

# Low & Bonar



# ANNUAL REPORT 2015

# 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.

## Strategic Report

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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>

**£26.6m** +5.6%

2015	26.6
2014	25.2
2013	25.3

PROFIT BEFORE TAX<sup>(1)</sup>  
CONSTANT CURRENCY<sup>(2)</sup>

**£26.6m** +12.2%

2015	26.6
2014	23.7
2013	22.3

## FINANCIAL

## GOOD PROGRESS AGAINST A CHALLENGING MARKET BACKDROP

Revenue of £395.8m (2014: £410.6m), up 2.4% on a constant currency<sup>(2)</sup> basis

Profit before tax<sup>(1)</sup> of £26.6m (2014: £25.2m), an increase of 12.2% at constant currency<sup>(2)</sup>

Operating margin<sup>(3)</sup> improved to 8.3% (2014: 7.7%), progress towards medium term objective of 10%+

## FULL YEAR DIVIDEND INCREASED

Full year dividend increased 3% to 2.78 pence per share (2014: 2.70 pence)

## OPERATIONAL

## GROUP-WIDE INITIATIVES BEGINNING TO SHOW RESULTS

Good progress made in all Global Business Units  
Civil Engineering stabilised

## CONTINUED INVESTMENT FOR GROWTH

Capital expenditure £33m (2014: £19m)

New facility in China started commercial production in December 2015, as planned

Return on capital<sup>(4)</sup> increased to 12.0%, in line with medium term objective

1 Before amortisation and non-recurring items

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

3 Operating profit as a percentage of revenue

4 Operating profit as a percentage of net assets plus net debt

## AT A GLANCE

# LEADERS IN OUR MARKETS

Our new organisational structure enables us to better understand and respond to current and emerging customer needs.

Our five Global Business Units (GBUs) are each focused on specific sectors; this approach builds greater customer intimacy, improves our responsiveness to market, transforms opportunities and addresses market challenges with innovation, by embracing new solutions.

Led by a Global Business Director, each has a focused strategy and five year plan with projected revenues and profitability. The GBUs collaborate in close partnership with Group Functions, which in turn bring value through specific expertise and knowledge; sharing best practices and supporting strategic decision-making.

## OUR NEW GROUP STRUCTURE



- Sales offices
- Manufacturing facilities

### MANUFACTURING FACILITIES

**USA**  
Asheville, NC

**UK**  
Dundee

**Belgium**  
Zele and Lokeren

**The Netherlands**  
Arnhem and Emmen

**Germany**  
Oberburg, Hückelhoven and Fulda

**Czech Republic**  
Lomnice

**Hungary**  
Tiszaújváros

**Slovakia**  
Ivanka pri Nitre

**Saudi Arabia**  
Yanbu

**UAE**  
Abu Dhabi

**China**  
Yizheng and Changzhou

## BUILDING & INDUSTRIAL

A range of technical textile solutions for niche applications in the building, roofing, air and water filtration and agricultural markets.

PERCENTAGE OF REVENUE

15.6%

See page 26

## CIVIL ENGINEERING

Woven and non-woven geotextiles and construction fibres used in major infrastructure projects, including road and rail building, land reclamation and coastal defence.

PERCENTAGE OF REVENUE

21.6%

See page 28

## COATED TECHNICAL TEXTILES

A range of technical coated fabrics providing aesthetics and design, performance and protection in products such as tensioned architectural structures, awnings, marquees, advertising banners, tarpaulins and vehicle curtain sides to the transport, building products, print, leisure and industrial markets.

PERCENTAGE OF REVENUE

30.4%

See page 30

## INTERIOR & TRANSPORTATION

Technical fabrics used in transportation, interior carpeting, resilient tiles and decorative products.

PERCENTAGE OF REVENUE

22.7%

See page 32

## SPORTS & LEISURE

A diverse and extensive range of yarns for synthetic turf for sports and landscape applications and backing yarns for a variety of carpet applications.

PERCENTAGE OF REVENUE

9.7%

See page 34

### MANUFACTURING FACILITIES

16

### SALES OFFICES

19

### COUNTRIES

20

### EMPLOYEES

2,235

## GROUP FUNCTIONS

FINANCE  
HUMAN RESOURCES  
OPERATIONS  
SALES & MARKETING  
SUPPLY CHAIN

RESEARCH, DEVELOPMENT & INNOVATION  
LEGAL

## BUSINESS MODEL

# COMPETITIVE ADVANTAGE

We seek to gain competitive advantage through superior technologies and innovation.

Our first priority is to understand and anticipate our customers' needs, so we can apply our technical know-how to provide competitive solutions.

Our manufacturing processes begin with the sourcing of widely-available polymers, including polypropylene, polyethylene, polyester and nylon, together with speciality additives and colours. Our proprietary technologies then produce a range of yarns, fabrics and coated and composite high performance materials, tailored to our customers' requirements.

### 01 NEW PRODUCT DEVELOPMENT

Gaining competitive advantage through technologies and innovation.

### 02 CUSTOMER INSIGHT

Focusing on customers to understand and anticipate their needs.

## LEADING POSITIONS IN NICHE INDUSTRIAL MARKETS

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

## STRONG CUSTOMER FOCUS

Our businesses are aligned to the global market areas we serve ensuring we put customers at the centre of everything we do.

## EXCELLENCE IN INNOVATION

We focus our innovation on delivering improved sustainability, increased functionality and greater efficiencies. Our development pipelines are populated with ideas and insight from our customers and markets. Our research and development teams focus on meeting our customers' needs with engineered products for specific applications. We dedicate a controlled amount of focused resource to identify transformational growth opportunities in new and existing markets.

## 03 APPLIED TECHNOLOGY

Our proprietary polymer formulations are processed using our broad range of proprietary technologies, which can be adapted to enable the final product to deliver the desired performance characteristics.

Our end products are speciality yarns, fabrics, coated and composite high performance materials. These components are important in determining the performance and efficiency of our customers' final product or process.

**BUILDING  
& INDUSTRIAL**

**CIVIL  
ENGINEERING**

**COATED TECHNICAL  
TEXTILES**

**INTERIOR  
& TRANSPORTATION**

**SPORTS &  
LEISURE**

## OPERATIONAL CAPABILITY AND EFFICIENCY

We operate Group-wide capability and efficiency improvement programmes.

## OPTIMISED ORGANISATIONAL STRUCTURE

The re-alignment of the Group's organisational structure in 2015 is helping us to better defend and nurture existing business, and to pursue sustainable, profitable growth. It has enhanced customer and market intimacy, resulting in faster and improved execution of commercial opportunities.

**OUR CORE  
CAPABILITIES**



## OUR STRATEGY

### 01 ACCELERATING GROWTH

We seek to accelerate our expansion through development of growth markets, increased customer intimacy and improved commercial execution.

### 02 EXCELLING IN INNOVATION

Our leading position is sustained by innovative design and manufacture of components, meeting specific customer needs.

KPI  
SALES OUTSIDE EUROPE %

**38%**

TARGET	50%
2015	38%
2014	33%
2013	33%

KPI  
PERCENTAGE OF SALES MADE  
FROM PRODUCTS LAUNCHED  
IN THE LAST THREE YEARS

**13.7%**

TARGET	16.0%
2015	13.7%
2014	16.0%
2013	15.7%

# FOUR PILLAR STRATEGY

We will defend and nurture our existing business and pursue sustainable, profitable growth. We will strive to bring differentiated added value to our customers through high performance technologies, higher-margin products based on superior customer intimacy, and efficient commercial execution.



## 03 DRIVING EFFICIENCIES AND BUILDING CAPABILITY

We strive to ensure our product offering is underpinned by functional and operational excellence.

## 04 COMPLEMENTARY ACQUISITIONS

Organic growth will be complemented with “bolt-on” acquisitions, improving our global reach and entering attractive adjacent markets.

### KPI OPERATING MARGIN<sup>(1)</sup> %

8.3%

TARGET	10.0%+
2015	8.3%
2014	7.7%
2013	7.8%

### KPI RETURN ON CAPITAL EMPLOYED<sup>(2)</sup> %

12.0%

TARGET	12.0%+
2015	12.0%
2014	11.4%
2013	11.2%


- (1) Operating profit before amortisation and non-recurring items as a percentage of revenue.
- (2) Operating profit before amortisation and non-recurring items as a percentage of net assets plus net debt. Previously based on operating capital excluding acquired goodwill and pension liabilities. Prior year comparatives have been restated to reflect this change.

## PERFORMANCE

Our key performance indicators measure how we are achieving our goals.


## RISK MANAGEMENT

We evolve to understand and mitigate the risks to achieving our strategic goals.

 See page 36

## STRATEGIC PROGRESS

Each of our strategic pillars have objectives that support progress against strategy.

 See pages 8-15



## STRATEGY IN ACTION

# ACCELERATING GROWTH

We build strong relationships with our customers and markets so we can identify how to exploit technologies that provide added value through differentiation.

We want to accelerate our expansion into markets with the opportunity to grow faster than the global average, such as China, North America, the Middle East and South America, where industrialisation, urbanisation and high infrastructure expenditure are driving growth. We also target global industries that are supported by strong, long-term growth trends.

We intend to accelerate our global expansion by focusing 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

Each GBU has a clearly articulated growth plan with clear targets, strategies and actions. A new Group Function structure has been established to support Group and GBU strategies and plans. All Group Functions have five year development plans to drive efficiency and improve capabilities, to support GBU growth plans.

### OBJECTIVES

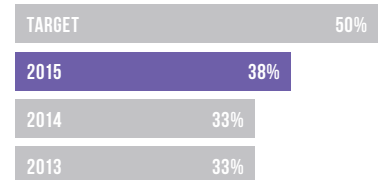
Establish ambitious five year growth plans for each GBU and for each Group Function, aligned to deliver overall Group ambition and strategy

Annual growth at least 3% higher than Eurozone GDP growth

50% of Group sales outside Europe

### SALES OUTSIDE EUROPE

# 38%



### 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



## EXPANSION IN CHINA

After receiving Board approval in March 2014, the set-up of our Changzhou manufacturing facility and sales organisation in China progressed well throughout 2015.

The construction of the manufacturing facility was carried out on time, on budget and with no lost-time injuries in over 600,000 hours worked. Commissioning and start-up were quicker than anticipated, as a result of our focus on training and education.

We selected Toyo Engineering Corp. China as our engineering partner in an EPCM contract (engineering, procurement, construction, management). Toyo took care of building and infrastructure activities, while Low & Bonar's technical experts project-managed the construction of the spinning and fleecing lines, based on proprietary technology. Local government, notably the Changzhou industrial District Authorities (CND), provided support.

Our core facility management team was recruited in early 2015. The team built up strength over the year, with Group Functions setting up organisational capability in IT, purchasing, logistics and finance. Prior to start-up, local operating and maintenance teams were trained for several months at our Arnhem and Emmen factories in the Netherlands.

A great deal of effort went into guaranteeing safety during construction. At times, well over 200 different subcontractors were working on site. Thorough briefings, daily safety tours and stringent supervision were key elements in maintaining our safe working environment.

The project ran on schedule with fleecing production starting one month ahead of schedule and our spinning start-up, originally scheduled for Q2 2016, was brought forward to January 2016. Customer qualification tests with locally-made trial materials were carried out in November 2015 in a combined project with our China sales and product management team, together with colleagues from Europe and the US sales teams, and a 100% approval rate was achieved. Commercial production started in December 2015.

## STRATEGY IN ACTION 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 improving their environmental sustainability.

### PERCENTAGE OF SALES MADE FROM PRODUCTS LAUNCHED IN THE LAST THREE YEARS

# 13.7%

TARGET	16.0%
2015	13.7%
2014	16.0%
2013	15.7%

#### Progress

Our global business and technology development strategies determine the priority of our resources to drive our innovation portfolio. Marketing and R&D functions are responsible for leading innovation. Our GBU product development roadmaps are fully aligned with GBU strategies. The newest manufacturing plants in the Kingdom of Saudi Arabia, Hungary and China feature the most up-to-date technology and know-how. Work has begun to establish a strong technology development roadmap.

#### OBJECTIVES

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Establish product development roadmaps for each GBU for existing and/or new technology platforms

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Prioritise innovation addressing sustainability, functionality or efficiency

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Increase proportion of patent-protected innovation

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#### KEY PRIORITIES

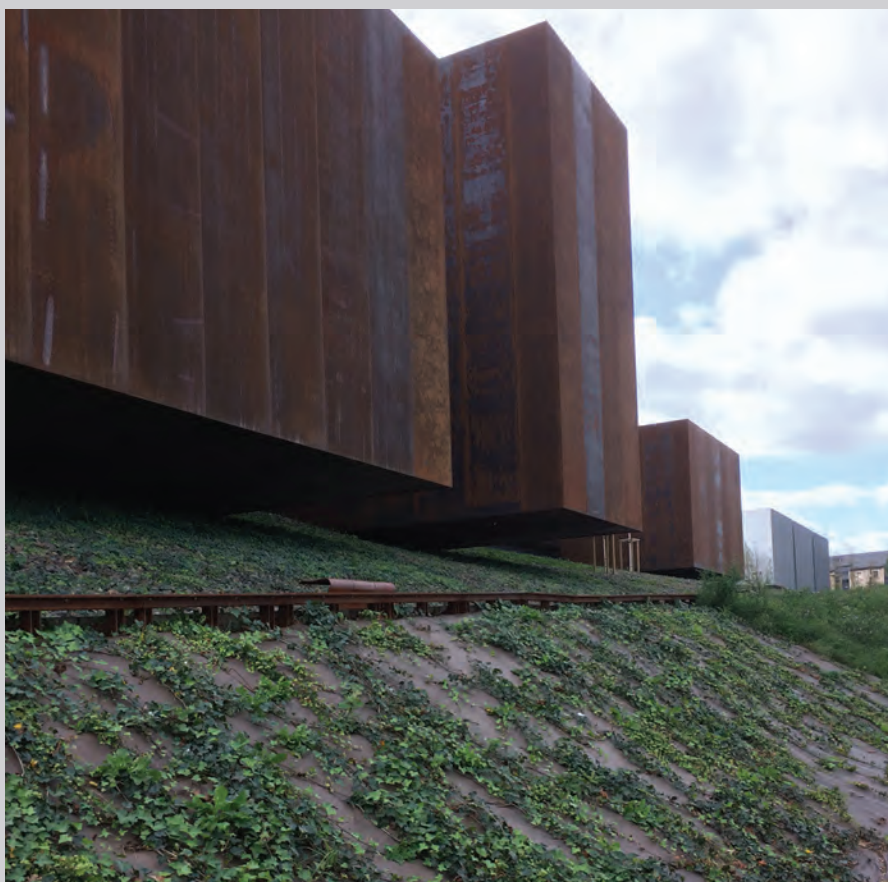
**Strengthen the quality and size of product development pipelines, with truly differentiated added value and an emphasis on profitability**

**Establish a technology development roadmap for existing platforms**

**Identify “transformational” development projects and associated unique technologies**

#### KEY AREAS

Europe  
North America  
Emerging markets



# LANDSCAPED AREAS OF THE PIERRE SOULAGES MUSEUM

## DELIVERABLES

Higher value of development pipelines

Higher quality of development pipelines: differentiated and higher potential profitability

Secure market share and customer intimacy with key accounts and build brand reputation

The Pierre Soulages Museum, commissioned by the urban community of Grand Rodez, France, opened in May 2014. Built to exhibit the works of the famous painter, Pierre Soulages, it is also used for temporary exhibitions to showcase other contemporary artists.

Key to the museum is its location, near the cathedral, in the middle of a landscaped park. The museum consists of a succession of glass and steel cubes. It is integrated in the heart of the former site of the Foirail public garden, with children's playground and pedestrian walkway designed by architect Emmanuel Nebout.

Effective landscaping was key to the project, and the community appointed BonarAgro in 2013/2014 to develop effective ground cover. The area used Duracover, a biodegradable woven ground cover fabric of vegetable origin, made of 100% PLA (corn starch). It is water-permeable and ensures effective weed control, with a useful life of more than three years.

Other Duracover ground cover benefits include its lightness (130g/m<sup>2</sup>), tensile strength and variable widths, ranging from 1m to 5m. Easy to apply, it is useful for hard-to-reach areas, such as slopes. In addition to limited shrinkage, Duracover does not ignite from a burning cigarette, so is ideal for use in public spaces.

## STRATEGY IN ACTION CONTINUED



# DRIVING EFFICIENCIES & BUILDING CAPABILITY

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

We combine productivity improvements and working capital efficiency, invest in the Group's organisational capability and leverage our expertise in manufacturing, procurement and health and safety, building the foundations of a global business.

### Progress

Operating margins improved from 7.7% to 8.3%, progressing towards our medium term objective of 10%+. Our asset efficiency ratio, return on capital employed, increased to 12.0%, in line with our medium term objective. Active management of our sales mix towards higher specification, higher margin products and segments will continue to drive improvements.

### OBJECTIVES

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Organisational capability, leadership and market / customer insight

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Operating margin of 10%+

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Return on capital employed of 12%+

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### KEY PRIORITIES

**Organisational capability and talent management**

**Technology and innovation leadership**

**Sales mix improvement**

**Targeted geographical expansion**

### KEY AREAS

**Health and safety**

**Productivity**

**Market insight**

**Sales force effectiveness**

### DELIVERABLES

**Leverage all expertise to build global business**

**Underpin speciality offering with cost and efficiency leadership**

## OPERATING MARGIN<sup>(1)</sup>

# 8.3%

TARGET	10.0%+
2015	8.3%
2014	7.7%
2013	7.8%

## RETURN ON CAPITAL EMPLOYED<sup>(2)</sup>

# 12.0%

TARGET	12.0%+
2015	12.0%
2014	11.4%
2013	11.2%

- (1) Operating profit before amortisation and non-recurring items as a percentage of revenue.
- (2) Operating profit before amortisation and non-recurring items as a percentage of net assets plus net debt. Previously based on operating capital excluding acquired goodwill and pension liabilities. Prior year comparatives have been restated to reflect this change.

## STRATEGY IN ACTION CONTINUED

# COMPLEMENTARY ACQUISITIONS

We will complement our organic growth strategies with “bolt-on” acquisitions to accelerate our global progress, or to give us access to new products in existing markets and attractive adjacent markets.

### **Bolt-on investments accelerating growth in under-developed markets**

- Creating business and technology platforms outside Europe.
- Leveraging existing technology, products and expertise to exploit opportunities.

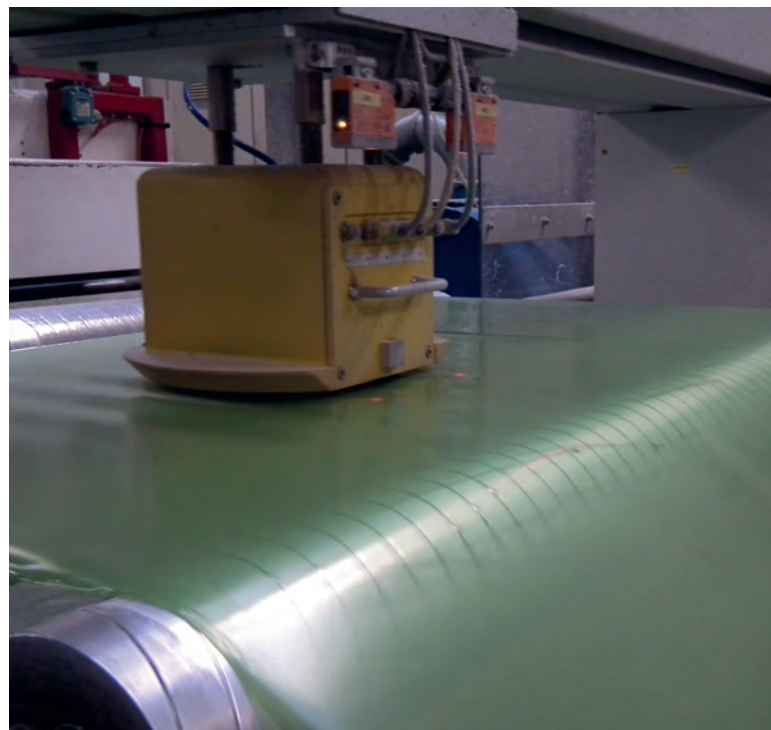
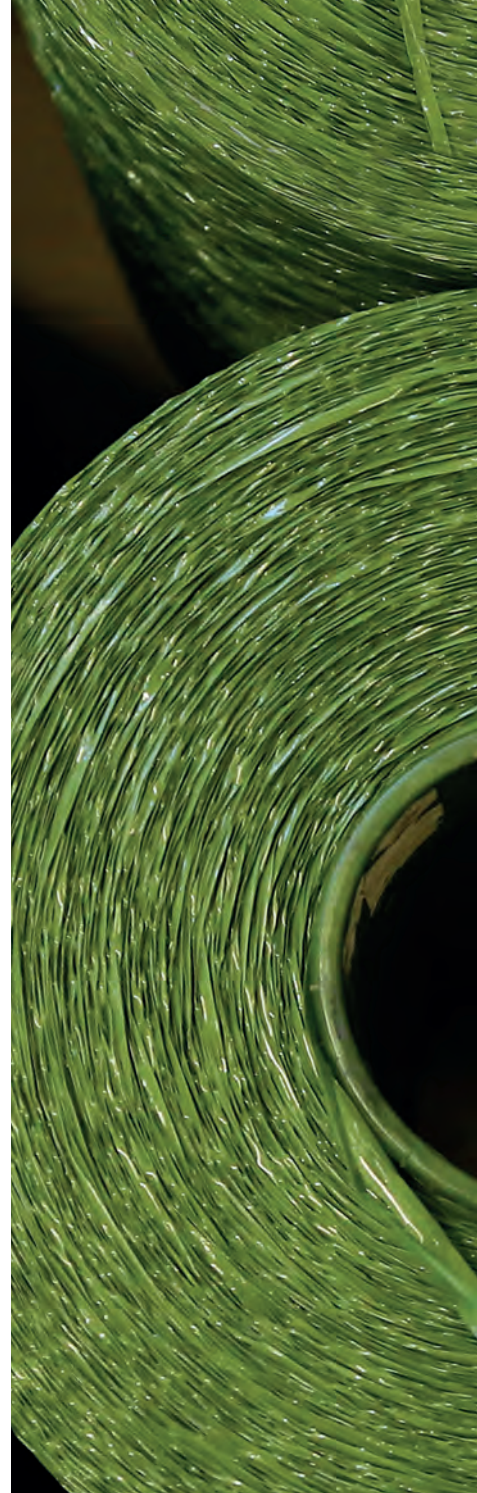
### **Accelerating growth in target segments**

- Product and technology in-fills.
- Improving innovation capability.

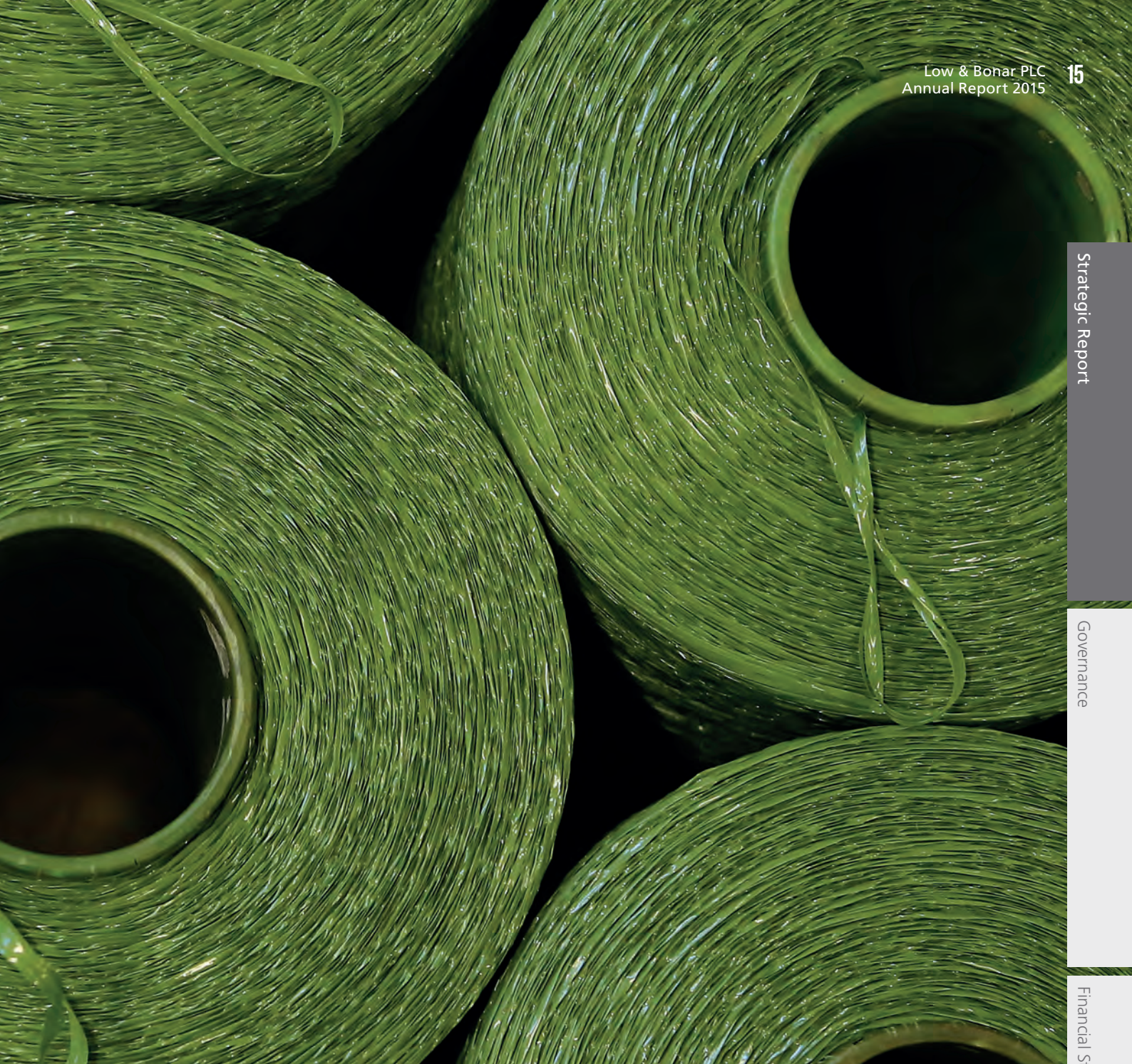
We will augment our organic growth with acquisitions, which accelerate our global expansion, and support our strategies in existing markets.

### **Progress**

The Group continues to pursue opportunities in this area.







# CHAIRMAN'S STATEMENT

I am very pleased to report that the Group has continued to progress, delivering a good performance against a challenging market backdrop.

Profit before tax, amortisation and non-recurring items from continuing operations increased by 5.6% to £26.6m (2014: £25.2m) and by 8.0% before accounting for losses in our Saudi Arabian joint venture. Operating margins improved from 7.7% to 8.3% during the year, benefiting from lower raw material costs during the first half of the year, improved sales mix in most of our businesses and strong demand in key segments. Overall demand for our products remained robust and reflects the diversity and strength of our niche market positions, products and service delivery. Sales on a constant currency basis increased by 2.4%.

The realignment in the Group's operating structure during the year, into five Global Business Units, is being embedded and tangible benefits are already evident. The Group is now much better positioned to improve routes to market, customer intimacy and commercial execution, whilst leveraging efficiencies within group-wide support functions.

The Group has continued to invest in assets to support growth. Capital expenditure totalled £33.0m (2014: £19.0m) including £13.6m (2014: £5.3m) on the new factory build in Changzhou and £5.6m (2014: £0.9m) on a new non-woven geotextile factory in Tiszaújváros, Hungary.

Despite significant weakness of the Euro, our principal functional currency, the impact of foreign exchange rate changes on profits was broadly neutral with a higher proportion of US Dollar sales this year. Earnings per share before amortisation and non-recurring items ("EPS") increased by 2.7% to 5.61 pence (2014: 5.46 pence). Statutory profit before tax from continuing operations was £12.4m (2014: £16.7m) after non-recurring charges of £10.1m (2014: £3.3m) and an amortisation charge of £4.1m (2014: £5.2m). Non-recurring charges during the year principally relate to the impairment of our investment in Bonar Natpet, our geotextile joint venture in Saudi Arabia, reflecting the significant downturn in market conditions within the region. Considerable management focus is being applied to the joint venture to minimise future loss and uncertainty.



To reflect the strength of these results and the Board's confidence in making further progress in the coming year, we are proposing an increased final dividend of 1.80 pence per share (2014: 1.75 pence). Subject to shareholders' approval at the Annual General Meeting ("AGM") on 31 March, the dividend will be paid on 14 April 2016 to members registered as of 18 March 2016. The proposed full year dividend of 2.78 pence per share (2014: 2.70 pence) is covered 2.0 times (2014: 2.0 times) by earnings before amortisation and non-recurring items.

It is my pleasure, as always, to acknowledge the skills and dedication of employees throughout Low & Bonar who have worked hard to deliver further progress for the Group.

As we look to 2016, it is expected that market conditions in Europe will remain difficult; Middle East demand will continue to be subdued and possibly worsen; however, the marked economic slowdown in China is not expected to have a substantial impact on our sales growth in the local market. Despite these continuing economic headwinds, the Board is confident of achieving further progress. The Group is focused on improving its product portfolio, margins and geographic reach.

**Martin Flower**  
Chairman  
2 February 2016

# CHIEF EXECUTIVE'S REVIEW

With a new organisation structure and executive team in place, Chief Executive Brett Simpson outlines the rationale and purpose behind the changes and how these will help deliver the Group's strategy and harness potential across the Group.

## **Q HOW DOES THE NEW ORGANISATIONAL STRUCTURE FIT IN WITH OUR VISION?**

**A** Our new organisational structure has created a cohesive, global organisation with a clear structure that unites the businesses and puts our customers firmly at the centre of everything we do.

Our vision is to drive exceptional value through our performance materials and technical expertise, contributing to a more sustainable world. We will do this by developing a global portfolio of performance materials businesses, by leveraging our existing capabilities and leadership expertise, and through a focus on our technology excellence. This is encapsulated in our strapline 'Progress through Performance' and underpinned by our new corporate brand values.

The new structure reflects our vision and is the blueprint to guide our growth and development. It is led by the Executive Leadership Team (ELT), which is responsible for strategy, direction and performance. We are organised into five Global Business Units, covering the Building & Industrial, Civil Engineering, Coated Technical Textiles, Interior & Transportation and Sports & Leisure sectors. Each manages a strong portfolio of brands and is focused on developing customer intimacy and improving commercial execution. The GBUs are supported and enabled by strong Group-wide functions, focused on improving processes, increasing efficiency and raising standards in their areas of expertise.



## Q HOW DO OUR NEW BRAND VALUES SUPPORT OUR AMBITIONS?

**A** Our values are a set of beliefs that will provide unity and focus, underpinning our new organisational structure. These Group-wide values are the outcome of detailed consultations across the business. They are closely aligned to our strategy and will drive the culture and behaviours we need to deliver it.

We believe we can...

- Be world class
- Empower and perform
- Embrace the new
- Collaborate to transform

## Q HOW DO WE INTEND TO DELIVER 'PROGRESS THROUGH PERFORMANCE'?

**A** This encompasses not only our focus on delivering high performance materials that exceed our customers' expectations but also on building a high performance organisation – investing in our global support functions to build best-in-class manufacturing and infrastructure and in our people to build a talented workforce. These are all intrinsically linked, and our new structure will ensure we harness the potential from across the Group to grow our revenues, profitability and earnings.

## Q WHAT DOES SUSTAINABILITY MEAN TO LOW & BONAR?

**A** We are focused on contributing to a more sustainable world by leading the development of smart performance materials. We are driven by the need to meet the challenges faced by our customers for more effective, durable products that save resources and improve performance by incorporating advances in technology to meet these challenges.

A handwritten signature in black ink, appearing to read 'Brett Simpson'.

**Brett Simpson**  
Group Chief Executive  
2 February 2016

## CHIEF EXECUTIVE'S REVIEW CONTINUED

# OVERVIEW OF ELT

Our Executive Leadership Team (ELT) is a unified leadership team committed to development and delivery of the Group strategy. It is a critical decision-making forum led by the Group Chief Executive and consisting of the Global Business Directors and our leaders in Finance, Operations, HR, Legal, Supply Chain and RD&I Group functions.

**01  
CLARK  
HALLADAY**

Global Business Director,  
Building & Industrial

**02  
GARETH  
KAMINSKI-COOK**

Global Business Director,  
Interior & Transportation

**03  
BRETT  
SIMPSON**

Group Chief Executive

**04  
MARC  
KRAUTH**

Global Business Director,  
Coated Technical Textiles

**05  
WAYNE  
CURRIE**

Group Director  
of Operations

01

02

03

04

05



**The responsibilities of the ELT are stewardship of:**

- Group-wide strategy, direction and financial performance
- Customer intimacy and commercial execution
- Operational excellence
- Portfolio management
- Group-wide branding and brand values
- HR management
- Capital allocation
- Influencing external perceptions
- Corporate governance

**06  
MIKE  
HOLT**

Chief Financial Officer

**07  
NEIL  
RYAN**

Global Business Director,  
Civil Engineering

**08  
FRANCIS  
BIRD**

Group Director of  
Human Resources

**09  
JAN  
VAN BOLDRIK**

Global Business Director,  
Sports & Leisure

**10  
MATTHEW  
JOY**

Group General  
Counsel



# BUSINESS REVIEW

## RESULTS OVERVIEW

	2015	2014	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£395.8m</b>	£410.6m	-3.6%	+2.4%
Operating profit <sup>(2)</sup>	<b>£32.8m</b>	£31.7m	+3.5%	+9.7%
Operating margin <sup>(3)</sup>	<b>8.3%</b>	7.7%		
Profit before tax <sup>(2)</sup>	<b>£26.6m</b>	£25.2m	+5.6%	+12.2%
Profit before taxation (statutory) <sup>(4)</sup>	<b>£12.4m</b>	£16.7m		
Basic EPS <sup>(2)</sup>	<b>5.61p</b>	5.46p	+2.7%	
Dividend per share	<b>2.78p</b>	2.70p	+3.0%	
Return on capital employed <sup>(5)</sup>	<b>12.0%</b>	11.4%		

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

(2) Before amortisation and non-recurring items.

(3) Operating profit as a percentage of revenue.

(4) After amortisation and non-recurring items.

(5) Operating profit as a percentage of net assets plus net debt.

The Group has continued to make progress this year. On a constant currency basis, sales increased by 2.4% to £395.8m and operating profits increased by 9.7% to £32.8m. Excluding the pass through of lower raw material polymer prices, which assisted the first half results, sales on a constant currency basis were 3.5% up on last year.

Sales and profits in Building & Industrial and Sports & Leisure grew strongly, aided by market share gains in Europe and strong demand in North American markets. As anticipated, sales remained subdued but stable during the first half for Civil Engineering, but were 4.6% ahead of last year's second half. Interior & Transportation performed strongly, but sales growth was constrained by available capacity for most of the year pending the start-up of the new Colback site in Changzhou, China. Coated Technical Textiles delivered a good result despite some market challenges.

Profit before tax, amortisation and non-recurring items, excluding our share of joint venture results, increased by 14.1% to £28.4m. The Group's joint venture in Saudi Arabia made a loss of £3.6m due to very low demand and surplus capacity in the region; the Group's share of this loss was £1.8m. We believe that market conditions will remain depressed for quite some time; consequently we have engaged with our partner as to how best to resolve this situation. Including these losses, the Group's profit before tax, amortisation and non-recurring items was £26.6m, an increase of 12.2% on a constant currency basis.

During the year, the Group's organisation structure was changed. The structure is now based on five Global Business Units supported by Group Operations, Purchasing and other global functions. The change was made to improve alignment with key markets, customers and opportunities, and should facilitate further efficiency gains and enable better and faster commercial execution. The cost of making the change was £0.4m in total, which is included in non-recurring items. Benefits from the change are evident but work is ongoing, particularly within Operations and Planning.

The Group has continued to make investments to accelerate growth and increase capacity. Capital expenditure totalled £33.0m (2014: £19.0m), of which £23.0m (2014: £9.2m) related to additional capacity. The main areas of investment have been a new factory building in Changzhou, China (£13.6m during 2015, £5.3m last year with a further £6.5m to complete) and a new non-woven geotextile factory in Tiszaújváros, Hungary (£5.6m this year, £0.9m last year).

Return on capital employed was 12.0%, an improvement on last year (2014: 11.4% restated). In previous years, the calculation of return was based on operating capital employed excluding acquired goodwill and pension liabilities. For the current year, the calculation of return is based on net assets and net debt, the target for which is 12%. The prior year comparator has been restated to reflect this change.





### Pre-tax profit

Profit before tax, amortisation and non-recurring items from continuing operations increased by 5.6% to £26.6m (2014: £25.2m). The impact of foreign exchange rate changes provided a drag on reported profits of £0.5m, the impact from a weaker euro largely offset by a higher proportion of US Dollar sales, principally within our Sports & Leisure business unit. Operating profits were 3.5% higher than last year at £32.8m (2014: £31.7m). Operating margins improved to 8.3% from 7.7% last year, reflecting net pricing gains, operational leverage and efficiencies offsetting further investment in organisational capability. Statutory profit before tax was £12.4m (2014: £16.7m) after a net non-recurring charge of £10.1m (2014: £3.3m) and a £4.1m charge for amortisation (2014: £5.2m).

### Non-recurring items

The Group's continuing operations incurred £10.1m (2014: £3.3m) of non-recurring charges.

The carrying value of the Group's investment in, and funding of, its Saudi Arabian joint venture, Bonar Natpet, has been reviewed. The significant fall in oil prices together with the Saudi conflict with Yemen has led to a dramatic reduction in regional spend on infrastructure projects which is not expected to recover in the foreseeable future. As a result, there is considerable over-capacity in the region. This has reduced the projected value in use and the potential recoverable value of our shareholder loan. As a result, an impairment charge of £8.2m (2014: £nil) has been booked; £3.0m relating to the carrying cost of investment (£3.5m having previously been written off due to trading losses) and £5.2m to the loan receivable.

Costs incurred in the construction and start-up of a new Colback manufacturing site in Changzhou, China, totalled £1.1m (2014: £0.2m).

Reorganisation and severance costs relating to the Group's change in organisational structure totalled £0.4m (2014: £nil). The change into five Global Business Units has, in management's view, improved the alignment to key markets, customers and opportunities, and should facilitate further efficiency gains and enable better commercial execution.

The Group also incurred £0.2m (2014: £nil) of costs relating to a medically-underwritten buy-in within its UK pension scheme; the buy-in was completed on 3 December 2015. A further £0.2m (2014: £0.3m) of non-recurring costs were incurred relating to data cleansing of the benefit scheme.

In 2014, £2.2m of restructuring and redundancy costs were incurred principally in relocating part of the artificial grass yarns business from Dundee to Abu Dhabi. A further £0.5m of costs were incurred on the site clean-up and environmental rectification work to bring the former Texiplast site up to the Group's environmental health and safety standards.

### Taxation

The overall tax charge on profit before tax was £6.2m (2014: £4.9m). The tax charge from continuing operations before amortisation and non-recurring items was £7.6m (2014: £7.0m), a rate of 26.8% (2014: 26.5%). The slight increase in effective rate relates to country mix of profits, in particular more profits derived from the USA and slightly higher UK costs.

### Acquisitions

There were no acquisitions during the year.

## BUSINESS REVIEW

### CONTINUED

#### Net debt

Overall net debt increased to £102.1m from £88.0m at November 2014, primarily due to the capital investments made during the year. Cash inflow from operations was £39.8m (2014: £38.1m excluding movements in loans to the Group's Saudi Arabian joint venture, Bonar Natpet).

Trade working capital as a percentage of sales improved from 24% last year to 23%. Work is ongoing to improve the Sales & Operations Planning processes across the Group in order to optimise production planning and inventory management.

During the year, the Group spent £33.0m (2014: £19.0m) on property, plant and equipment and £0.7m (2014: £1.2m) on intangible assets. Excluding replacement, efficiency and health and safety related capital expenditure, the amount invested in equipment to support future growth was £23.0m (2014: £16.2m). The main items related to the new factory build in Changzhou, China and a new non-woven plant in Tiszaújváros, Hungary, which amounted to £13.6m (2014: £5.3m) and £5.6m (2014: £0.9m) respectively. The analysis of the Group's net debt is as follows:

	2015 £m	2014 £m
Cash and cash equivalents	<b>33.9</b>	25.8
Total bank debt	<b>(136.0)</b>	(113.8)
<b>Net bank debt</b>	<b>(102.1)</b>	(88.0)

The gearing ratio of total net debt to EBITDA increased from 1.9 times (in 2014) to 2.2 times.

The Group's available debt facilities total €233m (2014: €210m) and comprise a five-year revolving credit facility of €165m through to July 2019, a private placement of €45m which becomes repayable in September 2016, and new loan facilities of RMB150m through to June 2020. In the coming months, the Group will seek to refinance the expiring private placement loan.

#### Return on capital employed

The return on capital employed has increased to 12.0% (2014: 11.4% restated). In previous years, the return was based on operating capital employed excluding acquired goodwill and pension liabilities. For the current year, the calculation of return is based on net assets and net debt, the target for which is 12%. The prior year comparator has been restated to reflect this change.

#### Dividends

The Directors have proposed an increased final dividend in respect of the financial year ended 30 November 2015 of 1.80 pence per share which will absorb an estimated £6.0m of shareholders' funds. This has not been provided for in these accounts because the dividend was proposed after the year end. If it is approved by shareholders at the Annual General Meeting of the Company to be held on 31 March 2016, it will be paid on 14 April 2016 to Ordinary Shareholders who are on the register of members at close of business on 18 March 2016.

### 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 19% of the scheme's assets (2014: 23%). At 30 November 2015, the UK scheme showed a surplus of £5.2m (2014: £0.2m), 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 reduced to £9.9m (2014: £11.0m).

On 3 December 2015 the Group completed a medically-underwritten buy-in of £34m of liabilities within its UK pension scheme, to eliminate interest rate, inflation and mortality risks and provide an effective liability and cash flow match.

### Joint venture

The Group's joint venture in Saudi Arabia, Bonar Natpet, made a loss during the year of £3.6m (2014: £2.2m), of which the Group's share was £1.8m (2014: £1.1m). As noted above, an impairment charge has been made for the net equity investment in the joint venture and outstanding loan receivable from Bonar Natpet.

### Restatement

During the year, the Group changed its organisational structure into five Global Business Units supported by Global Functions. The segmental analyses have been restated accordingly.



**Brett Simpson**

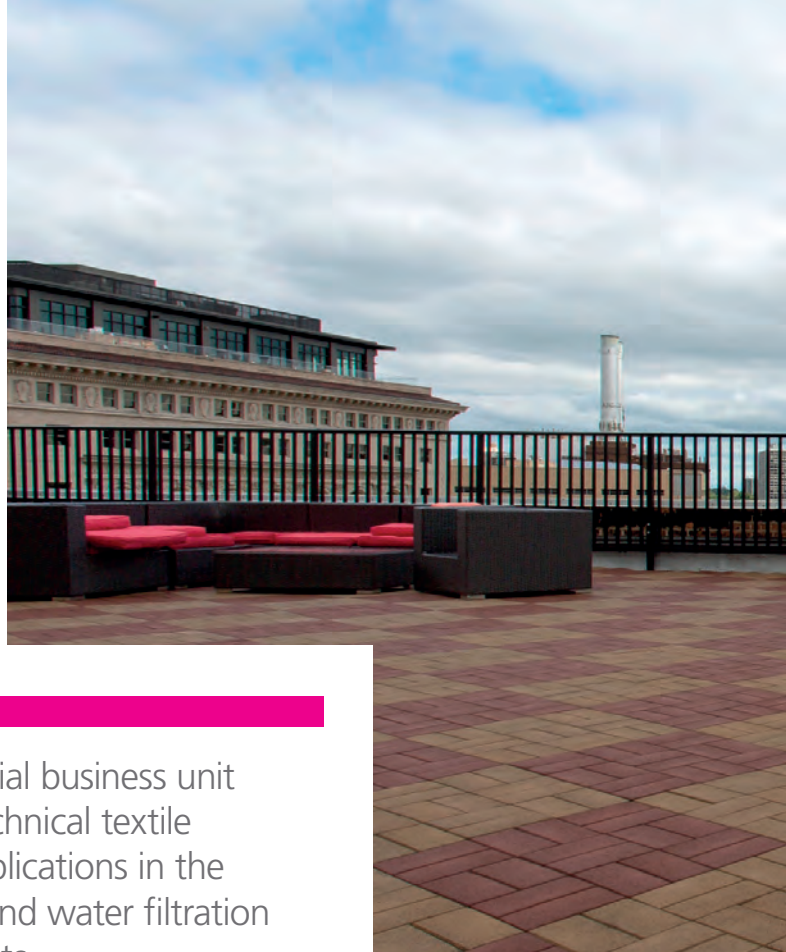
Group Chief Executive  
2 February 2016



**Mike Holt**

Chief Financial Officer  
2 February 2016

## BUSINESS REVIEW CONTINUED



# BUILDING & INDUSTRIAL

The Building & Industrial business unit supplies a range of technical textile solutions for niche applications in the building, roofing, air and water filtration and agricultural markets.

	2015	2014	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£61.7m</b>	£62.7m	-1.6%	+2.8%
Operating Profit <sup>(2)</sup>	<b>£8.4m</b>	£8.0m	+5.0%	+7.7%
Operating Margin	<b>13.6%</b>	12.8%		

(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% and operating profits by 7.7% with operating margins improving to 13.6% from 12.8% last year. Sales were up in all markets, but building product sales were particularly strong during the second half of the year with high demand for roofing products in the USA. Good progress was made on filtration product sales and also screen sales to the agricultural sector.

The business has invested in building further sales capability, mainly within the USA and China. New initiatives also include private label ventilation product sales to a major roofing manufacturer and new capacity to produce screens for the North American market. We expect further progress in 2016.

REVENUE

**£62m**

OPERATING PROFIT

**£8m**

OPERATING MARGIN

**13.6%**



**Clark Halladay**  
Global Business Director,  
Building & Industrial



## MARKET DRIVERS

Food safety and water conservation in agriculture

Demand for air and water filtration

Demand for home and automotive filtration

The original gravel and tar roof of Detroit's Opera House had remained unused since its construction in 1922. The gravel was uncomfortable to walk on and the surface was uneven, resulting in puddles when it rained. By 2015, the Detroit Opera House wanted to transform the Sky Deck, with its spectacular views of the City, into an outdoor entertainment and events venue.

First it needed a smooth, hard floor surface. Manufactured by AZEK Building Products, AZEK Pavers are made with up to 95% recycled content. Using a unique grid system, they may be installed up to three times faster than traditional pavers and are also up to one-third lighter.

AZEK Pavers and Low & Bonar's Building & Industrial business unit collaborated to combine an innovative drainage layer of Enkadrain/W 3801, with a lightweight, easy-to-install paver system that can be used in horizontal applications.

Enkadrain/W 3801 drainage mats were installed under the pavers, the 40% recycled polypropylene core sandwiched between thermal bonded white and grey layers of Colback filter fabric.

This was a successful launch project for the AZEK Pavers and Enkadrain lightweight combination. The mats lie flat and the breathable fabric allows water to pass through from top to bottom, preventing stagnant water from collecting underneath. Further uses include green roofs and any surface shape that requires flexibility.

**COLLABORATION  
INSPIRES NEW  
SKY DECK FOR  
THE DETROIT  
OPERA HOUSE**

**BUSINESS REVIEW**  
CONTINUED



**CIVIL  
ENGINEERING**

The Civil Engineering business unit supplies woven and non-woven geotextiles and construction fibres used in major infrastructure projects including road and rail building, land reclamation and coastal defence.

	2015	2014	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£85.4m</b>	£94.6m	-9.7%	-0.7%
Operating Profit <sup>(2)</sup>	<b>£3.1m</b>	£4.1m	-24.4%	-16.2%
Operating Margin	<b>3.6%</b>	4.3%		

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

(2) Before amortisation and non-recurring items.

As anticipated, demand for Civil Engineering products across Europe was stable but remained at levels well below normal. Sales volumes in the first half of the year were 3% below the first half of last year, whilst sales volumes in the second half were marginally better than the prior year. New leadership was brought into the business at the start of the summer to drive improvements in channel management and pricing, although the benefit from these initiatives will take some time to come through. Some production inefficiencies at the weaving plant in Lokeren, Belgium, provided a drag on margin, masking the improvement in underlying commercial performance. This also impacted Building & Industrial, albeit to a lesser extent. As we enter 2016, market sentiment is a little more positive than mid-year, albeit remaining cautious.

During the year, a new macro fibre plant was installed in Belgium. Despite some early teething problems the plant is now producing class-leading fibres for the construction market. The focus going forward will be to capitalise on this product advantage and improve unit product costs.

REVENUE  
**£85M**

OPERATING PROFIT  
**£3M**

OPERATING MARGIN  
**3.6%**



**Neil Ryan**  
Global Business Director,  
Civil Engineering



## MARKET DRIVERS

Urbanisation and need for more and better infrastructure

Lower carbon footprint and environmental benefits compared to traditional materials

Faster, safer construction and improved durability

Increased quality control in performance and safety

The Roy Hill Project is a 55 million tonne per annum iron ore mining, rail and port project in Western Australia, where dyke protection against flooding, erosion and scour was essential. Traditionally, this is done using rock revetment with a non-woven filter.

In 2015 Low & Bonar's Civil Engineering business unit developed a unique, economically attractive alternative with Loop Pile Fabric (LPF), delivering 94,000m<sup>2</sup> of LPF to the Roy Hill Project.

LPF combines the weight of the ballast with a filter using durable woven/looped fabric, creating a unique 'one-go' product. Installation is easy and fast, eliminating the cost of traditional materials and their transportation.

The durability and sustainability of the structure is vital. Every component used in the Roy Hill project needs a design life of 85 years under marine conditions. LPF easily delivers on this requirement, with a durability of up to 100 years.

**NOVEL APPROACH  
TO DYKE PROTECTION  
INCREASED  
DURABILITY AND  
SUSTAINABILITY**

**BUSINESS REVIEW**  
CONTINUED

**COATED  
TECHNICAL  
TEXTILES**

The Coated Technical Textiles business unit supplies a range of technical coated fabrics providing aesthetics and design, performance and protection in products such as tensioned architectural structures, awnings, marquees, advertising banners, tarpaulins and vehicle curtain sides to the transport, building products, print, leisure and industrial markets.

	2015	2014	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£120.4m</b>	£128.2m	-6.1%	+3.5%
Operating Profit <sup>(2)</sup>	<b>£12.8m</b>	£13.7m	-6.6%	+4.1%
Operating Margin	<b>10.6%</b>	10.7%		

- (1) Constant currency is calculated by retranslating comparative period results at current period exchange rates.  
(2) Before amortisation and non-recurring items.

Coated Technical Textiles delivered another good result, with operating profits up 4.1% on a constant currency basis. Margins were broadly unchanged as further cost efficiencies were offset by fewer sales of higher margin tensile architecture products due to project delays and cancellations, particularly in the Middle East, and lower sales in Russia of niche container fabrics. The trailer market remained buoyant throughout the year and further market gains were achieved.

The focus in the coming year will be to increase the proportion of higher margin product sales and extend geographic reach.



**Marc Krauth**  
Global Business Director,  
Coated Technical Textiles







Copyright Taiyo Europe

The designers of the 2015 ConExpo exhibition in Milan, Italy needed a material that would cover 85,000m<sup>2</sup> of exhibition space, providing shade and shelter from the hot summer weather.

Low & Bonar's Coated Technical Textiles (CTT) business unit provided a high-quality coated textile material to cover the two axes, in a form derived from the Roman concept of a town's grid with a decumanus east-west street and the perpendicular cardo street. These are the typical features of Roman town planning which can be seen in the grids of old Roman towns in Italy, Jerusalem and Damascus.

These technical textiles are carrier fabrics, manufactured in Group-owned weaving mills. The coatings are manufactured from several components depending on the application.

Covering the area of 13 football pitches, the huge structures at ConExpo are easy to recycle and the CTT business unit is working with NGOs about the potential to use the tents as shelters for refugees.

**RE-INVENTING THE  
PAST TO CREATE A  
SOLUTION FOR TODAY**

REVENUE

**£120m**

OPERATING PROFIT

**£13m**

OPERATING MARGIN

**10.6%**

**MARKET DRIVERS**

Demand for infrastructure and quality of life improvements in areas of economic development

Protection of food supplies in transportation

Growth in renewable energy sector

**BUSINESS REVIEW**  
CONTINUED

**INTERIOR &  
TRANSPORTATION**

The Interior & Transportation business unit supplies technical fabrics used in transportation, interior carpeting, resilient tiles and decorative products.

	2015	2014	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£90.0m</b>	£88.9m	+1.2%	+1.0%
Operating Profit <sup>(2)</sup>	<b>£13.2m</b>	£10.1m	+30.7%	+29.4%
Operating Margin	<b>14.7%</b>	11.4%		

- (1) Constant currency is calculated by retranslating comparative period results at current period exchange rates.
- (2) Before amortisation and non-recurring items.

Interior & Transportation delivered good profit growth; profits were up 29.4% on a constant currency basis. Revenues increased by 1.0% but growth was constrained by capacity being sold out pending commissioning of the new facility in Changzhou, China. Profits benefited from favourable raw material pricing during the first half of the year. Sales to China, from Europe and the USA, picked up during the latter part of the year, particularly in the carpet tile backing and flower wrap sectors. Margins advanced to 14.7% (2014: 11.4%).

During the year, Interior & Transportation has invested in developing backing products for the resilient flooring market (cushion vinyl, lino and luxury vinyl tiles) and sales prospects are encouraging. The benefits of improved innovation and additional capacity will be increasingly evident as we move through the coming year.



**Gareth Kaminski-Cook**  
Global Business Director,  
Interior & Transportation



REVENUE  
**£90M**

OPERATING PROFIT  
**£13M**

OPERATING MARGIN  
**14.7%**



### Smart technology that brings the brightest ideas to life

A luxurious carpet has been developed with close cooperation and support between Philips Lighting, carpet manufacturer Desso and Colback® fabric, from Low & Bonar's Interior & Transportation business unit, which has been used as a light transmissive carrier material for the carpet. Branded Luminous Carpets™, the carpet combines Philips Lighting LED technology with resilient and luxurious looking Desso carpet. The result is a durable, stylish flooring solution that will be used to welcome, attract and guide guests and visitors in ways they've never seen before.

The solution has been designed to fit seamlessly into the building architecture without disrupting essential processes like cleaning. Cutting-edge LEDs are built into strong units that also protect the lights from any spilt fluids. These are combined with high quality carpets, especially developed for the purpose.

With a little guidance, Luminous Carpets™ may be installed easily into the floor and connected to the electrical and IT infrastructure. They then synchronise with the building management system and run pre-programmed light displays. Alternatively, it is possible to change the lights on-demand from a tablet or other networked device.

**SMART  
TECHNOLOGY  
THAT BRINGS THE  
BRIGHTEST IDEAS  
TO LIFE**

## MARKET DRIVERS

Economic and environmental requirements driving high strength, low weight flooring solutions

Ease of handling, aesthetic and design flexibility driving substitution of wall-to-wall carpet with carpet tiles

**BUSINESS REVIEW**  
CONTINUED

**SPORTS  
& LEISURE**

The Sports & Leisure business unit supplies a diverse and extensive range of yarns for synthetic turf for sports and landscape applications and backing yarns for a variety of carpet applications.

	2015	2014	Actual	Constant currency <sup>(1)</sup>
Revenue	<b>£38.3m</b>	£36.2m	+5.8%	+9.1%
Operating Profit <sup>(2)</sup>	<b>£1.2m</b>	£0.9m	+33.3%	+20.0%
Operating Margin	<b>3.1%</b>	2.5%		

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

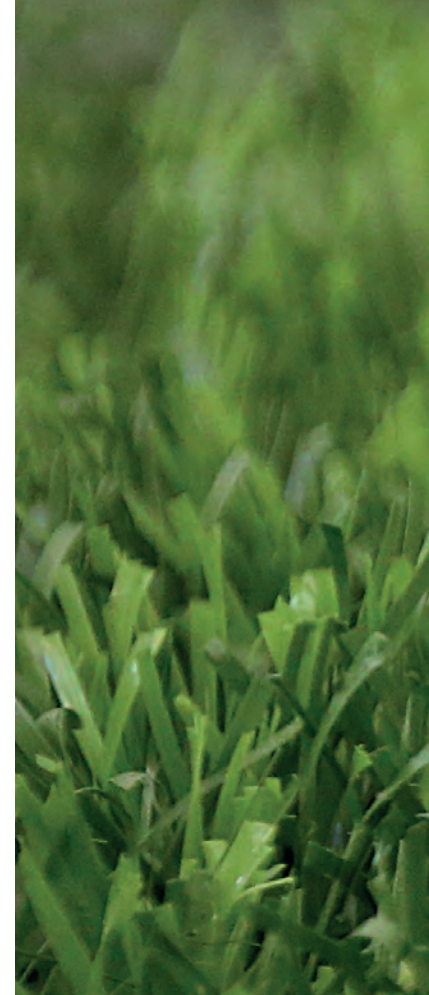
(2) Before amortisation and non-recurring items.

Sports & Leisure had a good year and sales increased by 9.1% on a constant currency basis. Market conditions generally were positive, but we believe that the business gained market share as its reputation for product quality and customer service continues to grow.

The relocation of fibrillated grass yarn production from Dundee to Abu Dhabi announced last year progressed as planned and, from April 2015 onwards, two lines were in full production in Abu Dhabi. Savings in the year from the relocation amounted to circa £0.3m.



**Jan van Boldrik**  
Global Business Director,  
Sports & Leisure



REVENUE  
**£38m**

OPERATING PROFIT  
**£1m**

OPERATING MARGIN  
**3.1%**

## MARKET DRIVERS

Innovative technology solutions improving the perception of synthetic turf

New opportunities in demand for advanced carpet-backing solutions

Dutch football team ATC'65 required a high performance pitch and chose to install a synthetic playing surface, using third generation (3G) artificial turf.

Low & Bonar's Sports & Leisure (S&L) business unit worked with leading artificial turf supplier, Act Global, to deliver an innovative new woven system incorporating its polypropylene carpet fibres, as well as an exclusive yarn which combines the highly durable MN Ultra and MN Slide fibres. The solution also features a new product, ENKA Flex H, as the system's drainage layer (horizontal) and shockpad absorber.

The new field comprises the highest quality MN Ultra fibres, which provide ATC'65 with a careful balance between durability, resilience and skin friendliness – through proven Ultra technology. A woven manufacturing technique was then incorporated in the surface backing of the pitch using S&L's carpet fibres – providing a surface which combines both elements of yarn produced in the Group's Dundee and Abu Dhabi factories. The ENKA component of the system provides the pitch with excellent horizontal drainage and long term performance in terms of the shockpad – a solution which is tested and proven to pass FIFA performance standards – making the pitch ready for elite level professionals.

**INNOVATIVE NEW  
WOVEN SYSTEM  
DELIVERS A HIGH  
PERFORMANCE PITCH**

# PRINCIPAL RISKS & 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 reputational damage 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 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)

**Increasing**



Global economic activity  
Organic growth/  
competition

Laws and  
regulations

**Stable**



Cyber security  
Growth strategy

Business continuity  
Employee  
Raw material  
pricing

Treasury

**Reducing**






Funding  
Pension funding





Health and safety

# PRINCIPAL RISKS & UNCERTAINTIES

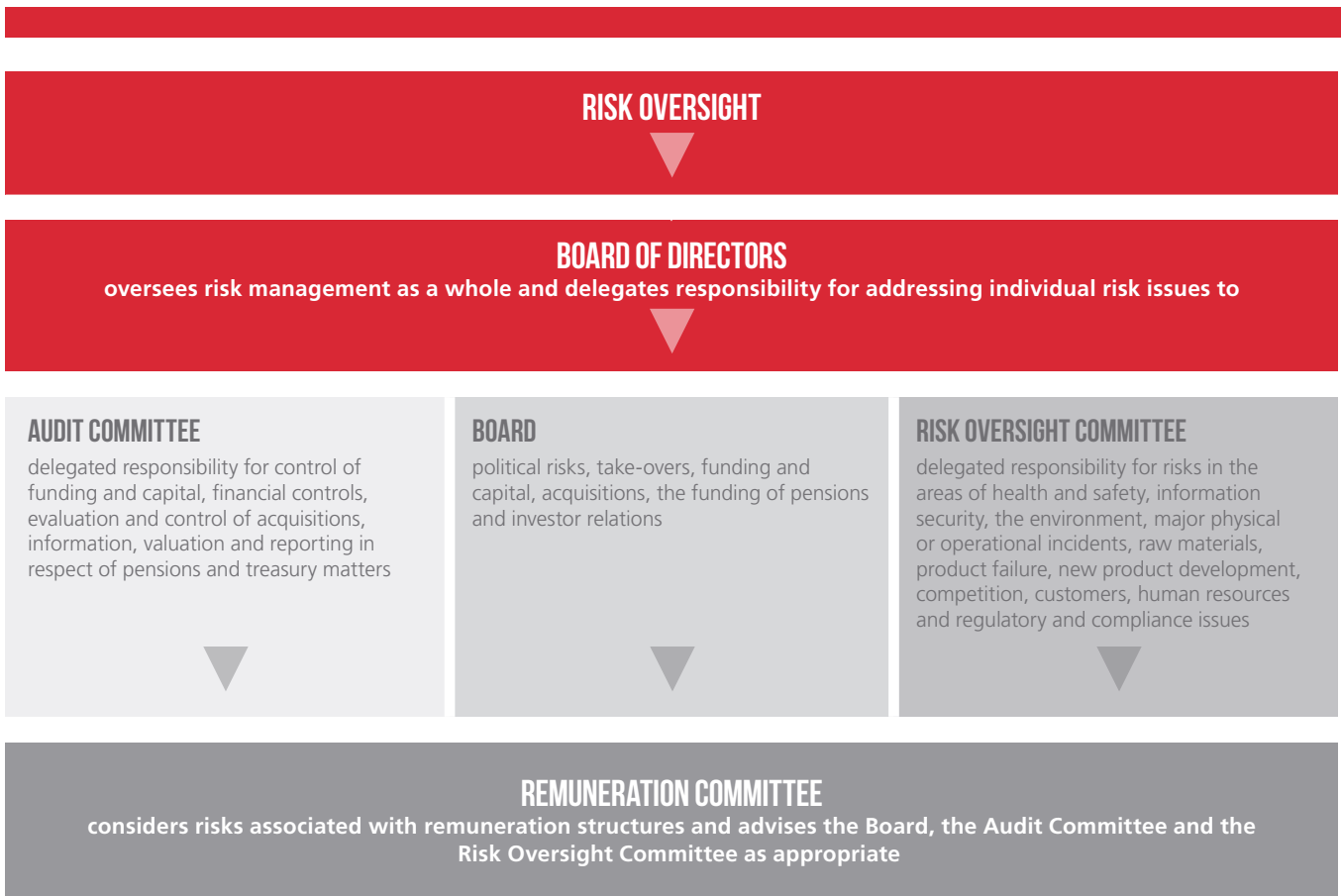
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RISK	MOVEMENT	MITIGATING STRATEGY
<p><b>Global economic activity</b></p> <p>The Group may be adversely affected by global economic conditions, particularly in its principal markets in mainland Europe and North America. The volatility of international 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>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 significant adverse effect on the Group.</p>		<p>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. The Group has business continuity measures in place to minimise the impact of any disruption to its operations.</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>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 crisis response procedures including 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 Group Health, Safety and Environment ("HSE") committee.</p> <p>Where appropriate, risks are partially transferred through insurance programmes.</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>



RISK	MOVEMENT	MITIGATING STRATEGY
<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>
<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>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>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>
<p><b>Health and safety</b></p> <p>The nature of the Group's operations presents 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 Group HSE 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>

# RISK OVERSIGHT



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 which is chaired by the Chief Financial Officer and is attended by the Group Chief Executive and other members of the Executive Leadership Team together with the Group Health & Safety Director and Deputy Group Finance Director. 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 Group 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 is 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 Group 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 Group 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 UK Corporate Governance Code provisions on internal control in the course of the financial year ended 30 November 2015.

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.

# CORPORATE & SOCIAL RESPONSIBILITY

Corporate & social responsibility (CSR) lies at the heart of Low & Bonar's values, and we recognise our stakeholders have rising expectations of both our CSR commitment and our performance.

One of our core business values is integrity, which we describe as "maintaining the highest ethical standards wherever we operate ... ensuring the health and safety of all our people and minimising our impact on the environment". Through this we bring CSR into our day-to-day business.

2015 has again been a period during which we have focused significant effort, resource and capital in our CSR programmes. We remain committed to reviewing all aspects of our CSR processes and looking for opportunities to improve them, as by doing so we are also supporting our long-term strategy.

CSR ▶

INTEGRITY ▶

OPEN  
COMMUNICATION ▶

FREEDOM  
TO OPERATE ▶

INNOVATION ▶

ACCOUNTABILITY ▶

## STAKEHOLDERS

Low & Bonar believes that good CSR programmes add value to all of our stakeholders in the short, medium and long term, build pride in the business for those who work in our company, and help us to recruit and retain the best talent.

## 2015 PRIORITIES

Embed new integrated Group Health, Safety and Environmental ("HSE") policy statement across all Group companies.

Introduce new environmental metrics.

Launch enhanced environmental programme.

Continue with the programme to expand the use of Environmental Management Systems.

Carry out a series of formal energy audits across selected locations.

Carry out a survey of key waste reduction projects at our sites to review opportunities for further waste reduction and re-use.

Carry out further review of eco-efficiency opportunities.

Continue to seek to enhance employee engagement for HSE programmes.

Continue with Machinery Safety Programme and Global Improvement Programmes (GIPs) on hand injuries, manual handling and slip/trip/fall accidents. In addition, launch of our GIP on fire safety of key plant items.

Introduce a range of new global health and safety standards.

Reduce LTA incident rate to 400 by the end of 2015.

## 2015 PROGRESS

Policy statement embedded.

List of environmental metrics developed and agreed to be consistent with GRI standards. Finance and Purchasing functions engaged to realise data capture.

New prioritised elements of environmental programme (Project Planet) developed.

A number of sites continued to work towards introducing ISO 14001 and three sites in Germany achieved ISO 50001 certification.

A number of projects have been completed to reduce energy use, including both gas and electricity use. Energy audits were carried out at three sites.

A number of waste reduction projects have been completed as well as investments to increase re-use of onsite and offsite waste streams.

We have continued to seek to develop new products that have applications to support global sustainability megatrends.

Successful third global health and safety week event held (focusing on health).

Machinery Safety Programme continued; and GIPs on hand injuries, manual handling and slip/trip/fall accidents continued to have an impact.

Four new health and safety standards issued 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.

LTA incident rate reduced to 380 in one year.

## 2016 PRIORITIES

Ensure policy is fully integrated at new sites in China and Hungary.

Commence monthly data capture and quarterly internal reporting for environmental metrics.

Launch Project Planet at Global HSE Community Meeting.

Further three sites to achieve ISO 14001 certification, and one other to work towards introducing ISO 50001.

Carry out energy audits at additional sites.

Maintain focus on the identification of further opportunities to reduce waste and recycle materials.

Continue to review eco-efficiency opportunities.

The fourth global health and safety week event will take place later in 2016.

Use health and safety GIPs to reduce inherent risk and deal with accident hot spot topics.

A range of further new/updated health and safety standards will be issued.

A new LTA target rate of 200 has been set.

## CORPORATE & SOCIAL RESPONSIBILITY CONTINUED

# ENVIRONMENTAL MANAGEMENT

### Low & Bonar Group approach

Environmental management remains a key area of focus, as we recognise the environmental impact of our use of raw materials, from our manufacturing processes, including use of energy, water and the generation of waste, and via the use and disposal of our products. We continually seek to improve environmental management, and compliance with environmental regulation is a minimum standard to be achieved.

Low & 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 below. Please go to <http://www.lowandbonar.com/governance-and-csr/environment.aspx> for more information.

We continue to review our environmental management programme, as well as key performance indicators for environmental performance. As a result, we have introduced a new environmental incident reporting requirement and three minor incidents were recorded, fully investigated and appropriate remedial actions implemented during the year.

We have expanded the range of environmental performance metrics to be measured and reported. They will be piloted during 2016 and will conform to the Global Reporting Initiative's G4 guidelines where possible.

An enhanced environmental programme, Project Planet, will be launched early in 2016. The key elements of the programme will include:

- expanding our health and safety information sharing platform to include environmental topics;
- developing and delivering an 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 has matured;
- a continued focus on energy efficiency and carrying out 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 possible;
- a review of all site emissions to identify areas for 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, three of our manufacturing sites are certified to the Environmental Management Systems ISO 14001:2004. A number of our sites are working towards achieving certification in 2016. Three manufacturing sites have now been certified to ISO 50001:2011 Energy Management Systems Standard.

### Greenhouse gas emissions

We report our greenhouse gas ("GHG") emission footprint covering all direct and indirect emissions for all relevant Group companies, expressed as tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>(e)), on page 45.





# GREENHOUSE GAS EMISSIONS

Our greenhouse gas (“GHG”) emissions report in line with UK mandatory reporting requirements under the Companies Act 2006 (Strategic and Directors’ Reports) Regulations 2013 is set out below. Emissions rose in the year, though a much smaller increase than for the previous year. This reflects the continued improvements in our processes for capturing and recording data, as well as differences in output. For instance, the increase in emissions correlates to a new facility in Saudi Arabia which was in the commissioning stage in 2014 and has now significantly increased its output.

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, which comprise direct emissions, such as heating and vehicle fuel, and indirect emissions such as purchased electricity.

The sources of emissions included in our reporting fall within our consolidated financial statement. 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 2015 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 124,750 tonnes of CO<sub>2</sub>(e), which is equivalent to 315.2 tonnes of CO<sub>2</sub>(e) per £1m of Group revenue.

Low & Bonar Group emission data for period  
1 December 2014 to 30 November 2015

	Tonnes of CO <sub>2</sub> (e) <sup>1</sup> 2014	Tonnes of CO <sub>2</sub> (e) 2015
Energy emissions	118,997	123,469
Process emissions	0	0
Fugitive emissions	72	103
Vehicle related emissions	974	1,178
Total CO <sub>2</sub> (e)	120,043	124,750
Intensity ratio per £1m of Group revenue <sup>2</sup>	292.4	315.2

- The emissions data for the 2014 financial year has been restated to account for a correction in a conversion calculation applied to the consumption of grid gas in respect of three sites. The total was previously reported as 112,458 tCO<sub>2</sub>(e), which is a difference of 7,585 tCO<sub>2</sub>(e). The intensity ratio has changed from 273.9 to 292.4 tCO<sub>2</sub>(e) per £1m of Group revenue.
- This is based on the revenue of Low & Bonar Group for the year to 30 November. The diverse and complex nature of the Group’s operations means that a metric based on units of production would not provide a consistent picture. Similarly, there is no meaningful relationship between occupied floor area or employee numbers and the carbon intensity of our operations. We will continue to monitor and review the appropriateness of the intensity ratio.

## Environmental Impacts

Group Operations continues to play a key role in environmental management as each site has impacts that are specific to its manufacturing processes. Each site has arrangements and improvement plans in place, and environmental performance metrics form an integral part of their management information. We seek to continuously improve the management of environmental impacts.

We seek to ensure that our product portfolio provides the best environmental performance available and, where possible, to innovate with products that have sustainability at their core. Coated Technical Textiles has its “Eco-care®” programme, designed to bring the responsible management of energy and resources, sustainable materials and recycling of coated textiles under one label. The Eco-care® concept includes 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.

Sports & Leisure uses 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 re-used as raw material in specific products.

## CORPORATE & SOCIAL RESPONSIBILITY CONTINUED

### **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**

Flexible VALMEX® enviro pro gas tanks, manufactured by Coated Technical Textiles, are ideally suited to the safe storage of biogas due to their special fabric design meeting strict safety standards. Our Lumina and Clima ranges reduce energy consumption in greenhouses. Our new PhormiTex Eclipse® product supports 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. The new PhormiTex Eclipse® products are also flame retardant to minimise a key risk.

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

We supply 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 sustainable groundcover product range, Duracover, is a 100% bio-based textile/compostable groundcover earning a 4-star certificate from AIB Vinçotte.

### **Artificial grass**

We manufacture artificial grass yarns which reduce customer water consumption and the energy use and emissions related to water production. Artificial grass also allows the end user to reduce use of fossil fuels in lawn or pitch maintenance and avoid use of fertilisers and herbicides.

### **Green building infrastructure materials**

Our 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, a recognised standard for measuring building sustainability.

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

Sourcing and the efficient use of raw material, including, where possible, the use of previously used or recycled material, remain important environmental activities. Our Colback® Green is a high-performance carpet backing made from 100% recycled raw materials from carpet waste; Colbondrain®, a pre-fabricated vertical drain for accelerating soil consolidation in civil engineering projects, has a patented high-performance drainage core made of recycled polyolefin. EnkaRetain & Drain®, a drainage, protection and insulation layer for the American green roof market, has a composite made from post-industrial recycled polypropylenes. Coated Technical Textiles sold 2.5 million m<sup>2</sup> of coated fabric based on recycled material in 2015, an increase of approximately 8.5% compared to last year and our innovative Bonaeco® carpet yarns are made from 100% recycled material.

We have introduced use of transportation frames, which have the potential to almost double the weight utilisation of trucks that transport finished goods between warehouses in operations in Germany, which has reduced the number of trucks by about 200 truckloads per year, achieving a significant reduction of CO<sub>2</sub> emissions

### **Energy management and the use of renewable energy**

We continually review opportunities to reduce energy use and review the balance of renewable energy in our energy mix. Our Sports & Leisure business unit is part of the UK Government's Carbon Reduction Commitment ("CRC") energy efficiency scheme. Since 2005, our two sites in Belgium have been working with an energy audit organisation established under the framework of the Kyoto Protocol. They have been screened for their energy consumption and all significant energy uses were measured separately, enabling us to take targeted measures where necessary. For example, at our Lokeren site, in the extrusion department we have replaced the lighting resulting in improved working conditions and less energy consumption. A project commenced at the end of 2015 at our plant in Asheville, North Carolina to replace all existing fluorescent tubes with more efficient (and brighter) LED lighting. Development of the new plant, in Changzhou, China has seen process steps combined and improved burner technology, resulting in reduced heating energy. Energy saving audits are scheduled for our sites in Hungary, the Czech Republic and the Netherlands in 2016. Sites that have not undergone a recent energy audit will be audited over the next 18 months.



## Waste management

A waste hierarchy process which starts with avoiding waste production through to re-use and recycling has been adopted throughout our operations.

At our Coated Technical Textiles business unit, the recycling of PVC waste is key to environmental performance, and CTT is a member and financial supporter of the key industry programmes. Examples of this include:

- Following installation of a third online recycling unit in 2014 at Lokeren, waste level reductions continue to be realised.
- In Slovakia we were able to recycle 98.5% of waste, for internal use.
- A post condensation unit, commissioned in October 2015, has resulted in less polymer waste.
- Use of thin films on packaging machines has reduced foil waste.
- Single use pallets, used for product deliveries between Arnhem and Obernburg, are being replaced by re-usable pallets, which can also be used for customer deliveries.
- Dundee has achieved an improvement in waste sent to landfill.
- A Manufacturing Excellence initiative, launched in 2015, seeks to improve efficiencies and process improvements to achieve improved yields from raw materials.

## Water

Water usage is not a significant environmental impact for the Group due to the nature of our manufacturing operations. However, water usage is tracked and monitored and water management activities are regularly reviewed. As an example, in 2015, our Lokeren site has stopped using ground water (1000m<sup>3</sup>/year) due to renewal of a cooling installation with a closed water circuit.

## CORPORATE & SOCIAL RESPONSIBILITY CONTINUED

# MANAGEMENT OF HEALTH & SAFETY

The health and safety of our employees, and others who may be affected by our operations, remains a key priority. 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 management.

The Group-wide health and safety strategy remains in place and good progress has again been made in implementing it 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 our business. The cornerstones of the strategy are improvement to visible leadership, employee engagement, risk-based management, accountability and health and safety competence, with a number of initiatives either started this year or fully implemented. These include:

- in addition to the inclusion of Human Resources and Engineering & Technology representation on the Group HSE Committee this year, we will now seek to introduce Logistics representation in 2016. This committee is key to ensuring we have good employee engagement, as well as striking the correct balance between corporate and operational risk management;
- we held our third successful global health and safety week this year, involving all sites and focusing on employee health;
- further development of our HSE resourcing continued this year, in order to support our ambitious HSE improvement programme. We have reviewed our structure to ensure it is right-sized and fit for the new Low & Bonar organisational structure;
- there has continued to be strong Board and executive management support for our HSE programmes, with operating and capital expenditure being approved to deliver changes;
- the Global Improvement Programmes on hand injuries, manual handling and slip/trip/fall accidents, which historically account for around 80% of all of our accidents, remain in place, and we have seen a reduction of approximately 33% in the first aid incident rate this year, against a backdrop of encouragement to report even the most minor accidents;
- the further embedding of a broader range of health and safety metrics has enabled us to better understand our risk improvement opportunities. The proactive “Near Miss” category has now been fully integrated, and last year has led to approximately 1,000 near miss reports being submitted, an approximate 32% increase over last year. This information allows us to improve our focus on accident and incident avoidance whilst helping us to move towards our ambition of implementing a behaviour-based safety programme across the group;

- a global data sharing platform for health and safety information has been implemented for our global HSE community;
- an improved method for registering and reporting HSE incidents has been developed during 2015 and will be rolled out in the early part of 2016;
- a new process for introducing global health and safety standards was introduced in 2014, mandatory across all Group companies, with safety standards issued covering our 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, and a prioritised list of new standards to be developed over the coming years has been developed; 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.

### Health and safety performance

In 2014, 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 400, to be reached over two years, a target of a further 60% improvement in the LTA incidence rate. We are pleased, however, to confirm that we achieved an LTA incidence rate of 380 in 2015, a reduction of 62% in one year, and will now set a new interim target incidence rate of 200 for 2016.

It is now more difficult to accurately benchmark our health and safety performance, but we note that the LTA incidence rate for LTAs with more than three days lost (a less onerous measure) across all industry sectors in the EU 28 member states in 2012 (the latest year for which information is available) was 1,702. See [http://ec.europa.eu/eurostat/statistics-explained/index.php/Accidents\\_at\\_work\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Accidents_at_work_statistics).

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

Efforts to reduce the number of fire incidents in the business have been supported by fire safety reviews carried out at Hückelhoven, Fulda, Lomnice and Asheville. Systems, procedures and hardware changes/upgrades identified have been prioritised for 2016 and capital expenditure has been scheduled to realise improvements over the next four years. The audit programme will be rolled out across all sites in 2016.

We remain mindful that there is still much room for improvement, and that accident statistics continue to reveal only part of the story of successful health and safety management, and that health and safety culture is key.

As a result of a survey conducted in 2014, one of the key outcomes was a clear need to carry out further 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 health and safety masterclass, covering topics from machinery safety through to electric hazards, was delivered across the Group in the first part of 2015.

We continue to maintain our strong working relationship with our insurance risk surveyors, insurance brokers and underwriters during the year, and recognise 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 last year and are supporting us in enhancing our risk management approach.

## CORPORATE & SOCIAL RESPONSIBILITY CONTINUED

# HUMAN RIGHTS & GENDER DIVERSITY

### 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 female Director and, during the process for appointment of an additional Non-Executive Director in 2015, a number of female candidates were considered. We have not set a specific target for the number of female members of the Board and will appoint the best candidate available to us for any role. However, in setting the criteria for selection of candidates, the Group is conscious that it is possible to discourage inadvertently the successful candidacy of women and we will bear this in mind for all future appointments. We have requested of our search consultants to provide 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 2015 (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	%	Number of women	%
Directors	6	86%	1	14%
Senior managers <sup>1</sup>	8	100%	0	0%
Employees <sup>2</sup>	1,690	76%	545	24%

<sup>1</sup> The Group has an Executive Leadership Team, comprised of senior managers leading each Global Business Unit and Group Function.

<sup>2</sup> Employees of its consolidated subsidiaries, excluding Bonar Natpet LLC.

### 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.

# COMMUNITIES & 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 Hungary, we gave donations to a foundation to support ill children, and a church to support childrens' summer camps;
- In Belgium, monies raised from a step contest (as part of an internal Health & Safety Week), were donated to 'Music for Life', an organisation that supports more than 1,000 charities and communities;
- In the UK, monies raised from the 'West Highland Charity Walk', were donated to 'Meningitis Now' and synthetic turf surfaces were donated for use throughout the 'Homeless World Cup';
- In the US, a combination of employee pledges and corporate donations were made to the Angel Tree and United Way charities, supporting the local community; and
- In Slovakia, donations were made to sponsor a local football team and to help purchase sports equipment for a local elementary school.

# BOARD OF DIRECTORS



## MARTIN FLOWER

Chairman (69)

## BRETT SIMPSON

Group Chief Executive (51)

## MIKE HOLT

Chief Financial Officer (55)

### APPOINTED TO THE BOARD:

January 2007 and appointed Chairman June 2010.

August 2014.

November 2010.

### COMMITTEE MEMBERSHIP:

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

Member of the Nomination Committee and the Risk Oversight Committee.

Chairman of the Risk Oversight Committee.

### EXPERIENCE:

Previously Chief Executive of Coats plc, a company in which he spent his entire executive career having joined in 1968. Former Chairman of Croda International Plc, Deputy Chairman of Severn Trent Plc, Chairman of Alpha Group plc and a non-executive director of Morgan Advanced Materials plc.

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 in Australia, the USA, Hong Kong, Switzerland and China.

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:

None.

None.

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

Trustee and treasurer of Target Ovarian Cancer.



### STEVE HANNAM

Senior Independent  
Non-Executive Director (66)

September 2002.

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

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

Non-executive director of McBride plc.

### KEVIN MATTHEWS

Non-Executive Director (52)

April 2015.

Member of the Audit, Remuneration and Nomination Committees.

Former Chief Executive Officer of Isogenica Limited and non-executive director of Elementis PLC.

Chief Executive Officer of Revolymer plc.

### TRUDY SCHOOLENBERG

Non-Executive Director (57)

May 2013.

Member of the Audit, Remuneration and Nomination Committees.

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

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.

### JOHN SHELDRIK

Non-Executive Director (66)

October 2011.

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

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

Non-executive director of Fenner PLC.

## CORPORATE GOVERNANCE



**Martin Flower**  
Non-Executive Chairman

This report sets out the work and operation of the Board and the framework of governance in place.

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. I am pleased to 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.

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

My role as Chairman and that of the Group Chief Executive, Brett Simpson, are separate and are clearly defined and documented. I am responsible for leading the Board and 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, four independent Non-Executive Directors and two Executive Directors. The names of the Directors, together with their biographical details, are set out on pages 52 and 53. 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 our Board has the appropriate balance of Executive and Non-Executive Directors and that no individual or small group of individuals can dominate decision making.



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. During the year, following a selection process more fully described in the Nomination Committee report on page 60, Kevin Matthews was appointed a 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. 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.

At the time of my appointment as Chairman in June 2010, I was considered by the Board to be independent. In accordance with the Code, the continuing test of independence is no longer necessary.

The Board considers that each of the other Non-Executive Directors is 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 over thirteen years, we continue to view Steve Hannam as independent in character and judgement. He has relevant experience in both 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. Given his long tenure, his continued membership of the Board is considered rigorously and, in accordance with the Code, he is required to submit himself for re-election to the Board annually. We continue to value his contribution and the continuity he brings.

As Senior Independent Non-Executive Director, he is available to address any shareholder concerns over governance and other issues which cannot be resolved through the usual channels of communication with the Chairman, the Group Chief Executive or the Chief Financial Officer. He acts as a sounding board for the Chairman, is available to advise and counsel all Board colleagues and would also deputise for the Chairman in his absence.

The Non-Executive Directors meet without the Executive Directors present from time to time.

#### Professional development and performance evaluation

A personal induction programme is provided for each newly appointed Director, depending on the experience and needs of the individual, including information about the Group and the role of the Board and its committees. This is supplemented by visits to key locations and meetings with key senior executives. Directors are encouraged to continually update their skills and their knowledge of and familiarity with the Group required to fulfill their role both on the Board and its committees. All Directors are kept informed of changes in relevant legislation and regulations and changing financial and commercial risks with assistance from the Company's advisers where appropriate. I encourage Directors to avail themselves of opportunities to meet our major shareholders.

I have 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 the ability to devote sufficient time for Board and committee meetings and any other duties). The Senior Independent Non-Executive Director chairs an annual meeting of the Non-Executive Directors to appraise my performance, taking into account the views of the Executive Directors, and the outcome of those discussions is conveyed to me by the Senior Independent Non-Executive Director.

The Board has established a process, led by me, for the annual evaluation of the performance of the Board and its principal committees by use of a questionnaire based on the requirements of the Code. 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.

#### Information and meetings

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	Audit Committee	Remuneration Committee	Nomination Committee
Martin Flower	8/8	–	4/4	2/2
Brett Simpson	8/8	–	–	2/2
Mike Holt	8/8	–	–	–
Steve Hannam	7/8	3/3	4/4	1/2
Kevin Matthews	5/5	2/2	2/2	1/1
Trudy Schoolenberg	8/8	3/3	4/4	2/2
John Sheldrick	7/8	3/3	4/4	2/2

Kevin Matthews joined the Board on 1 April 2015. Steve Hannam and John Sheldrick were each unable to attend one board meeting due to illness. Steve Hannam did not attend the Nomination Committee meeting at which the renewal of his appointment was discussed.

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 rolling monthly annual forecasts. 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 ensure 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 to present to the Board on the strategy for and performance of businesses within the Group. Additionally, the Board meets 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 routine Board meetings.

## CORPORATE GOVERNANCE CONTINUED

The Board meets 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.

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 2015, Board meetings were held at the Group's manufacturing facilities in Belgium and The Netherlands. The scheduled Board meetings concentrate on strategy, financial and business performance. The Non-Executive Directors are encouraged 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 responsible for advising the Board on governance matters and 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

Directors have a duty under the Companies Act 2006 (the "Act") to avoid a situation in which they have 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 who 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, membership of which is set out in each committee report. All of the committees have written terms of reference, which have been approved by the Board and are available on the Company's website 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) the operation of which is described in more detail on pages 36 to 41.

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. Kevin Matthews, who was appointed a Non-Executive Director in April 2015, has joined the Audit, Nomination and Remuneration Committees.

### 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 Chief Financial Officer, 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 2016, 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 Half Year and Annual Reports and through information posted on its website. The Company holds regular meetings throughout the year with major shareholders, analysts and the financial press, in particular following the announcements of its half year and full year results. Visits for analysts and large shareholders are also arranged from time to time to operating units.

The Company's Annual General Meeting is used as an opportunity to communicate with private investors. Shareholders attending the Annual General Meeting are invited to ask questions and to meet with the Directors informally after the meeting. In addition to myself, as Chairman of the Board and Nomination Committee, the chairmen of the Remuneration and Audit Committees are available to answer questions, as appropriate, at the Annual General Meeting.

### Martin Flower

Non-Executive Chairman  
On behalf of the Board of Directors  
2 February 2016

# AUDIT COMMITTEE REPORT



**John Sheldrick**

Chairman of the Audit Committee

## Audit Committee members

John Sheldrick (Chairman)

Steve Hannam

Kevin Matthews

Trudy Schoolenberg

## 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

All the Non-Executive Directors, with the exception of the Company's Chairman, serve on the Committee and we welcome Kevin Matthews to the Committee having joined the Board in April 2015. Collectively, they 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 Company Chairman, Group Chief Executive and Chief Financial Officer 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.

The Committee's terms of reference are available on the Company's website.

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.

## AUDIT COMMITTEE REPORT CONTINUED

### Activities in 2015

The Audit Committee met on three occasions during the year ended 30 November 2015. 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 were represented at all of the meetings.

The Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and half year 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 external 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
Valuation of goodwill, acquired intangible assets and investment in joint ventures.	Carrying amounts are reviewed at least annually by conducting an impairment review which is based on the net present value of projected cash flows for each cash generating unit ("CGU"). Details of assumptions used are provided in Note 11 to the Group financial statements on page 104 to 105 and Note 15 on page 107.	<p>The most significant judgements are in setting the assumptions for the calculation of the value in use of the CGUs, in particular the achievability of long-term financial forecasts and macro-economic projections. Following the reviews during the year, an impairment charge of £8.2m, comprising a write-off of the carrying value of the investment in our Saudi Arabian joint venture of £3.0m and our shareholder loan to it of £5.2m, has been charged to non-recurring items in the income statement. The significant fall in oil prices together with the Saudi conflict with Yemen has led to a dramatic reduction in regional spend on infrastructure projects which is not expected to recover in the foreseeable future. As a result, there is considerable over-capacity within the region.</p> <p>A further area of judgement arose on the reallocation of goodwill between the CGUs that resulted from the Group's reorganisation in May 2015. Goodwill previously reported within the Bonar CGU was reallocated to the Civil Engineering, Interior &amp; Transportation and Building &amp; Industrial CGUs based on where the acquired business now resides. All CGUs except Civil Engineering performed satisfactorily in 2015 and their recoverable amounts show significant headroom compared to their carrying value when reasonably likely changes are made to key assumptions.</p> <p>Civil Engineering continued to be impacted by weak European demand and production inefficiencies at one of its manufacturing sites in Belgium. The 2016 budget and five-year plan for Civil Engineering, which have been used in preparing the cash flow projections in the impairment review, assume that near-term demand levels will remain subdued while performance improvements will be realised through capital and operational investments.</p> <p>The Committee discussed the assumptions underlying the cash flow projections with both management and KPMG LLP and also considered the appropriateness of the discount rates used. Following discussion on headroom and sensitivity, the Committee was satisfied that the carrying amount of goodwill, acquired intangible assets and investment in joint ventures after the impairment charge recognised in the year, was appropriate.</p>

Analysis to support the going concern statement on page 78 was also reviewed, with the Committee receiving reports from management and the external auditor on this matter. The Committee also received reports from management on the viability statement on page 78.

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 Expolink, 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.

### 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 and consulting services, transaction due diligence and accountancy assistance on projects. Subject to approved authorisation limits, the services require prior authorisation from either the Chief Financial Officer, 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 (£0.1m) and compliance services (£0.1m). 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 2015, a new lead partner was appointed.

In April 2014 the European Union published its revised Audit Directive making rotation of external audit firms mandatory for premium listed companies such as Low & Bonar. Individual member states have some discretion in the implementation of this Directive. In the UK it is expected that premium listed companies will be required to put the audit out to tender at least every ten years and rotate the auditors at least every twenty years. Under the transitional arrangements this is expected to mean that Low & Bonar will need to have replaced KPMG as its external auditor by 2020.

In the light of this new legislation the Committee has recommended to the Board that the audit should be put out to tender within the next three years once the group's new ERP (Enterprise Resource Planning) system is operational. KPMG will not be invited to re-tender given the requirement to replace them as external auditor by 2020.

The performance and effectiveness of the external auditor were 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 2015 internal audit programme. The effectiveness of internal audit was formally reviewed. The Company has co-sourced its internal audit function with PricewaterhouseCoopers LLP ("PwC") since 2014 and the PwC partner-in-charge is invited to attend Audit Committee meetings.

### John Sheldrick

Chairman, Audit Committee  
2 February 2016

## NOMINATION COMMITTEE REPORT



**Martin Flower**  
Chairman of the 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 in 2014, the Committee had 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 Business To Business 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, including a number of female candidates, and the best candidates for the role were interviewed by myself and the Group Chief Executive and our favoured candidates were also seen by all members of the Board. This process culminated in the appointment of Kevin Matthews as a Non-Executive Director in April 2015. Kevin will succeed Steve Hannam as Chairman of the Remuneration Committee after the Annual General Meeting.

The Board recognises that diversity, including gender diversity, is important to the Group's long term success and the Nomination Committee considers this when recommending appointments to the Board.

The Nomination Committee also reviews the training and development needs for each Director.

**Martin Flower**  
Chairman, Nomination Committee  
2 February 2016

### Nomination Committee members

Martin Flower (Chairman)  
Steve Hannam  
Kevin Matthews  
Trudy Schoolenberg  
John Sheldrick  
Brett Simpson

## DIRECTORS' REMUNERATION REPORT



**Steve Hannam**

Chairman of the Remuneration Committee

### Remuneration Committee members

Steve Hannam (Chairman)  
Martin Flower  
Kevin Matthews  
Trudy Schoolenberg  
John Sheldrick

I am pleased to present the Directors' Remuneration Report for the year ended 30 November 2015. All the Non-Executive Directors serve on the Remuneration Committee and we welcome Kevin Matthews to the Committee having joined the Board in April 2015. Kevin will succeed me as Chairman of the Remuneration Committee after the Annual General Meeting. Our Remuneration Policy was approved at our AGM in 2014 and no changes are proposed to the Policy or to the way in which it will be implemented for the year ending 30 November 2016. For reference, a summary of the Policy is reproduced on pages 62 to 67.

The Annual Remuneration Report (set out on pages 68 to 75) describes how the Policy has been implemented over the year to 30 November 2015 and how we intend to implement the Policy for the year ahead.

As described in the Chairman's statement, the Group has made good progress in the year despite difficult markets in some areas. Accordingly, financial targets have been met sufficiently for Executive Directors to receive bonus payments equating to 60% of base salary for the year ended 30 November 2015. As explained in more detail later in the report, the bonus payments are being made for achieving profit and return on capital employed targets.

Despite the improved performance in 2015, the results in preceding years have affected the performance targets for awards under the Long Term Incentive Plan ("LTIP") and, as a result, there will be no vesting of shares under the awards made in 2013 on the EPS performance condition (the period for which ended with the 2015 financial year).

In order to incentivise management, we will be making further LTIP awards to the Executive Directors in line with our remuneration policy. Awards for the current year will therefore be at 125% of salary and linked to EPS and total shareholder return performance targets.

The salaries for the Executive Directors and fees payable to Non-Executive Directors were reviewed in December 2015. Modest increases, below 3%, were awarded to the Executive Directors and there will be no change to the fees payable to the Chairman or our Non-Executive Directors in 2016.

The Committee does not consider that the current arrangements will encourage undue risk-taking given the clear long-term focus in our policy. The operation of the 2013 LTIP 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 clawback provisions in the incentive schemes for Executive Directors provide a further safeguard to shareholders in the event of a misstatement in results.

### Steve Hannam

Chairman, Remuneration Committee  
2 February 2016

# REMUNERATION POLICY

## DIRECTORS' REMUNERATION POLICY

The summary of the Remuneration Policy which follows is an extract from the 2013 Annual Report and sets out the key parts of the Directors' Remuneration Policy approved at the Annual General Meeting held on 25 March 2014 and which has been effective from that date for all payments made to directors. The Policy is reproduced here, in an abridged form, for ease of reference to provide transparency and clarity. The full text of the policy, as approved by shareholders, is available in the 2013 Annual Report, which can be viewed on the Company's website.

### 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.

### 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	<p>Maximum (% salary):</p> <p>100%</p>
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 Remuneration Report.</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>

## REMUNERATION POLICY CONTINUED

### **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.

### Bonus Plan and LTIP

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.

### 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.

### Recruitment and Promotion Policy

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

<b>Remuneration Element</b>	<b>Policy</b>
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.

## REMUNERATION POLICY 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 REMUNERATION REPORT

(\*) denotes audited information

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') and Rule 9.8.6R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the forthcoming Annual General Meeting.

## EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE\*

The table below shows the remuneration of the Executive Directors for the year ended 30 November 2015, and the comparative figures for the year ended 30 November 2014.

	Notes	Salary		Benefits		Annual Bonus		LTIP Awards		Pension		Total	
		2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Brett Simpson	1 – 5	360	96	3	–	216	–	–	–	90	24	669	120
Mike Holt	1 – 4, 6	289	295	17	19	165	–	–	90	69	67	540	471

1 Benefits are a car allowance (not Brett Simpson) and private health insurance.

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 2014, the metrics used were chosen to be aligned with the Group's stated medium-term objectives and were set out in more detail in 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 earned against the targets set, and a summary of the targets and weightings applying to each measure for 2015, is set out below:

Metric	Opportunity (% salary)	Payment (% salary)
Profit <sup>(i)</sup>	70%	42.5%
ROCE <sup>(ii)</sup>	30%	17.5%

(i) 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 £25.0m. At the lower limit, a 'profit' bonus of 20% of salary was payable. Below the lower limit, no "profit" element of the bonus was to be paid. At a PBTA of £27.0m (the mid-point), a profit element of the bonus of 45% 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 £28.5m (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.

(ii) 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 year ended 30 November 2015 divided by the average of the total sum of fixed assets (property, plant and equipment), inventories, trade debtors, prepayments, trade creditors and accruals at the end of each month of the period. 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 2015 – lower limit	15.2%	10.0%
– mid-point	15.6%	20.0%
– upper limit	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 £25.0m.

3 The amounts stated for 2014 comprise the value of ordinary shares vesting and being received in that financial year under (a) 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 Mike Holt in May 2014 and (b) 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 no shares actually vested or were issued in respect of such awards. 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 awards. Brett Simpson joined the Company in 2014 and so held no relevant awards.

The amounts stated for 2015 comprise the value of ordinary shares vesting and being received in that financial year under (a) LTIP awards made in 2012 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, although no shares actually vested or were issued in respect of such awards and (b) LTIP awards made in 2013 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 no shares will vest or be issued in respect of such awards.

The 2011 LTIP awards vested in May 2014 to 44% of the maximum in relation to the EPS performance target (22% of the total of the award) and 41.8% in relation to the TSR performance target (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 vested in March 2015 to 0% of the maximum in relation to the EPS performance target (0% of the total of the award) and 0% of the maximum in relation to the TSR performance target (0% of the total 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 and a three-year total shareholder return of 4.7% which was below the median level of 64.1%. The 2013 LTIP awards are due to vest in April 2016 to 0% of the maximum in relation to the EPS target (0% of the total award). This level of vesting will be triggered as a result of achieving EPS of 5.86p compared to the EPS target range of 7.50p to 9.30p. Brett Simpson holds no such awards.

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 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 Salary includes an additional fee of £40,000 per annum paid to Mike Holt from 1 April 2014 to 30 March 2015 in recognition of additional duties assumed by him as set out in last year's Annual Report. This resulted in additional payments of £13,333 in 2015 and £26,667 in 2014.

## Executive Directors' Remuneration

### Base salary

The Executive Directors' base salaries were reviewed in December 2015. The Committee took account of performance as well as responsibilities, skills and experience when reviewing 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 Executive Directors' salaries as shown below with effect from 1 December 2015.

	Salary as at 1 December 2015	Salary as at 1 December 2014	Increase
Group Chief Executive	<b>£370,000</b>	£360,000	2.78%
Chief Financial Officer	<b>£282,000</b>	£275,200	2.47%

The Executive Directors' salaries are considered by the Committee to reflect the Company's policy of paying base salaries in line with those offered by companies of a similar size, international reach and complexity. The Committee is satisfied that the Executive Directors' salaries are appropriate in light of the calibre and experience of the individuals.

### Pensions and Benefits

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

### Performance-related bonus

Details of the annual bonus payments made and the metrics used for the year ended 30 November 2015 are set out on page 68. The specific targets relating to the annual bonus for the year ending 30 November 2016 are considered to be commercially sensitive and will not therefore be disclosed in advance. They will be disclosed in next year's Annual Remuneration Report, 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 2016, 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 <sup>(i)</sup>	70%
ROCE <sup>(ii)</sup>	30%

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

(ii) 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 Company's Remuneration Policy, the bonus targets for the year ending 30 November 2016 will be 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. Bonus payments are subject to clawback provisions which would enable the Committee to recover the value overpaid to an Executive Director 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 would 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 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.

## ANNUAL REMUNERATION REPORT CONTINUED

### 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%
12% 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 2015) is 5.86p, being our reported adjusted EPS of 5.61p 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 the 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. Despite the reduced EPS target to achieve the upper vesting level, compared to previous years, we believe the targets to be appropriately challenging given the level of the awards and the difficult low growth backdrop existing in many of our markets.

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 2018 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 vesting was satisfied. The clawback provisions will 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.



**Long-term Incentive Plan - Awards granted during the year**

Awards under the Plan by award of nil-cost options were made to each of Brett Simpson and Mike Holt on 4 February 2015 on the following basis:

	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>Brett Simpson</b>	125% of salary	56.5p	796,460	£450,000	20%
<b>Mike Holt</b>	125% of salary	56.5p	608,850	£344,000	20%

Details of the performance conditions attaching to these awards are set out beneath the table below.

**Other share-based incentives**

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

**EXECUTIVE DIRECTORS SHARE PLAN INTERESTS\***

The table below sets out the Executive Directors' interests in the LTIP and SAYE Plan. Awards under the SAYE Plan are not subject to any performance conditions (other than continued employment as at the vesting date). The LTIP awards are subject to performance conditions details of which are set out in the Policy and the notes accompanying the table.

	Award date	Awards held at 1 December 2014	Granted during year	Exercised/ vested during year	Lapsed/ forfeited during year	Awards held at 30 November 2015	Exercise price (pence)	Normal vesting/ exercise date
<b>Brett Simpson</b>								
LTIP <sup>3</sup>	26/08/2014	542,168	–	–	–	542,168	–	08/03/2017
LTIP <sup>4</sup>	06/02/2015	–	796,460	–	–	796,460	–	07/02/2018
		542,168				<b>1,338,628</b>		
SAYE	09/04/2015	–	36,885	–	–	<b>36,885</b>	48.8	01/06/2018
<b>Mike Holt</b>								
LTIP <sup>1</sup>	16/03/2012	394,297	–	–	394,297	–	–	–
LTIP <sup>2</sup>	09/04/2013	437,710	–	–	–	437,710	–	09/04/2016
LTIP <sup>3</sup>	03/03/2014	364,810	–	–	–	364,810	–	03/03/2017
LTIP <sup>4</sup>	06/02/2015	–	608,850	–	–	608,850	–	07/02/2018
		1,196,817				<b>1,411,370</b>		
SAYE	20/04/2011	36,039	–	–	–	36,039	42.8	01/06/2016
SAYE	29/04/2014	6,540	–	–	6,540	–	68.8	01/06/2017
SAYE	09/04/2015	–	18,442	–	–	18,442	48.8	01/06/2018
		42,579				<b>54,481</b>		

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

- 50% of the shares were subject to an EPS growth target and 50% to 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 were to 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 were to vest for median TSR, rising on a straight-line basis to full vesting for upper quartile. None of the targets were met and the awards therefore lapsed.
- 50% of the shares are subject to an EPS growth target and 50% to 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.
- 50% of the shares are subject to an EPS growth target and 50% to 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 ending 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.
- The performance criteria applying to awards are structured as follows:  
50% of the shares are subject to an EPS growth target and 50% to a relative TSR target measured against the constituents of the FTSE Small Cap Index over the period until 5 February 2018. Under the EPS element, 20% of shares vest for EPS in the year ending 30 November 2017 of 6.85p, rising on a straight-line basis to full vesting for EPS of 8.52 pence. Under the TSR element 20% of share vest for median TSR, rising on a straight-line basis to full vesting for upper quartile.

The market price of a share at 30 November 2015 was 66.0p and the range during the year to 30 November 2015 was 47.75p to 75.0p.

## ANNUAL REMUNERATION REPORT CONTINUED

### Payments to past directors

No payments were made to past directors during the year.

### Payments for loss of office

No payments were made for loss of office to any past directors during the year.

### Relative importance of spend on pay

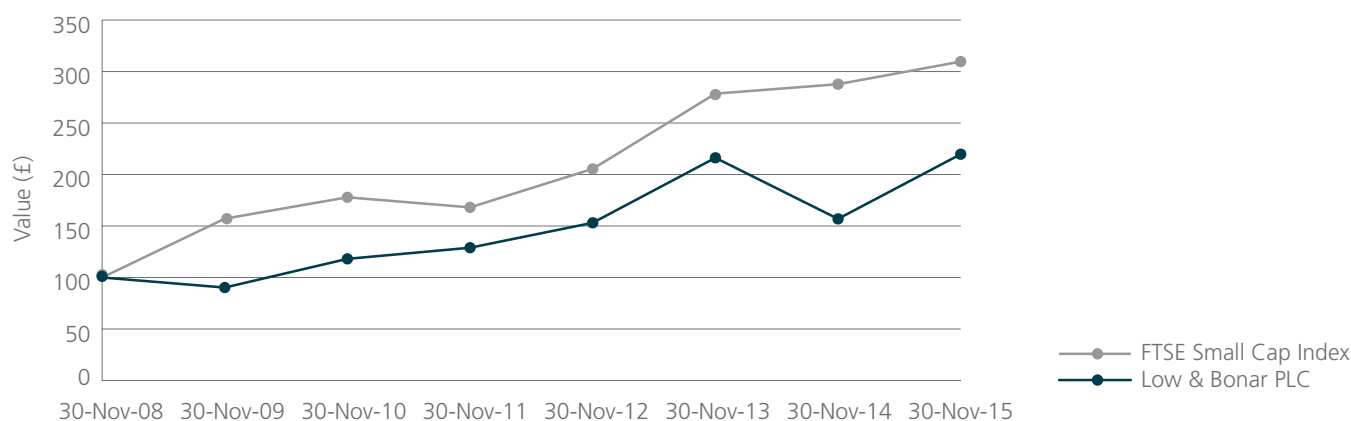
The table below shows the total employee costs compared with dividends paid.

	2015	2014	% change
– Employee costs	<b>£84.3m</b>	£81.2m	2.7%
– Dividends <sup>1</sup>	<b>£9.1m</b>	£8.9m	2.2%

<sup>1</sup> Dividends declared in respect of the year.

### TOTAL SHAREHOLDER RETURN

The following graph shows the total shareholder return performance of the Company's ordinary shares for the seven years ended 30 November 2015 relative to the FTSE Small Cap Index, of which the Company has been a constituent member throughout the period.



Total shareholders return – Source: Thomson Reuters

This graph shows the value, on 30 November 2015, 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.

### Group Chief Executive Remuneration history

The table below shows the remuneration of the Group Chief Executive during each of the past seven 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.

	2015	2014 <sup>1</sup>	2013	2012	2011	2010	2009 <sup>2</sup>
Total remuneration (£)	<b>668,727</b>	623,586	1,064,510	1,308,727	803,309	710,067	479,922
Annual bonus (%)	<b>60%</b>	0%	0%	79.3%	81%	100%	0%
LTIP vesting (%) <sup>3</sup>	<b>0%</b>	20.9%	72%	98.7%	50%	0%	0%

<sup>1</sup> In 2014, the Group had two Chief Executives: 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.

<sup>2</sup> In 2009, the Group had two Chief Executives: Paul Forman, until 3 September 2009, and Steve Good, from 3 September 2009. The total remuneration for 2009 represents those amounts paid to Mr Forman (£382,800) until 31 October 2009 (the date on which he ceased to be a director) and those amounts paid to Mr Good (£97,122) from 3 September 2009 to the end of that year.

<sup>3</sup> The LTIP awards are included in relation to any financial year on the same basis as those set out in the table on page 71.

### Remuneration for the Group Chief Executive compared with other employees

The table below shows the percentage change 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 considers this 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.

	2015	2014 <sup>1</sup>	% change
<b>Group Chief Executive (£)</b>			
– salary	<b>360,000</b>	353,000	2.0%
– benefits	<b>2,727</b>	20,245	(86.5)%
– bonus	<b>216,000</b>	–	–
<b>Average per employee<sup>2/3</sup> (£)</b>			
– salary	<b>46,912</b>	39,977	17.3%
– benefits	<b>1,091</b>	736	48.3%
– bonus	<b>6,843</b>	392	1,643.6%

1 In 2014, the Group had two Chief Executives: Steve Good until 8 September 2014 and Brett Simpson from 8 September 2014. The salary and other amounts for 2014 represent those paid to Steve Good during the year on an annualised basis, to avoid double counting of sums paid whilst both were employees of the Company prior to Brett Simpson becoming Group Chief Executive.

2 The Group operates from four locations in the UK: its head office in London and facilities for Sports & Leisure, Civil Engineering and Coated Technical Textiles. The average is a weighted-average across those four locations.

3 The data for the average for all UK employees for 2014 has been restated as the data presented last year was inadvertently not based on a weighted-average and was incorrect. The amounts stated last year were as follows:

Average per employee (£)	
– salary	57,845
– benefits	1,930
– bonus	1,045

### 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.

Under Brett Simpson's service contract, the Company may make a payment in lieu of notice and 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, he 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.

The service contract for Mike Holt 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.

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

## ANNUAL REMUNERATION REPORT CONTINUED

### Non-Executive Directors' letters of appointment

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

	Original appointment date	Commencement date of current term	Unexpired term at 31 January 2016
Martin Flower	1 January 2007	30 June 2013	5 months
Steve Hannam	1 September 2002	1 September 2015	7 months
Kevin Matthews	1 April 2015	1 April 2015	26 months
Trudy Schoolenberg	1 May 2013	1 May 2013	3 months
John Sheldrick	1 October 2011	1 October 2014	18 months

### NON-EXECUTIVE DIRECTORS' FEES\*

	Fees	
	2015 £000	2014 £000
Martin Flower	136	136
Steve Hannam <sup>1</sup>	47	47
Kevin Matthews <sup>3</sup>	27	–
Trudy Schoolenberg	40	40
John Sheldrick <sup>2</sup>	47	47

1 Steve Hannam received a fee of £7,000 for his chairmanship of the Remuneration Committee (which is included in the number in the table).

2 John Sheldrick received a fee of £7,000 for his chairmanship of the Audit Committee (which is included in the number in the table).

3 Kevin Matthews became a director on 1 April 2015 and the information in this report relates only to the period from that date to 30 November 2015.

### Non-Executive Directors' Remuneration for the year ending 30 November 2016

Fees for the year ending 30 November 2016 (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.

### DIRECTORS' SHAREHOLDINGS\*

The tables below show the beneficial interests in the ordinary shares of the Company held by Directors who were in office during the year ended 30 November 2015. For Executive Directors, the table also shows share ownership compared with the share ownership guidelines (full details of which can be found in the Policy on pages 62 to 67) based on the share price of 66.0p on 30 November 2015

#### Executive Directors

	30 November 2015	1 December 2014	Guideline on share ownership as a % of salary	Actual beneficial share ownership as a % of salary <sup>1</sup>	Guideline met	Outstanding LTIP awards	Outstanding options
Brett Simpson	75,000	75,000	100%	14%	No	1,338,628	36,885
Mike Holt	496,398	496,398	100%	119%	Yes	1,411,370	54,481

#### Non-Executive Directors

	30 November 2015	1 December 2014 (or subsequent date of appointment)
Martin Flower	556,912	556,912
Steve Hannam	348,232	348,232
Kevin Matthews	–	–
Trudy Schoolenberg	36,231	36,231
John Sheldrick	76,993	76,993

During the period 1 December 2015 to 2 February 2016, 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 2015 or at 2 February 2016, save as set out above and on the table on page 71.

### The Remuneration Committee

The Committee currently comprises all the Non-Executive Directors of the Company as listed on page 61. 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, the Chief Financial Officer and the Group Director of Human Resources 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 Chief Financial Officer, the Group Director of Human Resources 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 55.

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 environmental, social or governance 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, which was further reviewed during 2015, 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.

### Advisers

The following advisers provided services to the Committee during the year:

- New Bridge Street (an Aon plc company) was appointed by the Committee as advisers and provided advice on reward structures and levels and aspects of the Company's future remuneration policy. New Bridge Street is a member of the Remuneration Consultants Group and complies with their code of conduct. New Bridge Street also provides advice to the Company in respect of executive remuneration and Non-Executive Directors' fees, but no other Aon companies provide services to the Company. The fees paid to New Bridge Street during the year ended 30 November 2015, which were charged on their standard terms, were £39,094 (excluding VAT) (2014: £46,000, excluding VAT).
- Freshfields Bruckhaus Deringer LLP and Squire Patton Boggs LLP provided advice in respect of matters of legal compliance. Each of Freshfields Bruckhaus Deringer LLP and Squire Patton Boggs LLP provides legal advice to the Company on matters other than remuneration on a regular and continuing basis.
- The Group Chief Executive, Chief Financial Officer and Group Director of Human Resources attend meetings by invitation, but are not present during discussions concerning their own remuneration. The Company Secretary is the Secretary to the Committee. The Group Chief Executive, Group Director of Human Resources and the Company Secretary provided advice to the Committee on matters relating to the Policy and also Company practices.

The Committee regularly reviews relationships with external advisers and remains satisfied that all advice received during the year was objective and independent.

### 2014 AGM statement of shareholder voting

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

Votes for		Votes against		Total votes cast	Votes withheld
No. of shares	% of shares voted	No. of shares	% of shares voted	% of issued share capital	No. of shares
232,386,939	99.4	1,296,097	0.6	71.3	536,920

### Steve Hannam

Chairman, Remuneration Committee  
On behalf of the Board of Directors  
2 February 2016

## DIRECTORS' REPORT

The Directors present their report and the accounts of the Company and the Group for the year ended 30 November 2015.

### Strategic Report

The Directors have presented their Strategic Report on pages 1 to 51, 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 2 February 2016.

### 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 45 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 £5.7m (2014: £12.4m).

The Company paid an interim dividend for the year ended 30 November 2015 of 0.98 pence per share on 24 September 2015 to ordinary shareholders whose names appeared in the register at the close of business on 28 August 2015. The Directors recommend that a final dividend of 1.80p (2014: 1.75p) be paid on 14 April 2016 to ordinary shareholders on the register at close of business on 18 March 2016.

Dividends	2015	2014	% Increase
Interim	<b>0.98p</b>	0.95p	3.2%
Final	<b>1.80p</b>	1.75p	2.9%
<b>Total</b>	<b>2.78p</b>	2.70p	3.0%

### Company Secretary

Matthew Joy resigned as Company Secretary and Stuart Haydon was appointed in his place on 14 September 2015.

### Directors

The Directors of the Company are shown on pages 52 and 53. They all held office throughout the financial year under review, with the exception of Kevin Matthews who was appointed a Non-Executive Director on 1 April 2015.

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 in place throughout the year other than that in respect of Kevin Matthews which was entered into on his appointment as a Non-Executive Director.

### Re-election of Directors

Although directors of companies which are not FTSE 350 companies are not subject to annual election by shareholders, in addition to Steve Hannam, who retires having served for over nine years, and Kevin Matthews, who retires having been appointed during the year, all the other directors are submitting themselves for re-election at the forthcoming annual general meeting.

Having been a Director for over nine years, Steve Hannam retires in accordance with the UK Corporate Governance Code and offers himself for re-election. 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 2015 for a term of one year up to 31 August 2016. The Board continues to believe that it benefits substantially from Mr Hannam's experience and expertise. Further details regarding Mr Hannam's re-election are set out on page 55.

Kevin Matthews was appointed during the year and, in accordance with the Company's Articles of Association, offers himself for re-election. His appointment is for a period of three years commencing on 1 April 2015.

The Chairman confirms to shareholders that, following formal evaluation, the performance of each of the Directors 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 74.

### Substantial interests

At at 30 November 2015, 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
JO Hambro Capital Management Limited	33,791,468	10.27
AXA Framlington Investment Managers	33,710,410	10.25
Schroders Investment Management	31,778,970	9.66
Unicorn Investment Management	21,432,965	6.51
M & G Investments	20,481,054	6.23
Henderson Global Investors	14,389,576	4.37
Sterling Strategic Value	13,215,000	4.02
Aberforth Partners	12,834,094	3.90
Luxempart	9,992,000	3.04

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 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
JO Hambro Capital Management Limited	33,791,468	10.27
AXA Framlington Investment Managers	33,710,410	10.25
Schroders Investment Management	31,070,411	9.44
Unicorn Investment Management	21,432,965	6.51
M & G Investments	20,481,054	6.23
Henderson Global Investors	14,389,576	4.37
Sterling Strategic Value	13,215,000	4.02
Aberforth Partners	12,834,094	3.90
Luxempart	10,739,133	3.26

### Ordinary share capital

The Company's issued share capital as at 30 November 2015 consisted of 328,984,477 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, 328,984,477. Further details of the Company's issued share capital at 30 November 2015 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 2015, the trust held 26,752 ordinary shares (2014: 26,752 ordinary shares). During the year, 1,169,735 new ordinary shares were subscribed for by the Trust to satisfy employee share awards which vested. The Company issued a total of 1,169,735 ordinary shares to employees, including 323,253 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 £0.26 to £0.512 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.

## DIRECTORS' REPORT CONTINUED

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 £10,927,124.70, 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 £5,463,562.35, (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 £10,927,124.70; or
2. in any other case, up to a maximum nominal amount of £819,534.35, 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 Thursday 31 March 2016, 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.

### 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.

### Viability Statement

The Directors have assessed the viability of the Group over a five-year period, taking into account the Group's position at 30 November 2015 and the potential impacts of the principal risks over the review period.

A period of five years has been chosen for the purposes of the viability statement, as this is in line with the Group's strategic planning process, which is updated annually and during which capital investment plans and market and product development initiatives are considered and used to model the Group's performance and financial ratios, including funding requirements and maintaining adequate headroom on its loan covenants. In making the assessment, the Directors have taken account of the maturity of the Group's current debt funding and its ability to raise new finance in most market conditions.

Whilst each principal risk has a potential impact, enhanced stress testing was carried out on two severe but plausible scenarios; a prolonged economic downturn, and a loss of premium pricing position of a significant portion of the Group's product portfolio.

The Group's operating model is structured to provide resilience to adverse trading conditions; including a diverse customer, supplier, geographical and market base, an ability to flex its cost base, the capability to maintain its margins in times of oil price volatility, and to control its capital investment requirements.

Based on this assessment and the results of the enhanced stress testing, and on the assumption that the principal risks are managed or mitigated in the ways disclosed, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 30 November 2020.

### Internal Controls

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.

### 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 110 to 116.

### 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

### Stuart Haydon

Company Secretary  
2 February 2016



# 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**  
Group Chief Executive  
2 February 2016



**Mike Holt**  
Chief Financial Officer  
2 February 2016

# 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 2015 set out on pages 82 to 124. 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 2015 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 risks of material misstatement that had the greatest effect on our audit were as follows:

#### Recoverability of goodwill (£69.6m)

Refer to page 58 (Audit Committee Report), page 92 (accounting policy) and pages 104 to 105 (financial disclosures).

**The risk** – The group has significant goodwill allocated to four of its five groups of cash generating units ('CGUs'). In the light of recent adverse trading conditions, as well as forecast ongoing subdued performance in the Civil Engineering CGU, there is a risk that the carrying value of goodwill may be in excess of its recoverable amount and an impairment may arise. The estimation of recoverable amount is complex and significant judgement is required for estimates, specifically cashflow projections, discount rates and short term growth rates, particularly in the Civil Engineering CGU. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on.

In addition, in May 2015 the Directors announced that the Group restructured its operations to move to 5 Global Business Units ("GBUs") focusing on key markets. It was necessary to reallocate the goodwill balances for the purposes of impairment testing. Judgement is exercised in determining the basis on which the goodwill is allocated to the CGUs.

**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 including considering historical accuracy of budgeting and the reflection of actual and anticipated trading conditions. 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, we compared the group's assumptions to externally derived data for inputs such as OECD country GDP forecasts. In respect of the Civil Engineering CGU we also compared growth rates used to forecast the impact of capital and operational investments made by the Group over the last 12 months.

We utilised our own valuation specialist to assist us in assessing the applicable discount rates. We applied sensitivities to the budgets for the financial year to 30 November 2016, medium and long term growth rates and the discount rate. In particular we applied rigorous sensitivities to the Civil Engineering CGU forecasts 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 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.

In respect of the restructuring of the Group during 2015, we critically assessed the appropriateness of the method of reallocation of goodwill to the Group's newly formed GBUs based on our knowledge of the business and comparison to underlying data.

### 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 0.7%. 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 and a more stable measure year on year as 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 45 reporting components we subjected ten 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 Group's results and balances.

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

	Number of components	Group revenue	Total profits and losses that make up group profit before tax	Group total assets
Audits for group reporting purposes	10	69%	73%	70%
Specified risk-focused audit procedures	4	9%	6%	8%
<b>Total</b>	<b>14</b>	<b>78%</b>	<b>79%</b>	<b>78%</b>

The remaining 22% of total group revenue, 21% of total profits and losses that make up group profit before tax and 22% of total group assets is represented by a number of reporting components, none of which individually represented more than 3% of total group revenue, 5% of total profits and losses that make up group profit before tax or 4% of 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.

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 ranged from £170,000 to £1,950,000, having regard to the mix of size and risk profile of the Group across the components. The work on six components was performed by component auditors and the remainder by the Group audit team.

The Group audit team visited component locations in the Netherlands and Germany and met with the component auditor of the USA. Telephone meetings were also held with these components and the component in Belgium, including participation in completion meetings by telephone. Telephone meetings were held with other components during the year as necessary. 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 54 to 56 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures ("the specified Corporate Governance information") is consistent with the financial statements.

#### **5 We have nothing to report on the disclosures of principal risks**

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' statement of Principal Risks and Uncertainties on pages 36 to 41, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the five years to 30 November 2020; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

#### **6 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 78, in relation to going concern and longer term viability; and
- the part of the Corporate Governance Statement on pages 54 to 56 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

#### **Scope and responsibilities**

As explained more fully in the Directors' Responsibilities Statement set out on page 79, 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.

#### **Anthony Hambleton (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ  
2 February 2016

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER

	Note	2015			2014		
		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>395.8</b>	–	<b>395.8</b>	410.6	–	410.6
<b>Operating profit/(loss)</b>	1	<b>32.8</b>	<b>(14.2)</b>	<b>18.6</b>	31.7	(8.5)	23.2
Financial income	6	<b>0.1</b>	–	<b>0.1</b>	0.1	–	0.1
Financial expense	6	<b>(4.5)</b>	–	<b>(4.5)</b>	(5.5)	–	(5.5)
Net financing costs		<b>(4.4)</b>	–	<b>(4.4)</b>	(5.4)	–	(5.4)
Share of results of joint venture	15	<b>(1.8)</b>	–	<b>(1.8)</b>	(1.1)	–	(1.1)
<b>Profit/(loss) before taxation</b>	2	<b>26.6</b>	<b>(14.2)</b>	<b>12.4</b>	25.2	(8.5)	16.7
Taxation	7	<b>(7.6)</b>	<b>1.4</b>	<b>(6.2)</b>	(7.0)	2.1	(4.9)
<b>Profit/(loss) after taxation</b>		<b>19.0</b>	<b>(12.8)</b>	<b>6.2</b>	18.2	(6.4)	11.8
<b>Profit/(loss) for the year from continuing operations</b>		<b>19.0</b>	<b>(12.8)</b>	<b>6.2</b>	18.2	(6.4)	11.8
<b>Profit for the year from discontinued operations</b>	30	–	–	–	–	0.9	0.9
<b>Profit/(loss) for the year</b>		<b>19.0</b>	<b>(12.8)</b>	<b>6.2</b>	18.2	(5.5)	12.7
<b>Attributable to</b>							
Equity holders of the Company		<b>18.5</b>	<b>(12.8)</b>	<b>5.7</b>	17.9	(5.5)	12.4
Non-controlling interest	28	<b>0.5</b>	–	<b>0.5</b>	0.3	–	0.3
		<b>19.0</b>	<b>(12.8)</b>	<b>6.2</b>	18.2	(5.5)	12.7
<b>Earnings per share</b>							
	10						
Continuing operations:							
Basic		<b>5.61p</b>		<b>1.73p</b>	5.46p		3.50p
Diluted		<b>5.51p</b>		<b>1.70p</b>	5.37p		3.44p
Discontinued operations:							
Basic		–		–	–		0.26p
Diluted		–		–	–		0.26p
Total:							
Basic		<b>5.61p</b>		<b>1.73p</b>	5.46p		3.76p
Diluted		<b>5.51p</b>		<b>1.70p</b>	5.37p		3.70p

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 NOVEMBER

	Note	2015 £m	2014 £m
<b>Profit for the year</b>		<b>6.2</b>	12.7
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial gain/(loss) on defined benefit pension schemes	4	<b>2.2</b>	(0.8)
Deferred tax on defined benefit pension schemes	4	–	0.8
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations, net of hedging		<b>(17.8)</b>	(5.8)
<b>Total other comprehensive income for the year, net of tax</b>		<b>(15.6)</b>	(5.8)
<b>Total comprehensive income for the year</b>		<b>(9.4)</b>	6.9
<b>Attributable to</b>			
Equity holders of the parent		<b>(10.1)</b>	6.3
Non-controlling interest	28	<b>0.7</b>	0.6
		<b>(9.4)</b>	6.9

## BALANCE SHEETS

AS AT 30 NOVEMBER

	Note	Group		Company	
		2015 £m	2014 £m	2015 £m	2014 £m
<b>Non-current assets</b>					
Goodwill	11	69.6	78.0	–	–
Intangible assets	12	20.3	27.8	–	–
Property, plant and equipment	13	132.0	119.3	0.2	0.2
Investment in subsidiaries	14	–	–	93.6	93.6
Investment in joint venture	15	–	3.6	–	–
Investment in associates	16	0.5	0.5	–	–
Deferred tax assets	21	4.4	4.4	–	–
Other receivables	18	–	–	22.3	22.7
Post-employment benefits	4	5.2	0.2	5.2	0.2
		<b>232.0</b>	233.8	<b>121.3</b>	116.7
<b>Current assets</b>					
Inventories	17	82.6	90.9	–	–
Trade and other receivables	18	71.1	75.3	149.0	150.5
Cash and cash equivalents	20	33.9	25.8	5.3	3.6
Current tax receivable		–	–	–	0.2
		<b>187.6</b>	192.0	<b>154.3</b>	154.3
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	20	31.5	–	34.0	8.0
Current tax liabilities	19	5.7	4.8	–	–
Trade and other payables	19	77.0	82.4	26.4	21.1
Provisions	22	0.1	0.5	–	–
Derivative liabilities	20	0.1	–	0.1	–
		<b>114.4</b>	87.7	<b>60.5</b>	29.1
<b>Net current assets</b>		<b>73.2</b>	104.3	<b>93.8</b>	125.2
<b>Total assets less current liabilities</b>		<b>305.2</b>	338.1	<b>215.1</b>	241.9
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	20	104.5	113.8	66.4	98.2
Deferred tax liabilities	21	17.2	20.8	–	–
Post-employment benefits	4	9.9	11.0	–	–
Other payables	23	1.6	2.0	–	–
		<b>133.2</b>	147.6	<b>66.4</b>	98.2
<b>Net assets</b>		<b>172.0</b>	190.5	<b>148.7</b>	143.7
<b>Equity attributable to equity holders of the parent</b>					
Share capital	25	47.4	47.3	47.4	47.3
Share premium account	26	74.2	74.0	74.2	74.0
Translation reserve	27	(61.0)	(43.0)	–	–
Retained earnings		105.3	105.8	27.1	22.4
<b>Total equity attributable to equity holders of the parent</b>		<b>165.9</b>	184.1	<b>148.7</b>	143.7
Equity holders of the parent					
Non-controlling interest	28	6.1	6.4	–	–
<b>Total equity</b>		<b>172.0</b>	190.5	<b>148.7</b>	143.7

The consolidated financial statements on pages 82 to 124 were approved by the Board on 2 February 2016 and signed on its behalf by:



**Brett Simpson**  
2 February 2016



**Mike Holt**  
2 February 2016

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 30 NOVEMBER

	Note	2015 £m	2014 £m
<b>Profit for the year from continuing operations</b>		<b>6.2</b>	11.8
<b>Profit for the year from discontinued operations</b>		–	0.9
<b>Profit for the year</b>		<b>6.2</b>	12.7
Adjustments for:			
Depreciation		12.4	12.7
Amortisation		5.2	6.1
Income tax expense		6.2	4.9
Net financing costs		4.4	5.4
Share of results of joint venture		1.8	1.1
Impairment of investment in joint venture		8.2	–
Non-cash pension charges		1.1	1.1
Decrease/(increase) in inventories		2.8	(9.0)
Increase in trade and other receivables		(6.4)	(2.0)
Movement in short-term loan to joint venture		–	4.4
(Decrease)/increase in trade and other payables		(2.3)	4.0
(Decrease)/increase in provisions		(0.4)	0.5
Loss on disposal of non-current assets		–	–
Equity-settled share-based payment		0.6	0.6
<b>Cash inflow from operations</b>		<b>39.8</b>	42.5
Interest received		–	–
Interest paid		(4.5)	(4.5)
Tax paid		(7.5)	(7.7)
Pension cash contributions		(4.5)	(4.0)
<b>Net cash inflow from operating activities</b>		<b>23.3</b>	26.3
Acquisition of subsidiaries		–	–
Acquisition of property, plant and equipment		(33.0)	(19.0)
Intangible assets purchased		(0.7)	(1.2)
Dividends paid to non-controlling interests		(1.0)	–
<b>Net cash outflow from investing activities</b>		<b>(34.7)</b>	(20.2)
Drawdown of borrowings		28.8	106.0
Repayment of borrowings		–	(93.4)
Proceeds of share issues to employees		0.3	0.1
Purchase of non-controlling interest		–	(1.4)
Equity dividends paid		(9.0)	(8.8)
<b>Net cash inflow from financing activities</b>		<b>20.1</b>	2.5
<b>Net cash inflow</b>	29	<b>8.7</b>	8.6
<b>Cash and cash equivalents at start of year</b>		<b>25.8</b>	17.9
Foreign exchange differences		(0.6)	(0.7)
<b>Cash and cash equivalents at end of year</b>		<b>33.9</b>	25.8

## COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER

	Note	2015 £m	2014 £m
<b>Profit for the year</b>	8	<b>11.2</b>	8.3
Adjustments for:			
Depreciation		–	0.1
Income tax credit		–	(1.2)
Net financing income		<b>(0.9)</b>	(1.1)
Non-cash pension charges		<b>0.8</b>	0.8
Decrease/(increase) in receivables		<b>2.2</b>	(10.5)
Increase in payables		<b>4.3</b>	5.7
Equity-settled share-based payment		<b>0.6</b>	0.6
<b>Cash inflow from operations</b>		<b>18.2</b>	2.7
Interest received		<b>5.8</b>	6.3
Interest paid		<b>(4.0)</b>	(5.6)
Tax paid		–	(0.7)
Pension cash contributions		<b>(3.8)</b>	(3.3)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>16.2</b>	(0.6)
<b>Net cash outflow from investing activities</b>		–	–
Proceeds of share issues to employees		<b>0.3</b>	0.1
(Repayment)/drawdown of borrowings		<b>(5.8)</b>	12.6
Equity dividends paid		<b>(9.0)</b>	(8.8)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(14.5)</b>	3.9
<b>Net cash inflow</b>	29	<b>1.7</b>	3.3
<b>Cash and cash equivalents at start of year</b>		<b>3.6</b>	–
Foreign exchange differences		–	0.3
<b>Cash and cash equivalents at end of year</b>		<b>5.3</b>	3.6



**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 2013	47.2	73.9	(36.9)	102.5	186.7	6.4	193.1
Total comprehensive income for the year	–	–	(6.1)	12.4	6.3	0.6	6.9
Dividends paid to Ordinary Shareholders	–	–	–	(8.8)	(8.8)	–	(8.8)
Shares issued	0.1	0.1	–	(0.1)	0.1	–	0.1
Share-based payment	–	–	–	0.6	0.6	–	0.6
Purchase of Non-Controlling Interest	–	–	–	(0.8)	(0.8)	(0.6)	(1.4)
Net increase/(decrease) for the year	0.1	0.1	(6.1)	3.3	(2.6)	–	(2.6)
At 30 November 2014	47.3	74.0	(43.0)	105.8	184.1	6.4	190.5
<b>Total comprehensive income for the year</b>	–	–	<b>(18.0)</b>	<b>7.9</b>	<b>(10.1)</b>	<b>0.7</b>	<b>(9.4)</b>
<b>Dividends paid to Ordinary Shareholders</b>	–	–	–	<b>(9.0)</b>	<b>(9.0)</b>	–	<b>(9.0)</b>
<b>Dividends paid to Non-Controlling Interests</b>	–	–	–	–	–	<b>(1.0)</b>	<b>(1.0)</b>
<b>Shares issued</b>	<b>0.1</b>	<b>0.2</b>	–	–	<b>0.3</b>	–	<b>0.3</b>
<b>Share-based payment</b>	–	–	–	<b>0.6</b>	<b>0.6</b>	–	<b>0.6</b>
<b>Net increase/(decrease) for the year</b>	<b>0.1</b>	<b>0.2</b>	<b>(18.0)</b>	<b>(0.5)</b>	<b>(18.2)</b>	<b>(0.3)</b>	<b>(18.5)</b>
At 30 November 2015	47.4	74.2	(61.0)	105.3	165.9	6.1	172.0

## 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 2013	47.2	73.9	20.8	141.9
Profit for the year	–	–	8.3	8.3
Actuarial gain on defined benefit pension scheme	–	–	1.6	1.6
Dividends paid to Ordinary Shareholders	–	–	(8.8)	(8.8)
Shares issued	0.1	0.1	(0.1)	0.1
Share-based payment	–	–	0.6	0.6
Net increase for the year	0.1	0.1	1.6	1.8
At 30 November 2014	47.3	74.0	22.4	143.7
<b>Profit for the year</b>	–	–	<b>11.2</b>	<b>11.2</b>
<b>Actuarial gain on defined benefit pension scheme</b>	–	–	<b>1.9</b>	<b>1.9</b>
<b>Dividends paid to Ordinary Shareholders</b>	–	–	<b>(9.0)</b>	<b>(9.0)</b>
<b>Shares issued</b>	<b>0.1</b>	<b>0.2</b>	–	<b>0.3</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>0.2</b>	<b>4.7</b>	<b>5.0</b>
<b>At 30 November 2015</b>	<b>47.4</b>	<b>74.2</b>	<b>27.1</b>	<b>148.7</b>

## 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 2015 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 51. 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 36 to 41 provides further details of the key risks affecting the Group and Company.

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 planned refinancing of the Group's Private Placement Note ahead of its maturity in September 2016. 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 2015. 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 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments (amended) (offsetting financial assets and financial liabilities)
- IAS 36 (amended) (Recoverable Amount Disclosures for Non-Financial Assets)
- IAS 39 (amended) (Novation of Derivatives and continuation of Hedge Accounting)
- IFRIC 21 Levies

### (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.

## SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### **(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.

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.

## SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Cash Flow Statement.

### **(K) Impairment**

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

An impairment loss in respect of goodwill is not reversible. Other impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(i) Calculation of recoverable amount**

Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

### **(L) Share capital**

#### **(i) Preference share capital**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a. they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

#### **(ii) Dividends**

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

#### **(iii) Equity transaction costs**

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

### **(M) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective-interest basis.

### **(N) Employee benefits**

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

#### **(i) Defined contribution plans**

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

#### **(ii) Defined benefit plans**

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

Where the calculation results in a benefit to the Company or the Group, the recognised asset is limited to the 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 finance charges and the 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 in respect of defined benefit pension assets and liabilities, 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 includes 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.

## SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 and investment in its joint venture. Impairment tests have been undertaken with respect to goodwill and intangible assets (Notes 11, 12 and 15) 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 £11.2m – £12.5m (2014: £11.3m – £12.6m) respectively.

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.

### (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 2015 (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
- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle
- IFRS 14 Regulatory Deferral Accounts – not yet endorsed by the EU
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants
- Amendments to IAS 27 – Equity Method in Separate Financial Statements
- 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
- IFRS 15 – Revenue from Contracts with Customers – not yet endorsed by the EU
- Amendments to IAS1: Disclosure initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the Consolidation Exception – not yet endorsed by the EU
- Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses – not yet endorsed by the EU
- IFRS 16 Leases – 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 16 Leases

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 has been reorganised during the year into five reportable business units: Building & Industrial, Civil Engineering, Coated Technical Textiles, Interior & Transportation and Sports & Leisure. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. The Group's reportable segments have changed to reflect the new management structure and comparative information has been restated on the same basis. Unallocated items comprise mainly cash and cash equivalents, interest-bearing loans, borrowings, investments in joint ventures and associates, post-employment benefits and corporate assets and expenses. Inter-segment sales are not material.

#### Revenue from external customers

	2015 £m	2014 £m
Building & Industrial	61.7	62.7
Civil Engineering	85.4	94.6
Coated Technical Textiles	120.4	128.2
Interior & Transportation	90.0	88.9
Sports & Leisure	38.3	36.2
<b>Revenue for the period</b>	<b>395.8</b>	<b>410.6</b>

#### Operating profit/(loss)

	Before amortisation and non-recurring items		After amortisation and non-recurring items	
	2015 £m	2014 £m	2015 £m	2014 £m
Building & Industrial	8.4	8.0	7.8	7.1
Civil Engineering	3.1	4.1	2.0	2.1
Coated Technical Textiles	12.8	13.7	10.3	10.0
Interior & Transportation	13.2	10.1	11.9	9.2
Sports & Leisure	1.2	0.9	1.2	0.3
Unallocated central	(5.9)	(5.1)	(14.6)	(5.5)
<b>Operating profit</b>	<b>32.8</b>	<b>31.7</b>	<b>18.6</b>	<b>23.2</b>
Financial income			0.1	0.1
Financial expense			(4.5)	(5.5)
Net financing costs			(4.4)	(5.4)
Share of result of joint venture			(1.8)	(1.1)
<b>Profit before taxation</b>			<b>12.4</b>	<b>16.7</b>
Taxation			(6.2)	(4.9)
Profit for the year – continuing operations			6.2	11.8
Profit for the year – discontinued operations			–	0.9
<b>Profit for the year</b>			<b>6.2</b>	<b>12.7</b>

## NOTES TO THE ACCOUNTS CONTINUED

### 1. Segmental information continued

#### Segment assets, liabilities, other information

	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interior & Transportation £m	Sports & Leisure £m	Unallocated Central £m	Total £m
2015							
Reportable segment assets	53.1	69.1	125.9	94.3	31.3	–	373.7
Investment in joint venture							–
Investment in associates							0.5
Cash and cash equivalents							33.9
Post-employment benefits							5.2
Other unallocated assets							6.3
<b>Total Group assets</b>							<b>419.6</b>
Reportable segment liabilities	(14.1)	(15.9)	(17.5)	(17.6)	(8.8)	–	(73.9)
Loans and borrowings							(136.0)
Derivative liabilities							(0.1)
Post-employment benefits							(9.9)
Other unallocated liabilities							(27.7)
<b>Total Group liabilities</b>							<b>(247.6)</b>
<b>Other information</b>							
Additions to property, plant and equipment	2.6	7.5	3.2	19.0	0.8	0.1	33.2
Additions to intangible assets and goodwill	0.3	0.1	0.1	0.2	–	–	0.7
Depreciation	2.2	2.2	3.0	4.3	0.7	–	12.4
Amortisation of acquired intangible assets	0.5	0.9	2.5	0.2	–	–	4.1
Non-recurring items	0.1	0.2	–	1.1	–	8.7	10.1
2014							
Reportable segment assets	59.8	74.0	143.7	83.5	29.8	–	390.8
Investment in joint venture							3.6
Investment in associates							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>
Reportable segment liabilities	(15.2)	(19.1)	(19.8)	(17.0)	(9.0)	–	(80.1)
Loans and borrowings							(113.8)
Post-employment benefits							(11.0)
Other unallocated liabilities							(30.4)
<b>Total Group liabilities</b>							<b>(235.3)</b>
<b>Other information</b>							
Additions to property, plant and equipment	2.6	3.8	3.1	8.5	1.1	–	19.1
Additions to intangible assets and goodwill	0.3	0.3	0.4	0.2	–	–	1.2
Depreciation	2.1	2.0	3.6	4.3	0.7	–	12.7
Amortisation of acquired intangible assets	0.7	1.2	2.8	0.5	–	–	5.2
Non-recurring items	0.2	0.8	0.9	0.4	0.6	0.4	3.3

**1. Segmental information** continued

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	
	2015 £m	2015 %	2014 £m	2014 %	2015 £m	2014 £m
Western Europe	<b>212.1</b>	<b>53.6</b>	231.1	56.3	<b>158.3</b>	179.9
Eastern Europe	<b>34.1</b>	<b>8.6</b>	43.1	10.5	<b>13.7</b>	10.2
North America	<b>91.4</b>	<b>23.1</b>	75.0	18.3	<b>24.7</b>	24.5
Middle East	<b>16.5</b>	<b>4.2</b>	20.7	5.0	<b>8.1</b>	7.9
Asia	<b>26.6</b>	<b>6.7</b>	26.0	6.3	<b>27.2</b>	11.3
Rest of the World	<b>15.1</b>	<b>3.8</b>	14.7	3.6	–	–
<b>Total</b>	<b>395.8</b>	<b>100.0</b>	410.6	100.0	<b>232.0</b>	233.8

Revenues arising in the UK, which is the parent Company's country of domicile, were £23.3m (2014: £25.6m). The net book value of non-current assets located in the UK at 30 November 2015 was £6.4m (2014: £1.5m). 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 2015 was £66.6m (2014: £78.4m) and revenues in the year to 30 November 2015 were £55.6m (2014: £69.8m).

**2. Profit before taxation**

	2015 £m	2014 £m
Total operating costs	<b>377.2</b>	387.4
Comprises:		
Cost of sales	<b>287.9</b>	304.6
Distribution costs	<b>32.6</b>	33.6
Administrative and other costs	<b>42.2</b>	42.0
Research and development expenditure recognised as an expense	<b>4.4</b>	3.9
Non-recurring items	<b>10.1</b>	3.3
Total operating costs above include:		
Staff costs	<b>84.3</b>	81.2
Inventories		
Cost of inventories recognised as an expense	<b>167.3</b>	198.9
Write down of inventories recognised as an expense	<b>0.3</b>	0.1
Change in provisions held against inventories	<b>(0.1)</b>	0.3
Depreciation of property, plant and equipment	<b>12.4</b>	12.7
Amortisation of intangible assets	<b>5.2</b>	6.1
Exchange differences recognised as a (gain)/loss	<b>(1.3)</b>	0.6
Loss on disposal of non-current assets	–	–
Amounts payable under operating leases:		
Property	<b>3.6</b>	4.1
Plant and equipment	<b>1.9</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:

	2015 £m	2014 £m
<b>Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts</b>	<b>0.1</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>	0.1
Corporate tax consultancy	<b>0.1</b>	0.1
Other non-audit services	–	–

The total amount paid to the auditor was £0.6m (2014: £0.7m).

## NOTES TO THE ACCOUNTS CONTINUED

### 3. Staff numbers and costs

The average number of persons employed by the Group, expressed as full time equivalents (FTEs), during the year including Executive Directors was:

	Group	
	2015	2014
Production	1,521	1,502
Sales	295	296
Administrative	261	246
	<b>2,077</b>	<b>2,044</b>

The average number of FTEs employed by the Company during the year was 19 (2014: 16).

The aggregate staff costs were:

	Group	
	2015 £m	2014 £m
Wages and salaries	68.0	63.9
Social security costs	13.0	13.4
Pension costs	3.3	3.9
	<b>84.3</b>	<b>81.2</b>

	Company	
	2015 £m	2014 £m
Wages and salaries	3.3	2.4
Social security costs	0.4	0.3
Pension costs	0.2	0.3
	<b>3.9</b>	<b>3.0</b>

The Directors of the Company are listed on pages 52 and 53.

### 4. Post-employment benefits

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

#### (a) Defined contribution schemes

Various defined contribution pension schemes exist around the Group. These are accounted for on a contribution payable basis. The total cost charged to income in respect of defined contribution pension schemes was £2.4m (2014: £3.1m).

#### (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 2015 for the UK pension scheme was £0.7m (2014: £0.9m). The Scheme is held by the Company and all of the UK disclosures relate to the Company and the Group.

Following the 2014 valuation of the UK Scheme, the Company agreed a schedule of contributions with the Trustee of the Scheme under which the Company pays contributions of £3.3m by 30 June 2014 and then £3.8m per annum by no later than 30 June each year until 2021 and a final payment of £0.5m by 30 June 2022. The Company is required to make further contributions to the UK scheme if the Group's net cash inflow before distributions exceeds certain agreed levels provided that the total contributions payable in any one year are no more than £4.0m in 2015, £4.2m in 2016 and £4.3m thereafter and the total contributions payable under the revised schedule do not exceed £30.4m.

On 3 December 2015, the Group completed a medically-underwritten buy-in of £34m of UK Scheme liabilities, to reduce the Scheme's exposure to interest rate, inflation and mortality risks and to provide a more effective liability and cash flow match. Following this, the Company has agreed with the Trustee of the Scheme to establish a revised schedule of contributions for the Scheme to increase the amount of the annual contributions payable above by £175,000 per annum.

**4. Post-employment benefits** continued**(i) United Kingdom** continued

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 the Scheme Trustee, and the Board regularly discusses pension fund strategy.

**(ii) Non-UK**

Defined benefit schemes are held in Germany, Belgium and the United States. 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.

**(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 judgement 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 inter-dependency between some of the assumptions.

The financial assumptions used to estimate defined benefit obligations are:

	UK schemes		Non-UK schemes	
	2015 %	2014 %	Weighted average assumptions	
	2015 %	2014 %	2015 %	2014 %
Discount rate	<b>3.50</b>	3.60	<b>3.25</b>	3.00
Future salary increases	–	–	<b>2.25</b>	2.25
Future pension increases	<b>2.90</b>	2.90	<b>1.80</b>	1.80
Inflation increase (Consumer Price Inflation)	<b>2.00</b>	2.00	<b>2.00</b>	2.00
Health care cost trend – immediate	–	–	<b>7.0</b>	7.0
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 23.6 years (2014: male – 21.5 years, female – 23.5 years). They also assume that a UK Scheme male member currently aged 45, will survive a further 43.3 years and a female member for a further 45.5 years (2014: male – 43.2 years, female – 45.4 years). Management consider that the assumptions used are appropriate approximations to the life expectancy of Scheme members in the light of scheme-specific experience and more widely available statistics.

**(iv) Financial impact of schemes**

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

	UK schemes		Non-UK schemes		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Fair value of scheme assets	<b>178.1</b>	176.5	<b>9.9</b>	10.0	<b>188.0</b>	186.5
Present value of defined benefit obligations	<b>(172.9)</b>	(176.3)	<b>(19.8)</b>	(21.0)	<b>(192.7)</b>	(197.3)
Net asset/(liability) recognised in the balance sheet	<b>5.2</b>	0.2	<b>(9.9)</b>	(11.0)	<b>(4.7)</b>	(10.8)

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	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Current service cost	–	–	<b>0.3</b>	0.3	<b>0.3</b>	0.3
Net interest (income)/cost	<b>(0.1)</b>	0.1	<b>0.3</b>	0.3	<b>0.2</b>	0.4
Administration costs	<b>0.8</b>	0.8	–	–	<b>0.8</b>	0.8
	<b>0.7</b>	0.9	<b>0.6</b>	0.6	<b>1.3</b>	1.5

## NOTES TO THE ACCOUNTS CONTINUED

### 4. Post-employment benefits continued (iv) Financial impact of schemes continued

Amounts recognised in other comprehensive income are as follows:

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Net actuarial gain/(loss) in the year due to:	<b>2.2</b>	(0.8)	<b>1.9</b>	1.6
– Changes in financial assumptions	<b>(0.9)</b>	(15.8)	<b>(1.3)</b>	(13.7)
– Changes in demographic assumptions	–	(2.4)	–	(1.9)
– Experience adjustments on benefit obligations	<b>1.3</b>	1.3	<b>1.4</b>	1.4
Actual return on scheme assets less interest on scheme assets	<b>1.8</b>	16.1	<b>1.8</b>	15.8
Associated deferred tax	–	0.8	–	–

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

	UK schemes		Non-UK schemes		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Opening balance sheet asset/(liability)	<b>0.2</b>	(3.8)	<b>(11.0)</b>	(8.9)	<b>(10.8)</b>	(12.7)
Amount recognised in income statement	<b>(0.7)</b>	(0.9)	<b>(0.7)</b>	(0.6)	<b>(1.4)</b>	(1.5)
Amount recognised in other comprehensive income	<b>1.9</b>	1.6	<b>0.3</b>	(2.4)	<b>2.2</b>	(0.8)
Contributions paid	<b>3.8</b>	3.3	<b>0.7</b>	0.7	<b>4.5</b>	4.0
Past service cost	–	–	–	0.1	–	0.1
Exchange gain	–	–	<b>0.8</b>	0.1	<b>0.8</b>	0.1
Closing balance sheet asset/(liability)	<b>5.2</b>	0.2	<b>(9.9)</b>	(11.0)	<b>(4.7)</b>	(10.8)

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

	UK schemes		Non-UK schemes		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Opening defined benefit obligation	<b>176.3</b>	163.2	<b>21.0</b>	18.5	<b>197.3</b>	181.7
Current service cost	–	–	<b>0.3</b>	0.3	<b>0.3</b>	0.3
Interest cost	<b>6.1</b>	7.0	<b>0.7</b>	0.7	<b>6.8</b>	7.7
Past service cost	–	–	–	(0.1)	–	(0.1)
Actuarial loss/(gain) due to:	<b>(0.1)</b>	14.2	<b>(0.3)</b>	2.7	<b>(0.4)</b>	16.9
– Changes in financial assumptions	<b>1.3</b>	13.7	<b>(0.4)</b>	2.1	<b>0.9</b>	15.8
– Changes in demographic assumptions	–	1.9	–	0.5	–	2.4
– Experience adjustments on obligations	<b>(1.4)</b>	(1.4)	<b>0.1</b>	0.1	<b>(1.3)</b>	(1.3)
Benefits paid	<b>(9.4)</b>	(8.1)	<b>(1.0)</b>	(1.0)	<b>(10.4)</b>	(9.1)
Benefits paid directly by the employer	–	–	–	–	–	–
Exchange adjustments	–	–	<b>(0.9)</b>	(0.1)	<b>(0.9)</b>	(0.1)
Closing defined benefit obligation	<b>172.9</b>	176.3	<b>19.8</b>	21.0	<b>192.7</b>	197.3

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

	UK schemes		Non-UK schemes		Total	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Opening fair value of scheme assets	<b>176.5</b>	159.4	<b>10.0</b>	9.6	<b>186.5</b>	169.0
Interest on scheme assets	<b>6.2</b>	6.9	<b>0.4</b>	0.4	<b>6.6</b>	7.3
Actual return on scheme assets less interest on scheme assets	<b>1.8</b>	15.8	–	0.3	<b>1.8</b>	16.1
Administration costs	<b>(0.8)</b>	(0.8)	–	–	<b>(0.8)</b>	(0.8)
Contributions by employers	<b>3.8</b>	3.3	<b>0.7</b>	0.7	<b>4.5</b>	4.0
Benefits paid	<b>(9.4)</b>	(8.1)	<b>(1.0)</b>	(1.0)	<b>(10.4)</b>	(9.1)
Exchange adjustments	–	–	<b>(0.2)</b>	–	<b>(0.2)</b>	–
Closing fair value of scheme assets	<b>178.1</b>	176.5	<b>9.9</b>	10.0	<b>188.0</b>	186.5

#### 4. Post-employment benefits continued

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

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

	2015 £m	2015 %	2014 £m	2014 %
Equity securities	33.7	19	40.2	23
Debt securities	–	–	–	–
Diversified growth funds	73.5	41	72.2	41
LDI funds	37.3	21	35.8	20
Property	19.4	11	18.0	10
Cash and other	14.2	8	10.3	6
	<b>178.1</b>	<b>100</b>	176.5	100

The assets are invested in quoted pooled funds, apart from £73.5m 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:

	2015 £m	2015 %	2014 £m	2014 %
Equity securities	4.6	47	4.3	43
Debt securities	5.1	51	5.2	52
Property	0.1	1	0.1	1
Cash and other	0.1	1	0.4	4
	<b>9.9</b>	<b>100</b>	10.0	100

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

	Decrease/(increase) in obligation (£m)			
	2015		2014	
	-0.5%pa	+0.5%pa	-0.5%pa	+0.5%pa
Discount rate	(12.5)	11.2	(12.6)	11.3
Inflation and pension increases (Consumer Price Inflation)	6.9	(7.3)	6.7	(7.0)
	-1 year	+1 year	-1 year	+1 year
Life expectancy	7.0	(7.1)	7.2	(7.3)

Consistent with the previous year’s figures, these sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, and assume no other changes in market conditions at the accounting date.

#### 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:

	2015 £m	2014 £m
<b>Amounts charged to operating profit</b>		
China factory start-up costs	1.1	0.2
Impairment of investment in joint venture	8.2	–
Reorganisation costs	0.4	2.2
Pension administration costs	0.2	0.3
Pension buy-in costs	0.2	–
Acquisition-related costs	–	0.1
Site clean-up costs	–	0.5
<b>Total non-recurring items</b>	<b>10.1</b>	<b>3.3</b>
Amortisation of acquired intangible assets	4.1	5.2
<b>Total charge to operating profit</b>	<b>14.2</b>	<b>8.5</b>
Share of results of joint venture	–	–
<b>Total charge to profit before tax</b>	<b>14.2</b>	<b>8.5</b>

During the year construction and start-up costs relating to the Group’s construction of a new manufacturing facility in Changzhou, China, totalled £1.1m (2014: £0.2m).

The Group impaired the carrying value of its investment in, and loan to, its joint venture Bonar Natpet LLC, resulting in a charge of £8.2m (2014: £nil). Further details are given in Note 15.

## NOTES TO THE ACCOUNTS CONTINUED

Reorganisation costs of £0.4m (2014: £2.2m) were incurred in the integration of the Group's operations into a single global business and, in the prior year, relocating part of the Yarns business from Dundee to Abu Dhabi.

The Group also incurred £0.2m (2014: £0.3m) of non-recurring pension administration costs relating to its UK defined benefit scheme. A further £0.2m (2014: £nil) of professional fees were incurred in respect of the medically-underwritten buy-in of £34m of UK pension scheme liabilities, which completed on 3 December 2015.

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

### 6. Financial income and financial expense

	2015 £m	2014 £m
<b>Financial income</b>		
Interest income	0.1	0.1
	<b>0.1</b>	0.1
<b>Financial expense</b>		
Interest on bank overdrafts and loans	(3.9)	(4.5)
Amortisation of bank arrangement fees	(0.4)	(0.6)
Net interest on pension scheme net liabilities	(0.2)	(0.4)
	<b>(4.5)</b>	(5.5)

### 7. Taxation

#### Recognised in the income statement

	2015 £m	2014 £m
<b>Current tax</b>		
UK corporation tax		
– current year	–	–
– prior year	–	(0.1)
Overseas tax		
– current year	8.5	6.7
– prior year	(0.1)	0.6
<b>Total current tax</b>	<b>8.4</b>	7.2
<b>Deferred tax</b>	<b>(2.2)</b>	(2.3)
<b>Total tax charge in the income statement</b>	<b>6.2</b>	4.9

The amount of deferred tax income relating to changes in tax rates is £nil (2014: £0.1m).

#### 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 20.33% (2014: 21.67%) to the profit before tax are as follows:

	2015 £m	2014 £m
<b>Profit before tax from continuing operations</b>	<b>12.4</b>	16.7
<b>Profit before tax from discontinued operations</b>	–	0.9
<b>Tax charge at 20.33% (2014: 21.67%)</b>	<b>2.5</b>	3.7
Expenses not deductible and income not taxable	(0.3)	(1.5)
Higher tax rates on overseas earnings	2.5	1.3
Current tax losses not utilised	2.1	1.4
Other differences	(0.5)	(0.5)
Prior period adjustments	(0.1)	0.5
<b>Total tax charge for the year</b>	<b>6.2</b>	4.9

#### Deferred tax recognised directly in other comprehensive income

	2015 £m	2014 £m
Actuarial gains and losses relating to post-employment benefit obligations	–	0.8
<b>Total of items that will not be reclassified subsequently to profit or loss</b>	–	0.8

A 1% reduction in the main rate of UK corporation tax from 21% to 20% took effect from 1 April 2015 and further reductions from 20% to 19% and from 19% to 18% will take effect from 1 April 2017 and from 1 April 2020 respectively. Given that the Group does not expect to pay corporation tax in the UK in the foreseeable future, this change is not considered to have any material impact on the Group.



## 8. Profits of the 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 £11.2m (2014: £8.3m).

## 9. Dividends

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

	2015 £m	2014 £m
Final dividend for the year ended 30 November 2014 – 1.75 pence per share (2013: 1.75 pence per share)	5.8	5.7
Interim dividend for the year ended 30 November 2015 – 0.98 pence per share (2014: 0.95 pence per share)	3.2	3.1
	<b>9.0</b>	<b>8.8</b>

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2015 of 1.80 pence per share which will absorb an estimated £6.0m 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 31 March 2016, it will be paid on 14 April 2016 to Ordinary Shareholders who are on the register of members at close of business on 18 March 2016.

During the year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2014 of 1.75 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 20 March 2015.

The Directors declared an interim dividend on Ordinary Shares in relation to the year ended 30 November 2015 of 0.98 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 28 August 2015.

## 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:

	2015			2014		
	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>5.7</b>	<b>328.116</b>	<b>1.73</b>	11.5	327.035	3.50
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	6.230		–	5.572	
<b>Diluted earnings per share</b>	<b>5.7</b>	<b>334.346</b>	<b>1.70</b>	11.5	332.607	3.44
<b>Statutory – discontinued operations</b>						
<b>Basic earnings per share</b>	–	328.116	–	0.9	327.035	0.26
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	6.230		–	5.572	
<b>Diluted earnings per share</b>	–	334.346	–	0.9	332.607	0.26
<b>Statutory – total operations</b>						
<b>Basic earnings per share</b>	<b>5.7</b>	<b>328.116</b>	<b>1.73</b>	12.4	327.035	3.76
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	6.230		–	5.572	
<b>Diluted earnings per share</b>	<b>5.7</b>	<b>334.346</b>	<b>1.70</b>	12.4	332.607	3.70
<b>Before amortisation and non-recurring items – continuing and total operations</b>						
<b>Basic earnings per share</b>	<b>18.5</b>	<b>328.116</b>	<b>5.61</b>	17.9	327.035	5.46
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	6.230		–	5.572	
<b>Diluted earnings per share</b>	<b>18.5</b>	<b>334.346</b>	<b>5.51</b>	17.9	332.607	5.37

## NOTES TO THE ACCOUNTS CONTINUED

**11. Goodwill**

	Group	
	2015 £m	2014 £m
<b>Cost</b>		
At 1 December	86.4	89.6
Exchange adjustments	(8.4)	(3.2)
At 30 November	<b>78.0</b>	86.4
<b>Accumulated impairment losses</b>		
At 1 December	8.4	8.4
Impairment loss recognised	–	–
At 30 November	<b>8.4</b>	8.4
<b>Net book value at 30 November</b>	<b>69.6</b>	78.0

**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. Following the Group’s reorganisation in May 2015, goodwill previously reported within the Bonar CGU was reallocated to the Building & Industrial, Civil Engineering and Interior & Transportation CGUs based on where the business now resides. A summary of the carrying value presented at CGU level is shown below:

	Group	
	2015 Net book value £m	2014 Net book value £m
<b>Cash generating unit</b>		
Building & Industrial	9.0	10.3
Civil Engineering	17.0	18.3
Coated Technical Textiles	31.1	35.2
Interior & Transportation	12.5	14.2
Sports & Leisure	–	–
At 30 November	<b>69.6</b>	78.0

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 the long-term average and projected growth rates for each of the key markets served by the CGUs, along with forecast changes to selling prices and direct costs 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.

**Long-term growth rates**

The value in use calculations assume terminal growth rates of 2% (2014: 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 12.4% to 12.8% (2014: 10.8% to 11.1%) to calculate value in use for CGUs, reflecting management’s views of the individual risks and rewards associated with each CGU.

**Sensitivity**

Whilst management believe that the assumptions used in impairment testing are realistic, it is possible that variations in key assumptions could affect the recoverable amounts. Accordingly a sensitivity analysis has been performed by varying key assumptions whilst holding other variables constant.

All CGUs except Civil Engineering performed satisfactorily in 2015 and their recoverable amounts show significant headroom compared to their carrying value when reasonably likely changes are made to key assumptions.

**11. Goodwill continued**

Civil Engineering continued to be impacted by weak European demand and production inefficiencies at one of its manufacturing sites in Belgium. The 2016 budget and five year plan for Civil Engineering, which has been used in preparing the cash flow projections in the impairment review, assumes that near-term demand levels will remain subdued while performance improvements will be realised through capital and operational investments.

A summary of the Civil Engineering CGU's sensitivity to changes in the key assumptions, setting out the required changes in cash flow, growth rate and discount rate beyond which an impairment would be triggered, is shown below:

	Cash flow	Long-term growth rates		Discount rate		Goodwill
	Sensitivity (decrease)	Current assumption	Sensitivity (rate)	Current assumption	Sensitivity (rate)	2015 £m
Civil Engineering	14%	2%	0%	12.4%	14.0%	17.0

**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 2013	3.9	4.4	0.4	34.0	14.6	21.0	1.3	79.6
Exchange adjustment	(0.2)	(0.2)	–	(1.3)	(0.6)	(0.8)	(0.1)	(3.2)
Additions	0.2	1.0	–	–	–	–	–	1.2
At 30 November 2014	3.9	5.2	0.4	32.7	14.0	20.2	1.2	77.6
<b>Exchange adjustment</b>	<b>(0.4)</b>	<b>(0.7)</b>	–	<b>(3.4)</b>	<b>(1.7)</b>	<b>(2.2)</b>	<b>(0.1)</b>	<b>(8.5)</b>
<b>Additions</b>	–	<b>0.7</b>	–	–	–	–	–	<b>0.7</b>
<b>At 30 November 2015</b>	<b>3.5</b>	<b>5.2</b>	<b>0.4</b>	<b>29.3</b>	<b>12.3</b>	<b>18.0</b>	<b>1.1</b>	<b>69.8</b>
<b>Aggregate amortisation</b>								
At 30 November 2013	2.2	1.7	0.4	17.8	6.6	15.6	1.3	45.6
Exchange adjustment	(0.1)	(0.1)	(0.1)	(0.6)	(0.3)	(0.6)	(0.1)	(1.9)
Charge for the year	0.5	0.4	–	2.6	1.1	1.5	–	6.1
At 30 November 2014	2.6	2.0	0.3	19.8	7.4	16.5	1.2	49.8
<b>Exchange adjustment</b>	<b>(0.4)</b>	<b>(0.2)</b>	–	<b>(2.1)</b>	<b>(0.9)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(5.5)</b>
<b>Charge for the year</b>	<b>0.4</b>	<b>0.7</b>	–	<b>2.2</b>	<b>1.0</b>	<b>0.9</b>	–	<b>5.2</b>
<b>At 30 November 2015</b>	<b>2.6</b>	<b>2.5</b>	<b>0.3</b>	<b>19.9</b>	<b>7.5</b>	<b>15.6</b>	<b>1.1</b>	<b>49.5</b>
<b>Net book value</b>								
<b>At 30 November 2015</b>	<b>0.9</b>	<b>2.7</b>	<b>0.1</b>	<b>9.4</b>	<b>4.8</b>	<b>2.4</b>	–	<b>20.3</b>
At 30 November 2014	1.3	3.2	0.1	12.9	6.6	3.7	–	27.8
At 30 November 2013	1.7	2.7	–	16.2	8.0	5.4	–	34.0

## 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 may 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 2013	51.2	214.4	6.4	272.0	0.4	–	–	0.4
Exchange adjustment	(1.6)	(4.7)	0.2	(6.1)	–	–	–	–
Additions	0.6	5.1	13.4	19.1	–	–	–	–
Reclassifications	0.6	6.6	(7.0)	0.2	–	–	–	–
Disposals	–	(0.8)	–	(0.8)	–	–	–	–
At 30 November 2014	50.8	220.6	13.0	284.4	0.4	–	–	0.4
<b>Exchange adjustment</b>	<b>(4.9)</b>	<b>(16.6)</b>	<b>(1.0)</b>	<b>(22.5)</b>	–	–	–	–
<b>Additions</b>	<b>0.5</b>	<b>6.2</b>	<b>26.5</b>	<b>33.2</b>	–	–	–	–
<b>Reclassifications</b>	<b>0.1</b>	<b>2.5</b>	<b>(2.6)</b>	<b>–</b>	–	–	–	–
<b>Disposals</b>	<b>–</b>	<b>(1.1)</b>	<b>–</b>	<b>(1.1)</b>	–	–	–	–
<b>At 30 November 2015</b>	<b>46.5</b>	<b>211.6</b>	<b>35.9</b>	<b>294.0</b>	<b>0.4</b>	<b>–</b>	<b>–</b>	<b>0.4</b>
<b>Accumulated depreciation</b>								
At 30 November 2013	19.9	137.9	–	157.8	0.1	–	–	0.1
Exchange adjustment	(0.6)	(3.9)	–	(4.5)	–	–	–	–
Charge for the year	1.1	11.6	–	12.7	0.1	–	–	0.1
Reclassifications	(1.4)	1.3	–	(0.1)	–	–	–	–
Disposals	–	(0.8)	–	(0.8)	–	–	–	–
At 30 November 2014	19.0	146.1	–	165.1	0.2	–	–	0.2
<b>Exchange adjustment</b>	<b>(1.9)</b>	<b>(12.5)</b>	<b>–</b>	<b>(14.4)</b>	–	–	–	–
<b>Charge for the year</b>	<b>1.3</b>	<b>11.1</b>	<b>–</b>	<b>12.4</b>	–	–	–	–
<b>Reclassifications</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	–	–	–	–
<b>Disposals</b>	<b>–</b>	<b>(1.1)</b>	<b>–</b>	<b>(1.1)</b>	–	–	–	–
<b>At 30 November 2015</b>	<b>18.4</b>	<b>143.6</b>	<b>–</b>	<b>162.0</b>	<b>0.2</b>	<b>–</b>	<b>–</b>	<b>0.2</b>
<b>Net book value</b>								
<b>At 30 November 2015</b>	<b>28.1</b>	<b>68.0</b>	<b>35.9</b>	<b>132.0</b>	<b>0.2</b>	<b>–</b>	<b>–</b>	<b>0.2</b>
At 30 November 2014	31.8	74.5	13.0	119.3	0.2	–	–	0.2
At 30 November 2013	31.3	76.5	6.4	114.2	0.3	–	–	0.3

The carrying value of freehold land not depreciated at 30 November 2015 was £3.5m (2014: £4.0m). Committed capital expenditure at 30 November 2015 totalled £3.6m (2014: £11.9m).

### 14. Investment in subsidiaries

	Company	
	2015 £m	2014 £m
Cost at 1 December and 30 November	103.5	103.5
Provision for impairment at 1 December and 30 November	(9.9)	(9.9)
<b>Net book value at 1 December and 30 November</b>	<b>93.6</b>	<b>93.6</b>

The subsidiary undertakings are shown within Note 34.

**15. Investment in joint venture**

	Group	
	2015 £m	2014 £m
<b>Cost</b>		
At 1 December	3.6	4.7
Equity investment in joint venture	1.1	–
Share of retained loss	(1.8)	(1.1)
Exchange adjustment	0.1	–
<b>At 30 November</b>	<b>3.0</b>	<b>3.6</b>
<b>Impairment provision</b>		
At 1 December	–	–
Impairment of investment in joint venture	(3.0)	–
<b>At 30 November</b>	<b>(3.0)</b>	<b>–</b>
<b>Net book value at 30 November</b>	<b>–</b>	<b>3.6</b>

During the year the carrying value of the Group's investment in its joint venture was reviewed in the light of continuing losses, driven by a reduction in infrastructure spend in the Middle East, and the resulting over-capacity in the market. This calculation compared the estimated value in use of the Group's investment – based on the entity's projected cash flows, discounted using a pre-tax discount rate of 12.3% to calculate its net present value – to its carrying value in the accounts, resulting in an impairment charge of £3.0m. A further £5.2m was provided against loans receivable from the joint venture.

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

	2015 £m	2014 £m
Total assets	37.8	34.0
Total liabilities	(31.9)	(26.8)
Net assets	5.9	7.2
Group share of net assets	3.0	3.6
Total revenue	12.4	3.8
Total loss for the year	(3.6)	(2.2)
Group share of loss for the year	(1.8)	(1.1)

The joint venture is shown within Note 34.

**16. Investment in associates**

	Group	
	2015 £m	2014 £m
<b>Cost and net book value</b>		
At 1 December	0.5	0.4
Share of retained profit	–	0.1
Dividends received	–	–
<b>At 30 November</b>	<b>0.5</b>	<b>0.5</b>

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

	2015 £m	2014 £m
Total assets	1.1	1.3
Total liabilities	–	–
Net assets	1.1	1.3
Group share of net assets	0.5	0.5
Total revenue	3.1	3.4
Total profit for the year	0.2	0.3
Group share of profit for the year	–	0.1

The associates are shown within Note 34.

## NOTES TO THE ACCOUNTS CONTINUED

### 17. Inventories

	Group	
	2015 £m	2014 £m
Raw materials	20.6	19.7
Work in progress	14.1	14.6
Finished goods	47.9	56.6
	<b>82.6</b>	90.9

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

### 18. Trade and other receivables

	Group	
	2015 £m	2014 £m
<b>Current</b>		
Trade receivables	65.3	65.6
Provision for impairment of receivables	(2.4)	(2.8)
Net trade receivables	62.9	62.8
Other receivables	4.9	10.0
Prepayments and accrued income	3.3	2.5
	<b>71.1</b>	75.3
<b>Non-current</b>		
Amounts owed by subsidiaries	22.3	22.7
<b>Current</b>		
Amounts owed by subsidiaries	148.2	149.8
Other receivables	0.4	0.3
Prepayments and accrued income	0.4	0.4
	<b>149.0</b>	150.5

Included within the Group's other receivables is £nil (2014: £4.7m) 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	
	2015 £m	2014 £m
Not past due	52.9	54.3
0–30 days past due	5.8	4.5
31–120 days past due	2.9	2.2
More than 120 days past due	3.7	4.6
	<b>65.3</b>	65.6

**18. Trade and other receivables** continued

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

	Group	
	2015 £m	2014 £m
Balance at 1 December	(2.8)	(3.1)
Increased during the year	(0.2)	(0.4)
Released during the year	–	0.2
Utilised during the year	0.1	0.3
Exchange adjustments	0.5	0.2
	<b>(2.4)</b>	<b>(2.8)</b>

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

	Group	
	2015 £m	2014 £m
Not past due	–	–
0–30 days past due	–	–
31–120 days past due	(0.1)	(0.1)
More than 120 days past due	(2.3)	(2.7)
	<b>(2.4)</b>	<b>(2.8)</b>

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 2015 was £2.4m (2014: £2.8m). Management believe that this provision is adequate to cover the risk of bad debts and exposure to credit risk. At 30 November 2015, 68.9% (2014: 64.7%) of trade receivables were insured.

**19. Trade and other payables**

	Group	
	2015 £m	2014 £m
<b>Current</b>		
Trade payables	52.4	57.3
Other taxes and social security	2.2	2.2
Other payables	7.5	7.1
Accruals	14.9	15.8
	<b>77.0</b>	<b>82.4</b>
Current tax liabilities	5.7	4.8
	<b>82.7</b>	<b>87.2</b>
	Company	
	2015 £m	2014 £m
<b>Current</b>		
Amounts owed to subsidiaries	18.2	16.0
Other taxes and social security	0.1	0.1
Other payables	6.3	4.0
Accruals	1.8	1.0
	<b>26.4</b>	<b>21.1</b>
Current tax liabilities	–	–
	<b>26.4</b>	<b>21.1</b>

Included within the Group's and Company's other payables is £5.3m (2014: £3.1m) owed to National Petrochemical Industrial Company (Natpet), the Group's joint venture partner in Bonar Natpet LLC.

## NOTES TO THE ACCOUNTS CONTINUED

### 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 2015.

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.

#### 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 2015 £m	Book value 2015 £m	Fair value 2014 £m	Book value 2014 £m	Fair value 2015 £m	Book value 2015 £m	Fair value 2014 £m	Book value 2014 £m
Cash at bank and in hand	33.9	33.9	25.8	25.8	5.3	5.3	3.6	3.6
Trade and other receivables	67.8	67.8	72.8	72.8	170.9	170.9	172.8	172.8
Trade and other payables	(84.3)	(84.3)	(89.2)	(89.2)	(26.4)	(26.4)	(21.1)	(21.1)
Derivative liabilities	(0.1)	(0.1)	–	–	(0.1)	(0.1)	–	–
Bank overdrafts	–	–	–	–	(2.3)	(2.3)	(8.0)	(8.0)
Preference shares	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Prepaid arrangement fees	1.2	1.2	1.5	1.5	1.2	1.2	1.5	1.5
Floating rate borrowings	(105.2)	(105.2)	(78.9)	(78.9)	(67.3)	(67.3)	(63.3)	(63.3)
Fixed rate borrowings	(32.0)	(31.6)	(36.7)	(36.0)	(32.0)	(31.6)	(36.7)	(36.0)
	<b>(119.1)</b>	<b>(118.7)</b>	(105.1)	(104.4)	<b>48.9</b>	<b>49.3</b>	48.4	49.1

#### 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.



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

The Group's borrowing facilities at 30 November 2015 totalled €232.5m (£163.1m) (2014: €210.0m (£167.2m)), 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 1.0% to 2.0% 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 5.9% per annum for the term of the loan.
- RMB150m of unsecured revolving and term loan facilities, maturing in June 2020, arranged in July 2015 to finance the construction of the Group's manufacturing facility in Changzhou, China.

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it may 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 light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's capital structure is as follows:

	Group	
	2015 £m	2014 £m
Net debt	<b>102.1</b>	88.0
Total equity	<b>172.0</b>	190.5
	<b>274.1</b>	278.5

**Analysis of cash and cash equivalents**

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Sterling	–	(0.8)	–	–
Euro	<b>16.3</b>	10.3	–	–
US Dollar	<b>5.9</b>	6.1	–	–
Other	<b>11.7</b>	10.2	<b>5.3</b>	3.6
	<b>33.9</b>	25.8	<b>5.3</b>	3.6

**Analysis of interest-bearing borrowings**

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Borrowings falling due within one year or on demand</b>				
Bank loans and overdrafts	–	–	<b>2.5</b>	8.0
5.9% €45m Senior Note due 2016	<b>31.5</b>	–	<b>31.5</b>	–
	<b>31.5</b>	–	<b>34.0</b>	8.0
<b>Borrowings falling due after more than one year</b>				
Bank loans and overdrafts	<b>104.1</b>	77.6	<b>66.0</b>	62.0
5.9% €45m Senior Note due 2016	–	35.8	–	35.8
Other borrowings				
– Preference shares	<b>0.4</b>	0.4	<b>0.4</b>	0.4
	<b>104.5</b>	113.8	<b>66.4</b>	98.2

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

## NOTES TO THE ACCOUNTS CONTINUED

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

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 2015						
	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>							
Multicurrency revolving facility							
– Sterling	2.1	(34.0)	(36.7)	(0.7)	(0.7)	(35.3)	–
– Euro	1.6	(48.5)	(51.4)	(0.8)	(0.8)	(49.8)	–
– US Dollar	1.8	(12.3)	(13.1)	(0.2)	(0.2)	(12.7)	–
5.9% €45m Senior Note due 2016	5.9	(31.6)	(33.2)	(33.2)	–	–	–
RMB150m facility	5.6	(10.4)	(13.0)	(0.6)	(0.6)	(11.8)	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.2	–	–	–	–	–
		(136.0)	(147.8)	(35.5)	(2.3)	(109.6)	(0.4)
Trade and other payables		(84.3)	(84.3)	(82.7)	(1.6)	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		(0.1)	(0.1)	(0.1)	–	–	–
		(220.4)	(232.2)	(118.3)	(3.9)	(109.6)	(0.4)

	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>							
Multicurrency 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)	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.5	–	–	–	–	–
		(113.8)	(127.2)	(3.8)	(39.5)	(83.5)	(0.4)
Trade and other payables		(89.2)	(89.2)	(87.2)	(2.0)	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		–	–	–	–	–	–
		(203.0)	(216.4)	(91.0)	(41.5)	(83.5)	(0.4)

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

Company 2015							
	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>							
Multicurrency revolving facility							
– Sterling	2.1	(34.0)	(36.7)	(0.7)	(0.7)	(35.3)	–
– Euro	1.6	(21.0)	(22.2)	(0.3)	(0.3)	(21.6)	–
– US Dollar	1.8	(12.3)	(13.1)	(0.2)	(0.2)	(12.7)	–
5.9% €45m Senior Note due 2016	5.9	(31.6)	(33.2)	(33.2)	–	–	–
Bank overdrafts							
– Sterling	2.4	(0.8)	(0.8)	(0.8)	–	–	–
– Euro	1.9	(1.1)	(1.1)	(1.1)	–	–	–
– Other	2.1	(0.4)	(0.4)	(0.4)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.2	–	–	–	–	–
		(100.4)	(107.9)	(36.7)	(1.2)	(69.6)	(0.4)
Trade and other payables		(26.4)	(26.4)	(26.4)	–	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		(0.1)	(0.1)	(0.1)	–	–	–
		(126.9)	(134.4)	(63.2)	(1.2)	(69.6)	(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>							
Multicurrency 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)

## NOTES TO THE ACCOUNTS CONTINUED

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

#### Foreign exchange risk

##### (a) Translational

The Group has significant net assets based outside of the UK, predominantly in the Eurozone, the USA and China, with further amounts held in the Czech Republic and the Middle East. 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's borrowing under its RMB150m facilities acts as a natural balance sheet hedge against the Group's investments in China. 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 2014 retranslated using 2015 average exchange rates would have been £1.5m 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 2015					
	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	5.3	–	–	–	–	0.1

	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	–	–	–	–	–

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the year to 30 November 2015, an amount of £nil (2014: £nil) was recognised due to hedge ineffectiveness. The amount recognised in equity in the year in respect of hedges was a loss of £nil (2014: £nil).

#### 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:

	2015		2014	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Euro/Saudi Riyal	29.9	4.03	25.4	4.70

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

	2015		2014	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Euro/Saudi Riyal	29.9	4.03	25.4	4.70

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

The following significant exchange rates applied during the year:

	Average rate 2015	Average rate 2014	Year end rate 2015	Year end rate 2014
Sterling/Euro	<b>1.37</b>	1.24	<b>1.43</b>	1.26
Sterling/US Dollar	<b>1.53</b>	1.66	<b>1.51</b>	1.57
Sterling/Czech Crown	<b>37.53</b>	34.03	<b>38.54</b>	34.72
Sterling/Hungarian Forint	<b>425.15</b>	380.88	<b>443.05</b>	384.83
Sterling/Chinese Yuan	<b>9.60</b>	10.19	<b>9.63</b>	9.62

**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:

	2015		2014	
	Profit £m	Equity £m	Profit £m	Equity £m
US Dollar	<b>(1.1)</b>	<b>(1.9)</b>	(0.6)	(1.5)
Euro	<b>(0.2)</b>	<b>(5.2)</b>	(0.5)	(7.3)
Czech Crown	<b>(0.3)</b>	<b>(0.9)</b>	(0.4)	(1.1)
Chinese Yuan	<b>(0.1)</b>	<b>(2.5)</b>	(0.1)	(2.1)

A 10% weakening of Sterling against the above currencies as at 30 November 2015 and 2014 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**Credit risk**

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

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

Trade receivable exposures are with a wide range of counterparties, and the credit strength of these counterparties is monitored. Where appropriate, credit risks are minimised through the use of forward funding, letters of credit, variations in payment terms and insurance. The maximum exposure to credit risk is represented by the carrying value of each financial asset as recorded in the balance sheet. There are no significant concentrations of credit risk at the balance sheet date nor are there any significant exposures to any one customer. See Note 18 for further details.

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

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

**Exposure to credit risk**

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

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Financial assets at fair value through profit and loss	–	–	–	–
Trade and other receivables	<b>67.8</b>	72.8	<b>170.9</b>	172.8
Cash and cash equivalents	<b>33.9</b>	25.8	<b>5.3</b>	3.6
	<b>101.7</b>	98.6	<b>176.2</b>	176.4

## NOTES TO THE ACCOUNTS CONTINUED

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

#### 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 2015 and 2014 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 5.9% 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 1.0% and 2.0%, and cash deposits and bank overdrafts which bear interest at market rates; and borrowings under the Group's RMB150m facility, which bear interest at rates set by reference to local base rate.

#### 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	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Fixed rate</b>				
Net debt	(31.9)	(36.2)	(31.9)	(36.2)
Financial instruments	–	–	–	–
Total fixed rate	(31.9)	(36.2)	(31.9)	(36.2)
<b>Floating rate</b>				
Net debt	(70.2)	(51.8)	(63.2)	(66.4)
Financial instruments	(0.1)	–	(0.1)	–
Total floating rate	(70.3)	(51.8)	(63.3)	(66.4)
Total interest-bearing net debt and financial instruments	(102.2)	(88.0)	(95.2)	(102.6)

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 £0.5m (2014: £0.6m). The impact on the profit or loss for the period would have been to increase or decrease profit by £0.7m (2014: £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:

	2015			2014		
	Assets £m	Liabilities £m	Net assets/ (liabilities) £m	Assets £m	Liabilities £m	Net assets/ (liabilities) £m
Intangible assets	–	(4.4)	(4.4)	–	(6.1)	(6.1)
Retirement benefit liabilities	2.2	–	2.2	2.3	–	2.3
Accelerated tax depreciation	–	(12.2)	(12.2)	–	(13.2)	(13.2)
Tax losses	1.0	–	1.0	–	–	–
Other	1.2	(0.6)	0.6	2.1	(1.5)	0.6
Tax assets/(liabilities)	4.4	(17.2)	(12.8)	4.4	(20.8)	(16.4)

Unrecognised deferred tax assets:

	2015 £m	2014 £m
Tax losses	27.0	29.0
Retirement benefit liabilities	–	–
Employee share schemes	1.4	1.4
Accelerated tax depreciation	0.9	0.9
	29.3	31.3

Tax losses include an amount of £6.9m (2014: £7.6m) in respect of capital losses. The tax losses have no expiry date.

**21. Deferred taxation** continued

Movement in deferred tax during the year ended 30 November 2015:

	Balance 1 Dec 2014 £m	Recognised in other comprehensive income £m	Recognised in income £m	Exchange adjustments £m	Balance 30 Nov 2015 £m
Intangible assets	(6.1)	–	1.0	0.7	(4.4)
Retirement benefit liabilities	2.3	–	–	(0.1)	2.2
Accelerated tax depreciation	(13.2)	–	0.5	0.5	(12.2)
Tax losses	–	–	1.0	–	1.0
Other	0.6	–	(0.3)	0.3	0.6
	<b>(16.4)</b>	–	<b>2.2</b>	<b>1.4</b>	<b>(12.8)</b>

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>

The Group has recognised deferred tax assets of £4.4m (2014: £4.4m) 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 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:

	2015 £m	2014 £m
Tax losses	15.3	16.3
Retirement benefit liabilities	–	–
Employee share schemes	1.4	1.4
	<b>16.7</b>	<b>17.7</b>

Tax losses include an amount of £4.6m (2014: £5.2m) in respect of capital losses. The tax losses have no expiry date.

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

**22. Provisions**

	Restructuring £m
<b>Current</b>	
At 30 November 2013	–
Created in the year	0.5
Utilised in the year	–
Exchange difference	–
At 30 November 2014	0.5
<b>Created in the year</b>	–
<b>Utilised in the year</b>	<b>(0.4)</b>
<b>Exchange difference</b>	–
<b>At 30 November 2015</b>	<b>0.1</b>

## NOTES TO THE ACCOUNTS CONTINUED

### 23. Other payables

	Group	
	2015 £m	2014 £m
<b>Non-current</b>		
Other payables	1.6	2.0
	Company	
	2015 £m	2014 £m
<b>Non-current</b>		
Amounts owed to subsidiaries	–	–

### 24. Prior year 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 was recognised as an equity transaction in the Group's reserves and not as a business combination or investment. Directly attributable costs of £0.2m were recorded in equity in the year ended 30 November 2014.

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 or 2015 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 2015		Group and Company 2014	
	Ordinary Shares £m	Deferred Shares £m	Ordinary Shares £m	Deferred Shares £m
<b>Allotted, called up and fully paid</b>				
At 1 December				
327,813,741 (2014: 326,293,606) Ordinary Shares at 5 pence each	16.4	–	16.3	–
154,571,152 Deferred Shares at 20 pence each	–	30.9	–	30.9
1,169,736 Ordinary Shares (2014: 1,520,135) issued under share option plans and long-term incentive plan	0.1	–	0.1	–
<b>At 30 November</b>				
328,983,477 (2014: 327,813,741) Ordinary Shares of 5 pence each	16.5	–	16.4	–
154,571,152 Deferred Shares of 20 pence each	–	30.9	–	30.9

### Capital reorganisation

On 11 March 2009, the Company's Ordinary Share capital was reorganised by means of a capital reorganisation involving: (i) the subdivision and reclassification of each issued Ordinary Share into one new Ordinary Share of 5 pence and one Deferred Share of 20 pence; and (ii) the subdivision of each authorised but unissued Ordinary Share into five new Ordinary Shares of 5 pence each. On completion of the capital reorganisation, each Ordinary Shareholder held one new Ordinary Share and one Deferred Share for each Ordinary Share previously held.

A Deferred Share: (i) does not entitle its holder to receive any dividend or other distribution; (ii) does not entitle its holder to receive notice of, nor to attend, speak or vote at, any general meeting of the Company; (iii) entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of (a) the amounts entitled to be paid up to holders of the Preference Shares and (b) the capital paid up on each Ordinary Share of 5 pence in the share capital of the Company and the further payment of £10m on each such Ordinary Share; and, (iv) does not entitle its holder to any further participation in the capital, profits or assets of the Company.

### Shares issued during the year

During the year ended 30 November 2015, 846,482 shares (2014: 357,871 shares) were issued to employees who exercised share options. 323,254 shares (2014: 1,162,264) were issued pursuant to awards made under the LTIP granted in 2011.



## 25. Share capital continued

### Preference Shares

	Group and Company	
	2015 £m	2014 £m
<b>Allotted, called up and fully paid</b>		
100,000 (2014: 100,000) 6% first cumulative preference stock of £1.00 each	0.1	0.1
100,000 (2014: 100,000) 6% second cumulative preference stock of £1.00 each	0.1	0.1
200,000 (2014: 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' Remuneration Report on pages 61 to 75. 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 2015 (2014: 3.9 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 1.6 million (2014: 1.2 million).

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

Year of grant	Average fair value in pence	Exercise price in pence	Exercise period	Ordinary Shares of 5p each				30 Nov 2015
				1 Dec 2014	Granted	Exercised	Forfeited	
<b>Share options</b>								
2006	27.23	108.18	2009 to 2016	442,126	–	–	–	<b>442,126</b>
2009	14.07	32.18	2012 to 2015	141,186	–	(141,186)	–	–
2010	13.50	26.00	2013 to 2015	160,282	–	(158,987)	(1,295)	–
2010	13.50	26.00	2013 to 2015	409,492	–	(409,492)	–	–
2011	22.17	42.80	2014 to 2016	38,922	–	–	–	<b>38,922</b>
2011	22.16	42.80	2014 to 2016	36,688	–	–	–	<b>36,688</b>
2012	19.61	51.20	2015 to 2017	61,517	–	(44,644)	(16,873)	–
2012	19.31	51.20	2015 to 2017	135,147	–	(92,173)	(22,030)	<b>20,944</b>
2013	18.55	58.80	2016 to 2018	282,470	–	–	(147,035)	<b>135,435</b>
2013	20.29	58.80	2016 to 2018	667,780	–	–	(47,636)	<b>620,144</b>
2014	22.37	68.80	2017 to 2019	401,491	–	–	(283,070)	<b>118,421</b>
2014	21.89	68.80	2017 to 2019	768,433	–	–	(196,615)	<b>571,818</b>
2015	14.20	48.80	2018 to 2020	–	798,841	–	(3,688)	<b>795,153</b>
2015	13.47	48.80	2018 to 2020	–	801,291	–	–	<b>801,291</b>
<b>Phantom share options</b>								
2006	2.93	108.18	2009 to 2016	336,836	–	–	–	<b>336,836</b>
Total				3,882,370	1,600,132	(846,482)	(718,242)	<b>3,917,778</b>

The weighted average exercise price of share options outstanding at 30 November 2015 was 66.80p (2014: 66.15p). The weighted average exercise prices of share options granted, exercised and forfeited in the year to 30 November 2015 were 48.80p, 31.37p and 64.99p, respectively (2014: 68.80p, 39.17p and 62.57p, respectively). 0.8 million share options were exercisable at 30 November 2015 (2014: 0.8 million).

The fair values of share options granted in the year to 30 November 2015 ranged from 13.47p to 14.92p (2014: 21.27p to 26.36p) and were derived using the Black-Scholes model. The assumed future volatility ranged from 36% to 38% (2014: 36% to 42%), the dividend yield was 4.6% (2014: 3.7%), the expected term ranged from 3.4 years to 5.4 years (2014: 3.3 years to 5.3 years) and the risk-free rate ranged from 0.9% to 1.3% (2014: 1.3% to 1.8%).

The fair values of the phantom share options were recalculated based on data at 30 November 2015 using the Stochastic model. The assumed future volatility ranged from 41% to 42% (2014: 41% to 42%) the dividend yield was 3.7% (2014: 3.7%), the expected term ranged from 1.6 years to 3.4 years (2014: 1.6 years to 3.4 years) and the risk-free rate ranged from 0.3% to 0.4% (2014: 0.3% to 0.4%).

The average share price in the year ended 30 November 2015 was 63.19p (2014: 76.45p).

## NOTES TO THE ACCOUNTS CONTINUED

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

Under the provisions of the long-term incentive plans there were awards for a total of 7.5 million Ordinary Shares outstanding at 30 November 2015 (2014: 7.5 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 3.6 million (2014: 2.1 million).

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

Year of grant	Average fair value in pence	Award price in pence	Vesting period	Ordinary Shares of 5p each				
				1 Dec 2014	Awarded	Exercised	Forfeited	30 Nov 2015
2011	41.11	53.50	2011 to 2014	323,253	–	(323,253)	–	–
2012	45.40	61.00	2012 to 2015	2,748,630	–	–	(2,748,630)	–
2012	45.02	62.00	2012 to 2015	229,839	–	–	(229,839)	–
2013	53.07	70.50	2013 to 2016	2,013,030	–	–	(164,063)	<b>1,848,967</b>
2014	75.48	89.75	2014 to 2017	1,598,924	–	–	(109,575)	<b>1,489,349</b>
2014	66.05	82.00	2014 to 2017	542,168	–	–	–	<b>542,168</b>
2015	48.27	57.25	2015 to 2018	–	3,819,349	–	(568,260)	<b>3,251,089</b>
2015	50.62	59.50	2015 to 2018	–	76,965	–	–	<b>76,965</b>
2015	62.24	71.00	2015 to 2018	–	270,383	–	–	<b>270,383</b>
<b>Total</b>	<b>56.69</b>	<b>69.31</b>		<b>7,455,844</b>	<b>4,166,697</b>	<b>(323,253)</b>	<b>(3,820,367)</b>	<b>7,478,921</b>

None of the instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2015 (2014: 323,253). The fair values of awards made in the year to 30 November 2015 ranged from 39.29p to 71.00p (2014: 50.10p to 89.75p) and were derived using the Black-Scholes or Stochastic models. The assumed future volatility ranged from 34.5% to 34.9% (2014: 29.6% to 36.9%) the dividend yield was 0% (2014: 0%), the expected term was 3 years (2014: 3 years) and the risk-free rate ranged from 0.66% to 0.97% (2014: 0.97% to 1.04%).

The total amount charged to the Consolidated Income Statement in respect of share-based payments was £0.6m (2014: £0.6m). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2015 or 30 November 2014.

**26. Share premium account**

	Group and Company	
	2015 £m	2014 £m
At 1 December	<b>74.0</b>	73.9
Premium on Ordinary Shares issued during the year	<b>0.2</b>	0.1
<b>At 30 November</b>	<b>74.2</b>	74.0

**27. Translation reserve**

	Group	
	2015 £m	2014 £m
At 1 December	<b>(43.0)</b>	(36.9)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	<b>(18.0)</b>	(6.1)
<b>At 30 November</b>	<b>(61.0)</b>	(43.0)

**28. Non-controlling interest**

	Group	
	2015 £m	2014 £m
At 1 December	<b>6.4</b>	6.4
Share of profit after taxation	<b>0.5</b>	0.3
Acquisition of non-controlling interest	–	(0.6)
Dividends	<b>(1.0)</b>	–
Exchange adjustment	<b>0.2</b>	0.3
<b>At 30 November</b>	<b>6.1</b>	6.4

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

	Group	
	2015 £m	2014 £m
<b>For the year ended 30 November</b>		
Net increase in cash and cash equivalents	8.7	8.6
Net cash flow from movements in debt financing	(28.8)	(12.6)
Amortisation of bank arrangement fees	(0.2)	(0.6)
Finance lease capital repayments	–	–
Foreign exchange differences	6.2	3.4
Movement in net debt in the year	(14.1)	(1.2)
Net debt at 1 December	(88.0)	(86.8)
<b>Net debt at 30 November</b>	<b>(102.1)</b>	<b>(88.0)</b>
	Company	
	2015 £m	2014 £m
<b>For the year ended 30 November</b>		
Net increase in cash and cash equivalents	1.7	3.3
Net cash flow from movements in debt financing	5.8	(12.6)
Amortisation of bank arrangement fees	(0.4)	(0.6)
Foreign exchange differences	0.4	0.4
Movement in net debt in the year	7.5	(9.5)
Net debt at 1 December	(102.6)	(93.1)
<b>Net debt at 30 November</b>	<b>(95.1)</b>	<b>(102.6)</b>

**30. Discontinued operations**

The profit from discontinued operations arose in the prior year from the release of a warranty accrual held in relation to the Floors business which was sold in 2008. The time period for which the warranty accrual was valid expired during the year ended 30 November 2014 and the accrual was released.

	Group	
	2015 £m	2014 £m
Profit on disposal of discontinued operations	–	0.9
Attributable tax expense	–	–
<b>Profit for the year from discontinued operations</b>	<b>–</b>	<b>0.9</b>

**31. Operating lease commitments**

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

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Plant and equipment</b>				
Lease payments within one year	1.3	1.3	–	–
Lease payments between one and two years	1.0	0.9	–	–
Lease payments between two and five years	1.2	0.8	–	–
Lease payments beyond five years	1.2	–	–	–
	<b>4.7</b>	<b>3.0</b>	<b>–</b>	<b>–</b>
<b>Property</b>				
Lease payments within one year	4.3	5.4	0.1	0.1
Lease payments between one and two years	4.0	4.2	–	–
Lease payments between two and five years	7.9	10.3	–	–
Lease payments beyond five years	14.8	15.0	–	–
	<b>31.0</b>	<b>34.9</b>	<b>0.1</b>	<b>0.1</b>

## NOTES TO THE ACCOUNTS CONTINUED

### 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 2015, an accrual of £nil (2014: £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 2015, £nil of guarantees were outstanding (2014: £1.0m). At 30 November 2015, the Company had guaranteed £6.8m (2014: £nil) of debt obligations of its joint venture Bonar Natpet LLC.

### 33. Related party transactions

At 30 November 2015, the Group held a receivable of £nil (2014: £4.7m) due from Bonar Natpet LLC, a joint venture, and both the Group and Company held a liability of £5.3m (2014: £3.1m) to National Petrochemical Industrial Company (Natpet), the Group's joint venture partner in Bonar Natpet LLC.

At 30 November 2015, the Group was owed £0.2m (2014: £0.3m) by the Low & Bonar Group Retirement Benefit Scheme.

The Company provides debt finance to various operating subsidiaries. A total of £170.5m was outstanding at 30 November 2015 (2014: £172.5m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2015, the total amount payable to subsidiaries was £18.2m (2014: £16.0m). The Company received income in respect of management services provided to its subsidiaries totalling £4.2m (2014: £3.9m). The Company received interest income from related parties totalling £5.2m (2014: £5.9m) and accrued interest payable to related parties of £0.1m (2014: £0.1m). The Company received dividend income from its subsidiaries of £16.0m (2014: £10.0m).

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

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

	2015		2014	
	Number	£m	Number	£m
Short-term benefits		<b>3.3</b>		2.0
Post-employment benefits		<b>0.4</b>		0.3
Share-based payments		–		0.5
Termination benefits		<b>0.5</b>		0.2
	<b>14</b>	<b>4.2</b>	8	3.0

Key personnel comprise two Executive Directors (2014: three) and the eight other members of the Executive Leadership Team (2014: four business unit managing directors and one Director of Marketing and Strategy) and four (2014: nil) former members of the Executive Leadership team.

The aggregate amount of Directors' remuneration was £1.2m (2014: £1.1m) and the aggregate gain made by the Directors on the exercise of share options was £nil (2014: £0.4m). The cash paid into defined contribution schemes was £0.2m (2014: £0.2m) and two Directors were members of defined contribution schemes (2014: three). Full details of Directors' emoluments, pension benefits and interests in the shares of the Company are set out in the Directors' Remuneration Report on pages 61 to 75.

**34. Group companies**

Subsidiary undertakings	Principal product areas	Country	%
<b>Building &amp; Industrial / Civil Engineering / Interior &amp; Transportation</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	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	Non-woven fabrics	Slovakia	100.0
Low & Bonar (Shanghai) Trading Company Limited	Woven fabrics	People's Republic of China	100.0
Bonar High Performance Materials (Changzhou) Co. Ltd	Woven fabrics	People's Republic of China	100.0
<b>Coated Technical Textiles</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.r.l.	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 Trading LLC	Technical coated fabrics	UAE	100.0
Low & Bonar Technical Textiles 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>Sports &amp; Leisure</b>			
Bonar Yarns & Fabrics Limited	Specialist yarns	Scotland	100.0*
Bonar Emirates Technical Yarns Industries LLC	Specialist yarns	United Arab Emirates	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
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

## NOTES TO THE ACCOUNTS CONTINUED

### 34. Group companies continued

Subsidiary undertakings	Principal product areas	Country	%
<b>Dormant companies</b>			
A.G. Scott Textiles Limited	Dormant	Scotland	100.0
Bamber Carpets Limited	Dormant	England and Wales	100.0*
Bonar Nuway Limited	Dormant	England and Wales	100.0*
Bonar Offshore Canada Inc	Dormant	Canada	100.0
Bonar Pack Centre Limited	Dormant	England and Wales	100.0*
Bonar Plastics Limited	Dormant	England and Wales	100.0*
Bonar Rotaform Limited	Dormant	England and Wales	100.0*
Bonar Silver Limited	Dormant	England and Wales	100.0*
Bonar Systems Limited	Dormant	England and Wales	100.0
Bonar Ventures Limited	Dormant	Scotland	100.0
Bryanston 955 Limited	Dormant	Scotland	100.0
Cole Group PLC	Dormant	England and Wales	100.0
Cupa Engineering Co Limited	Dormant	England and Wales	100.0
Gaskell Carpet Tiles Limited	Dormant	England and Wales	100.0*
Goldtide Limited	Dormant	England and Wales	100.0*
Leisurewear Africa Limited	Dormant	Scotland	100.0*
Lobex Limited	Dormant	Scotland	100.0*
Lobo Nominees Limited	Dormant	Scotland	100.0
Low & Bonar Pension Scheme (1986) Trustee Limited	Dormant	Scotland	100.0*
Low & Bonar Pension Trustees Limited	Dormant	Scotland	100.0*
Low & Bonar UK Limited	Dormant	Scotland	100.0*
Modulus Flooring Systems Limited	Dormant	England and Wales	100.0*
Nuway Manufacturing Co. Limited	Dormant	England and Wales	100.0
Placell Limited	Dormant	England and Wales	100.0
Platinum Prestige Limited	Dormant	England and Wales	100.0*
R.H.Cole Investments Limited	Dormant	England and Wales	100.0*
Rotaform Plastics Limited	Dormant	England and Wales	100.0
Waddington Cartons Ltd	Dormant	England and Wales	100.0*
<b>Joint venture</b>			
Bonar Natpet LLC	Geotextiles	Saudi Arabia	50.0
<b>Associated undertakings</b>			
CPW GmbH	Intellectual property	Germany	33.3
Enka Water Control Corporation	Dormant	USA	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 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

	2015 £m	2014 £m	2013 restated £m	2012 £m	2011 £m
<b>Revenue</b>					
Continuing operations	<b>395.8</b>	410.6	403.1	380.5	388.7
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	<b>395.8</b>	410.6	403.1	380.5	388.7
<b>Operating profit before amortisation and non-recurring items</b>					
Continuing operations	<b>32.8</b>	31.7	31.4	30.5	30.6
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	<b>32.8</b>	31.7	31.4	30.5	30.6
<b>Operating profit</b>					
Continuing operations	<b>18.6</b>	23.2	23.4	12.1	30.6
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	<b>18.6</b>	23.2	23.4	12.1	30.6
<b>Profit before tax, amortisation and non-recurring items</b>					
Continuing operations	<b>26.6</b>	25.2	25.3	24.5	23.4
Discontinued operations	–	–	–	–	–
Total (including discontinued operations)	<b>26.6</b>	25.2	25.3	24.5	23.4
<b>Profit before tax</b>					
Continuing operations	<b>12.4</b>	16.7	16.7	6.1	23.4
Discontinued operations	–	–	–	–	2.2
Total (including discontinued operations)	<b>12.4</b>	16.7	16.7	6.1	25.6
<b>Net debt</b>	<b>(102.1)</b>	(88.0)	(86.8)	(82.6)	(85.3)
<b>Per Ordinary Share</b>					
Basic earnings per share (including discontinued operations) (pence)	<b>1.73</b>	3.76	3.74	0.47	7.29
Dividends declared per share (pence)	<b>2.8</b>	2.7	2.6	2.4	2.1

2013 results were restated for the implementation of IAS19 Employee Benefits (Revised). Earlier years' results have not been restated

## ADVISERS AND FINANCIAL CALENDAR

### Company Secretary

Stuart Haydon

### Registered Office

Whitehall House  
33 Yeaman Shore  
Dundee  
DD1 4BJ

### Head Office

10th Floor  
1 Eversholt Street  
London  
NW1 2DN

Telephone: 020 7535 3180  
Website: [www.lowandbonar.com](http://www.lowandbonar.com)

Registered number: SC008349

### Advisers

#### Registrar

Computershare Investor Services PLC  
Leven House  
10 Lochside Place  
Edinburgh Park  
Edinburgh  
EH12 9DF  
Telephone: 0370 702 0003

#### Auditor

KPMG LLP

#### Solicitors

Freshfields Bruckhaus Deringer LLP  
Squire Patton Boggs LLP

#### Principal bankers

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

#### Corporate finance advisers

NM Rothschild & Sons Limited

#### Brokers

Peel Hunt LLP

### Financial Calendar

Annual General Meeting 31 March 2016

Announcements for results for the year ending 30 November 2016  
Half year July 2016  
Full year February 2017

Final dividend payment for the year ended 30 November 2015  
Ordinary Shares 14 April 2016  
First, second and third cumulative preference stock 1 March 2016 and 1 September 2016



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## NOTES



# Low & Bonar

10th Floor, 1 Eversholt Street  
London NW1 2DN  
Telephone: 020 7535 3180  
[www.lowandbonar.com](http://www.lowandbonar.com)