate gain made by the Directors on the exercise of share options was £0.4m (2013: £1.7m). The cash paid into defined contribution schemes was £0.2m (2013: £0.1m) and three Directors were members of defined contribution schemes (2013: two). 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 49 to 65.

In the prior year, as part of the share placing, the Company agreed to place 7,025,000 new ordinary shares with direct and indirect subsidiaries of Cazenove Capital Management and 3,000,000 new ordinary shares with direct and indirect subsidiaries of Axa Framlington Investment Managers, each a substantial shareholder of the Company and a related party of the Company for the purposes of the Listing Rules.

### 34. Prior year acquisition

On 6 September 2013, the Group acquired Bonar Geosynthetics a.s. (formerly Texiplast a.s), a Slovakian producer of high strength geosynthetic products serving the civil engineering market, on a cash-free debt-free basis for a cash consideration of €18.9m (£15.9m). The provisional fair value of the net assets acquired in the transaction were £10.2m with goodwill arising on acquisition of £5.7m. There have been no changes to the provisional fair value of the acquired assets and liabilities in the current year.

# Notes to the Accounts continued

## 35. Group companies

Subsidiary undertakings	Principal product areas	Country	%
<b>Bonar</b>			
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
Bonar Geosynthetics a.s.	Geotextiles	Slovakia	100.0
Low & Bonar (Shanghai) Trading Company Limited	Polymeric mats and composites	People's Republic of China	100.0
Bonar High Performance Materials (Changzhou) Co Ltd	Polymeric mats and composites	People's Republic of China	100.0
<b>Technical Coated Fabrics</b>			
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 OOO	Technical coated fabrics	Russia	100.0
Mehler Texnologies India Private Limited	Technical coated fabrics	India	100.0
Low & Bonar Brasil Têxtil E Participações Ltda	Technical coated fabrics	Brazil	100.0
<b>Yarns</b>			
Bonar Yarns & Fabrics Limited	Specialist yarns	Scotland	100.0*
Bonar Emirates Technical Yarns Industries LLC	Specialist yarns	UAE	100.0
Bonar Xirion NV	Specialist yarns	Belgium	100.0
Bonar Technical Yarns Inc	Specialist yarns	USA	100.0
Bonar Yarns BV	Specialist yarns	The Netherlands	100.0
<b>Holding companies</b>			
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
<b>Joint venture</b>			
Bonar Natpet LLC	Geotextiles	Saudi Arabia	50.0
<b>Associated undertaking</b>			
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

	2014 £m	2013 (restated – see Accounting policy (A)) £m	2012 £m	2011 £m	2010 £m
<b>Revenue</b>					
Continuing operations	410.6	403.1	380.5	388.7	344.6
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	410.6	403.1	380.5	388.7	344.6
<b>Operating profit before amortisation and non-recurring items</b>					
Continuing operations	31.7	31.4	30.5	30.6	25.8
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	31.7	31.4	30.5	30.6	25.8
<b>Operating profit</b>					
Continuing operations	23.2	23.4	12.1	30.6	12.0
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	23.2	23.4	12.1	30.6	12.0
<b>Profit before tax, amortisation and non-recurring items</b>					
Continuing operations	25.2	25.3	24.5	23.4	18.6
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	25.2	25.3	24.5	23.4	18.6
<b>Profit before tax</b>					
Continuing operations	16.7	16.7	6.1	23.4	10.2
Discontinued operations	–	–	–	2.2	–
Total (including discontinued operations)	16.7	16.7	6.1	25.6	10.2
<b>Net debt</b>	<b>(88.0)</b>	<b>(86.8)</b>	<b>(82.6)</b>	<b>(85.3)</b>	<b>(62.0)</b>
<b>Per Ordinary Share</b>					
Basic earnings per share (including discontinued operations) (pence)	3.76	3.74	0.47	7.29	2.19
Dividends declared per share (pence)	2.7	2.6	2.4	2.1	1.6

# Advisers and Financial Calendar

## Company Secretary

Matthew Joy

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Registered number: SC008349

## Advisers

### Registrar

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Leven House  
10 Lochside Place  
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Edinburgh  
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Telephone: 0870 702 0010

### Auditor

KPMG LLP

### Solicitors

Freshfields Bruckhaus Deringer LLP  
Squire Patton Boggs LLP

### Principal bankers

The Royal Bank of Scotland Plc  
Barclays Bank PLC  
HSBC  
Santander  
KBC Bank NV  
ING Bank NV  
Comerica Bank

### Corporate finance advisers

NM Rothschild & Sons Limited

### Brokers

Peel Hunt LLP

## Financial Calendar

Annual General Meeting 24 March 2015

Announcements for results for the year ending 30 November 2015  
Half year July 2015  
Full year February 2016

Final dividend payment for the year ended 30 November 2014  
Ordinary Shares 16 April 2015  
First, second and third cumulative preference stock 1 March 2015 and 1 September 2015



# Low & Bonar

Performance materials engineered  
to help build your business



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