Low& Bonar

Progress through performance

The fabric of everyday life

ANNUAL REPORT 2017

The fabric of everyday life

From the automotive industry to construction, to coastal defence, Low & Bonar is a quality provider of performance materials. We advance our customers' capabilities through intelligent solutions that address the challenges of an evolving world and enhance the fabric of everyday life.

Highlights

Operational highlights

- Strong sales growth despite a generally difficult market backdrop.
- Underlying profit growth in B&I and I&T offset by disappointing performance in CE and lower than anticipated performance in CTT.
- Cost reduction and performance improvement plan being implemented to optimise the business.
- Completion of £26m investment in Colback manufacturing site in Changzhou, China in 2018, reflects growth opportunity in I&T and B&I.

Financial highlights

Revenue

£446.5m

(Actual: +11.6%,
Constant currency: +4.5%)

Net debt

£138.4m

Underlying profit before tax

£30.7m

(Actual: +5.1%,
Constant currency: -2.2%)

Loss before tax (statutory)

£(19.7)m

(2016: £25.9m profit)

Dividend per share

3.05p

(2016: 3.00p)

Basic underlying EPS

6.42p

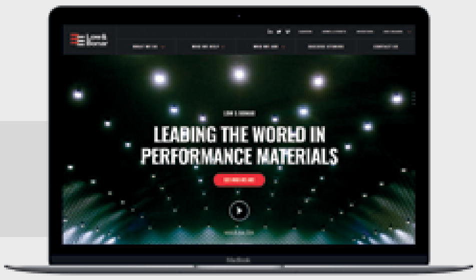
(Actual: +6.8%,
Constant currency: -0.8%)

Basic EPS

(5.56)p

(2016: 5.20p)

For further information on Low & Bonar visit:
lowandbonar.com



OVERVIEW

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CORPORATE GOVERNANCE

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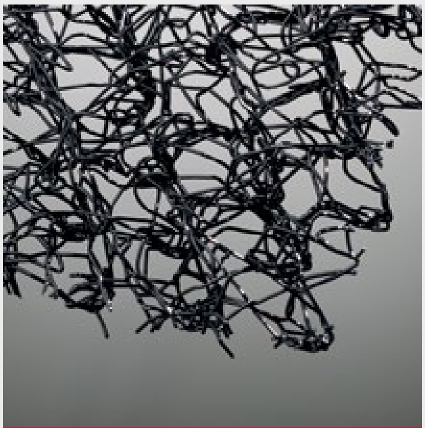
ADDITIONAL INFORMATION

Our technologies



3D entangled filament structures

Coated fabrics

Construction fibres

Needle-punched nonwovens

Spunbond nonwovens

Wovens

At a glance

We are a quality provider of high performance materials. We design and develop effective, durable solutions that enable our customers to provide world-leading products and solutions.

Employees

2,064

Manufacturing facilities

14

Our process

Source

Manufacture

Collaborate

Innovate

1. Polymers

Our activities begin with the sourcing of widely available polymers, including polypropylene, polyethylene, polyester and nylon.

2. Performance, aesthetics, efficiency

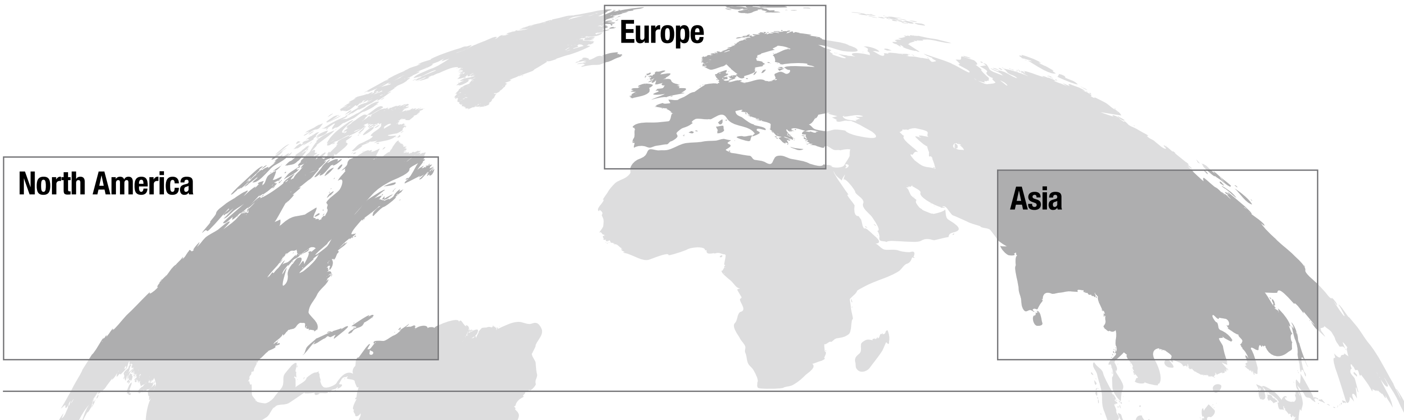
We combine these polymers with special additives and colours, which influence performance, aesthetics, and processing efficiencies.

3. Proprietary technology

Using proprietary technology, these polymer mixes are extruded to form a variety of yarns, which are transformed into fabrics using a broad range of technologies.

4. Coatings and composites

The fabrics can then be coated or combined with other materials to form composite products, used by our customers to enhance performance in their final product or improve efficiency in their own processes.



Our markets

We have leading positions in niche markets, including:

Building & Industrial (B&I)

19%
of Group revenue

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

Read more on p18

Civil Engineering (CE)

23%
of Group revenue

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

Read more on p20

Coated Technical Textiles (CTT)

31%
of Group revenue

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

Read more on p22

Interiors & Transportation (I&T)

27%
of Group revenue

Supplies technical fabrics for use in interior carpeting, transportation, resilient flooring and decorative applications.

Read more on p24

Chairman's statement

“ The Group achieved strong sales growth in 2017 despite a generally difficult market backdrop with mixed underlying profit performance across our four global business units.

Overview

The Group achieved strong sales growth in 2017 despite a generally difficult market backdrop. The underlying profit performance across our four global business units was mixed, with growth in B&I and I&T offset by a significant reduction in profitability in CE and a lower than anticipated performance in CTT.

Whilst CTT's performance was not in line with our expectations, it is fundamentally a very strong business with a leading market position. A new management team is in place at CTT and is focused on resolving production issues and optimising margins against a background of generally healthy demand.

CE has faced serious challenges in 2017. Market conditions have undoubtedly been a major factor with raw material price increases, fierce competition in some sectors and expected project based demand not materialising. Poor forecasting and strategy execution have also compounded the issues.

CE is a complex business of distinct parts, each with very different commercial and operational characteristics. As announced in October 2017, the Board has been undertaking a comprehensive review of the CE business, in order to determine whether all parts can achieve a sustained level of satisfactory performance in future.

The first phase of the review has been completed, with the conclusions being to:

- close the loss-making weaving plant in Ivanka, Slovakia and transfer some looms to China;
- combine the profitable Enkamat business (erosion control and drainage applications) with our B&I business; and
- address the internal execution issues surrounding our needle-punched nonwoven and our construction fibres businesses.

We will announce our conclusions by July 2018 by when we will have assessed whether the ‘self-help’ actions in relation to resolving the sales, cost and production issues in needle-punched nonwoven and construction fibres can improve these two businesses sufficiently to create long term value for the Group.

I am pleased to report good progress with our investments for growth. The expansion of our £26m Colback manufacturing site in Changzhou, China will be completed shortly and this will support further profitable growth in both our I&T and B&I businesses.

We have also continued to divest businesses with no strategic fit. We disposed of the agro-textiles business in Lokeren, Belgium in October 2017 and have recently signed an agreement with our partner in Saudi Arabia to withdraw from the Bonar Natpet joint venture during the course of this year.

Lower than forecast sales, especially in CE, have resulted in higher than planned inventories and consequently higher than anticipated debt. There is now a very clear focus on cash generation, and we have a defined plan to reduce net debt during 2018 by at least £15m, in constant currency terms. This will principally be through improved working capital discipline and a lower capital expenditure requirement.

More broadly, we have a plan in place to remove cost and improve agility in the Group by optimising the operating structure which, over time, has become too complex.

Dividend

To reflect the confidence in our strategy, the Board is proposing to maintain the prior year final dividend of 2.00 pence, increasing our total dividend for 2017 to 3.05 pence per share (2016: 3.00 pence). Subject to shareholders' approval at the Annual General Meeting on 13 April 2018, the final dividend will be paid on 19 April 2018 to members registered as of 23 March 2018.

People

It is with the greatest regret I must report that one of our employees met with a fatal accident this year. Our thoughts are with the family and friends he leaves behind. This distressing occurrence has, needless to say, further sharpened the focus of the Board and the Executive Management team on health and safety.

After the year end, on 20 December 2017, we announced that Brett Simpson had resigned and that Trudy Schoolenberg, a Non-Executive Director since 2013, had replaced him immediately as Interim Group Chief Executive. We are now very pleased to announce that Philip de Klerk will be appointed Group Chief Executive with effect from 1 March 2018. We are greatly indebted to Trudy for stepping into the breach in December and also for agreeing to lead the restructuring of the global supply chain to ensure it meets the needs of our future organisational structure. She will revert to being a Non-Executive Director at the end of April 2018.

Philip joined Low & Bonar as Group Chief Financial Officer in October 2017 and he brings to his new role a depth and breadth of senior executive experience with international companies including Unilever, SAB Miller, Ineos and Flybe. The Board has set out very clear areas of immediate focus for the Group and is confident that Philip is ideally qualified to execute this agenda effectively and also to lead Low & Bonar on its next stage of profitable growth. A search for a successor to Philip de Klerk as Group Chief Financial Officer is underway and further announcements will be made in due course.

We are also pleased to announce the appointment of Peter Bertram as a Non-Executive Director with effect from 1 February 2018. Peter Bertram is a highly experienced senior professional who has served and advised many public and private companies. He has held both CEO and CFO roles during his executive career and was previously Senior Independent Director and Chairman of the Audit Committee at Microgen plc and Non-Executive Chairman of Phoenix IT Group plc. Peter Bertram is currently Non-Executive Chairman of Zinc Media Group plc, Hobs Group Limited and Esteem Holdings Limited. He is also a member of the Advisory Committee of Sterling Strategic Value Fund, a shareholder in Low & Bonar.

I would also like to take this opportunity to recognise the commitment, skill and expertise of all our people and to thank them for all their hard work.

We develop and apply some of the world's most advanced fabric technologies and we do so whilst keeping close to our customers and anticipating their requirements. This makes us well positioned to realise opportunities for profitable growth. 2018 presents both challenges and opportunities for Low & Bonar, as we work to determine the future strategy of the CE business, deliver performance improvement at CTT, and continue to support the growth strategies of our strong B&I and I&T businesses. Trading conditions since the year end have been consistent with those experienced in the last quarter of 2017. Whilst we remain mindful of any further raw material cost and currency translation headwinds, we are confident of making further progress this year across our strategic focus areas.

Martin Flower
Chairman

2 February 2018

Chief Executive's review
Overview

“ This year's strong revenue growth confirmed our strategy for our B&I and I&T businesses. Looking forward we will continue to tailor its execution for CTT and CE.

Overview

It is my pleasure to act since the 19 December, as interim CEO for the Group and present this report. In the year ended 30 November 2017, we made further progress in the execution of our strategy and achieved strong revenue growth of 11.6% to £446.5m, 4.5% in constant currency. Three of our four business units contributed, with the exception being CTT where our manufacturing capacity was almost fully utilised.

Underlying profit before tax from continuing operations increased by 5.1% to £30.7m (2016: £29.2m), although this represented a reduction of 2.2% at constant currency. On a statutory basis the Group reported a loss before tax of £19.7m compared to a profit of £25.9m in 2016, mainly driven by impairment charges related to the CE business (£31.6m) and a loss on disposal of the agro-textile business (£12.7m).

Our B&I business unit benefited from its market segment focus with underlying operating profit rising 6.0% in constant currency. I&T performed solidly, with strong sales growth in China, and underlying operating profits rose 5.5% in constant currency. CTT entered the year with the need to regain customer confidence after resolving the production constraints in 2016. Disappointingly, production consistency issues, which led to higher than expected customer discounts, and a weak fourth quarter meant that performance fell below expectations with underlying operating profit only increasing by 1.1% in constant currency.

Conditions in CE deteriorated during the year resulting in only £0.1m of underlying operating profit compared to £4.4m in 2016, in constant currency. In Eastern Europe, the reinforcement market was oversupplied with new imports. Weather conditions and project funding constraints in North America and Europe delayed potential projects. Execution issues and increased raw material prices further compounded the issues.

As a result, group underlying operating margin reduced from 8.7% last year to 8.0%, reflecting double digit returns in B&I and I&T, CTT flat at 6.7% and a negligible return at CE.

Operational

Health and safety is paramount to us at Low & Bonar. We have long-term programmes in place to ensure that safety considerations override all others. Our Lost Time Incidence (LTI) on a one day lost time basis is currently 0.7%. We will continue, as a high priority, to invest in HSE programmes, to help us achieve our objective of no illness or injury resulting from our business activities.

PROGRESS ON OUR STRATEGY

We will continue to focus on operational excellence, developing our people and focusing our business. We believe that there is scope to reduce cost, improve cash generation, increase commercial effectiveness and create greater agility across the organisation, to better align it with the needs of the different business units. Implementing these actions will enable us to improve sales and reduce costs, with the result that our margin should improve in line with the overall Group target of 10% return on sales. We anticipate a non-underlying restructuring cost of c£4m in 2018 in respect of these actions, which once implemented will generate an annualised cost saving of c£3m.

Working capital has increased in certain areas of the business where fierce competition and operational execution has led to lower off take, notably CE. We have measures in place to reduce the levels of inventory in the business, whilst not impacting our growth in B&I and I&T.

Strategic progress

This year's results demonstrate that our strategy was successful for our speciality orientated businesses B&I and I&T. Here we will continue to execute our strategy: invest in sustainable growth and look for bolt on acquisitions that match our business model and contribute to our Group targets.

Our strategy aimed to move CE away from more commoditised segments to bespoke products and has only been partly successful, and in 2017 we recorded non-cash impairments of £31.6m in respect of CE. The strategic outlook is complicated and we are reviewing this in detail. The first stage of this review has been completed, and we are implementing the actions to improve performance. The second stage of the review will determine whether the needle-punched nonwoven and construction fibres businesses are capable of meeting our strategic Group targets, and be retained.

We will continue to review our capability in supporting our business model, and at the same time will continue to execute our strategy of operational excellence, commercial execution, technology differentiation by continued innovation and investment for sustainable growth in B&I and I&T.

Trudy Schoolenberg
Interim Group Chief Executive

2 February 2018

Further details on the four pillars of our strategy are set out on pages 16 and 17. Our four strategic pillars are:

- **OPERATIONAL EXCELLENCE**
- **COMMERCIAL EXECUTION**
- **TECHNOLOGY DIFFERENTIATION**
- **INVEST IN SUSTAINABLE GROWTH**

Chief Executive's review
Building competitive advantage

DEMAND DRIVERS FOR OUR BUSINESS

Population growth

As the world's population grows it drives changes in how we live.

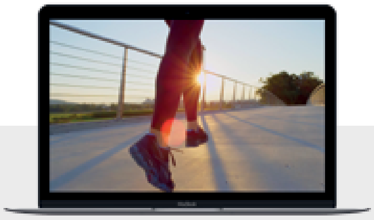
- Population increase leads to rapid urbanisation which requires new homes and workplaces created at speed, safely and with environmentally friendly solutions
- Increasing urbanisation requires more transport infrastructure to ensure people can move about
- This trend places a burden on the ecosystem increasing the need for clean water and better air quality management

Limited resources

There is increased pressure to produce performance materials that work harder – in terms of both efficiency and sustainability – with enhanced performance in a range of areas.

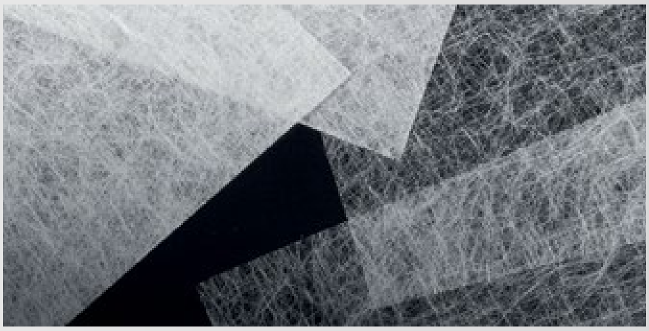
- Increase the durability of materials
- Be more energy efficient/recyclable
- Support cradle-to-cradle certification

Our customers are facing growing global challenges. In helping them to meet these challenges our solutions form a key part of the foundations that improve daily life.



Watch our corporate film here:
lowandbonar.com

Transformative technology



The market looks to materials providers to deliver innovation and materials efficiency.

- Optimising materials usage for enhanced value
- Provide materials that have lower environmental impact
- Create materials with properties that support innovative solutions

Quality of life

End users are demanding better quality, safe and more beautiful and aesthetically appealing living and working spaces to live healthier lives.

- Better air flow in insulated and compact buildings
- Aesthetically appealing and decorative designs that suit changing lifestyles
- Quieter, lighter vehicles

All of these drivers create demand for our products.

Chief Executive's review
Building competitive advantage

WHY OUR CUSTOMERS CHOOSE US

Technology, Insight, Adaptability, Collaboration

Customers choose Low & Bonar because of our high quality range of performance materials, our local technical knowledge and our ability to support their future growth. Our aim is to have integrated manufacturing, technology and product development to ensure our products are streamlined and responsive to the evolving needs of our customers.

Powerful customer insights and strong working partnerships

We have a history of creating solutions focused on our customers' unique needs. We work alongside customers to understand and solve their problems, developing applications that give them practical, real-world answers to the challenges they face.

Technology that makes us stand out from our competitors

We are engaged in product development to push our products further and keep them ahead of the market. We continually innovate to address needs in our existing or adjacent markets, and increase the capabilities of the materials we produce.

We manufacture internationally

We have global supply capabilities in major regions with local technical service support. We operate internationally, with 14 manufacturing facilities across America, Europe and Asia.

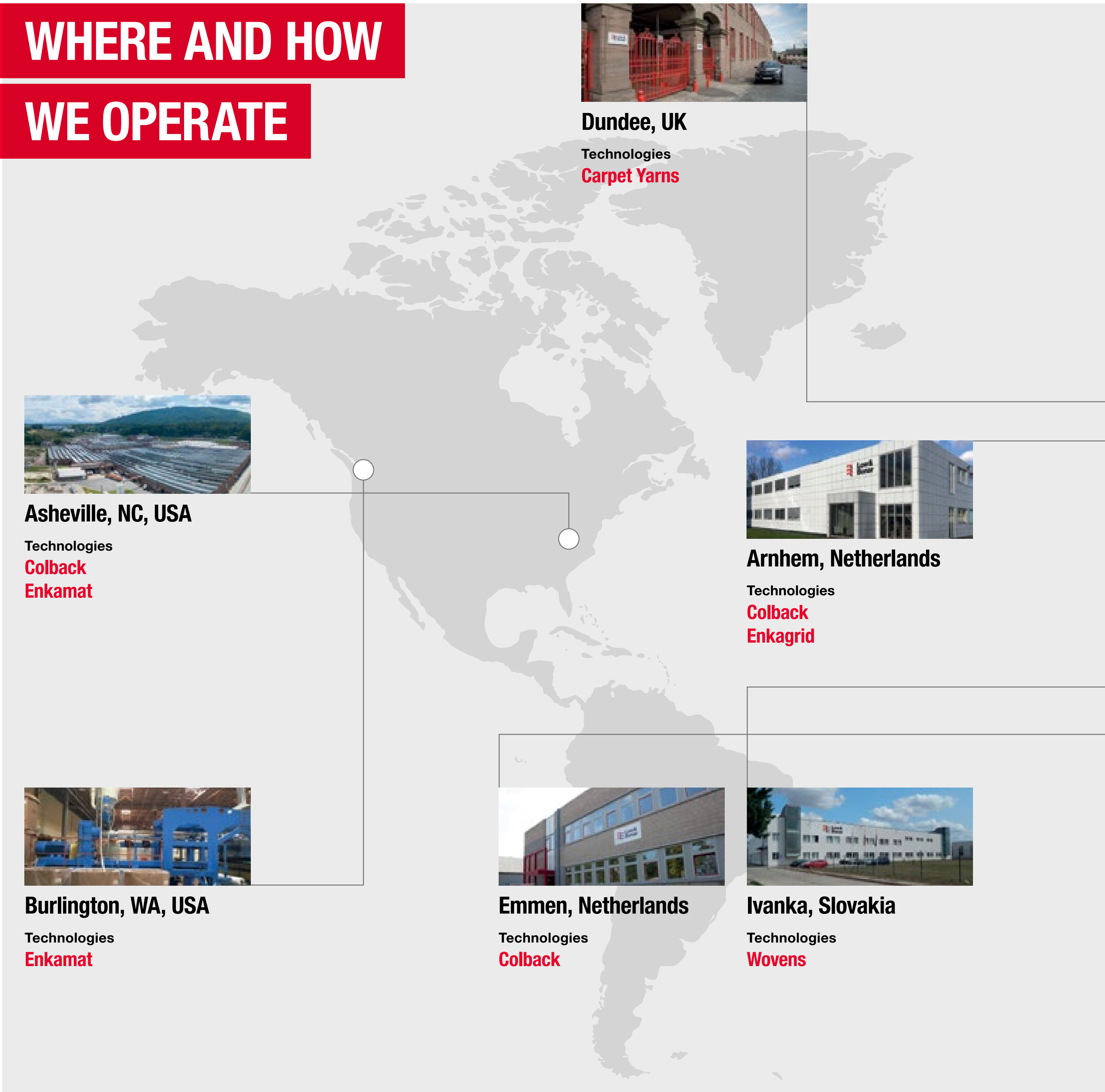
We are investing to be closer to our customers

In recent years we have invested considerably in expanding our geographic reach – for example in China and the US – to bring our manufacturing, products, expertise and industry insights to our customers' doorsteps.

Our strategy is built around our customers – bringing us closer to their needs and taking us nearer to their markets.

Chief Executive's review
Building competitive advantage

WHERE AND HOW WE OPERATE



Our operations are focused into four business units supported by an integrated supply chain. The business is underpinned by our experienced management team, enabling us to combine a single vision with flexibility and excellent service to our customers locally.

Building & Industrial	Civil Engineering	Coated Technical Textiles	Interiors & Transportation

Integrated Supply Chain

Underpinned by

HR	Finance	Legal	IT

Zele, Belgium

Technologies

Needle-punched nonwovens
Construction fibres

Hückelhoven, Germany

Technologies

Coated fabrics

Obernburg, Germany

Technologies

Enkamat

Fulda, Germany

Technologies

Coated fabrics

Lomnice, Czech Republic

Technologies

Coated fabrics

Tiszaújváros, Hungary

Technologies

Needle-punched nonwovens

Yizheng, China

Technologies

Wovens

Changzhou, China

Technologies

Colback

Chief Executive's review
Our business model

HOW WE CREATE VALUE

Our inputs

Our technology
Our technologies create fabrics and composites that bring a unique set of properties and benefits to industrial markets.

Our brands
We have leading brands in all Business Units that help our customers perform to their highest ambitions.

Our people
Our people bring a diversity of skills and experiences which we leverage to ensure excellence across all areas of the business.

Our international manufacturing
We have direct supply capabilities in major regions, with 14 manufacturing facilities and local technical service support.

What we do

Underpinned by our culture

We differentiate ourselves through new product development, strong customer insight and applied technology. At Low & Bonar we have good knowledge of our markets and customers.

We deliver competitive advantage by leveraging our technical expertise across our business to create sustainable value.

Through innovative design and component manufacture we find new applications to meet our customers' needs sustainably and maintain market leadership.

What makes us different

Leading positions in niche markets

Our innovative design and component manufacture enables us to meet the evolving needs of our customers and maintain leadership in our markets.

Customer differentiated solutions

We work closely with our customers to ensure our new product solutions create value and significant profit growth, using collaborative, open innovation partnerships to develop new solutions.

Relevant product innovation

Our dedicated innovation team is focused on engineering products for specific applications and identifying transformational growth opportunities.

Our culture

Informed by our values: be world-class; collaborate to transform; embrace the new; and empower and perform which are brought to life by our people every day.

Operational excellence and efficiency

We operate Group-wide capability and efficiency enhancement programmes to improve productivity.

Global scale

Our high-performance materials sell around the world, leading their markets and contributing to a better quality of life.

Our outputs

Debt/EBITDA

2.4x

Debt/EBITDA ratio is the comparison of net financial borrowings to earnings before interest, taxes, depreciation and amortisation. It is a good determinant of financial health and liquidity position. Our bank covenants are at 3x times and our target is to be below 2x in the short to medium term.

Return on sales (ROS)

8.0%

ROS is a financial ratio that calculates how efficiently a company is generating profits from its top-line revenue. It measures the performance of a company by analysing the percentage of total revenue that is converted into underlying operating profits. Our target is to reach 10% at Group level over time.

Innovation

12.1%

The percentage of sales made from products launched in the last 3 years indicate how innovative the company is. Our target is 16% although the reported figure can fluctuate as new products are launched and others reach their third anniversary.

Return on capital employed (ROCE)

11.1%

ROCE is defined as underlying operating profit as a percentage of net assets plus net debt. It measures a company's profitability and the efficiency with which its capital is employed. Our target is 12%.

Our strategy

Chief Executive's review
Progress on our strategy

Strategic pillars	Progress in 2017
OPERATIONAL EXCELLENCE We champion best practice to optimise business processes across the Group. We continue to develop our manufacturing techniques, to engage and motivate our people, to promote cost savings and capital efficiency and ultimately to deliver value to our customers.	The implementation of the ERP systems has facilitated an improvement of some of our core processes, especially in finance, customer service and supply chain. Benefits will continue to be realised as the system rolls out across the Group. There was a significant cash outflow into inventory during 2017, which has resulted in a higher net debt than we targeted. Cash generation will be an important focus area in the coming year and we expect lower working capital and reduced capital expenditure to reduce net debt/EBITDA to below 2x in the short to medium term.
COMMERCIAL EXECUTION Our customers are at the centre of what we do. We closely engage with them to anticipate their needs and retain their support. Our forward-looking, responsive and proactive approach helps us to deliver high-quality, personalised solutions which add value to, and improve the performance of, our customers' end products.	The business units have further developed their market segmentation approach. A more long-term approach has been developed with some of our key customers, especially in B&I and I&T, which informs our new product development in even greater depth. We faced some market related pressures, particularly in CE and CTT, which resulted in the ROS to decline to 8% compared to our 10% target.
TECHNOLOGY DIFFERENTIATION We believe our approach to innovation and our ability to differentiate our core technologies gives us a unique competitive advantage. We work closely with our customers to identify their needs, improve our existing product range and add value to newly developed products.	Working together with key customers allowed us to develop over a hundred new and modified products such as Colback Gold for cradle-to-cradle certified carpets. Extending capability of our technology platforms resulted in new attributes for end-markets. We added fine denier Colback capability which allows us to go into cushion vinyl and wallcovering. In Enkamat we developed a range of options for the rainscreen market. A 100-year durability standard for our entire reinforcement product range is another prime example. Our new ventures team delivered its first innovation, pocket-membranes for smart coated textiles. Excellent progress was made with other ventures.
INVEST IN SUSTAINABLE GROWTH We continue to invest in sustainable growth. We seek to develop our international footprint with a local presence in growth markets, targeting global industries whilst leveraging our strong European base, experience and knowledge.	The Colback facility in China, commissioned in early 2016, continued to support the growth ambitions of the B&I and I&T businesses, and the completion of the second manufacturing line in early 2018 will provide further capacity. We will continue to invest where we see profitable, sustainable growth opportunities, particularly in B&I and I&T, while seeking to address the factors limiting performance in the Civil Engineering and CTT GBUs.

Associated risks

- Raw material pricing
- Laws and regulations
- Health and safety
- Funding
- Treasury
- Business continuity

Read more on p43 and p44

Targets for 2018

- Health & safety culture
- Working capital reduction
- Cost savings
- Continuation of ERP roll out

KPIs

Gearing (Debt/EBITDA)
(Ratio of net debt at average exchange rates to EBITDA)

Target	<2.0x
2017	**2.4x**
2016	2.0x
2015	2.2x

Associated risks

- Employee

Read more on p43

Targets for 2018

- Continuously improve segmentation
- Improve operational execution
- Strengthen relationships with key customers

KPIs

Return on sales
(Underlying operating profit as a percentage of revenue)

Target	10%
2017	**8.0%**
2016	8.7%
2015	8.8%

Associated risks

- Organic growth/competition

Read more on p42

Targets for 2018

- Develop new product solutions that differentiate
- Enhance current technologies, including Construction Fibres
- Explore and implement longer-term technology enhancements

KPIs

Percentage of sales made from products launched in the last 3 years

Target	16.0%
2017	**12.1%**
2016	12.6%
2015	13.7%

Associated risks

- Growth strategy

Read more on p43

Targets for 2018

- Increase market penetration in China and North America
- Focus investments on B&I and I&T
- Consider bolt on acquisitions in B&I and I&T

KPIs

Return on capital employed
(Underlying operating profit as a percentage of net assets plus net debt)

Target	12.0%
2017	**11.1%**
2016	11.1%
2015	12.5%

Business review
Building & Industrial

Clark Halladay
Global Business Director

The B&I Global Business Unit supplies a range of technical textile solutions for niche applications in air and water filtration, building and roofing.

B&I has achieved record sales growth in 2017, delivering 9.6% growth over 2016 (at constant currency rates). All major market sectors achieved good year-on-year progress and all geographic regions delivered double-digit growth. We managed our portfolio dynamically, with the acquisition of Walflor Industries in the USA, the expansion of our production plant in Changzhou, China, the integration of the Xeroflor Green Roof business in North America and the disposal of the agro-textile business in Lokeren, Belgium.

The green roof segment saw nearly 20% growth as we aligned Xeroflor with the core building business. The acoustics business in North America grew by 18% as multi-family housing construction markets continued to expand, with this trend set to continue into 2018. The acquisition of the Walflor business further strengthens our position in the growing North American market, by establishing a presence on the West Coast. European roofing and building markets reversed a multi-year low growth trend and expanded by nearly 12%, although consolidation accelerated in 2017, increasing competitive pressure. In response we are pursuing strategic initiatives to drive value-adding functionality in new higher-end products and initiating proactive cost reductions. Although the agro-textile business grew in 2017, given the significant investment required to take it to the next level of development, we sold this business in October 2017 realising a loss after tax of £8.4m.

For 2018 our strategy will focus on new business development, faster innovation and margin management. Our business is aligned with key global and sustainability mega-trends and we see many opportunities for existing products in technical fields, product development and regional expansion.

Revenue
£85.9m
2016: £73.4m

Underlying operating profit
£12.4m
2016: £10.9m

Underlying operating margin
14.4%
2016: 14.9%

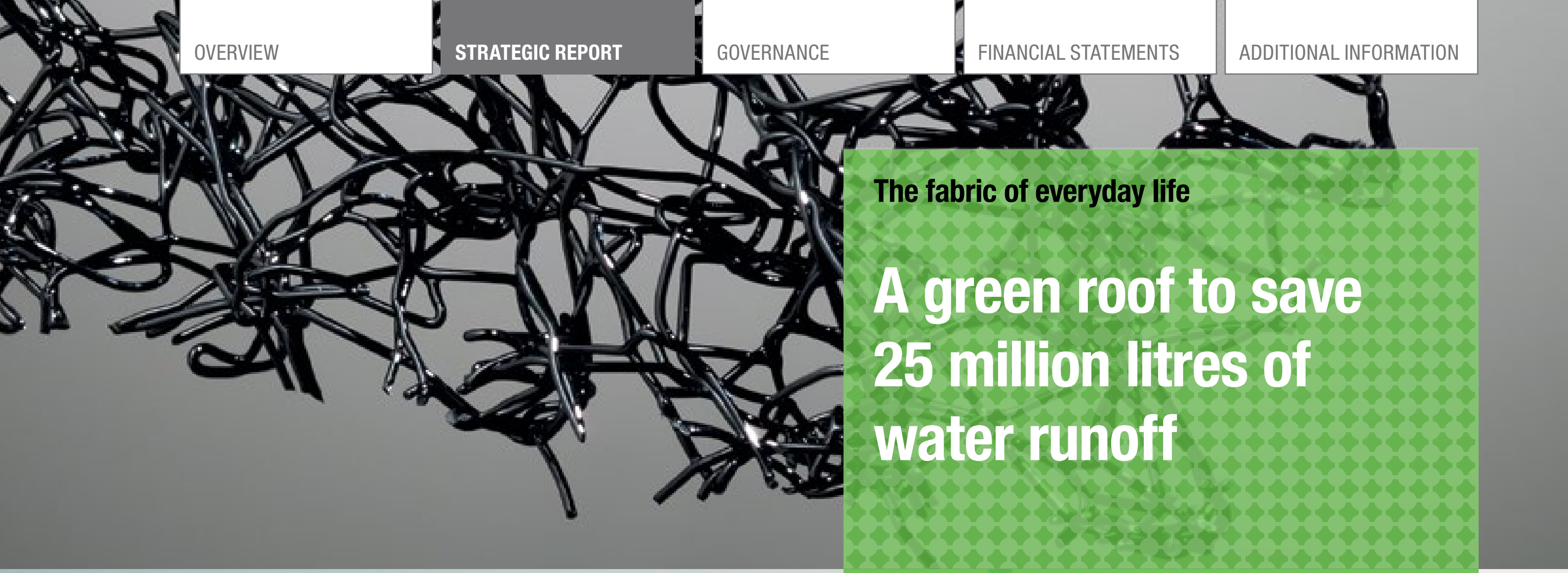
Market drivers

- Improved quality of life
- Demand for air, water, home and automotive filtration

	2017	2016	Actual	Constant currency[1]
Revenue	**£85.9m**	£73.4m	+17.0%	+9.6%[2]
Underlying operating profit	**£12.4m**	£10.9m	+13.8%	+6.0%
Underlying operating margin	**14.4%**	14.9%		

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

2 Including Walflor Industries Inc.



The fabric of everyday life

A green roof to save 25 million litres of water runoff

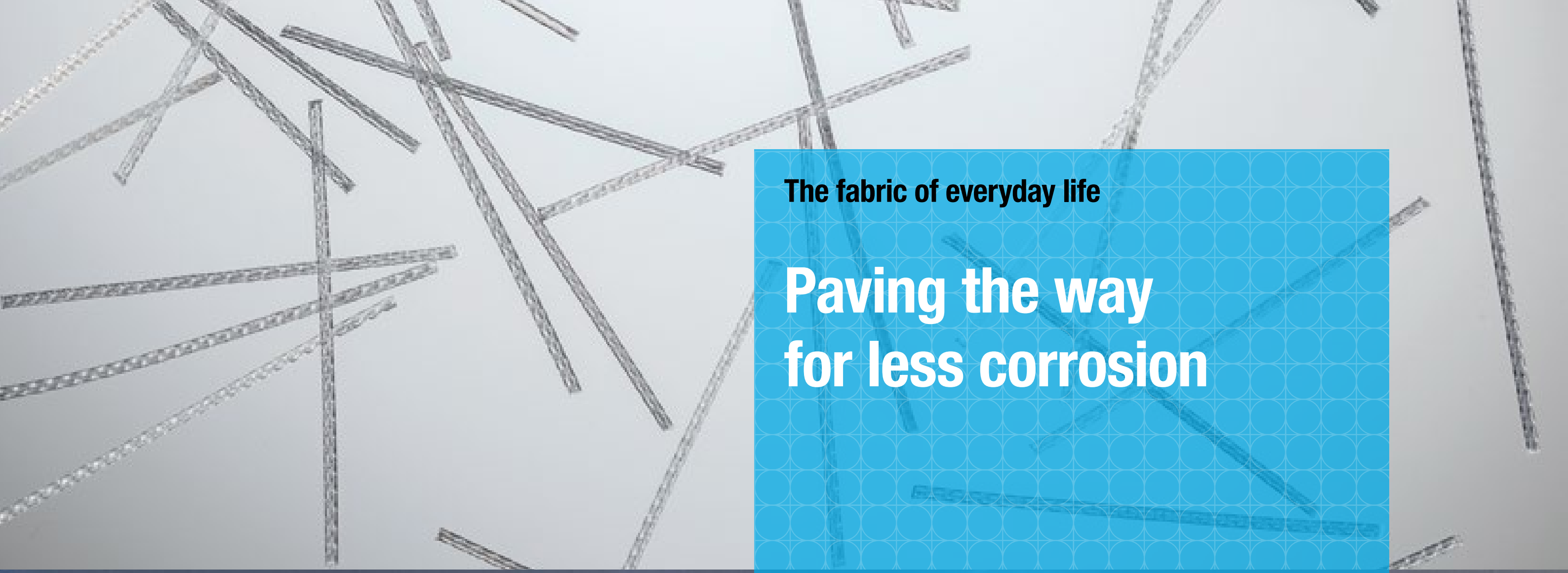
CHALLENGE

When New York's Javits Center was renovated, the design team sought a lightweight, low-maintenance green roof system that would retain rainwater, reduce runoff to cut cooling use and be wildlife-friendly.

SOLUTION

Our Xeroflor green roof system was added as a 'fifth façade' to protect and extend the service life of the new roof membrane, save energy and enhance biodiversity and sustainability.

The lightweight system works by moderating heat flow through the roof and lowering the temperature of air drawn into the HVAC units on hot days. The high vegetation coverage of the pre-vegetated system minimises the chance of airborne weed seeds germinating on the roof. It has now also become a safe habitat for birds and insects in the middle of the bustling city.



The fabric of everyday life

Paving the way for less corrosion

CHALLENGE

At Biogen's many biogas facilities across the UK, organic waste is fermented to make methane gas for fuel. However, the acidic liquid can corrode the steel fabric used in the plants' concrete pavements. Biogen needed to find a stronger, longer-lasting fibre and replace the pavements at one of its sites.

SOLUTION

Working with contractor Toureen Mangan; our tailor-made approach redesigned the concrete reinforcements. We replaced the steel fabric with our Durus S400 polypropylene macro fibres and monofilament fibre Fibrin XT. These strengthened the concrete to cope with heavy plant traffic and higher levels of freezing and thawing, while also reducing corrosion.

Business review
Civil Engineering

Neil Ryan
Global Business Director

The CE Global Business Unit supplies woven and nonwoven geotextiles and construction fibres used in major infrastructure projects, including road and rail building, land reclamation and coastal defence.

Revenue
£102.0m
2016: £90.8m

Underlying operating profit
£0.1m
2016: £4.2m

Underlying operating margin
0.1%
2016: 4.6%

CE sales grew 4.9% at constant currency. However an excess of capacity in the market for more commoditised products meant we were unable to pass on the sharp increase in the cost of raw materials. Despite a good flow of early enquiries, these did not translate into new business, and the anticipated benefits from investing in a technical sales force did not materialise. Together these had an adverse impact on product margins and mix and the business broke even for the year (2016: £4.2m profit).

We nevertheless won a number of major infrastructure projects; including products and services for motorways in Hungary and rigid reinforcement for Istanbul airport. We also launched a range of synthetic fibres offering better finishing quality and higher performance. We upgraded our geo-synthetic range, so all of our products are fulfilling the new CE requirements on durability, and most of them are certified to last up to 100 years. In addition, we opened our new concrete testing lab in Belgium earlier this year. This will, in turn, further accelerate our product development and support our construction fibres customers with product testing.

We are addressing our competitive position in the reinforcement markets in Central and Eastern Europe. Our North American sales were also disappointing this year, with no new or significant soil consolidation projects and several reinforcement projects being delayed. The devastating hurricanes also took their toll, with related projects being delayed until 2018.

We expect the tough market conditions to continue into 2018. Our focus is on improving our cost position and sales and customer execution. We have initiatives underway to deliver this and are reviewing our portfolio to ensure we provide products that offer most value to our customers.

Market drivers

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

	2017	2016	Actual	Constant currency[1]
Revenue	£102.0m	£90.8m	+12.3%	+4.9%
Underlying operating profit	£0.1m	£4.2m	- 97.6%	-97.7%
Underlying operating margin	0.1%	4.6%		

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

Business review
Coated Technical Textiles

Johann Bryan
Global Business Director

The CTT Global Business Unit supplies a range of technical coated fabrics providing aesthetics and design, performance and protection in a number of different markets.

In 2017 we focused on consolidating and improving our CTT portfolio. In practice, that meant a greater emphasis on higher margin products; this has resulted in a sales portfolio weighted more towards interior products than was previously the case.

Revenue
£138.3m
2016: £129.8m

Underlying operating profit
£9.3m
2016: £8.7m

Underlying operating margin
6.7%
2016: 6.7%

The growth in interior products was primarily attributable to new product developments. Technical innovations in the development of partition walls for sport and event venues led to increasing sales volumes. Three major sporting venues have benefited from the deployment of an innovative material that has waterproofing and self-cleaning attributes. This material is attractive to stadium owners as it saves on long-term maintenance and replacement costs as well as extending the lifespan of the venue and increasing its sustainability.

The completion of two prestigious football stadia – the Volgograd Arena in Russia and the Mercedes-Benz Arena in Stuttgart – showcased our capability to undertake architectural projects of substantial size. Under new leadership, our strategy for this business unit will be to optimise margins through focusing available capacity on the highest value market segments, against a review of plant utilisation.

Our priority this year was to improve customer service. This approach helped the Tensile Architecture team win several new technical projects. As well as ensuring that we meet our customers' specialist requirements, we expanded the range and quantity of stock that we carry, so we can now offer a much better delivery service.

In 2017 we identified and addressed the specific production difficulties we faced in 2016 and sought to rebuild trust in our product quality among our customers. To do so, we invested in our assets and in our people. While some improvements have been made, we continued to experience problems with production consistency, with higher waste and lower proportions of premium grade product than we expected, especially in the latter part of the year. Improving this is a key objective for 2018.

Looking to the future, we seek to extend our customer base with a particular emphasis on the Americas.

Market drivers

- Demand for infrastructure and quality of life improvements in areas of economic development
- Protection of food supplies in transportation
- Growth in the renewable energy sector

	2017	2016	Actual	Constant currency[1]
Revenue	**£138.3m**	£129.8m	+6.5%	-0.7%
Underlying operating profit	**£9.3m**	£8.7m	+6.9%	+1.1%
Underlying operating margin	**6.7%**	6.7%		

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

The fabric of everyday life

Keeping the rain off a training pitch

CHALLENGE

Amsterdam has many days of rain, so when an Amsterdam football club planned to build a new training facility, it required a durable, weather-resistant material to cover the pitch. And the work couldn't disrupt team training.

SOLUTION

Poly-Ned created an air dome to cover the entire pitch. To ensure the dome could withstand high winds, it chose our robust MEHGIES® VALMEX® Tent membrane, covering it with a steel cable construction anchored to the ground. As the membrane cover can be used without a support structure underneath it, the football pitch area wasn't compromised. Also, the translucent material means little light is lost. Because our membrane doesn't need grinding, Poly-Ned was able to build the cover quickly and easily – without affecting training.

The fabric of everyday life

Contributing to a more sustainable world

CHALLENGE

When Tarkett wanted products to help their customers deliver more sustainable carpets, without compromising on quality, they required a primary carpet backing with better composition to improve the material health of their carpets.

SOLUTION

Working closely with Tarkett, we developed a new commercial carpet that delivers the same properties as our world-leading Colback Proflooring product – Colback Gold. Colback Gold is the next extension of our Colback Profloor portfolio and specifically designed to meet the requirements of customers who have embraced the cradle-to-cradle philosophy. Colback Gold combines Colback Profloor's performance and environmental responsibility. Our 2 year technical partnership meant that we were able to work quickly and efficiently from product development to production.

Business review
Interiors & Transportation

Gareth Kaminski-Cook
Global Business Director

The I&T Global Business Unit supplies technical fabrics used in transportation, interior carpeting, resilient tiles and decorative products.

Both sales volume and revenue showed growth in 2017 of around 7% over 2016 at constant currency, in spite of the significant increases in the price of raw materials and competitive pressure in the market. Volume growth in I&T in China, including profitable new revenue streams from wall coverings and decoration, was particularly strong, and now represents over 20% of divisional sales. The expansion of the Changzhou facility means we are well placed to build on our success in this growing market.

In 2017 we were successful both in winning new customers in new markets and expanding our business with existing clients. We have introduced a range of new products to the market. We are particularly proud of Colback Gold: an innovative primary backing material that enables customers to develop products that qualify for cradle-to-cradle Gold certification, a highly respected accreditation that recognises sustainable manufacturing.

Collaborative partnership is at the heart of how we do business. This year the I&T team launched in4nite – a project combining ideas and creativity of product designers, graphic designers and architects with Low & Bonar's Colback fabric. This initiative demonstrates to the design community that Low & Bonar can work with designers and architects to develop innovative solutions, utilising our unique technology and expertise.

We continue to invest and improve our technology base. The technology we use in our facility in China has delivered the most consistent control of material performance ever seen and has helped us enter new markets in very demanding applications.

Looking to the future, the completion of the further expansion of our plant in China in the first quarter of 2018 means we can meet the market growth that we predict. We are also preparing to upgrade our yarn technology, so we can develop our product range for new applications such as filtration and cushion vinyl flooring.

Revenue
£120.3m
2016: £106.0m

Underlying operating profit
£19.1m
2016: £17.1m

Underlying operating margin
15.9%
2016: 16.1%

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

	2017	2016	Actual	Constant currency[1]
Revenue	**£120.3m**	£106.0m	+13.5%	+7.1%
Underlying operating profit	**£19.1m**	£17.1m	+11.7%	+5.5%
Underlying operating margin	**15.9%**	16.1%		

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

Corporate responsibility
Overview

We believe that good corporate responsibility adds value to all our stakeholders in the short, medium and long term, and builds pride in our business for those who work in our Group.

We remain committed to sustainability working hand in hand with our long-term growth strategy. We continue to review all aspects of our corporate responsibility processes and look for opportunities to improve these further.

Our culture

Our culture is informed by our values, which are brought to life by our people every day.

Read more on p28

Our people

Attracting, developing and retaining the best people is important for our success.

Read more on p29

Our health and safety

Health and safety is everyone's responsibility; we must ensure Low & Bonar is always a safe place to work.

Read more on p30

Our environment

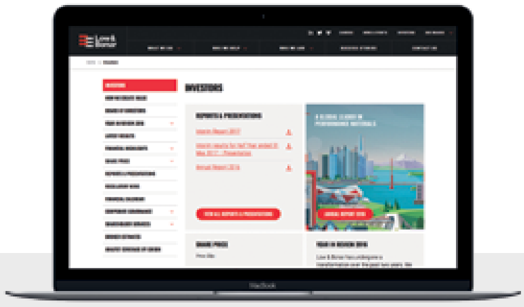
We aim to reduce energy usage and waste generation.

Read more on p31

Our communities

Our relationship with the communities in which we operate is important to both local people and our business.

Read more on p33

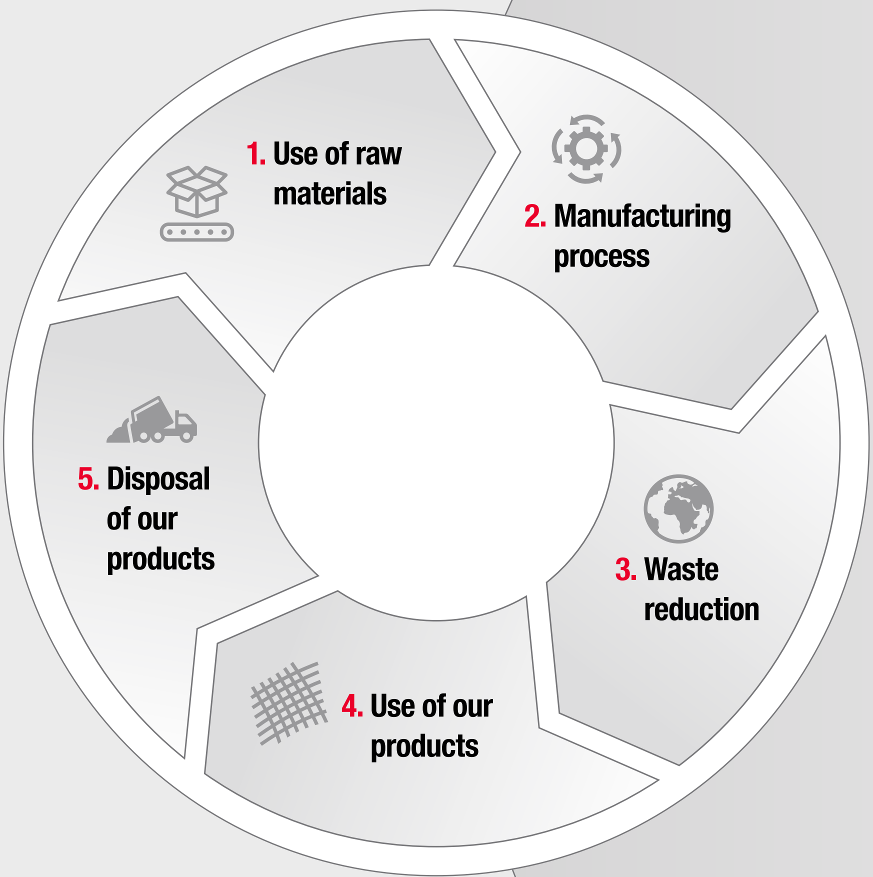


Our investor site can be found here:

investors.lowandbonar.com

Cradle-to-cradle process

Our processes and technology are increasingly supporting our aims for sustainability.



1. **Use of raw materials**
We have been able to improve our raw material usage efficiency and continue to focus our efforts on the replacement of virgin raw materials with recycled material where possible. We now have a carpet backing that is 100% recyclable.

2. **Manufacturing process**
The Group is focused on optimising energy efficiency and reducing emissions in its manufacturing processes. We continue to improve our manufacturing processes with the use of lean and ongoing improvement techniques.

3. **Waste reduction**
The Group is focused on minimising waste. In 2017, we further reduced waste generation in our manufacturing processes across all sites by investment in improved technology. This investment continues into 2018 as a cornerstone of our Project Planet improvement programme.

4. **Use of our products**
Sustainability is a core driver in our innovation processes.

5. **Disposal of our products**
We recognise the environmental impact arising from the disposal of our products.

Our culture

Our culture is founded in our values, which are brought to life by our people every day. It helps us to attract and retain talented people who want to be part of a great place to work and who will, in turn, thrive in our business.

LOW & BONAR'S CULTURE IS INFORMED BY BOTH OUR BUSINESS VISION AND PROMISE.

Our vision

Our vision as a business is to drive exceptional value through performance materials and provide technical expertise that contributes to a more sustainable world.

Our promise

Our promise is that Low & Bonar enables progress through performance and provides technologies to exceed our customers' expectations, address the challenges of an evolving world and improve the quality of everyday life.

These are underpinned by a clear set of values:

- **Be world-class**
  We aspire to be a world-class organisation, and the number one choice for our customers. We act with integrity and respect one another. We collaborate to get closer to our customers, better serve their needs and understand new market opportunities. Working as a team we become market leaders across the full range of our products and services, delivering solutions that are the best in our industry.

- **Empower and perform**
  We want to celebrate our skills and expertise and give people the freedom to explore new ideas and possibilities. By collaborating through cross-functional and cross-geographical teams, and empowering our people to make the right decisions, we can bring the best of Low & Bonar to our customers.

- **Embrace the new**
  Every day our customers benefit from the depth of skill, insight and experience we have across our organisation. To sustainably deliver these benefits; we keep enhancing our offer through innovation and through collaborating with our customers. By doing this, we can anticipate where the opportunities and challenges lie, both now and in the future.

- **Collaborate to transform**
  Our best results are seen when we work together and form strong and meaningful partnerships. At the heart of our organisation is a great team, and we want to make sure our customers can feel the full benefit of the many years' experience we have behind us.

Our values are adopted in a number of practical ways. They inform our approach to recruitment decisions, employee assessment and development.

Our people

Attracting, developing and retaining great people is important for our success. A job at Low & Bonar can be part of a career, with development opportunities, and a working culture that embraces professionalism and diversity.

To achieve our business ambition, it is our people who will make the big difference. That means we need not just gender or racial diversity, but diversity of people and thinking.

We employ around 2,000 people across the world, active in sales, marketing, our integrated supply chain and other global functions.

Our culture

At Low & Bonar we value the diversity of experiences of our people. We look for resourceful individuals who will bring ideas and initiative to contribute to the growth of our Company.

Our core values underpin our culture and set out the type of organisation we want to be. Our values drive us to be world-class, empower and perform, embrace the new and collaborate to transform. We seek to drive exceptional value through performance materials and technical expertise that contribute to a more sustainable world.

Diversity

The Board is mindful of the benefits of diversity in its management and of the representation of women in senior roles. However, we have not set specific targets for the number of female Directors on the Board and will continue to appoint the best candidate available to us for any role. The Group is conscious that it is possible to discourage inadvertently the candidacy of women and we continue to bear this in mind in all recruitment.

The table below sets out the position, as at 30 November 2017, of the Group on a gender basis:

	Number of men	%	Number of women	%
Directors	5	83	1	17
Executive Leadership Team (ELT)[1]	8	100	0	0
Direct reports to ELT	36	90	4	10
Employees[2]	1,541	75	523	25

1 Excluding the Executive Directors.

2 Employees of its consolidated subsidiaries, excluding Bonar Natpet LLC.

Talent management

Our performance management programme, introduced in 2016, involves a comprehensive approach to performance assessment and talent management. It enables us to directly link personal contribution to individual recognition and development.

Equal opportunities and human rights

In seeking to recruit different genders, backgrounds, ages and nationalities throughout the organisation we ensure that corporate decision-making is informed by the widest possible range of knowledge, skills and experience.

We are fully mindful of and have mitigation strategies to prevent; human rights violations and other risks within our own business and supply chain, including labour risks, unsafe workplace conditions, environmental degradation and bribery and corruption.

We are committed to acting ethically and with integrity in all our business dealings and we are committed to ensuring that there is transparency in our business. For further information on our Modern Slavery Statement see our website at **www.lowandbonar.com**.

Employee engagement

Our approach to employee engagement is informed by the knowledge that employees who have good-quality jobs and are managed well will not only be happier, healthier and more fulfilled, but are also more likely to be highly productive, innovative and drive better products and services to customers.

Our health and safety

We believe that every employee has the right to come to work and go home safely at the end of the day.

Management of health and safety

Health and safety frameworks in the Group must drive attitudes that this is everyone's responsibility to make Low & Bonar a safe place to work. Our task is to provide these frameworks, resources and leadership to bring them to life.

Although our Lost Time Accidents (LTAs) fell in 2017 compared to 2016, we had a fatality at our Hückelhoven site in June. While the detailed investigations into this accident conducted with the German authorities, have yet to legally conclude, internally our shock at this tragedy has led us to redouble our efforts to eliminate accidents throughout the business.

In the background, our first aid and fire incidence numbers have continued to fall, continuing trends from previous years. Our reporting of near misses, which we consider to be opportunities to prevent future accidents, show improvement. These are encouraging signals.

Our approach

Our approach to health and safety is based on three areas:

1. Safety leadership

Safety leadership is first and foremost everyone's task, where management is to lead by example. To assist management in doing so we are adding a network of safety professionals to increase capability. This structure will be complete by early 2018.

Safety KPIs are reviewed every month both in functional leadership teams and in the business leadership teams, and each of those meetings now starts with a safety moment – a sharing of a relevant insight into safety that helps focus our minds on health and safety.

The Health and Safety Committee meets regularly as an integral part of our approach to risk management, with risks being escalated to the Risk Oversight Committee as appropriate.

Senior management regularly take part in 'Gemba walks' – the daily safety tours that occur on all sites. These produce 'SiFiRi' (See It, Fix It, Report It) reports, which are our way of preventing issues arising.

2. Employee engagement

Earlier in the year, one of our sites asked children of employees to draw a picture of what safety should mean for their parents while they were at work. These powerful pictures were displayed in the factory and had a great impact on all who saw them, emphasising the simple message about the need and right to go home safely at the end of the day.

This initiative was subsequently used as a key theme in our fifth Global Health and Safety Week in October 2017.

And of course day in, day out employees are a key part of the Gemba walks, with nearly 4,000 SiFiRis generated in the year; all are opportunities to prevent accidents.

These walks also take place in our office environments and we shall continue to promote this and the message that safety is everyone's concern.

3. Risk assessment

Our approach to risk assessment has the specific aim of understanding and mitigating the risks of the interaction between plant (the machinery and equipment being used), process (the operations being carried out) and people (the staff carrying out those operations). Particular attention is paid to this process when machinery is used for an operation not routinely carried out and following staff changes.

Our environment

Our approach to environmental management is based on compliance with environmental regulation and continuous improvement in energy usage and waste generation; linked to the implementation of certified environmental management systems and their associated metrics and standards.

Management of environmental impact

We have had three environmental incidents in 2017: a silo being over-pressurised by a supply vehicle which blew raw material over a nearby road; an oil leak on a recycling hydraulic system, and a leak of oil in an area where full immediate clean-up was not possible. The first two incidents were fully remediated and in the third case the residual oil, which is of a biodegradable nature, is being monitored to ensure it decomposes.

Following these incidents, and as a matter of routine for all significant events, a full root cause analysis was undertaken to ensure learnings were shared across our sites. By way of example, following the over-pressurised silo incident, actions were taken to improve over-pressurisation warning systems and our delivery systems were reviewed, which led to planned investment in new loading/unloading areas at our Fulda site.

Key areas of focus are:

Introduction of environmental standards

Our plants in Tiszaújváros, Hungary and Zele, Belgium were certified to ISO 14001:2015, as part of our transition from ISO 14001:2004. This transition will continue in 2018, with another site moving from the previous standard and three more qualifying for ISO 14001:2015 for the first time.

In addition, four German sites have been successfully re-certified to ISO 50001:2011 Energy Management Systems Standard.

Environmental near misses

The introduction of reporting on environmental near misses has allowed us to capture incidents and perform root cause analysis on them. Learnings are then routinely shared across all sites. In 2017 64 minor events were classified as environmental near misses and have led to a number of preventative measures.

Energy efficiency

Following last year's audits in our Belgian sites we now have an energy-efficiency programme and all capital proposals include a section on the impact on energy usage. Significant improvements came from replacing two air compressors at Fulda and adding a new demand control system.

In 2017 improvements have also come from the implementation of LED lighting at a number of sites, and this programme continues. The implementation of improved energy measurement systems is a focus for 2018 alongside continued investment in improved plant and infrastructure.

Reduction of emissions

Our major initiative in this area has been the replacement of the air exhaust system at our Fulda plant. Work started in 2017 and will be completed in early 2018 in a project agreed with the local authorities. The project will also reduce our energy usage on the site.

Meanwhile, Asheville received formal notification of recognition and appreciation from the Western North Carolina Air Quality Agency, for compliance with air quality rules and regulations.

Minimising waste

Continuous improvement efforts are active at all sites to minimise material wastage at all stages of the manufacturing process, with particular emphasis on reducing the edge trim and on start-up losses.

Corporate responsibility continued

Our environment continued

Incorporation of recycled material

If we cannot eliminate waste then we seek to recycle it. 2017 has seen the expansion of our recycling programme in Dundee, where we replace a portion of the virgin material we use with locally recycled material. The original on-site recycling has now expanded to include waste material from other sites in the Group in Belgium, Hungary and China. The recycling of some of these waste streams is still at the development stage but early analysis is promising and we will seek to expand this further in 2018.

In Coated Technical Textiles the recycling of PVC waste is key to environmental performance and we are a member and financial supporter of the key industry programmes.

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 is regularly reviewed.

Greenhouse gas emissions

We report Scope 1 and 2 emissions defined by the Department for Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guidelines 2013 as follows:

- Scope 1 (Direct emissions): combustion of fuel and operation of facilities; and
- Scope 2 (Indirect emissions): consumption of purchased electricity, heat or steam.

For our UK operations, we have used the UK Government's 2017 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.

Low & Bonar's continued investment in energy reduction programmes as well as improvements in exhaust systems abatement plant has started to show benefits to our overall green house gas programme. This is also heavily affected by orders/product mix with our diverse portfolio and manufacturing systems. The Group is continuing its investment in abatement plant and energy reduction schemes.

The disclosures required by law relating to the Group's greenhouse gas emissions are set out below. Data is given for each year to 30 November 2016 and 30 November 2017:

	tCO_2e (method)	
Emission type	2017	2016
Scope 1:		
Fuel	**33,940**	35,412
Process & fugitive emissions	**112**	1,314
Vehicle use	**1,014**	605[1]
Total scope 1 emissions	**35,066**	37,331
Scope 2: Purchased energy	**85,819**	90,871
Total emissions	**120,885**	128,202

1 No emissions data was available for the Fulda site in 2016.

Greenhouse gas emissions intensity ratio

	2017	2016	Year-on-year variance
Total footprint (Scope 1 and Scope 2) – tCO_2e	**120,885**	128,202	-5.7%
Revenue (£m)	**446.5m**	400.0m	+11.6%
Intensity ratio – Scope 2 location based method (tCO_2e/£m)[1]	**270.7**	320.5	-15.5%

1 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.

Our communities

Our relationship with the communities in which we operate is important to us.

Our local communities provide much of our workforce, are frequently end users of our products, are suppliers of services to us and are our neighbours.

Having a good relationship with our communities helps us attract and retain employees, facilitates support from local services and enhances the profile and reputation of Low & Bonar.

Governance

We are, in many of our geographic locations, a significant employer in the local community. We have a positive impact on communities across many parts of the world through job creation and stimulating local economic development. The interconnectivity of our business and local communities is something we respect, value and nurture. We actively seek to engage with local government and local emergency service organisations in the communities in which we operate.

This year we introduced a Charitable Giving Policy and as part of this we reconfirmed our policy of only giving contributions to organisations with verifiable charitable status.

We do not give any political donations.

Priority for 2018

Going forward we aim to continue to work with local authorities, emergency services and local industry as well as seeking to support local environmental initiatives wherever possible with our erosion control products.

HOW WE SUPPORT OUR LOCAL COMMUNITIES

- In the USA we continued our ongoing support of local United Way initiatives through monthly donations together with employee pledges
- In Asheville and Zele we donated to local fire departments
- In Ivanka we sponsored the local football team
- In Lomnice we sponsored a number of local sports clubs
- In Slovakia we contributed material to help build a sports field for a local elementary school
- In Germany we continued to provide on-site training for apprentices from local technical schools

Finance review
Overview

Revenue growth with slight underlying operating margin decline. Focus now on cost and net debt reduction.

	2017	2016	Actual	Constant currency[1]
Revenue	**£446.5m**	£400.0m	+11.6%	+4.5%
Underlying profit before tax	**£30.7m**	£29.2m	+5.1%	-2.2%

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

Profit before tax (all figures are on an underlying basis except where stated)

Profit before tax from continuing operations increased by 5.1% to £30.7m (2016: £29.2m). As we present our results in Sterling, our reported results are sensitive to the strength of Sterling against Euro and US dollar. A one cent movement in these rates approximately equates to a £90k (against the US dollar) and £120k (against the Euro) change in our full year profits. In 2017, the impact of foreign exchange rate changes aided reported profits by £1.5m. Operating profits were 2.3% higher than last year at £35.5m (2016: £34.7m). Statutory operating losses were £14.9m against a profit of £31.4m in 2016. Statutory losses before tax were £19.7m (2016: profit of £25.9m) after a net non-underlying charge of £50.4m (2016: £3.3m).

Excluding the effect of favourable foreign exchange gains on translating overseas earnings, operating profit on a constant currency basis was 4.6% lower than the prior year. Operating margins reduced to 8.0% against 8.7% last year. Improvements in B&I and I&T were offset by a disappointing result from CE, with CTT remaining flat. Significant raw material price increases in the first half of 2017 were sustained through the second half of the year. B&I and I&T were able to mitigate most of these through higher prices, however CE and, to a lesser extent, CTT were unable to mitigate fully these price increases, reducing profit by £3.5m.

Non-underlying items

There was a net non-underlying charge before tax of £50.4m (2016: £3.3m) in relation to continuing operations.

Impairment of Civil Engineering assets

Following the poor performance of CE, impairment reviews of its goodwill and other assets were conducted. These resulted in a full impairment of the £19.4m goodwill balance, with further impairments of property, plant & equipment (PP&E) and certain intangible assets totalling £6.6m and £0.9m respectively.

Write down of Ivanka

As part of the first stage review of CE, it was decided to exit from the loss-making weaving plant in Ivanka, Slovakia. As a consequence, the assets have been written down to the proceeds expected to be realised from the exit, resulting in a charge of £4.7m. This charge is comprised of a write-down of PP&E totalling £3.4m, a write down of intangible assets totalling £0.3m, and a write off of inventory of £1.0m.

Loss on disposal of the agro-textile business

In October 2017, the Group completed the disposal of the Lokeren-based agro-textile business. The proceeds totalled £6.1m (€7.0m), of which £5.8m was received in the year and £0.3m in December 2017. The disposal generated a loss before tax of £12.7m (£8.4m after tax).

Pension administration costs

The Group incurred £0.2m (2016: £0.1m) of non-underlying pension administration costs relating to its UK defined benefit scheme.

Acquisition related costs

In the year the Group incurred costs of £0.5m (2016: £0.1m) relating to the acquisition of Walflor Industries Inc.

Provision in relation to customs duties

The Group has identified irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office which was closed several years ago. The non-underlying charge of £1.7m represents the Group's best estimate of the liability. A thorough investigation is being undertaken and the Group is confident that this is a contained matter.

Amortisation of acquired intangibles

The amortisation of acquired intangibles of £3.7m (2016: £4.0m) is excluded from underlying business profit in accordance with Group's accounting policies.

Discontinued operations

The Group recorded a loss of £1.0m in respect of discontinued operations. During the year, we reached agreement with the purchaser of the artificial grass yarns business, sold in 2016, on the level of deferred consideration receivable, and the £0.9m difference between the final amount agreed and the debtor held at the end of 2016 has been included as a non-underlying item from discontinued operations, net of a £0.2m tax credit. A share of loss of £0.3m from the Bonar Natpet joint venture was also recognised.

Taxation

The overall tax credit on continuing profit before tax was £2.1m (2016: charge of £8.2m). The underlying tax charge from continuing operations was £8.9m (2016: £8.8m), an effective rate of 29.0% (2016: 30.1%). The decrease in effective rate relates to the country mix of profits. In addition, a reduction in the US federal tax rate from 35% to 21% will take effect from 1 January 2018 and is expected, based on the existing mix of profits, to reduce the Group's ongoing effective tax rate by around 3% per annum. It is also expected to generate a one-off benefit of approximately £1.4m on the revaluation of deferred tax liabilities in 2018.

Acquisitions

On 17 January 2017, the Group acquired the business and assets of Walflor Industries Inc., a producer of rainscreens and acoustic mats based near Seattle, USA, for an initial £2.9m and contingent consideration of up to £0.7m in cash based on the commercial performance of the business over the following twelve months.

Finance review continued

Net debt

As at 30 November 2017, net debt was £138.4m (2016: £111.0m). This was higher than had been anticipated, due principally to higher than forecast inventories in CE. There is now a very clear focus on cash generation, and we have a defined plan to reduce net debt by at least £15m in constant currency terms, over the course of the current year. This will be delivered principally through improved working capital discipline and a lower capital expenditure requirement.

Cash inflow from operations was £36.6m (2016: £38.5m). During the year, the Group spent £28.7m (2016: £18.9m) on property, plant and equipment and £5.7m (2016: £3.3m) on intangible assets. Excluding replacement, efficiency and health and safety related capital expenditure, the amount invested in equipment to support future growth was £22.9m (2016: £13.1m). The main item related to £16.2m (2016: £nil) spent on expanding the Colback manufacturing facility in Changzhou, China. The Group also invested £3.2m (2016: £2.7m) in the ongoing Group ERP system, the roll-out of which commenced during the year.

Trade working capital as a percentage of revenue at year end decreased to 24% (2016: 26%). This reflects the increased revenue, partly offset by an increase in trade working capital to £105.4m (2016: £103.3m).

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

	2017	2016
Cash and cash equivalents	**£38.2m**	£26.3m
Total interest-bearing loans and borrowings	**£(176.6)m**	£(137.3)m
Net debt	**£(138.4)m**	£(111.0)m

The gearing ratio of total net debt to EBITDA increased from 2.0 times in 2016 to 2.4 times.

The Group's available debt facilities total £215m/€244m (2016: £209m/€246m) and comprise a five-year revolving credit facility (RCF) of €165m maturing in July 2019, a private placement of €60m scheduled for repayment between September 2022 and September 2026 in equal tranches, and loan facilities of Rmb 150m through to June 2020. We have commenced a process to refinance the RCF which we expect to have concluded in the first half of 2018.

Return on capital employed

Following the goodwill and other impairments, which totalled £31.6m, the return on capital employed has remained flat at 11.1% (2016: 11.1%). Adding back these impairments to net assets would decrease the return to 10.1%. In line with the prior year, the current year calculation of return is based on net assets and net debt, the target for which is 12%. The capital expenditure spend is expected to improve returns in future periods.

Earnings per share

Basic underlying earnings per share was 6.42p, an increase of 6.8% from 6.01p in 2016. On a constant currency basis, basic underlying earnings per share decreased by 0.8% due to a decrease in the effective tax rate from 30.1% to 29.0% along with the constant currency impact on the earnings of the Group. On a statutory basis, basic earnings per share from continuing operations decreased from 5.20p in 2016 to a loss per share of 5.56p in 2017.

Dividends

The Board considers dividends to be the primary method of returning capital to shareholders. In determining the level of capital to be returned by way of dividend, the Board considers a number of factors, including:

- The level of distributable reserves held by the parent company, and the availability of dividends from subsidiary companies, from which the parent company derives its distributable reserves;
- Projections of future cash flows, including the impact of dividends on compliance with our loan covenants; and
- The risks to future cash flows and distributable reserves, which are set out in the principal risks and uncertainties section on pages 42 to 44.

The Board review the availability of distributable reserves prior to the recommendation of any dividend. As at 30 November 2017, the parent company has distributable reserves equal to its retained earnings of £111.2m. As a consequence, the Group is in a strong position to cover future dividends.

For the financial year ended 30 November 2017, the Board has proposed a final dividend of 2.00 pence per share which will absorb an estimated £6.6m 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 13 April 2018, it will be paid on 19 April 2018 to Ordinary Shareholders who are on the register of members at close of business on 23 March 2018. The Company's distributable reserves at November 2017 provide around 10 years' cover for dividend payments at the current rate.

Brexit

We continue to monitor the potential impact of the UK's vote to leave the European Union. While the UK represents only a small part of the Group's sales (around 5% of Group sales are made to UK based customers, 60% of which originate from UK-based entities, and we have a single UK-based manufacturing facility), the potential for increased volatility in foreign exchange and interest rates and the possibility of wider macroeconomic destabilisation across European or global markets could have an impact on the Group's future performance.

While foreign exchange rate fluctuations affect our reported Sterling results, the Group seeks to mitigate their impact on our banking covenants by drawing debt in the same currencies, and in the same broad mix, as the currencies that Group profits are generated in. Our covenants are calculated with debt and EBITDA translated into Sterling at average exchange rates to reduce the impact of rate volatility. At 30 November 2017, 38% (2016: 46%) of the Group's net debt was held on a fixed interest rate basis; and the Group keeps this under regular review to maintain a reasonable average cost of borrowing while protecting against medium term exposure to interest rate changes.

Pensions

The charges for pensions are calculated in accordance with the requirement of IAS 19 Employee Benefits (revised). At 30 November 2017, the UK scheme showed a surplus of £10.0m (2016: deficit of £2.2m). The gain was caused by a combination of higher than expected asset returns, updates relating to the 2017 actuarial valuation and shorter assumed life expectancies. The Group has received legal advice that supports the recognition of this surplus as an asset on the balance sheet.

The deficit in the Group's overseas schemes in Belgium, Germany and the USA decreased to £12.2m (2016: £12.8m), mainly as a result of favourable investment returns and changes to life expectancy assumptions.

Philip de Klerk
Group Chief Financial Officer

2 February 2018

Risk management

Risk management structure

The Group faces a variety of risks which, were they to materialise, could affect the delivery of its strategic objectives or the safe and efficient running of its operations. The Group has an established risk management framework which is designed to identify, evaluate and mitigate the risks and uncertainties facing the Group and to embed effective risk management into the culture and behaviour of its employees. Within this framework, we classify risks into four distinct categories according to their potential impact on the Group: strategic, operational, financial and compliance.

Risk oversight structure

RISK REGISTER

PLC Board of Directors	A Audit Committee	Risk Oversight Committee
Read more on p48	Read more on p56	Read more on p39

Treasury Committee Internal Audit Finance	Executive Leadership Team (ELT) Health and Safety Committee

Risk oversight

The Group's principal risks and uncertainties, as set out on pages 42 to 44, are evaluated by the Board of Directors, Audit Committee and Risk Oversight Committee as standing agenda items. Principal risks are allocated to the relevant Board or Committee based on the probability of the risk occurring and the impact it would have on the Group.

The risk management work undertaken by the Audit and Risk Oversight Committees are discussed at Board meetings in addition to the work undertaken by the Board.

Delegation of risks

Group risks are delegated as follows:

Board of Directors

Responsible for the oversight of risk management as a whole, with specific responsibility for political risks, take-over risks, funding and capital, acquisitions, regulatory and compliance issues and investor relations. The Board in turn delegates responsibility for addressing individual risk issues to the Audit Committee and Risk Oversight Committee.

Audit Committee

The Audit Committee has delegated authority from the Board for the control of funding and capital, financial controls, evaluation and control of acquisitions, information, valuation and reporting in respect of treasury matters.

Risk Oversight Committee

The Risk Oversight Committee is responsible 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, employees and regulatory and compliance issues.

Internal audit function

The internal audit function is outsourced to PwC. As a result of this PwC are invited to present at Audit Committee meetings and are in regular contact with the Group Chief Financial Officer and Group finance function.

RISK OVERSIGHT COMMITTEE

The role of the Committee

The Committee's role and responsibilities are set out in its terms of reference (ToR), which are reviewed annually and approved by the Board. In 2017 the Committee's ToR were updated and are available to view on our website at **investors.lowandbonar.com/corporate-governance**.

Membership and attendees at meetings

The Risk Oversight Committee meets at least three times a year.

The Group Chief Financial Officer is the Committee Chairman and members include the Group Chief Executive, Group Director of Human Resources, Director of HSE, Director of IT, Group General Counsel and such other members of the Executive Leadership Team or other senior managers as and when appropriate.

Reporting to the Board

The work of the Committee is discussed at Board meetings (through updates from the Audit Committee) on a regular basis.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Audit Committee.

Risk management continued

Internal financial control framework

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

1. **Financial reporting:** we have a comprehensive budgeting system with an annual budget approved by the Board. Monthly actual results are reported against budget together with revised forecasts for the year (as necessary);
2. **Operating unit controls:** financial controls and procedures including information system controls are detailed in our 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) and 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; and
3. **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.

Risk identification

Risk registers are held by each Global Business Unit and at each manufacturing site. These registers are assessed, discussed and updated at management team meetings. They document existing and emerging risks and assess their potential significance and likelihood of occurrence. A Group risk register collates the risks identified in Global Business Units and manufacturing sites together with certain strategic risks managed at Group level. The Group risk register is reviewed by the Board annually.

Risk mitigation

The risk registers ensure that each identified risk has a mitigation process developed for it and set out:

- how the mitigation strategy is implemented;
- the frequency of review;
- who is accountable for the process;
- who will undertake the risk mitigation steps; and
- an assessment of the adequacy of the mitigation strategy.

Legal risk compliance

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 do 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 a 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.

Competition compliance

The Company is committed to ensuring that all employees comply with all competition 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 competition compliance training programme which all relevant personnel within the Group are required to complete on a regular basis.

Criminal Finances Act 2017

The Company has conducted a risk assessment regarding failure to prevent the criminal facilitation of tax evasion and has implemented a Group policy and mitigation processes.

Anti-bribery compliance

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.

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 2017 and the potential impacts of the principal risks over the review period. These risks are set out on pages 42 to 44. A period of five years has been chosen for the purposes of the viability assessment, as this aligns with the Group's strategic planning horizon, over which capital investment plans and market/product development initiatives are considered and are used to model the Group's performance and financial ratios, including assessing funding requirements and ensuring adequate headroom on its loan covenants are maintained.

In making the assessment, the Directors have taken account of the remaining term of the Group's Revolving Credit Facility ('RCF' or 'facility'), which is due to expire in July 2019. Underpinning this assessment is the assumption that this RCF is successfully refinanced on terms similar to the current facility – an assumption that the Directors view as reasonable having sought advice from the Group's advisors.

Whilst each principal risk has a potential impact, enhanced stress testing was performed on two severe but plausible scenarios:

- a prolonged economic downturn resulting in a 15% reduction in Group revenues in year 1 (with a 25% reduction in the first six months) followed by a modest 5% annual growth rate thereafter; and
- a loss of premium pricing position of a significant part of the Group's product portfolio.

The impact of these scenarios on the Group's cash flow and financial covenants was modelled, together with the impact of the key mitigating actions that management would reasonably take. These actions mainly include further overhead and fixed manufacturing cost reductions, reductions in capital expenditure to the minimum levels required to ensure safe and reliable operation of the assets, reduction in dividend payments, and a reduction in production, leading to inventory consumption to service customer demand. These mitigating actions were consistent with the steps taken by the Group during the last economic downturn in 2008-2010.

The Group's diverse customer, supplier, geographical and market base provides further resilience to adverse market conditions.

Based on this assessment, including the results of the enhanced stress testing and associated mitigating actions, and on the assumption that the RCF is refinanced before its expiry, 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 November 2022.

Principal risks and uncertainties

	Risk	Risk change	Mitigating strategy	Strategic pillars
STRATEGIC	**GLOBAL ACTIVITY** 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. Changes in international trade regulations or tariffs, including the impact of Brexit, could potentially disrupt the Group's supply chains.	Up	*Business Unit management monitors 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.* *The Group also has a broad base of customers. Group policies endeavour to ensure that 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 and considered appropriate.* *Procurement managers endeavour to mitigate supply chain risk by identifying and qualifying alternative sources of key raw materials.* *Potential changes to international trade regulations are monitored in order to try and anticipate and mitigate their impact.*	
STRATEGIC	**ORGANIC GROWTH/ COMPETITION** The markets in which the Group operates are competitive with respect to price, geographic distinction, functionality, brand recognition and marketing and customer service.	No change	*The Group has chosen to operate in attractive niche markets within the technical textile industry, using some proprietary technology to manufacture products which are important determinants of the performance and/or efficiency of our customers' final products or processes.* *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.* *Innovation pipelines are Global Business Unit-led and managed through a stage-gate process.*	
STRATEGIC	**CYBER SECURITY** Disruption to or penetration of our information technology platforms could have a significant adverse effect on the Group.	No change	*The Group's information technology resources are continuously monitored and maintained, and safeguards are in place to provide security for our networks and data. These are backed up by training programmes for relevant members of staff.* *Business continuity measures are in place to minimise the impact of any disruption to our operations.*	

Impact on strategy

Operational excellence
Commercial execution
Technology differentiation
Invest in sustainable growth

Risk key

Increase
Decrease
No change

	Risk	Risk change	Mitigating strategy	Strategic pillars
STRATEGIC	**GROWTH STRATEGY** The Board believes that growth, both organic and through acquisitions, is a fundamental part of its strategy for the Group. The Board reviews such growth opportunities on an ongoing basis and its acquisition strategy is based on appropriate acquisition targets being available and on acquired companies being integrated rapidly and successfully into the Group.	No change	*The current focus of the Group is on profitable, cash-generative organic growth supplemented by acquisitions where appropriate. Enhanced market segmentation combined with innovation is supporting our organic growth ambition.* *Acquisitions are based on 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 managed through to completion.*	Commercial execution; Invest in sustainable growth
OPERATIONAL	**BUSINESS CONTINUITY** The occurrence of major operational problems could have a material adverse effect on the Group. These could include risks of fire or major environmental damage such as hurricanes.	No change	*The Group has process controls and proactive maintenance programmes designed to avoid problems arising. These are supported by regular site audits. Crisis response procedures including business continuity/disaster recovery plans are in place to minimise the impact of any disruption to our operations. Where appropriate, financial risk impact is covered by insurance programmes.*	Operational excellence
OPERATIONAL	**EMPLOYEE** The Group is reliant on its ability to attract, develop and retain talented leaders, professionals and specialists throughout the organisation.	No change	*Employees are recruited and regularly appraised utilising a structured performance management system. This is directly linked to both rewards and developmental outcomes. HR policies are in place covering aspects of employment across the Group. We are committed to effective communication and engagement with employees, which takes place on a continuous basis.*	Operational excellence
OPERATIONAL	**RAW MATERIAL PRICING** The Group's profitability can be affected by the purchase price of its key raw materials and its ability to reflect any changes through its selling prices. The Group's main raw materials are polypropylene, polyester, nylon, polyethylene and PVC. The prices of these raw materials are volatile and they are influenced ultimately by oil prices and the balance of supply and demand for each polymer.	Increase	*The Group has a good level of expertise in polymer purchasing and uses a number of suppliers to ensure a balance between competitive pricing and continuity of supply.* *The Group's focus on operating efficiencies and the strength of its product propositions enables some of the effect of raw material cost fluctuations to be successfully managed.* *Innovation, technology differentiation and customer focus will partially offset increased price competition in certain markets.*	Operational excellence; Technology differentiation

Principal risks and uncertainties continued

	Risk	Risk change	Mitigating strategy	Strategic pillars
FINANCIAL	**TREASURY** Foreign exchange is the most significant treasury risk for the Group. The reported value of profits earned by the Group's overseas entities is sensitive to the strength of Sterling, particularly against the Euro and the US Dollar. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and counterparty credit risk.	–	*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 selective financial instruments to manage the exposures that may arise from its business operations as a result of movements in financial markets.*	
FINANCIAL	**FUNDING** 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.	–	*The Group manages its capital to safeguard its ability to continue as a going concern, to provide sufficient liquidity to support its operations and the Board's strategic plans and to optimise its capital structure. The Group's borrowing requirements are regularly reforecast with the objective to ensure adequate funding is in place to support its operations and growth plans. Compliance with the covenants associated with these facilities is closely monitored.*	
COMPLIANCE	**LAWS AND REGULATIONS** The Group's operations are subject to a wide range of laws and regulations, including tax, employment, environmental and health and safety legislation, along with product liability and contractual terms. Non-compliance with these laws and regulations could result in compromising our ability to conduct business in certain jurisdictions and exposing the Group to potential reputational damage and financial penalties.	^	*The Group's policy manuals endeavour to ensure that 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.* *The Code of Conduct is disseminated throughout the Group and compliance is being reviewed on a regular basis and a legal team is in place to manage any compliance issues.* *Product liability risks are managed through stringent quality control procedures covering review of goods on receipt and prior to dispatch, and all manufacturing processes. Insurance cover, judged 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.*	
COMPLIANCE	**HEALTH AND SAFETY** 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.	–	*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 by the Board of Directors and at Global Business Unit meetings. The Group Health and Safety 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 through site audits and training programmes. Performance is monitored against Group-wide health and safety KPIs.*	

Corporate Governance

Chairman’s governance statement

> “The Board remains committed to ensuring high standards of corporate governance in all aspects of the delivery of our strategy.

Board highlights of the year

The Board held its annual strategy meeting in November 2017. During the year several aspects of the strategy were explored in further detail though strategy ‘deep dives’.

In the year the Board visited manufacturing sites in Changzhou, China and Ivanka, Slovakia. From these visits the Board gained a better insight into our Chinese and Slovakian businesses and the environments in which they operate. It is my current intention to recommend that the Board visit two further sites in 2018.

Culture and governance

We are committed to maintaining high standards of corporate governance and to applying the principles of good governance as set out in the 2016 UK Corporate Governance Code (the ‘Code’) published by the Financial Reporting Council.

I am pleased to confirm compliance throughout the year with the Code except in respect of provision D.2.2 which requires that the Remuneration Committee has 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. I feel this aids transparency as it enables the views of the Executive Directors to be taken into account in determining my remuneration.

The success of our business is dependent on the Board taking decisions for the benefit of its members as a whole and in doing so having regard for all its stakeholders: its employees, its suppliers, customers and the wider community and environment.

2017 GOVERNANCE OVERVIEW

- Six Director changes including the appointment of an Interim Group Chief Executive in December 2017.
- Annual strategy meeting in November 2017.
- Board visits to Changzhou, China and Ivanka, Slovakia in May and September 2017.
- Decided on an external Board and committee evaluation for 2017/18.

THE BOARD OF DIRECTORS

Audit Committee A

Integrity of financial reporting and audit process; maintenance of internal control and risk systems.

Read more on p56

Nomination Committee N

Board composition; succession; Director and senior executive appointments.

Read more on p54

Remuneration Committee R

Executive Directors' remuneration policy; oversight of senior executive remuneration.

Read more on p61

Board changes

In 2017 there were six Director changes. In March it was announced that Mike Holt, Chief Financial Officer, would step down from the Board when his successor was appointed. Subsequently, in April, it was announced that Philip de Klerk would join the Company from Flybe Group PLC as Group Chief Financial Officer in October 2017.

At the 2017 AGM in April John Sheldrick, Non-Executive Director and Chairman of the Audit Committee, retired from the Board after serving for six years and Mike Powell was appointed Audit Committee Chairman. In July it was further announced that Steve Hannam, Senior Independent Non-Executive Director, would retire from the Board at the end of August 2017 after 15 years' service.

On 19 December 2017 Brett Simpson resigned from the Board and as Group Chief Executive. As announced Brett Simpson will remain an employee until 30 April 2018. The Board subsequently appointed Trudy Schoolenberg, previously a Non-Executive Director of the Company, as Interim Group Chief Executive with effect from 19 December 2017.

As noted in my Chairman's statement Philip de Klerk will become Group Chief Executive on 1 March 2018 and Peter Bertram will join the Board as a Non-Executive Director on 1 February 2018. For further details see page 5.

Listening to our shareholders

Effective communication with our shareholders is fundamental to our success. We seek to communicate our strategy and activities clearly to all our shareholders and welcome active engagement to answer their questions and receive their feedback. Further details of our approach to shareholder engagement can be found on page 60.

Objectives for the year ahead

The Board remains committed to ensuring high standards of corporate governance across the Group in all aspects of the delivery of our strategy.

Martin Flower
Non-Executive Chairman

2 February 2018

ALIGNMENT WITH THE UK CORPORATE GOVERNANCE CODE 2016

Leadership

The Board has clear divisions of responsibility and is collectively responsible for the long-term success of Low & Bonar PLC.

Read more on p50

Effectiveness

We evaluate the balance of experience, skills, knowledge and independence of the Board to ensure we are effective.

Read more on p52

Accountability

We present a fair, balanced and understandable assessment of Low & Bonar's position and prospects. Our decisions are discussed within the context of the risks involved.

Read more on p56

Relations with shareholders

Strong relationships with our shareholders are crucial for the successful execution of our strategy.

Read more on p60

Remuneration

Director remuneration is set to promote the long-term success of Low & Bonar PLC.

Read more on p61

Board of Directors

From left to right: Mike Powell | Philip de Klerk | Trudy Schoolenberg | Martin Flower | Kevin Matthews

Our Board's focus is on strategy, development, risk and corporate governance. Its members have a wide range of skills, experience and expertise enabling them to enhance our business and grow shareholder value.

Martin Flower N R
Chairman

Appointed to the Board: January 2007 and appointed Chairman June 2010.

Experience: Previously Chief Executive of Coats plc, a company in which he spent his entire executive career having joined in 1968. Former 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.

External appointments: None.

Trudy Schoolenberg N [1]
Interim Group Chief Executive

Appointed to the Board: May 2013 (as Non-Executive Director). Appointed Interim CEO on 19 December 2017.

Experience: Previously Director of Integrated Supply Chain and RD&I for AKZO Nobel's Paints Division, former Vice-president of Global Research and Development at Wärtsilä Oy. Prior to that she worked for 21 years for Royal Dutch Shell plc.

External appointments: Non-Executive Director of Spirax-Sarco Engineering plc.

Philip de Klerk
Group Chief Financial Officer

Appointed to the Board: October 2017.

Experience: Previously CFO of Flybe from 2014 to 2017. Has held a number of other senior financial positions including Global Head of Financial Planning and Analysis and Finance Director of the Business Capabilities Programme and Global Finance Business Partner for Technical, Marketing and IT at SABMiller; and CFO of INEOS Olefins & Polymers Europe. Philip spent 16 years at Unilever in a range of finance roles, working in a number of countries including the Netherlands and Switzerland. Philip has Masters degrees in Business Economics (Rotterdam) and Law (Heerlen).

External appointments: None.

Kevin Matthews A N R
Non-Executive Director

Appointed to the Board: April 2015.

Experience: Former Chief Executive Officer of Isogenica Limited and Non-Executive Director of Elementis plc.

External appointments: Chief Executive Officer of Itaconix plc.

Mike Powell A N R
Non-Executive Director

Appointed to the Board: December 2016.

Experience: Currently Group Chief Financial Officer of Ferguson plc. and former Group Finance Director of BBA Aviation plc, Chief Financial Officer of AZ Electronic Materials plc and Group Finance Director of Nippon Sheet Glass Co. Limited, having previously worked for 15 years in a variety of senior finance roles for Pilkington plc.

External appointments: Group Chief Financial Officer of Ferguson plc.

Post year end changes

With effect from 1 February 2018 Peter Bertram joined the Board as a Non-Executive Director and on 1 March 2018 Philip de Klerk will become Group Chief Executive.

Key to Committees A Audit N Nomination R Remuneration Committee Chair

1 Trudy Schoolenberg was also a member of the Audit and Remuneration Committees until her appointment as Interim Group Chief Executive on 19 December 2017. She will return to her role as Non-Executive Director at the end of April 2018.

Leadership

BOARD LEADERSHIP

THE BOARD OF DIRECTORS

Chairman	Senior Independent Director	Non-Executive Directors	Group Chief Executive	Group Chief Financial Officer
Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors	Provides a sounding board for the Chairman and appraises his performance	Contribute to developing our strategy	Leads the business, implements strategy and chairs the Executive Leadership Team meetings	Responsible for the preparation and integrity of our financial reporting
Regularly meets with the Group Chief Executive and other senior leaders to stay informed	Acts as an intermediary for other Directors if needed	Scrutinise and constructively challenge the performance of management in the execution of our strategy		
Ensures effective communication with shareholders	Available to respond to shareholder concerns when contact through the normal channels is inappropriate			

Committees

	Audit	Nomination	Remuneration
Role	Integrity of financial reporting and audit process; maintenance of internal control and risk systems.	Board composition; succession; Director and senior executive appointments.	Executive Directors' remuneration policy; oversight of senior executive remuneration.
Number of scheduled meetings in 2017	**3** (2016: 3)	**2** (2016: 2)	**3** (2016: 3)
Chairmen	**Mike Powell** Non-Executive Director **Experience** Current financial knowledge as Group Chief Financial Officer of Ferguson plc and previous finance director roles.	**Martin Flower** Non-Executive Chairman **Experience** Over 20 years' experience in non-executive director and Chairman roles in various plcs.	**Kevin Matthews** Non-Executive Director **Experience** Experience of non-executive and Chief Executive Officer roles in various plcs.

GOVERNANCE IN ACTION

Board meeting in China

In May 2017 the Board went to Changzhou, China which gave the Directors the opportunity to visit our Chinese manufacturing site and meet our Chinese management team. The visit provided the Directors with a better insight into our Chinese business and the environment in which it operates.

The role of the Board

To provide entrepreneurial leadership of the Group and be responsible for its long-term success. To set the Group's values and standards and ensure its obligations to shareholders and others are understood and met.

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.

Matters reserved for the Board

The Board maintains a schedule of matters reserved for its approval on a range of key issues. This schedule is available on the Company's website (**investors.lowandbonar.com/corporate-governance**) and is regularly reviewed and updated.

Committees

To assist the Board in discharging its responsibilities it has established three Committees with delegated authority, as set out on the previous page. Reports from each of the Committees can be found on pages 54 to 59 and 61 to 71.

The Board has also established a Market Disclosure Committee and Risk Oversight Committee the operation of which are described in more detail on pages 38 to 40.

In April 2017 Mike Powell succeeded John Sheldrick as Chairman of the Audit Committee following Mr Sheldrick's retirement.

Board meetings

The Board held seven scheduled meetings and seven ad hoc meetings during the year, with full Director attendance at all meetings. For further information see page 53.

From time to time members of the Executive Leadership Team attend Board meetings to present on the strategy for and performance of their Global Business Unit (GBU) or function. 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.

2017 BOARD ACTIVITIES

Leadership	Focus and growth	People and culture	Strategy and performance	Governance	Risk and regulatory
Presentations from the Executive Leadership Team on the following topics: - Individual GBU strategies - Working capital - Implementation of ERP/IT - Sales and marketing - Human resources - Digital strategy	M&A agenda including acquisition of Walflor Industries Inc. and sale of our Lokeren site	HR update on talent management, succession planning, leadership and culture	Group Chief Executives' reports on performance of operations	Full-year preliminary results, half-year results, Annual Report, notice of AGM and final and interim dividend recommendation	Assessment of internal control systems
Visit to manufacturing sites in China and Slovakia to gain an insight into these businesses and the environments in which they operate	2016/17 budget and long-range plan	At every Board meeting received the health and safety report	FTSE sector reclassification	Matters reserved for the Board and Committee terms of reference	Reviewed the Group risk register including cyber security

Effectiveness

Independence of Directors

The Board reviews the independence of its Non-Executive Directors annually as part of its Board evaluation. Only the Non-Executive Chairman has a tenure of more than six years on the Board. The Board considers that all the Non-Executive Directors bring strong independent oversight and continue to demonstrate independence. Biographical details for each of the Directors are set out on page 49.

In April and August 2017 John Sheldrick and Steve Hannam retired from the Board after tenures of six and 15 years respectively.

The Non-Executive Directors meet at least twice a year without the Executive Directors present.

Board evaluation, induction and training

Board effectiveness review

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through an annual performance evaluation, full induction of new Board members and ongoing Board development activities.

Alongside the annual evaluation each Director receives an appraisal. Appraisals are conducted by the Chairman for the Group Chief Executive and by the Senior Independent Director (following discussions with the other Non-Executive directors) for the Chairman. Following this formal evaluation, it is confirmed that the performance of each of the Directors continues to be effective and each continues to demonstrate commitment to the role.

This year's Board effectiveness review

As the Company is not currently a constituent of the FTSE350 an external Board evaluation is not required. The Board annually completes internal evaluations in line with best practice. However, in 2017, due to the changes in the Board in 2017 it was agreed that the evaluation would be deferred to 2018 and an externally facilitated evaluation would be conducted instead. In March 2018 the Board will undertake its external evaluation with the assistance of Clare Chalmers, a London-based advisor, who has no other connection with the Company.

Our internal Board effectiveness process:

Stage 1:	Stage 2:	Stage 3:	Stage 4:
Comprehensive questionnaire	**Results collated, reported and evaluated**	**Discussion with the Chairmen and Board**	**Action plan agreed**
Each Director completes a confidential questionnaire, designed by the Company Secretary, covering each area of the UK Corporate Governance Code. Each Board Committee undertakes a specific self-assessment questionnaire	A report is compiled by the Company Secretary on the basis of the information and views supplied by the Directors, with all points unattributed	Draft conclusions are discussed with each of the Board and Committee Chairmen. Committee conclusions are then discussed with the Board. Conclusions of each discussion are recorded in the minutes of the meeting	The Board subsequently agrees the action plan

BOARD ACTION PLAN FROM THE 2016 BOARD EFFECTIVENESS REVIEW

The conclusions of the 2016 review were positive and confirmed that the Board and its Committees operate effectively, and that each Director contributes to the overall effectiveness and success of the Group.

Set out below are the Board recommendations following the effectiveness review together with details of action taken:

Board papers

Recommendations were made on improving the timeliness of Board paper distribution and the content of the Group Chief Executive, Group Chief Financial Officer and Health and Safety reports. These recommendations were addressed with the introduction of electronic Board papers and a review of the Group Chief Executive, Group Chief Financial Officer and Health and Safety reports.

Meetings

Recommendations were made on scheduling Board and Committee meeting dates two years ahead and ensuring Non-Executive Director only meetings were included in this schedule. These recommendations were addressed by scheduling in advance the 2018 and 2019 meetings and introducing a Board and Committee rolling agenda which included details of the Non-Executive Director only meetings.

BOARD ATTENDANCE

Board member	Meetings attended
Martin Flower, Chairman	7/7 (100%)
Trudy Schoolenberg	7/7 (100%)
Philip de Klerk	2/2 (100%)
Kevin Matthews	7/7 (100%)
Mike Powell	7/7 (100%)

Board development

The Chairman is responsible for ensuring that all Non-Executive Directors receive ongoing training and development and alongside this our Non-Executive Directors are conscious of the need to remain informed on current issues.

At each Board meeting the Company Secretary provides an update on current legal and governance matters.

The Directors have access to the Company Secretary and can, at the Company's expense, seek independent professional advice where they judge it necessary to discharge their responsibilities. No such independent advice was sought in the 2017 financial year.

The Company Secretary also:

- assists the Chairman in organising induction and training programmes and ensuring all the Directors have full and timely access to all relevant information;
- ensures that the correct Board procedures are followed; and
- advises the Board on corporate governance matters.

The removal of the Company Secretary is a matter for the Board as a whole.

In 2017 Stuart Haydon resigned as Company Secretary and was succeeded by Jeremy Rhodes as Interim Company Secretary. In June 2017 Erika Percival was appointed Company Secretary.

Board induction

All Directors, on joining the Board, receive a tailored induction covering their duties and responsibilities as Directors. On joining Philip de Klerk, Group Chief Financial Officer, received a comprehensive induction on his duties and Board procedures. Philip de Klerk met with the Chief Executive Officer, Interim Group Chief Financial Officer, Executive Leadership Team and other senior management and spent time visiting Group manufacturing sites.

On joining Non-Executive Directors receive a full briefing document on all areas of the Group's business and may request further information as they consider necessary.

Effectiveness
Nomination Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Martin Flower, Committee Chairman	2/2 (100%)
Kevin Matthews	2/2 (100%)
Mike Powell	2/2 (100%)
Trudy Schoolenberg	2/2 (100%)

Key duties and role of the Committee

Key objectives and summary of responsibilities

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board, advising on succession planning and making appropriate recommendations to ensure the Board retains an appropriate mix of skills, experience, knowledge and backgrounds. The Committee is also responsible for reviewing the Group's senior executive needs.

The Committee's role and responsibilities are set out in its Terms of Reference (ToR), which are reviewed annually and approved by the Board. In October 2017 updated ToR were adopted and are available to view on our website at **investors.lowandbonar.com/corporate-governance**.

Membership and meetings

All members have the experience and expertise necessary to discharge the Committee's responsibilities and all but the Group Chief Executive and myself are independent Non-Executive Directors. When the Committee considers matters relating to my position the Senior Independent Non-Executive Director acts as Chairman of the Committee.

Reporting to the Board

The Committee makes recommendations to the Board for all Director appointments and the Board is updated on matters discussed at meetings update from myself at the subsequent Board meeting.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself as Chairman, and will also be reviewed as part of an in-depth external evaluation process conducted by Clare Chalmers of Clare Chalmers Limited in early 2018 (see page 52).

Focus areas and activities

Board and Committee composition and appointments

To ensure the Board has an appropriate mix of skills, experience, knowledge and backgrounds, the Committee keeps under review the tenure and qualifications of the Non-Executive Directors and the composition of the Board. In the year the Committee reviewed Non-Executive Director time commitment and concluded that sufficient time was being made available to the Company by the Non-Executive Directors to discharge their responsibilities effectively.

As noted in last year's Committee Report, John Sheldrick and Steve Hannam stepped down from the Board on 12 April 2017 and 31 August 2017 respectively, and Mike Powell, appointed on December 2016, succeeded John Sheldrick as Audit Committee Chairman in April 2017. On 7 July 2017 Trudy Schoolenberg succeeded Steve Hannam as Senior Independent Non-Executive Director. The Committee considered succession planning in respect of Steve Hannam and concluded that at this time the current composition and skills of the Board were appropriate, and no further appointments were necessary.

There were also Executive Director changes in the year. In March it was announced that Mike Holt, Chief Financial Officer, would step down from the Board when his successor would be appointed. Subsequently, in April, it was announced that Philip de Klerk would join the Company from Flybe Group PLC as Chief Financial Officer in October 2017.

On 19 December 2017 Brett Simpson resigned from the Board and his position as Group Chief Executive Officer. As announced Trudy Schoolenberg, a former Non-Executive Director, was appointed Interim Group Chief Executive with immediate effect.

As noted in my Chairman's statement Philip de Klerk will become Group Chief Executive on 1 March 2018 and Peter Bertram will join the Board as a Non-Executive Director on 1 February 2018. For further details see page 5. The Nomination Committee will consider the replacement for Philip as Group Chief Financial Officer during 2018.

Diversity

The Company recognises that diversity in its broadest sense is important to the Group's long-term success, and while all appointments to the Board are based on merit, experience and performance, the Board and Committees are mindful of the benefits of diversity of its management when recommending appointments to the Board.

Development and succession planning

The Committee is responsible for the succession planning for both the Board and senior executives across the Group. At each Committee meeting the Group Chief Executive gives an update on the Executive Leadership Team and other senior executives.

The Board receive legal and regulatory updates from the Company Secretary at each Board meeting and annually the Committee reviews the training and development needs of each Director. The Directors also attend seminars and briefings organised by our advisers.

The Committee is satisfied that it has in place appropriate development and succession plans to ensure that the Company continues to have a strong leadership pipeline and that the Board has the appropriate mix of skills, experience, knowledge and backgrounds.

Martin Flower
Chairman, Nomination Committee

2 February 2018

Accountability
Audit Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Mike Powell, Committee Chairman	3/3 (100%)
Kevin Matthews	3/3 (100%)
Trudy Schoolenberg[1]	3/3 (100%)

1 Ceased to be a member of the Committee on 19 December 2017 following her appointment as Interim Group Chief Executive.

Key duties and role of the Committee

Key objectives and summary of responsibilities

It is my pleasure to present my first report as Chairman of the Audit Committee (the 'Committee'). This report aims to provide a description of the role and responsibilities of the Committee, and how it performed these over the year. I will also be present at the Annual General Meeting to respond to any questions shareholders may raise on this report or the Committee's activities.

Role and composition of the Committee

Summary of the Committee's role

The Committee is appointed by the Board, and its primary function is to assist the Board of Directors in fulfilling its oversight responsibilities in monitoring the integrity of the Group's financial reporting, overseeing and reviewing the Group's internal control and risk management processes, monitoring the effectiveness of internal audit, and overseeing the relationship with the Group's external auditors.

The Committee works closely with the Group Chief Financial Officer, and was delighted with the appointment of Philip de Klerk, with his relevant financial and business skills, in October 2017, and looks forward to assisting his transition to Group Chief Executive in March 2018 and with the induction of his successor.

Membership and meetings

Details of the members of the Committee as at 30 November 2017 are set out on the left. During the year, John Sheldrick served on the Committee as Chairman until his retirement on 12 April 2017, and Steve Hannam was a member until his retirement on 31 August 2017.

Collectively the Committee members have a wide range of financial and commercial skills and experience to help them discharge their duties, and I meet the requirement of recent and relevant financial experience, holding the position of Group Chief Financial Officer of Ferguson PLC and having held senior financial positions in several other companies.

The Chairman, Group Chief Executive, Group Chief Financial Officer and others as required attend at least part of Committee meetings by invitation. Representatives from the Company's internal and external auditors also attend each meeting, and meet privately with myself, and with the Committee members collectively, on a regular basis.

The Committee meets at least three times a year, timed to coincide with key dates in the financial reporting and audit cycle, but as Chairman I may also call a meeting at the request of any member, the Company Secretary, or the Group's internal or external auditor.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself as Chairman and will also be reviewed as part of an in-depth external evaluation process conducted by Clare Chalmers of Clare Chalmers Limited during 2018 (see page 52).

Key responsibilities

The Committee's main duties are set out in its terms of reference and are available on the Company's website:

Financial reporting

- Monitoring the integrity of the Group's financial statements, including its annual and half-year results, trading statements and any other announcements containing financial information;
- reviewing significant financial reporting issues and judgements and the application of key accounting policies and compliance with accounting standards;
- reviewing the Annual Report to ensure it is fair, balanced and understandable and recommending its approval to the Board; and
- reviewing the process undertaken to approve the Group viability statement and the going concern statement.

Internal control and risk management

- Monitoring the effectiveness of the internal financial controls and processes;
- monitoring compliance with the UK Corporate Governance Code;
- monitoring the processes in place to detect fraud and to enable employees to raise concerns in confidence; and
- reviewing the processes by which risks are identified, managed and mitigated.

Internal audit

- Reviewing and approving the internal audit work plan;
- regularly reviewing reports arising from internal audits and monitoring the status of remedial actions; and
- monitoring the structure, composition, resourcing and performance of the internal audit function.

External audit

- Managing the relationship with the external auditor;
- monitoring and reviewing the independence of the external auditor and formally evaluating their effectiveness;
- agreeing the terms of engagement, the scope of the audit and the external auditor's fee;
- reviewing the policy on non-audit services provided by the external auditor;
- making recommendations to the Board for the appointment or reappointment of the external auditor; and
- leading an audit tender process at least every ten years.

Viability and going concern statements

The Committee reviewed management's work in assessing whether the Group had access to sufficient resources to continue as a going concern for the foreseeable future, and in conducting a robust assessment of those risks that would threaten the Group's future performance or liquidity, including its resilience to the threats to viability posed by certain of those risks in severe but plausible scenarios. The outcome of these assessments is shown in the going concern statement on page 78 and the Group's viability statement on page 41.

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. Towards the end of the financial year, the Committee engaged PricewaterhouseCoopers (PwC), with whom the Group has co-sourced its internal audit function since 2014, to perform a review of financial and tax controls and processes at the Group's key accounting locations. The report from this review was presented to the Committee in January 2018 and identified a number of areas where controls could be improved. Recommendations will be implemented over 2018. The Committee performed an annual assessment of PwC's effectiveness over the year, which found their work to be satisfactory, and approved the 2018 internal audit programme.

External auditor – appointment of KPMG and audit tender

The performance and effectiveness of the external auditor, KPMG LLP, was formally reviewed by the Committee, taking into account the views expressed by Executive Directors and senior management through an internal survey as well as their independence, objectivity, productivity, resourcing and the quality of their audit strategy and plan. The Committee concluded that their performance remained satisfactory.

Audit Committee report continued

Accordingly the Committee has recommended to the Board that KPMG LLP should be reappointed as the Company's external auditor for the forthcoming financial year.

The current overall tenure of KPMG dates from 1975, although a retender exercise was conducted in 2002 and a limited review was conducted in 2008. The tenure of the current lead partner, Anthony Hambleton, dates from 2015. The 2014 EU Audit Directive requires UK premium listed companies to put to retender their external audit every ten years and to rotate their auditors at least every 20 years. Transitional arrangements mean that the Company will be required to replace KPMG as its external auditor by 2020.

As reported last year, the Committee has recommended to the Board that the audit should be put out to tender during 2018. Given that the Company will need to have replaced KPMG LLP as external auditor by 2020, KPMG LLP will not be invited to retender. The Company's choice of auditor is not limited by contractual or other obligations, but the appointed firm will need to have the scale and resources to deploy and execute an agreed audit plan across all of the Group's international operations.

The Committee expects to conclude the retender process during 2018 and to make a recommendation to the Board in November 2018 for the 2019 audit, allowing time for the new auditor to shadow KPMG during their 2018 audit if required. This recommendation will be put before shareholders at the Annual General Meeting in February 2019.

Matters considered during the year	
The Committee met three times during 2017, and has a rolling programme of agenda items to ensure that relevant matters are properly considered. The list below summarises the key items considered by the Committee during the year. The Board receives copies of the minutes of the Committee meetings and key issues covered are also reported to the subsequent Board meeting.	
Financial reporting	■ Reviewed the Group's 2017 Annual Report and financial statements and half-year results statement and associated announcements, and the trading statements issued in April and October 2017; ■ considered the key issues and judgements made in relation to the 2017 financial statements; ■ considered the accounting treatment of the disposals of the agro-textile business and the closure of the manufacturing site in Ivanka, Slovakia;

Matters considered during the year	
Financial reporting continued	■ reviewed reports on the irregularities in relation to customs duty at a former sales office, together with managements' plans to resolve it, and the controls in place to prevent a recurrence; ■ received reports from the external auditor on their audit of the 2017 financial statements; and ■ reviewed the process and stress testing undertaken to support the Group's going concern and viability statements.
Internal control and risk management	■ Reviewed an annual report on the effectiveness of the Group's internal control processes; ■ reviewed reports from the Risk Oversight Committee on the key risks facing the Group and the processes in place to avoid or mitigate them; ■ received reports from the provider of the Group's confidential whistleblowing service; ■ received reports on the implementation of the Group's new enterprise resource planning ('ERP') system and the continued integrity of internal controls; and ■ assisted with the transition of responsibilities from the Group Chief Financial Officer in place at November 2016 to the Interim Chief Financial Officer, and the effective induction of Philip de Klerk as Group Chief Financial Officer from October 2017.
Internal audit	■ Reviewed the performance of internal audit and approved the 2017 work plan; ■ received internal audit reports and reviewed the implementation status of audit recommendations; and ■ reviewed a report from PwC on the controls at the Group's key accounting locations.
External audit	■ Reviewed the auditor's plan for the 2017 audit, including areas of extended scope work, key risks and confirmations of auditor independence; ■ reviewed the performance of the external auditor; and ■ reviewed and approved the 2017 audit fee and reviewed non-audit fees payable to the external auditor in accordance with the Committee's policy.

Area of judgement	Company response
Impairment of goodwill The Group has £66.9m of goodwill allocated across its four segments (being the GBUs). Goodwill impairment is always an area of focus given the inherent subjectivity in impairment testing. The most significant judgements are in setting the assumptions for the calculation of the value in use of the groups of cash generating units ('CGUs'), in particular the achievability of long-term financial forecasts and macroeconomic assumptions. Details of the assumptions used are provided in note 11 to the Group financial statements on pages 111 and 112. A goodwill impairment charge of £19.4m was recorded in the year to 30 November 2017 in respect of the goodwill and a further £7.5m in respect of other assets associated with the Civil Engineering CGU.	Cash flow projections for each segmental grouping of CGUs were derived from the most recent budgets approved by the Board, which take into account current market conditions and the long-term average growth for each of the key markets served by the GBUs. A sensitivity analysis was performed for each GBU by varying key assumptions whilst holding the other variables constant. With the exception of Civil Engineering, the recoverable amounts of all GBUs show headroom compared to their carrying value when reasonably likely changes are made to key assumptions. During the year, the Civil Engineering GBU experienced a rapid loss in margin in several of its key products, driven by increased competition from low-cost woven producers and global overcapacity compressing nonwoven product margins. This created a high degree of uncertainty over financial forecast assumptions, particularly around future pricing, margins and cash flows, and created a wide range of potential outcomes which the Committee considered when assessing management's view of future CGU performance for impairment testing purposes at both May, when the interim report noted that an impairment was reasonably possible and at November 2017. 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 discussions on headroom and sensitivity, the Committee was satisfied with both the carrying value of Civil Engineering goodwill of £nil at 30 November 2017 and the impairment related disclosures provided in note 11 to the Group financial statements on pages 111 and 112.
Recoverability of the parents company's investments in subsidiaries and loans receivable At 30 November 2017, the parent company has investments in subsidiaries totalling £181.3m and amounts due from subsidiaries totalling £218.7m. Given the downturn in results from CE, the recoverability of these investments was considered. The judgements made in assessing recoverability are similar to those made in testing goodwill for impairment (refer above).	The Committee considered the recoverability of the parent company's investments in, and the amounts due from, subsidiaries. The assessment of recoverability was underpinned by the cash flow projection and value in use calculations used for goodwill impairment tests. Following the work in respect of goodwill impairment testing and discussions with KPMG, the Committee was satisfied as to the recoverability of the parent company's investment in subsidiaries.

Non-audit fees

The Committee has developed a policy on the supply of non-audit services by the external auditor to ensure their independence and objectivity, which prohibits certain activities from being undertaken by the external auditor and places pre-approved limits on audit related services, above which specific approval by the Committee is required. No non-audit services in the year to 30 November 2017 were provided. Compliance with this policy will be required by both KPMG LLP and the new external auditor at the date of their appointment, so will be considered during the retender exercise.

Key objectives for next year

The Committee's key objectives for next year are:

- Assisting with the induction of the new Group Chief Financial Officer and improving the quality and depth of resources across the Finance team;
- Leading the process to retender the Group's external audit work;
- Overseeing the implementation of internal control improvements, including recommendations from PwC's financial and tax controls review received in January 2018; and
- Monitoring the continued implementation of the Group's ERP system.

Mike Powell
Chairman, Audit Committee

2 February 2018

Relations with shareholders

How we communicate with our shareholders

We maintain an active dialogue with our shareholders throughout the year through a planned programme of investor relations activities including roadshows in London, Scotland, Frankfurt and Paris and the Annual General Meeting. In 2017 we also provided a tour of our site in Hungary to one of our major shareholders.

The Directors meet with shareholders on request and we respond to shareholders' day-to-day queries. Our registrar, Computershare have a team of people to answer shareholder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances. We publish our financial results presentations on our website at **www.lowandbonar.com/investors**.

Institutional investor meetings

We hold meetings with major institutional investors and financial analysts to discuss business performance and strategy. Institutional investor meetings are usually attended by the Group Chief Executive and Group Chief Financial Officer together with other senior leaders as appropriate. Institutional investors also meet with the Non-Executive Chairman to discuss matters of governance.

Board investor updates

At each meeting the Board is presented with a shareholder register analysis for discussion as appropriate, and following financial results presentations shareholder feedback is considered. The Board also receives updates on institutional investor, shareholder and financial analyst meetings and correspondence that has taken place since the last meeting. Analyst reports and media coverage are also circulated to the Board upon receipt.

Annual General Meeting (AGM)

Our AGM is attended by the Board and all shareholders are invited to attend. At the AGM a summary presentation of our financial results is given by the Group Chief Executive before the Non-Executive Chairman deals with the formal business of the meeting. All shareholders present are invited to ask questions of the Board during the meeting.

The Board and representatives from the Company are available after the meeting to answer any additional questions shareholders may wish to ask in a more informal setting.

Remuneration
Remuneration Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Kevin Matthews, Committee Chairman	3/3 (100%)
Martin Flower	3/3 (100%)
Mike Powell	3/3 (100%)
Trudy Schoolenberg[1]	3/3 (100%)

1 Ceased to be a member of the Committee on 19 December 2017 following her appointment as Interim Group Chief Executive.

IN THIS SECTION

Annual statement by the Chairman

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 30 November 2017.

Remuneration policy

Last year I summarised the outcome of the 2016 Remuneration Policy review and positive shareholder consultation process. Our Remuneration Policy was approved subsequently at the AGM in 2017, with over 99% of the votes cast in favour of it (this strong shareholder support also being reflected in over 99% of the votes cast in favour of the advisory vote on the Annual Report on Remuneration).

The Annual Report on Remuneration (set out on pages 63 to 71), describes how the policy has been implemented in 2017. On pages 72 to 75 we have set out those aspects of the policy that we consider shareholders will find most useful. The full policy as approved at, and effective from, the Annual General Meeting on 12 April 2017, is set out on pages 53 to 60 of the Company's 2016 Annual Report and Accounts which is available on the Company's website at **investors.lowandbonar.com/reports-and-presentations/yr-2016**.

2017 overview

As reported last year, the Executive Directors' salaries were increased by 2.5% with effect from 1 December 2016, consistent with the average UK salary increases within the Group.

Underlying profit before tax (PBTA) and return on capital employed (ROCE) targets for 2017 were not achieved and, therefore, no bonus is payable to the Executive Directors for 2017.

For LTIP awards granted in 2014, the performance of the EPS and TSR components of the award were assessed in 2017. The threshold level of relative TSR and EPS were not achieved and no shares vested in respect of those awards.

Remuneration Committee report continued

LTIP awards granted in 2015 were subject to targets based on EPS, over the three-year period ended 30 November 2017, and relative TSR, over the three-year period ending 5 February 2018. The threshold level of EPS growth was not achieved, and no shares will vest in respect of that portion of the awards. The vesting of the TSR portion of the award will be assessed following the end of the TSR performance period.

Mike Holt stepped down from the Board on 16 May 2017, and Philip de Klerk joined the Board as Group Chief Financial Officer on 2 October 2017. In summary, Philip's remuneration package is:

Service agreement	12-month notice period in line with our policy
Salary	£310,000
Pension	15% of salary. Although the policy approved by shareholders in 2017 permits contributions at the level of up to 25% of salary, we have set a contribution level of 15% of salary for Philip, which is comparable with the level provided to other senior employees.
Bonus	Up to 100% of salary (no bonus for 2017)
LTIP	Up to 125% of salary

Brett Simpson resigned from the Board on 19 December 2017, after the financial year-end, and Trudy Schoolenberg was appointed Interim Group Chief Executive with immediate effect. In summary Trudy Schoolenberg's remuneration package is:

Service agreement	3-month fixed-term contract with a 2-week notice period which can be extended by mutual agreement
Salary	£30,000 per month
Pension	None
Bonus	Up to £30,000
LTIP	None

Further information in relation to Mike Holt's leaving arrangements is given on page 65. For Brett Simpson this can be found on page 66.

Implementation of policy in 2018

Philip de Klerk's bonus for 2018 will be dependent upon two metrics, with the maximum remaining at 100% of salary. 70% of the bonus opportunity will be based on PBTA, with the balance to be based on a working capital reduction target which is closely aligned to the Group's strategic aims to reduce net debt.

Trudy Schoolenberg's bonus opportunity for 2018 will be a maximum of £30,000. Reflecting Trudy's position of Interim Group Chief Executive, her bonus will be earned based on an assessment by the Committee of her performance in role over that whole period and the achievement of key deliverables set for that period.

Philip de Klerk will receive an LTIP award in 2018 in line with the Remuneration Policy at the level of 125% of salary and linked to EPS and TSR targets; further information is set out on pages 64 and 65.

No salary increase will apply for Trudy Schoolenberg in 2018 recognising the circumstances of her appointment. As announced on 31 January 2018 Philip de Klerk will become Group Chief Executive on 1 March 2018 and his salary will increase to £400,000. His benefits will remain unchanged. It was also announced that Peter Bertram would join the Board as a Non-Executive Director, with effect from 1 February 2018, on a base fee of £40,000.

The base fee for all Non-Executive Directors will be increased from £40,000 to £42,500, with implementation of the increase deferred to 1 June 2018. No increase has been made to the Chairman's fee which will remain at £136,000 or to the supplementary fees for holding the office of chairing the Audit Committee or Remuneration Committee, which will remain at £7,000. It was agreed in the year that given the additional responsibilities for the role of Senior Independent Director a supplementary fee of £7,000 would also be paid for this role.

The Committee looks forward to your continuing support at the 2018 Annual General Meeting.

Kevin Matthews
Chairman, Remuneration Committee

2 February 2018

Annual report on remuneration

The Annual Report on Remuneration sets out the implementation of the Remuneration Policy and discloses the amounts earned relating to the year ended 30 November 2017. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming Annual General Meeting on 13 April 2018. Those items marked with an asterisk are audited information.

This part of the report has been prepared in accordance with The Large and Medium Sized Companies & Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations) and Rule 9.8.6R of the Listing Rules.

Executive Directors: single figure remuneration table*

The table below shows the remuneration of the Executive Directors for the year ended 30 November 2017 and the comparative figures for the year ended 30 November 2016.

	Salary		Taxable benefits[1]		Annual bonus[2]		LTIP awards[3]		Pension[4]		Total	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Brett Simpson[a]	**379**	370	**42**	66	**0**	0	**–**	–	**95**	93	**516**	529
Philip de Klerk[b]	**52**	n/a	**9**	n/a	**0**	n/a	**n/a**	n/a	**8**	n/a	**69**	n/a
Mike Holt[c]	**132**	282	**32**	17	**n/a**	0	**–**	–	**33**	71	**197**	370
Total	**563**	652	**83**	83	**0**	0	**–**	–	**136**	164	**782**	899

a Brett Simpson resigned as a Director on 19 December 2017 and remains an employee until 30 April 2018. Details of payment made to him in connection with his leaving the business are set out on page 66.

b Philip de Klerk joined the Company as Group Chief Financial Officer, replacing Mike Holt, with effect from 2 October 2017. The Group Chief Financial Officer role was unfilled for a period of five months during which time Simon Dray, Deputy Chief Financial Officer, managed the operational requirements as Interim Group Chief Financial Officer. As announced on 31 January 2018 Philip de Klerk will become Group Chief Executive on 1 March 2018 and his salary will increase to £400,000. His benefits will remain unchanged.

c Mike Holt resigned as a Director on 16 May 2017 and remained an employee until 21 August 2017. In the table above, Mike Holt's remuneration earned in the period to 16 May 2017 is included. Details of payments made to him in connection with his leaving the business are set out on page 65.

1 Taxable benefits – Executive Directors receive a car allowance (excluding Brett Simpson), private health insurance, death-in-service cover and, where appropriate, travel and subsistence payments.

2 Annual bonus – The Executive Directors' annual bonus opportunity for 2017 was based on underlying profit before tax (PBTA) at budgeted exchange rates (70%) and ROCE (30%, subject to threshold PBTA being achieved). The threshold levels were not achieved, and as a result no bonuses were earned.

	ROCE			Group profit		
	Threshold	Mid	Upper	Threshold	Target	Upper
Target	12.2%	12.8%	13.2%	£33.0m	£34.5m	£38.5m
% salary earned	10%	20%	30%	20%	45%	70%
2017 actual (at budgeted exchange rates)		11.1%			£29.3m	

3 LTIP awards – The values included for the LTIP are the value of the shares vesting in respect of a performance period ending in the relevant year.

2016: No LTIP awards vested in respect of a performance period ending in 2016. The performance period for the TSR portion of the awards granted in 2013 ended, but no amounts vested as performance was below threshold. The performance period for the EPS portion of the LTIP awards granted in 2014 ended, but no amounts vested as performance was below threshold.

2017: No LTIP awards vested in respect of a performance period ending in 2017. The performance period for the TSR portion of the awards granted in 2014 ended, but no amounts vested as performance was below threshold. The performance period for the EPS portion of the LTIP awards granted in 2015 ended, but no amounts vested as performance was below threshold. The performance period for the TSR portion of the LTIP awards granted in 2015 ends in 2018 and vesting will be assessed then and reported in the 2018 Directors' Remuneration Report.

4 Pension – 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 and/or a contribution to a defined contribution pension plan. Payments made under this arrangement during the year were on the basis of: Brett Simpson 25% of salary; Mike Holt, 25% of salary; and Philip de Klerk, 15% of salary.

Remuneration
Annual report on remuneration continued

Executive Directors' remuneration for 2018

1. Base salary

Brett Simpson's salary has not been increased for 2018.

Philip de Klerk was appointed Group Chief Financial Officer, with effect from 2 October 2017. As announced on 31 January 2018 Philip de Klerk will become Group Chief Executive on 1 March 2018 and his salary will increase to £400,000; his salary will next be reviewed by the Committee in December 2018.

Trudy Schoolenberg was appointed Interim Group Chief Executive with effect from 19 December 2017. As an interim on a fixed three-month contract her salary will not be reviewed.

2. Annual bonus

The specific targets relating to the annual bonus for the year ending 30 November 2018 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.

Philip de Klerk will be eligible to receive a performance-related bonus of up to 100% of salary. The metrics and opportunities will be composed as follows, where the maximum bonus requires performance ahead of the Company's targets.

Metric	Weighting	Bonus earned for threshold performance (% of maximum)	Bonus earned for maximum performance (% of maximum)
Profit[1]	70%	20%	70%
Working capital[2]	30%	10%	30%

1 Underlying profit, at budgeted exchange rates on a constant basis throughout the year.

2 Working capital reduction measured on a like-for-like basis at the beginning and end of the financial year.

Trudy Schoolenberg will be eligible to receive a performance related bonus of up to £30,000. Reflecting Trudy's position of Interim Group Chief Executive, her bonus will be earned based on a robust assessment by the Committee of her performance in role over that whole period and the achievement of key deliverables set for that period.

Bonus payments are subject to recovery and withholding provisions as set out in the Directors' Remuneration Policy approved at the 2017 Annual General Meeting.

3. LTIP awards

The maximum normal award limit under the 2013 LTIP scheme rules, amended in 2017, is 125% of salary and it is intended that an award will be granted at this level in the current financial year to Philip de Klerk as a nil-cost option.

The performance targets to apply to the awards to be granted in the current financial year under the 2013 LTIP scheme rules will be split, so that half will vest dependent on challenging EPS growth targets and half dependent on relative TSR measured against the constituents of the FTSE Small Cap Index (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[1]	Percentage vesting
Below 6% p.a.	0%
6% p.a.	20%
12% p.a.	100%
Straight-line vesting between performance points	

1 The base-year EPS (i.e. that for the year ended 30 November 2017) is 6.66 pence, being our reported adjusted EPS of 6.42 pence 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 the pension scheme investment strategy, which is managed by independent trustees, is excluded from consideration of management performance.

The Committee can 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.

The use of EPS and relative TSR, consistent with the approach taken in prior years, reflects our continued focus on delivering long-term profitable growth and creating above-market levels of shareholder value. Setting absolute EPS growth targets is considered to provide a clear and transparent approach to incentivising Executive Directors and mirrors the approach taken in recent years. The range of EPS targets reflects the current trading environment and is aligned with the continued focus on profitable growth, which is a key factor in our strategy. Use of relative TSR provides clear alignment between the Executive Directors and the Company's shareholders. We believe the targets to be appropriately challenging given the level of the awards and the low-growth existing in many of our markets.

A two-year post-vesting holding period will apply to any part of this award that vests. This will require Executive Directors to hold any shares vesting (after tax) for a period of two years.

The awards will be subject to recovery and withholding provisions as set out in the Directors' Remuneration Policy approved at the 2017 Annual General Meeting.

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

Awards of nil-cost options were made to each of Brett Simpson and Philip de Klerk in 2017 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
Executive Directors					
Brett Simpson[1]	125% of salary	70.00p	677,232	£474,063	20%
Philip de Klerk	125% of salary	70.00p	553,571	£387,500	20%

1 Brett Simpson's LTIP award will lapse on 30 April 2018 following his resignation as an employee.

Details of the performance conditions attaching to these awards are set out beneath the table on page 63.

SAYE Plan

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

Payments to past Directors and loss of office*

Mike Holt resigned as a Director on 16 May 2017 and remained an employee until 21 August 2017. Remuneration earned by Mr Holt in the period to 16 May 2017 is included in the single figure of remuneration table on page 63.

- In the period from 17 May to 21 August 2017, Mr Holt received his salary, benefits and cash allowance in lieu of pension contributions of £100,034 in aggregate.
- Following the cessation of employment, Mike Holt received or will receive payments in lieu of salary and benefits for the balance of his 12-month notice period. These payments are up to £188,156 in aggregate, of which £94,079 was paid in August 2017, £47,039 was paid on 21 November 2017 and £47,039 will be payable on 21 February 2018. Each payment is conditional on Mike Holt not taking up full-time employment prior to the payment.
- Mike Holt was treated as a Good Leaver under the Company's Long Term Incentive Plan (LTIP). His 2015 and 2016 awards under the LTIP will vest pro-rata on the Normal Vesting Date (as defined in the rules of the LTIP) and be subject to the usual performance conditions. Mr Holt did not receive an LTIP award or bonus in 2017.

Remuneration
Annual report on remuneration continued

Brett Simpson resigned as a Director on 19 December 2017 and remains an employee until 30 April 2018.

- In the period from 19 December 2017 to 30 April 2018, Brett Simpson continues to receive his salary, benefits and cash allowance in lieu of pension contributions of £174,024 in aggregate.
- Brett Simpson was granted an LTIP award in February 2015 which vests subject to an EPS performance condition measured over the three financial years to 30 November 2017 (as regards 50% of the shares subject to the award), and a TSR performance measured over the three-year period ending 5 February 2018 (as regards 50% of the shares subject to the award).
- As Brett Simpson will remain an employee until after the Normal Vesting Date (as defined in the rules of the LTIP) he will be entitled to retain the 2015 LTIP award which will vest in due course subject to the satisfaction of the performance conditions. The EPS performance condition for this award was not met. Further details of the TSR performance condition will be included in this report next year.
- Brett Simpson's 2016 and 2017 LTIP awards lapse on his termination date.
- Brett Simpson will not receive a bonus in respect of the financial year ended 30 November 2017.

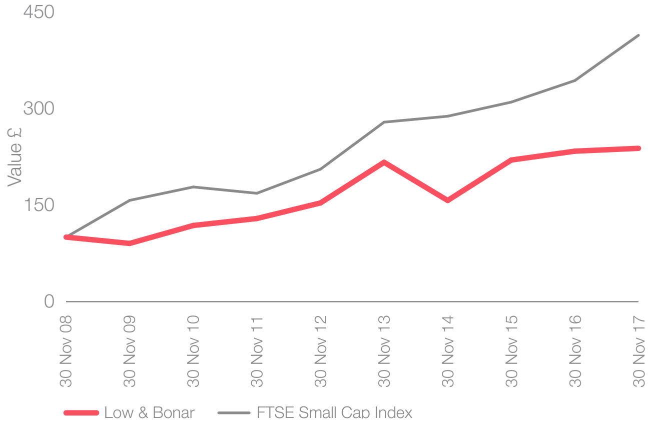
Outside appointments for Executive Directors

Subject to the rules governing conflicts of interest and the prior approval of the Board, the Group is supportive of its executive Directors holding external non-executive positions.

During 2017, Mike Holt was a Non-Executive Director of Schroders Asian Total Return Investment Company plc, and retained the fee he earned from this position while a Director of the Company. No other Executive Director held outside appointments in the financial year ending 30 November 2017.

The graph to the right shows Low & Bonar PLC's total shareholder return (TSR) for the nine years to 30 November 2017, which assumes that £100 was invested in Low & Bonar PLC on 30 November 2008. The company chose the FTSE Small Cap Index as an appropriate comparator for this graph, as Low & Bonar PLC has been a constituent of that index throughout the period.

Share price graph – total shareholder return



Group Chief Executive's pay for performance over the last nine years

Financial year ending 30 November of each year	2017	2016	2015	2014[1]	2014[2]	2013	2012	2011	2010	2009[3]	2009[4]
Group Chief Executive	**Brett Simpson**	Brett Simpson	Brett Simpson	Brett Simpson	Steve Good	Steve Good	Steve Good	Steve Good	Steve Good	Steve Good	Paul Forman
Total remuneration (single figure) (£)	**515,729**	465,654	668,727	120,220	503,366	1,064,510	1,308,727	803,309	710,067	97,122	382,800
Annual bonus (%)	**0%**	0%	60%	0%	0%	0%	79.3%	81%	100%	0%	0%
LTIP vesting (%)[5]	**0%**	0%	0%	0%	40%	72%	98.7%	50%	0%	0%	0%

1 From 26 August 2014 (the date on which his employment with the Company started) to the end of that financial year.

2 Until 30 September 2014 (the date on which he ceased to be a Director).

3 From 3 September 2009 (the date on which his employment with the Company started) to the end of that financial year.

4 Until 31 October 2009 (the date on which he ceased to be a Director).

5 The LTIP award for 2017 is stated as 0% reflecting the lapse of the 50% of the 2015 award based on EPS over the three year period ended 30 November 2017; the vesting of the TSR portion of the award will be assessed following the end of the TSR performance period.

Change in the remuneration of the Group Chief Executive

The table to the right shows the percentage change in the Group Chief Executive's salary, benefits and annual bonus between 2016 and 2017 compared with the average percentage change of each of those components from all full-time employees based in the UK.

The UK employee workforce was chosen as a suitable comparator group as the Group Chief Executive is based in the UK (albeit with a global role and responsibilities) and pay changes across Low & Bonar PLC vary widely depending on local market conditions.

	2017	2016	% change
Group Chief Executive (£)			
– salary	**379,250**	370,000	2.5%
– benefits	**41,666**	65,885	(36.8)%[1]
– bonus	**0**	0	0.0%
Average per employee (£)			
– salary	**51,487**	44,991	14.4%[2]
– benefits	**1,341**	1,241	8.0%[1]
– bonus	**1,826**	1,516	20.4%[2]

1 In 2016 Group life insurance was not included in the calculation. The decrease is a result of differing travel and subsistence requirements year on year.

2 The UK average salary and bonus per employee increased from 2016 to 2017 due to an increase in the proportion of senior employees following the sale of the yarns business.

Relative importance of spend on pay

£m	2017	2016	% change
Overall expenditure on pay	**105.8**	94.3	12%
Dividends declared in respect of the year	**10.0**	9.9	1%

Executive Directors' shareholdings and share interests*

Executive Directors are required to build a significant shareholding in the Company. Unvested awards are not included when assessing holding requirements. Vested awards are included in assessing holdings, but are adjusted to take into account the tax liability arising on exercise. During the financial year ending 30 November 2017 options and awards over shares were issued under the Low & Bonar PLC 2013 LTIP scheme rules.

The table below sets out the beneficial interests of the Executive Directors in the Ordinary Shares of the Company and a summary of the outstanding share awards as at 30 November 2017. Calculations are based on a share price of 65.50 pence (being the closing share price of a Low & Bonar PLC share on 30 November 2017). There have been no changes to these interests between 1 December 2017 and 1 February 2018.

	Shares held		Unvested share scheme awards			
	30 November 2017	30 November 2016	Unvested LTIP awards	Unexercised SAYE options	Shareholding requirement (% of base salary)	Actual beneficial share ownership (% of base salary)
Executive Directors						
Brett Simpson	**175,000**	175,000	1,806,687	36,885	100%	30.22%
Philip de Klerk	**–**	n/a	553,571	–	100%	0%

Remuneration
Annual report on remuneration continued

Executive Directors' LTIP and SAYE interests*

The LTIP awards are subject to performance conditions, details of which are set out in the Remuneration Policy on page 72 and in the notes accompanying the table. Awards under the SAYE Plan are not subject to any performance conditions other than continued employment as at the vesting date.

The table below sets out the Executive Directors' interests in these plans. There were no changes to the interests listed below between 30 November 2017 and 30 January 2018.

	Award date	Awards held at 1 December 2016	Granted during year	Exercised/ vested during year	Lapsed/ forfeited during year	Awards held at 30 November 2017	Exercise price (pence)	Normal vesting/ exercise date
Brett Simpson								
LTIP	26/08/2014	542,168	–	–	542,168	–	–	26/08/2017
LTIP	06/02/2015	796,460	–	–	398,230[1]	398,230[1]	–	06/02/2018
LTIP	04/02/2016	731,225	–	–	–	731,225[2]	–	04/02/2019
LTIP	24/03/2017	–	677,232	–	–	677,232[2]	–	24/03/2020
		2,069,853				1,806,687		
SAYE	09/04/2015	36,885	–	–	–	36,885[2]	48.8	01/06/2018
Mike Holt								
LTIP	03/03/2014	364,810	–	–	364,810	–	–	03/03/2017
LTIP	06/02/2015	608,850	–	–	304,425[1]	304,425[1]	–	06/02/2018
LTIP	04/02/2016	557,312	–	–	–	557,312	–	04/02/2019
		1,530,972				861,737		
SAYE	20/04/2011	36,039	–	36,039	–	–	42.8	01/06/2016
SAYE	09/04/2015	18,442	–	–	–	18,442	48.8	01/06/2018
Philip de Klerk								
LTIP	19/10/2017	–	553,571	–	–	553,571	–	19/10/2020
		–				553,571		

1 The LTIP awards granted on 6 February 2015 were subject to targets based on EPS, over the three-year period ended 30 November 2017, and relative TSR, over the three-year period ending 5 February 2018. The threshold level of EPS growth was not achieved, and no shares will vest in respect of that portion of the awards. The vesting of the TSR portion of the award will be assessed following the end of the TSR performance period.

2 These awards will lapse on 30 April 2018.

Fifty percent of the LTIP 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. Under the TSR target, 20% of shares vest for median performance, rising on a straight-line basis to full vesting for upper-quartile performance. Under the EPS target, 20% of shares vest at the minimum target with full vesting at the maximum target and the percentage of shares vesting for performance between the minimum and maximum target rising on a straight-line basis. The measurement periods for both performance criteria and the EPS targets in respect of the awards above are as follows:

	EPS		TSR	
Date of grant	Measurement period ended	Minimum/ maximum	Measurement period ended	Minimum/ maximum
06/02/2015	30/11/2017	6.85p / 8.52p	05/02/2018	Median/Upper quartile
04/02/2016	30/11/2018	6.98p / 8.23p	03/02/2019	Median/Upper quartile
24/03/2017	30/11/2019	7.37p / 8.70p	23/03/2020	Median/Upper quartile
19/10/2017	30/11/2019	7.37p / 8.70p	23/03/2020	Median/Upper quartile

The closing share price of a share on 30 November 2017 was 65.50 pence and the range during the year to 30 November 2017 was 62.84 pence to 91.00 pence.

Single total figure of remuneration for the Non-Executive Directors

Fees and taxable benefits payable to Non-Executive Directors

The table below sets out the remuneration of each Non-Executive Director during the financial year ended 30 November 2017 and the comparative figure for the year ended 30 November 2016. Non-Executive Directors are not eligible to participate in short- or long-term incentive plans or to receive any pension from the Group, however, relevant travel expenses are reimbursed.

			Fees £'000		Taxable benefits[7] £'000	
	Additional responsibilities	Committee membership[1]	2017	2016	2017	2016
Non-Executive Directors						
Martin Flower	Chairman, Chairman of the Nomination Committee	R, N	**136.0**	136.0	2.3	1.6
Kevin Matthews[2]	Chairman of the Remuneration Committee	A, R, N	**47.0**	45.0	3.6	2.0
Mike Powell[3]	Chairman of the Audit Committee	A, R, N	**44.2**	–	3.8	–
Trudy Schoolenberg[4]	Senior Independent Director	A, R, N	**40.6**	40.0	4.6	1.8
Past Non-Executive Directors						
Steve Hannam[5]		A, R, N	**30.0**	42.0	3.6	0.8
John Sheldrick[6]		A, R, N	**17.1**	47.0	0.8	0.9

1 Indicates which Committees the Director served on during the year: Audit Committee = A; Remuneration Committee = R; Nomination Committee = N.

2 Kevin Matthews received a fee of £7,000 per annum for his Chairmanship of the Remuneration Committee (which is included in the number in the table), pro-rated for 2016 to reflect his Chairmanship from 1 April 2016.

3 Mike Powell became a Director on 1 December 2016 and received a fee of £7,000 per annum for his Chairmanship of the Audit Committee (which is included in the number in the table).

4 Trudy Schoolenberg receives a pro-rata fee of £7,000 p.a. from 1 November 2017 for holding the office of Senior Independent Director, which she has held since 7 July 2017.

5 Steve Hannam retired from the Board with effect from 31 August 2017 and his fees for 2017 are stated to that date. He received a fee of £7,000 in 2016 for his Chairmanship of the Remuneration Committee (which is included in the number in the table), pro-rated to reflect his Chairmanship to 31 March 2016.

6 John Sheldrick retired from the Board with effect from 12 April 2017 and his fees for 2017 are stated to that date. He received a fee of £7,000 in 2016 for his Chairmanship of the Audit Committee (which is included in the number in the table).

7 Non-Executive Director benefits include travel and subsistence whilst on Company business.

Fees payable to Non-Executive Directors in 2018

Fees paid to the Chairman and Non-Executive Directors for 2017 and payable for 2018 are shown below.

	2017	2018
Chairman	**136.0**	136.0
Non-Executive Director fee	**40.0**	42.5[1]
Senior Independent Director	**7.0**	7.0
Chairman of the Audit Committee	**7.0**	7.0
Chairman of the Remuneration	**7.0**	7.0

1 This fee increase will only take effect from 1 June 2018. Accordingly, the aggregate base fee in 2018 will be £41,250.

Non-Executive Directors' shareholdings*

The table below sets out the current shareholdings of the Non-Executive Directors (including beneficial interests) as at 30 November 2017. The Company does not operate a share ownership policy for Non-Executive Directors, but encourages Non-Executive Directors to acquire shares on their own account.

	Number of shares held outright as at 30 November 2017[1]	Number of shares held outright as at 30 November 2016
Martin Flower	**556,912**	556,912
Kevin Matthews	**24,389**	24,389
Mike Powell	**39,000**	n/a
Trudy Schoolenberg	**72,462**	72,462

1 There have been no changes in beneficial interests of the Non-Executive Directors between 1 December 2017 and 1 February 2018.

Remuneration

Annual report on remuneration continued

Service contracts/letters of appointment

All directors are subject to annual (re)appointment at the 2018 Annual General Meeting on 13 April 2018.

	Date of service contract/ letter of appointment	Length of service at 30 November 2017
Philip de Klerk	2 October 2017	2 months
Martin Flower	1 January 2007	10 years 11 months
Kevin Matthews	1 April 2015	2 years 8 months
Mike Powell	1 December 2016	1 year
Trudy Schoolenberg[1]	1 May 2013	4 years 7 months

1 Following the resignation of Brett Simpson as a director and Group Chief Executive on 19 December 2017, Trudy Schoolenberg was appointed as Interim Group Chief Executive with immediate effect on a three-month fixed term contract.

The Remuneration Committee

The Committee has delegated authority from the Board over the Company's remuneration framework and policy. The Committee's terms of reference are available on the Company's website (**investors.lowandbonar.com/corporate-governance**) and are regularly reviewed and updated.

Under its terms of reference the Committee is responsible for:

- recommending to the Board the framework or broad policy for the remuneration of the Company's Group Chief Executive, Chairman, Executive Directors, Company Secretary and such other members of the executive management as is designated to consider;
- following a remuneration policy which shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance;
- reviewing the ongoing appropriateness and relevance of the remuneration policy;
- approving the design of targets for any performance-related pay schemes operated by the Company and the total annual payments made under the remuneration policy;
- recommending the design of all executive share incentive plans for approval by the Board and shareholders, and oversee any associated awards and the performance targets to be used;
- approving policy for and scope of pension arrangements for each executive director and other senior executives;
- approving the total individual remuneration package of each executive director and other senior executives;
- ensuring that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- appointing any remuneration consultants who advise the Committee and review trends across the Group;
- overseeing any major changes in employee benefits structures throughout the Group;
- agreeing the policy for authorising claims for expenses from the Chief Executive and Chairman of the Board; and
- reviewing its own performance, constitution and terms of reference.

The Committee Chairman reports to the Board on the Committee's activities at the Board meeting immediately following each Remuneration Committee meeting.

Committee composition

The Committee membership currently comprises all the Non-Executive Directors as listed on page 61. The attendance of each Committee member at meetings during the year is shown on page 61. The Group Chief Executive and the Group Director of Human Resources were regular attendees at Committee meetings held during the year. No individual was present when their own remuneration or benefits were discussed.

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.

Advisors to the Committee

Unless otherwise stated, the advisors have no other connection with the Group and the Committee believes that the advice received was, and continues to be, objective and independent.

Aon Hewitt New Bridge Street (Aon)

During the financial year ended 30 November 2017, the Committee changed its external advisors from Aon Hewitt New Bridge Street to Deloitte LLP. Aon had advised the Committee for over 10 years. Aon provided advice on reward structures and levels, aspects of the Company's future remuneration policy and executive remuneration and Non-Executive Directors' fees. Aon is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants). The fees incurred for advice provided by Aon during the period to 22 June 2017 were £28,500.

Deloitte LLP (Deloitte)

Deloitte were appointed by the Committee as its principal advisors on 22 June 2017 following a tender process. Deloitte is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants). Deloitte provided the Committee with executive remuneration advice, including advice relating to the operation of employee and executive share plans. The fees incurred for advice provided by Deloitte during 2017 were £15,000.

Freshfields Bruckhaus Deringer LLP (Freshfields) and Squire Patton Boggs LLP (SPB)

Freshfields and SPB provide advice to the Committee in respect of matters of legal compliance and both advisors also provide legal advice to the Company, on matters other than remuneration, on a regular and continuing basis. In the year no advise was sought from either advisor by the Remuneration Committee.

Voting at the Annual General Meeting (AGM)

At the AGM on 12 April 2017, the Annual Report on Remuneration was put to an advisory vote and the Directors' Remuneration Policy was put to a binding vote. The results were as follows:

Resolution	Votes for (and % of votes cast), including discretionary votes	Votes against (and % of votes cast)	Proportion of share capital voting	Shares on which Votes were withheld
Annual Report on Remuneration	213,715,028 (99.94%)	127,426 (0.06%)	65%	115,527,111
Directors' Remuneration Policy	211,979,056 (99.14%)	1,840,017 (0.86%)	65%	115,550,492

Directors' Remuneration Policy

Our Directors' Remuneration Policy was approved at the Annual General Meeting on 12 April 2017 and is set out on pages 53 to 60 of the Company's 2016 Annual Report and Accounts which is available on the Company's website at **investors.lowandbonar.com/reports-and-presentations/yr-2016**. We have set out below those aspects of the policy that we consider shareholders will find most useful.

Kevin Matthews
Chairman, Remuneration Committee

On behalf of the Board of Directors
2 February 2018

Remuneration

Directors' remuneration policy

A summary of the Directors' Remuneration Policy is set out on the following pages. It is the Committee's current intention that the policy will operate for the three-year period to the AGM in 2020.

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	Reviewed annually, with changes typically effective 1 December. Benchmarked periodically against relevant market comparators as appropriate, including companies of a similar international reach and complexity. Individual pay levels determined by reference to internal reference points, performance, skills and experience in post. 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.
Maximum opportunity	Salary levels will be eligible for increases during the three-year period that the Remuneration Policy operates. Executive Directors will normally receive a salary increase broadly in line with the increase awarded to the general workforce (in the country in which the Director lives, if appropriate) in percentage of salary terms. Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances 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.
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	The Company typically provides the following benefits: ■ Car allowance ■ Private health insurance ■ Death-in-service cover ■ Other ancillary benefits, including relocation expenses/arrangements (as required). Where Executive Directors are recruited from overseas, benefits more tailored to their geographical location may be provided. 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. Executive Directors are also eligible to participate in all-employee share plans operated by the Company, in line with prevailing HMRC guidelines (where applicable). Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.
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 based on performance against a sliding scale of challenging targets related to the Company's key performance indicators. The Committee will review the relevance and suitability of the bonus measures each year, and may change them each year to ensure there is ongoing alignment with the Group's strategic objectives.
Opportunity	Maximum (% salary): 100%
Framework used to assess performance and for the recovery of sums paid	Details of the performance measures used for the bonus relating to the previous financial year and targets and performance against them are provided in the Annual Remuneration Report. 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. Some guidance on targets for the bonus for each forthcoming year will be set out in the relevant Annual Remuneration Report, but the specific targets may be considered by the Committee to be commercially sensitive and may not be disclosed in advance. 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. Payments under the annual bonus plan may be subject to recovery and withholding provisions in the event of a material misstatement of the Company's financial results, material misconduct or if an error is made in assessing the extent to which any target and/or condition was satisfied.

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	An award of free shares (i.e. either conditional shares or nil-cost options) is normally granted annually which vests after three years subject to continued service (save in 'good leaver' circumstances) and the achievement of challenging performance conditions. A holding period will apply to share awards granted in the financial years ending 30 November 2017 and beyond. The holding period will require the Executive Directors to retain the after-tax value of shares for 24 months from the vesting date. A dividend equivalent provision operates enabling dividends to be paid (in cash or shares) on shares that vest.
Opportunity	Maximum (% salary): 125% In exceptional circumstances (e.g. recruitment), awards can be made up to 200% of salary.
Framework used to assess performance and for the recovery of sums paid	Granted subject to challenging financial (e.g. adjusted EPS) and total shareholder return performance targets tested over three years. 20% of awards will vest for threshold performance, with full vesting taking place for equalling, or exceeding, the maximum performance targets. 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. Payments may be subject to recovery and withholding provisions in the event of a material misstatement of the Company's financial results, material misconduct, or if an error is made in assessing the extent to which any target and/or condition was satisfied.

Remuneration
Directors' remuneration policy continued

SHARE OWNERSHIP GUIDELINES	
Purpose and link to strategy	To align the interests of Executive Directors with those of shareholders.
Operation	Executive Directors are expected to retain 50% of the after-tax number of vested shares issued under long-term incentive awards until the guideline holding is achieved. The Committee will monitor progress towards the guideline on an annual basis.
Requirement	A share ownership guideline of a minimum of 100% of salary applies to the Executive Directors.
Framework used to assess performance and for the recovery of sums paid	None.

Bonus Plan and Long Term Incentive Plan (LTIP)

The Committee will operate the annual bonus plan, the LTIP and the 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 respects regarding the operation and administration of these plans. These include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table above):

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

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

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

Choice of performance measures and approach to target setting

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

The Committee has flexibility to change the annual bonus plan performance metrics from year to year to facilitate an appropriate evolution of measurement in line with strategy. In the first year of the Policy, profit will be used as the primary performance metric. Other metrics based on the Company's key performance indicators may also be used in order to promote alignment with strategic imperatives (e.g. the use of ROCE to provide clear alignment with the overarching strategy of achieving profitable cash-generative growth whilst ensuring that efficient management of capital is fully encouraged).

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.

The targets relating to the annual bonus are considered to be commercially sensitive and will not therefore be disclosed in advance. They will be disclosed in the Annual Remuneration Report in respect of the years to which they apply along with disclosure of performance against them and the payments resulting.

NON-EXECUTIVE DIRECTORS' 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	The fees for the Chairman and the Non-Executive Directors are reviewed every year. 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. 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. The Non-Executive Directors receive a basic fee, with additional fees payable for chairmanship of the Company's key committees. The Committee recommends the remuneration of the Chairman to the Board. 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. The Company may repay any reasonable expenses that a Non-Executive Director incurs in carrying out their duties as a Director (including tax thereon).
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.

Other disclosures

Directors' Report
The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 30 November 2017.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure Guidance & Transparency Rule ('DTR') 4. Certain information that fulfils the requirements of the Directors' Report can be found elsewhere in this document and is incorporated by reference.

Strategic Report
The Strategic Report is set out on pages 4 to 44 and is incorporated into this Directors' Report by reference. It contains details of likely future developments and research and development activities within the Group.

Risk management and internal control
The Board is responsible for maintaining a risk management and internal control system and for managing principal risks faced by the Group. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material mistreatment or loss. This is described in more detail in the Audit Committee Report on pages 56 to 59.

In carrying out their review of risks, the Directors have regard to what controls in their judgement are appropriate to the Group's businesses, to the materiality and the likelihood of the risks inherent in these businesses and to the relative costs and benefits of implementing specific controls.

Financial risk management
Details of the Group's financial risk management policies are given in the Strategic Report on pages 38 to 44 and note 20 to the Group financial statements on pages 116 to 121.

Greenhouse gas reporting
The disclosures concerning greenhouse gas emissions are included in corporate responsibility on page 32.

Profit and dividends
The Group's consolidated loss for the year, after taxation, amounts to £19.2m (2016: profit of £13.9m). The Directors have declared dividends as follows:

Ordinary Shares	£m
Paid interim dividend of 1.05p per share Paid on 22 September 2017	£3.46m
Proposed final dividend of 2.00p per share (2016: 2.00p per share)	£6.59m
Total dividend of 3.05p per share for 2016/17 (2016: 3.00p per share)	£10.05m

Subject to shareholder approval at this year's AGM, the final ordinary dividend will be paid on 19 April 2018 to shareholders whose names were on the Register of Members at the close of business on 23 March 2018.

The Company's share capital includes deferred shares (which do not attract a dividend), 6% first cumulative preference stock, 6% second cumulative preference stock and 5.5% third cumulative preference stock. The dividend received by preference stock holders is paid before the Ordinary Shareholders' dividend.

Share capital

The Company's issued share capital as at 30 November 2017 comprised 329,706,034 5 pence Ordinary Shares, 154,571,152 deferred shares without voting rights and £100,000 6% first cumulative preference stock, £100,000 6% second cumulative preference stock and £200,000 5.5% third cumulative preference stock (the 'Preference Stock').

Each Ordinary Share carries the right to one vote at general meetings of the Company and provided that preference dividends remain paid in accordance with the Company's Articles of Association, the Preference Stock does not carry voting rights.

During the period, 408,008 Ordinary Shares in the Company were issued under the terms of the Low & Bonar 2007 UK and International Sharesave Schemes at prices between 48.8 pence and 68.8 pence.

Details of the movements in the Company's issued share capital can be found on page 124 in note 24 to the financial statements.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 124 (note 24).

The Company has a UK and international all-employee sharesave scheme and a long-term incentive plan. Details of share-based payments during the year can be found on pages 125 to 126 (note 24).

Directors and their share interests

Details of the Director of the Company who served during the financial year ended 30 November 2017 are shown on pages 48 and 49 with the exception of John Sheldrick, Mike Holt, Steve Hannam and Brett Simpson who retired from the Board in 2017 on 12 April, 16 May, 31 August and 19 December respectively.

Details of Directors' interests in the Company's Ordinary Shares, options held over Ordinary Shares, interests in share options and long-term incentive plans are set out on pages 67 to 69.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with the Group, they should notify the Board in writing or at the next Board meeting. Directors have a continuing duty to update any changes to these conflicts.

Directors' indemnities

In accordance with the Articles of Association, and to the extent permitted by law, Directors are granted an indemnity by the Company in respect of liability incurred as a result of their office. These qualifying third-party indemnity provisions were in force during the financial year. In addition, the Company maintains a Directors' and officers' liability insurance policy throughout the year.

Re-election of Directors

Although the Company is not a constituent of the FTSE350, and as such the Directors are not required to seek annual re-election, the Directors voluntarily submit themselves for re-election at the forthcoming Annual General Meeting.

Political donations

No political donations or contributions to political parties under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made, or political expenditure incurred.

Other disclosures continued

Substantial interests
As at 30 January 2018, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

	No. of Ordinary Shares	% of total voting rights
Sterling Strategic Value Fund SA	44,185,000	13.40
J O Hambro Capital Management	34,944,366	10.60
AXA Framlington	28,760,411	8.72
Aberforth Partners LLP	24,817,281	7.53
Luxempart SA	23,364,145	7.08
Unicorn Asset Management	18,668,991	5.66
Janus Henderson Investors	16,539,576	5.02

Long-term viability statement
The Directors have assessed the viability of the Group over a five-year period to 30 November 2022, this period was chosen as it aligns with the Group's strategic planning process. This has taken into account the business model, strategic aims, risk appetite, maturing debt funding and principal risks and uncertainties, along with the Group's current financial position. Based on this assessment and on the assumption that the principal risks are managed or mitigated, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period under review. Further details of our approach to assessing long-term viability can be found on page 41.

Significant agreements and change of control provisions
The Group's principal banking facilities may become repayable upon a change of control of the Company. There were no contracts subsisting during the financial year to which the Company is a party and in which a director of the Company is or was materially interested.

Subsidiaries, joint ventures and associated undertakings
The Group has 72 subsidiaries, joint ventures and associated undertakings. A list of these can be found on pages 130 to 132 (note 36) to the Company's financial statements.

Annual General Meeting (AGM)
The 2018 AGM will be held at The Royal Institution, 21 Albemarle Street, London W1S 4BS on Friday 13 April 2018, commencing at 11.00am. 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
In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on page 42 to 44 as well as the Group's principal risks and uncertainties as set out on pages 42 to 44. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing the financial statements.

Auditor
Resolutions to reappoint KPMG LLP as auditor of the Company and to authorise the determination of its remuneration will be proposed at the forthcoming AGM.

Disclosure of information to auditor
Each of the Directors who held office on the date at which this Directors' Report was approved confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware, and that he or she has taken all steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

UK Corporate Governance Code
The Board believes that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

Approved by the Board and signed on its behalf by

Erika Percival
Company Secretary

2 February 2018

Financial statements

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 comply with that law and those regulations.

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

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.

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

Trudy Schoolenberg
Interim Group Chief Executive

2 February 2018

Philip de Klerk
Group Chief Financial Officer

2 February 2018

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

1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of Low & Bonar PLC ('the Company') for the year ended 30 November 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Balance Sheets, Consolidated Cash Flow Statement, Company Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, and the related notes, including Significant Accounting Policies.

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 2017 and of the Group's loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders in 1975. The period of total uninterrupted engagement is for the 43 financial years ended 30 November 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Recoverability of Civil Engineering Group of Cash Generating Units (CGU) £33.8 million, Risk vs 2016: ▲

Refer to page 59 (Audit Committee report), page 95 (accounting policy J), pages 98-99 (accounting policy U) and pages 111-112 (financial disclosures).

The risk: Forecast-based valuation

During the current year the Group recognised an impairment loss on the Civil Engineering CGU. The loss was driven by the challenging trading conditions across this particular business segment. The carrying amount of the Civil Engineering CGU is significant and the estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

Our response:
Our procedures included:

- Historical comparisons: We assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts.
- Benchmarking assumptions: We compared the group's assumptions in relation to key inputs such as, growth rate, discount rate, forecast revenue and profit margins, to historical information and externally derived data. We were assisted by our own valuation specialist to evaluate the discount rate calculated by an expert engaged by the Group.
- Sensitivity analysis: We performed sensitivity analysis on the key assumptions noted above.
- Assessing transparency: We assessed the adequacy of disclosures in the financial statements, including those in respect of the key assumptions used and the impairment loss recorded.

Our results:
We found the Group's assessment of the recoverable amount of Civil Engineering CGU and resulting impairment charge to be acceptable.

Recoverability of parent company's investments in and debt due from Civil Engineering entities, Risk vs 2016: ▲

Refer to page 59 (Audit Committee report), page 92 (accounting policy B), page 95 (accounting policy J) and pages 114-115 (financial disclosures).

The risk: Subjective valuation

The carrying amount of the parent company's investments in and debt due from entities operating in the Civil Engineering segment is significant and at risk of irrecoverability as this particular segment faces challenging trading conditions, as described in the forecast-based valuation risk above. The impairment test is subjective due to the inherent uncertainty in judgements and estimates used.

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

Civil Engineering entities make up a significant portion of the parent company's total investments in subsidiaries and amounts owed by subsidiaries.

Our response:
Our procedures included:

- Data comparisons: We identified the carrying amounts of investments in and debt due from entities that belong to the Civil Engineering segment.
- Tests of detail: We compared the carrying amounts of investments and debt due from Civil Engineering entities with their recoverable amounts.
- Our business understanding: We assessed ability of Civil Engineering entities to obtain liquid funds and fund the repayment of the receivables by assessing their profitability, net asset value and management's forecasts of future cash flows.
- Input assessment: We challenged the key inputs used in the valuation of the recoverable amounts of investments from Civil Engineering entities as described in the forecast-based valuation risk above.
- Comparing valuations: We compared the sum of the recoverable amounts of all investments to the group's market capitalisation to assess the reasonableness of the recoverable amounts.
- Assessing transparency: We assessed the adequacy of the parent company's disclosures in respect of investments in subsidiaries/ group debtor balances.

Our results:
We found the group's assessment of the recoverability of the investments and debt due from Civil Engineering entities to be acceptable.

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the group financial statements as a whole was set at £1.3 million (2016: £2.6 million), determined in line with industry consensus with reference to a benchmark of group loss before tax of £19.7 million, normalised to exclude this year's non-underlying items, other than amortisation of acquired intangible assets, of £46.7 million as disclosed in note 5, of which it represents 4.8% (2016: 8.6% of profit before tax, normalised to exclude the prior year's non-underlying items, other than amortisation of acquired intangible assets, and averaging profit over the last three years for the Coated Technical Textiles segment due to production issues in 2016).

The reduction in amount of the benchmark since the prior year is a result of lower profit before tax and non-underlying items, and that we have not deemed it appropriate to normalise for profits in the Coated Technical Textiles segment in the current year, given that profits have not stabilised in 2017 as they were expected to.

Materiality for the parent company financial statements as a whole was set at £1.1 million (2016: £1.9 million), determined with reference to a benchmark of company total assets, of which it represents 0.3% (2016: 0.7%).

We applied a lower materiality of £1.0 million (2016: £1.0 million) to the balance of the share based payments to address better the accounts and disclosures that could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group.

We agreed to 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.

Our threshold for reporting identified misstatements is usually a maximum of 5% of group materiality. However, we deem that amounts of £75,000 (5.8% of group materiality) and below are clearly trivial to users of the financial statements, in line with our assessment in 2016 and also on the basis that the financial statements are presented to the nearest hundred thousand pounds.

Of the group's 43 (2016: 43) reporting components, we subjected 9 (2016: 10) to full scope audits for group purposes and 2 (2016: 3) to specified audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, nor were any specific risks identified in relation to them, but specified audit procedures were performed to increase coverage. We conducted reviews of financial information (including enquiry) at a further 2 (2016: 0) non-significant components to increase coverage, and given that these entities are also subject to local statutory audit requirements.

For those items excluded from normalised group profit before tax, the component teams performed procedures on items relating to their components. The group team performed procedures on the remaining excluded items.

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	9	74%	72%	50%
Specified audit procedures	2	7%	7%	16%
Total	11	81%	79%	66%
Total 2016	13	78%	84%	75%

The remaining 19% of total group revenue, 21% of total profits and losses that make up group profit before tax and 34% of total group assets is represented by 30 reporting components, none of which individually represented more than 4% of any of total group revenue, 1% of total profits and losses that make up group profit before tax or 9% of total group assets. For these 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 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 team approved the component materialities, which ranged from £0.165 million to £1.125 million, having regard to the mix of size and risk profile of the Group across the components. The work on 5 of the 9 components (2016: 6 of the 11 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team visited 3 (2016: 2) component locations in Germany, Holland and Belgium (2016: Germany and Belgium) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors and the majority of the others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the Significant Accounting Policies note to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 78 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement on page 41 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether 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 of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- a corporate governance statement has not been prepared by the company.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
- we have not identified material misstatements therein; and
- the information therein is consistent with the financial statements; and

- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

6 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

We have nothing to report in these respects.

7 RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 80, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit we considered the impact of laws and regulations in core areas such as financial reporting, and company and taxation legislation. We identified these areas through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being financial reporting, company and taxation legislation, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We considered the directors' response to actual or potential breaches of laws and regulations. This included communication from the group to component audit teams with a request to report on any indications of potential existence of irregularities in any areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 2018

Consolidated Income Statement
for the year ended 30 November

		2017			2016		
	Note	Underlying £m	Non-underlying (Note 5) £m	Total £m	Underlying £m	Non-underlying (Note 5) £m	Total £m
Revenue	1	**446.5**	**–**	**446.5**	400.0	–	400.0
Operating profit/(loss)	1	**35.5**	**(50.4)**	**(14.9)**	34.7	(3.3)	31.4
Financial income	6	**0.1**	**–**	**0.1**	0.2	–	0.2
Financial expense	6	**(4.9)**	**–**	**(4.9)**	(5.7)	–	(5.7)
Net financing costs		**(4.8)**	**–**	**(4.8)**	(5.5)	–	(5.5)
Profit/(loss) before taxation	2	**30.7**	**(50.4)**	**(19.7)**	29.2	(3.3)	25.9
Taxation	7	**(8.9)**	**11.0**	**2.1**	(8.8)	0.6	(8.2)
Profit/(loss) after taxation		**21.8**	**(39.4)**	**(17.6)**	20.4	(2.7)	17.7
Profit/(loss) for the year from continuing operations		**21.8**	**(39.4)**	**(17.6)**	20.4	(2.7)	17.7
(Loss)/profit for the year from discontinued operations	29	**–**	**(1.0)**	**(1.0)**	0.5	(3.7)	(3.2)
Profit/(loss) for the year		**21.8**	**(40.4)**	**(18.6)**	20.9	(6.4)	14.5
Attributable to							
Equity holders of the Company		**21.2**	**(40.4)**	**(19.2)**	20.3	(6.4)	13.9
Non-controlling interest	27	**0.6**	**–**	**0.6**	0.6	–	0.6
		21.8	**(40.4)**	**(18.6)**	20.9	(6.4)	14.5
Earnings per share	10						
Continuing operations:							
Basic		**6.42p**		**(5.56p)**	6.01p		5.20p
Diluted		**6.32p**		**(5.56p)**	5.95p		5.15p
Discontinued operations:							
Basic		**–**		**(0.30p)**	0.14p		(0.98p)
Diluted		**–**		**(0.30p)**	0.14p		(0.97p)
Total:							
Basic		**6.42p**		**(5.86p)**	6.15p		4.22p
Diluted		**6.32p**		**(5.86p)**	6.09p		4.18p

Consolidated Statement of Comprehensive Income

for the year ended 30 November

	Note	2017 £m	2016 £m
(Loss)/profit for the year		(18.6)	14.5
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit pension schemes	4	9.8	(11.8)
Deferred tax on defined benefit pension schemes	4	(3.2)	0.3
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of hedging		–	36.7
Exchange differences recycled from reserves		–	(1.7)
Total other comprehensive income for the year, net of tax		6.6	23.5
Total comprehensive (loss)/income for the year		(12.0)	38.0
Attributable to			
Equity holders of the parent		(13.0)	37.4
Non-controlling interest	27	1.0	0.6
Total		(12.0)	38.0

Balance Sheets
as at 30 November

		Group		Company	
	Note	2017 £m	2016 £m	2017 £m	2016 £m
Non-current assets					
Goodwill	11	**66.9**	82.6	**–**	–
Intangible assets	12	**24.8**	22.2	**0.8**	–
Property, plant and equipment	13	**144.5**	150.3	**0.5**	0.6
Investment in subsidiaries	14	**–**	–	**181.3**	93.2
Investment in joint venture	15	**–**	–	**–**	–
Investment in associates	16	**0.7**	0.5	**–**	–
Deferred tax assets	21	**10.1**	5.6	**3.5**	–
Other receivables	18	**–**	–	**47.2**	39.9
Post-employment benefits	4	**10.0**	–	**10.0**	–
		257.0	261.2	**243.3**	133.7
Current assets					
Inventories	17	**97.3**	97.5	**–**	–
Trade and other receivables	18	**86.9**	79.1	**172.9**	152.4
Cash and cash equivalents	20	**38.2**	26.3	**0.1**	1.4
		222.4	202.9	**173.0**	153.8
Current liabilities					
Interest-bearing loans and borrowings	20	**2.7**	0.1	**2.0**	1.3
Current tax liabilities		**2.2**	4.4	**0.5**	–
Trade and other payables	19	**86.7**	84.4	**105.6**	19.2
Provisions	22	**1.7**	–	**–**	–
Liabilities directly associated with assets classified as held for sale	29	**1.4**	1.3	**–**	–
		94.7	90.2	**108.1**	20.5
Net current assets		**127.7**	112.7	**64.9**	133.3
Total assets less current liabilities		**384.7**	373.9	**308.2**	267.0
Non-current liabilities					
Interest-bearing loans and borrowings	20	**173.9**	137.2	**71.5**	48.4
Deferred tax liabilities	21	**17.5**	19.1	**3.5**	–
Post-employment benefits	4	**12.2**	15.0	**–**	2.2
Other payables	23	**0.8**	0.2	**–**	–
		204.4	171.5	**75.0**	50.6
Net assets		**180.3**	202.4	**233.2**	216.4
Equity attributable to equity holders of the parent					
Share capital	24	**47.4**	47.4	**47.4**	47.4
Share premium account	25	**74.6**	74.4	**74.6**	74.4
Translation reserve	26	**(26.4)**	(26.0)	**–**	–
Retained earnings		**78.3**	100.2	**111.2**	94.6
Total equity attributable to					
Equity holders of the parent		**173.9**	196.0	**233.2**	216.4
Non-controlling interest	27	**6.4**	6.4	**–**	–
Total equity		**180.3**	202.4	**233.2**	216.4

The consolidated financial statements on pages 85 to 133 were approved by the Board on 2 February 2018 and signed on its behalf by:

Trudy Schoolenberg
Interim Group Chief Executive

2 February 2018

Philip de Klerk
Group Chief Financial Officer

2 February 2018

Registered number: SC008349

Consolidated Cash Flow Statement
for the year ended 30 November

	Note	2017 £m	2016 £m
(Loss)/profit for the year from continuing operations		**(17.6)**	17.7
Loss for the year from discontinued operations		**(1.0)**	(3.2)
(Loss)/profit for the year		**(18.6)**	14.5
Adjustments for:			
Depreciation		**18.5**	15.8
Amortisation		**4.8**	5.2
Income tax (credit)/expense		**(2.1)**	8.2
Net financing costs		**4.8**	5.5
Provision for disposal of Bonar Natpet		**0.3**	1.3
Share of profit from associate		**(0.2)**	–
Loss on disposal of the grass yarns business		**0.7**	1.3
Loss on disposal of agro-textile business		**12.7**	–
Civil Engineering impairment charge		**31.6**	–
Non-cash pension charges		**1.1**	1.0
Increase in inventories		**(9.2)**	(14.7)
(Increase)/decrease in trade and other receivables		**(10.3)**	1.7
Decrease in trade and other payables		**(0.1)**	(2.0)
Increase/(decrease) in provisions		**1.7**	(0.1)
Loss/(gain) on disposal of non-current assets		**0.2**	(0.1)
Equity-settled share-based payment		**0.7**	0.9
Cash inflow from operations		**36.6**	38.5
Interest received		**–**	0.1
Interest paid		**(4.4)**	(5.0)
Tax paid		**(10.3)**	(10.8)
Pension cash contributions		**(4.4)**	(4.6)
Net cash inflow from operating activities		**17.5**	18.2
Proceeds from the disposal of the grass yarns business		**3.0**	21.7
Proceeds from the disposal of the agro-textile business		**4.2**	–
Acquisition of Walflor Industries Inc.		**(3.4)**	–
Acquisition of property, plant and equipment		**(28.7)**	(18.9)
Intangible assets purchased		**(5.7)**	(3.3)
Net cash outflow from investing activities		**(30.6)**	(0.5)
Drawdown of borrowings		**36.4**	17.8
Repayment of borrowings		**–**	(37.9)
Movement in cash flow hedges		**–**	0.1
Proceeds of share issues to employees		**0.2**	0.2
Equity dividends paid		**(10.0)**	(9.2)
Dividends paid to non-controlling interests		**(1.0)**	(0.3)
Net cash inflow/(outflow) from financing activities		**25.6**	(29.3)
Net cash inflow/(outflow)	28	**12.5**	(11.6)
Cash and cash equivalents at start of year		**26.3**	33.9
Foreign exchange differences		**(0.6)**	4.0
Cash and cash equivalents at end of year		**38.2**	**26.3**

Company Cash Flow Statement
for the year ended 30 November

	Note	2017 £m	2016 £m
Profit for the year	8	**20.1**	86.9
Adjustments for:			
Depreciation		**0.1**	0.1
Income tax credit		**(2.6)**	–
Provision for investment impairment		**–**	0.4
Loss on disposal – non-current assets		**–**	0.1
Net financing income		**(2.9)**	(1.8)
Non-cash pension charges		**0.6**	0.5
(Increase)/decrease in receivables		**(27.7)**	(20.9)
Increase/(decrease) in payables		**86.1**	(6.7)
Equity-settled share-based payment		**0.7**	0.9
Cash inflow from operations		**74.4**	59.5
Interest received		**5.0**	5.3
Interest paid		**(1.7)**	(4.3)
Tax paid		**–**	–
Pension cash contributions		**(4.1)**	(4.0)
Net cash inflow from operating activities		**73.6**	56.5
Investment in subsidiary		**(88.1)**	–
Acquisition of intangible assets		**(0.8)**	–
Acquisition of property, plant and equipment		**–**	(0.7)
Net cash outflow from investing activities		**(88.9)**	(0.7)
Proceeds of share issues to employees		**0.2**	0.2
Drawdown/(repayment) of borrowings		**23.8**	(50.6)
Equity dividends paid		**(10.0)**	(9.2)
Net cash inflow/(outflow) from financing activities		**14.0**	(59.6)
Net cash outflow	28	**(1.3)**	(3.8)
Cash and cash equivalents at start of year		**1.4**	5.3
Foreign exchange differences		**–**	(0.1)
Cash and cash equivalents at end of year		**0.1**	1.4

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 30 November 2015	47.4	74.2	(61.0)	105.3	165.9	6.1	172.0
Total comprehensive income for the year	–	–	35.0	2.4	37.4	0.6	38.0
Dividends paid to Ordinary Shareholders	–	–	–	(9.2)	(9.2)	–	(9.2)
Dividends paid to Non-Controlling Interests	–	–	–	–	–	(0.3)	(0.3)
Shares issued	–	0.2	–	–	0.2	–	0.2
Disposal of equity participation in subsidiary	–	–	–	0.8	0.8	–	0.8
Share-based payment	–	–	–	0.9	0.9	–	0.9
Net increase/(decrease) for the year	–	0.2	35.0	(5.1)	30.1	0.3	30.4
At 30 November 2016	47.4	74.4	(26.0)	100.2	196.0	6.4	202.4
Total comprehensive (loss)/profit for the year	**–**	**–**	**(0.4)**	**(12.6)**	**(13.0)**	**1.0**	**(12.0)**
Dividends paid to Ordinary Shareholders	**–**	**–**	**–**	**(10.0)**	**(10.0)**	**–**	**(10.0)**
Dividends paid to Non-Controlling Interests	**–**	**–**	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Shares issued	**–**	**0.2**	**–**	**–**	**0.2**	**–**	**0.2**
Share-based payment	**–**	**–**	**–**	**0.7**	**0.7**	**–**	**0.7**
Net increase/(decrease) for the year	**–**	**0.2**	**(0.4)**	**(21.9)**	**(22.1)**	**–**	**(22.1)**
At 30 November 2017	**47.4**	**74.6**	**(26.4)**	**78.3**	**173.9**	**6.4**	**180.3**

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 30 November 2015	47.4	74.2	27.1	148.7
Profit for the year	–	–	86.9	86.9
Actuarial gain on defined benefit pension scheme	–	–	(11.1)	(11.1)
Dividends paid to Ordinary Shareholders	–	–	(9.2)	(9.2)
Shares issued	–	0.2	–	0.2
Share-based payment	–	–	0.9	0.9
Net increase for the year	–	0.2	67.5	67.7
At 30 November 2016	47.4	74.4	94.6	216.4
Profit for the year	**–**	**–**	**20.1**	**20.1**
Actuarial gain on defined benefit pension scheme	**–**	**–**	**8.9**	**8.9**
Deferred tax on defined benefit pension scheme	**–**	**–**	**(3.1)**	**(3.1)**
Dividends paid to Ordinary Shareholders	**–**	**–**	**(10.0)**	**(10.0)**
Shares issued	**–**	**0.2**	**–**	**0.2**
Share-based payment	**–**	**–**	**0.7**	**0.7**
Net increase for the year	**–**	**0.2**	**16.6**	**16.8**
At 30 November 2017	**47.4**	**74.6**	**111.2**	**233.2**

Significant Accounting Policies

GENERAL INFORMATION

Low & Bonar PLC (the 'Company') is a public company, limited by shares, 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 One Connaught Place, London, W2 2ET.

The consolidated financial statements of the Company for the year ended 30 November 2017 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. 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 4 to 44. 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 42 to 44 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. 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 W).

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 2017.

(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 interests' 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.

(B) BASIS OF CONSOLIDATION 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. Where a joint venture is loss making, the Group accounts for its share of loss until the carrying value of the investment is reduced to zero. A share of further losses is only recognised to the extent that the Group has a legal or constructive obligation to do so.

(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 areaof 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.

(D) HEDGING

(i) 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.

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

Significant Accounting Policies continued

(E) 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 J). 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 J). Lease payments are accounted for as described in accounting policy Q. 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

(F) 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 J).

(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 J).

(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 J). 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
– computer software	3–5 years
– research and development	5–7 years

(G) 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 J).

(H) INVENTORIES

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

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(I) 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.

(J) IMPAIRMENT

The carrying amounts of the Company's and the Group's assets, other than inventories (accounting policy H), and deferred tax assets (accounting policy S) 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 the group of cash generating 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.

(K) SHARE CAPITAL

(i) Preference share capital

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

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

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

(ii) Dividends

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

(iii) Equity transaction costs

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

Significant Accounting Policies continued

(L) 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.

(M) 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.

(N) 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.

(O) 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.

(P) 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 Cost includes freight 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.

(Q) 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 D). Interest income is recognised in the income statement as it accrues, using the effective interest rate.

(R) NON-UNDERLYING ITEMS

As permitted by IAS 1 (Revised): Presentation of Financial Statements, certain items are presented separately. The items that the Group separately presents as non-underlying on the face of the income statement are those material items of income and expense which because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

The following items are routinely classified as non-underlying:

- Impairments and write-offs are deemed to be non-underlying in nature. This includes impairments of tangible and intangible assets. Other non-routine write offs/write downs, where deemed material, are also included in this category.
- Amortisation of acquired intangible assets.
- The initial recognition of previously unrecognised tax losses due to a change in profit projections is treated as non-underlying due to the irregularity and size of the adjustments, and the distorting impact this would otherwise have on the underlying effective tax rate.

(S) TAXATION

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

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

Deferred tax is provided using the balance sheet liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following timing differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the timing difference and it is probable that the timing difference will not reverse in the future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(T) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and used to assess performance and allocate resources on an appropriate basis. The chief operating decision-maker has been identified as the Board of Directors.

(U) 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.

(i) Critical accounting judgements

Recoverability of goodwill, intangible assets and property, plant & equipment

In performing the impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to value in use, assessed using discounted cash flow models. These models are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined below.

The Group assesses at each reporting date whether there are any indicators that its assets and groups of cash generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the Group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the Group's long-term economic forecasts, market consensus and sensitivity analysis of the discounted cash flow models used to value the Group's asset.

Taxation

The Group has a number of taxation judgements to consider including the recoverability of deferred tax assets, the assessment 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. Included in current tax liabilities is an amount of £3.5m (2016: £2.9m) in respect of uncertain tax positions.

In addition, the recognition and measurement of deferred tax requires the application of judgement in assessing the amount, timing and probability of future taxable profits and repatriation of retained earnings. These factors affect the determination of the appropriate rates of tax to apply and the recoverability of deferred tax assets. These judgements are influenced, inter alia, by factors such as estimates of future performance of the Group's operations, future capital expenditure and dividend policies. See note 21 for the Group's deferred tax disclosures.

(ii) Key sources of estimation uncertainty

Retirement benefit schemes

The expected costs of providing pensions and post employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. 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 £10.2m – £11.5m (2016: £11.1m – £12.5m) respectively.

(U) SIGNIFICANT JUDGEMENTS AND ESTIMATES continued

Calculations of value in use and fair value less costs to sell used in impairment testing

The impairment tests undertaken with respect to goodwill, intangible assets and property, plant and equipment (Notes 11, 12 and 13) use 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 group of cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(V) 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.

(W) 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 2017 (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 July 2014)
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases – not yet endorsed by the EU
- Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions – not yet endorsed by the EU
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – not yet endorsed by the EU
- Annual Improvements to IFRSs – 2014-2016 Cycle - not yet endorsed
- Amendment to IAS 7: Disclosure initiative – not yet endorsed by the EU
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses
- Clarifications to IFRS 15: Revenue from Contracts with Customers – not yet endorsed by the EU
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance consideration - not yet endorsed by the EU
- Amendments to IAS 40 Investment Property - not yet endorsed by the EU
- IFRIC 23 Uncertainty over Increase Tax Treatments - not yet endorsed by the EU
- Amendments to IAS 28 Investments in Associates and Joint Ventures - not yet endorsed
- IFRS 17 Insurance Contracts - not yet endorsed

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 15: Revenue from Contracts with Customers
- 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.

(X) ALTERNATIVE PERFORMANCE MEASURES

The Group uses certain alternative performance measures to enhance the understanding of underlying business performance, and to be consistent with its communication with investors. These are detailed in Note 37, together with reconciliations to the statutory figures contained in these financial statements.

Notes to the Accounts

1. SEGMENTAL INFORMATION

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. For the purposes of management reporting to the chief operating decision maker, the Group is split into four reportable business units: Building & Industrial, Civil Engineering, Coated Technical Textiles and Interiors & Transportation. These segments consist of operating segments with similar economic characteristics, products and services, manufacturing processes and customer types. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash and cash equivalents, interest-bearing loans, borrowings, investments in joint ventures and associates, post-employment benefits and corporate assets and expenses. Inter-segment sales are not material.

Revenue from external customers

	2017 £m	2016 £m
Building & Industrial	**85.9**	73.4
Civil Engineering	**102.0**	90.8
Coated Technical Textiles	**138.3**	129.8
Interiors & Transportation	**120.3**	106.0
Revenue for the year	**446.5**	400.0

Operating profit/(loss)

	Underlying		Non-underlying		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Building & Industrial	**12.4**	10.9	**(13.7)**	(0.1)	**(1.3)**	10.8
Civil Engineering	**0.1**	4.2	**(31.6)**	(0.5)	**(31.5)**	3.7
Coated Technical Textiles	**9.3**	8.7	**(3.0)**	(2.8)	**6.3**	5.9
Interiors & Transportation	**19.1**	17.1	**–**	0.5	**19.1**	17.6
Unallocated central	**(5.4)**	(6.2)	**(2.1)**	(0.4)	**(7.5)**	(6.6)
Total	**35.5**	34.7	**(50.4)**	(3.3)	**(14.9)**	31.4

Return on sales/operating margin*

	2017	2016
Building & Industrial	**14.4%**	14.9%
Civil Engineering	**0.1%**	4.6%
Coated Technical Textiles	**6.7%**	6.7%
Interiors & Transportation	**15.9%**	16.1%
Total	**8.0%**	8.7%

* Return on sales/operating margin for each segment is calculated by dividing each segment's underlying operating profit by its revenue from external customers

1. SEGMENTAL INFORMATION continued

Segment information – Constant currency analyses

Constant currency analyses retranslate prior year results at the current year's rates of exchange. Management believe this allows a better understanding of underlying business performance.

	2017 £m	2016 (reported) £m	Year on year change %	2016 (constant currency) £m	Year on year change %
Revenue					
Building & Industrial	**85.9**	73.4	+17.0%	78.4	+9.6%[1]
Civil Engineering	**102.0**	90.8	+12.3%	97.2	+4.9%
Coated Technical Textiles	**138.3**	129.8	+6.5%	139.3	-0.7%
Interiors & Transportation	**120.3**	106.0	+13.5%	112.3	+7.1%
Revenue for the year	**446.5**	400.0	+11.6%	427.2	+4.5%
Underlying profit before tax from continuing operations					
Building & Industrial	**12.4**	10.9	+13.8%	11.7	+6.0%
Civil Engineering	**0.1**	4.2	-97.6%	4.4	-97.7%
Coated Technical Textiles	**9.3**	8.7	+6.9%	9.2	+1.1%
Interiors & Transportation	**19.1**	17.1	+11.7%	18.1	+5.5%
Unallocated Central	**(5.4)**	(6.2)	-12.9%	(6.2)	-12.9%
Underlying operating profit	**35.5**	34.7	+2.3%	37.2	-4.6%
Net financing costs	**(4.8)**	(5.5)	-12.7%	(5.8)	-17.2%
Total	**30.7**	29.2	+5.1%	31.4	-2.2%

1 Including Walflor Industries Inc.

Segment assets, liabilities, other information

2017	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interiors & Transportation £m	Unallocated Central £m	Total £m
Reportable segment assets	67.3	52.8	154.0	145.5	0.8	420.4
Investment in associates						0.7
Cash and cash equivalents						38.2
Post-employment benefits						10.0
Other unallocated assets						10.1
Total Group assets						**479.4**
Reportable segment liabilities	(15.4)	(17.4)	(26.1)	(30.1)	–	(89.0)
Loans and borrowings						(176.6)
Derivative liabilities						–
Post-employment benefits						(12.2)
Other unallocated liabilities						(21.3)
Total Group liabilities						**(299.1)**
Other information						
Additions to property, plant and equipment	3.0	2.6	3.0	20.7	–	29.3
Additions to intangible assets and goodwill	5.3	1.6	0.1	1.6	0.8	9.4
Depreciation	(3.6)	(3.0)	(3.6)	(8.2)	(0.1)	(18.5)
Amortisation of acquired intangible assets	(0.6)	(0.1)	(3.0)	–	–	(3.7)
Non-underlying items – continuing operations	(13.1)	(31.5)	–	–	(2.1)	(46.7)

Notes to the Accounts continued

1. SEGMENTAL INFORMATION continued

2016	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interiors & Transportation £m	Unallocated Central £m	Total £m
Reportable segment assets	64.2	83.4	145.7	127.0	–	420.3
Investment in associates						0.5
Cash and cash equivalents						26.3
Post-employment benefits						—
Other unallocated assets						17.0
Total Group assets						464.1
Reportable segment liabilities	(17.2)	(17.7)	(24.2)	(25.4)	–	(84.5)
Loans and borrowings						(137.3)
Derivative liabilities						—
Post-employment benefits						(15.0)
Other unallocated liabilities						(24.9)
Total Group liabilities						(261.7)
Other information						
Additions to property, plant and equipment	1.6	4.6	2.2	9.4	0.7	18.5
Additions to intangible assets and goodwill	1.0	1.0	0.2	1.1	–	3.3
Depreciation	(2.6)	(2.6)	(3.3)	(7.1)	(0.2)	(15.8)
Amortisation of acquired intangible assets	(0.5)	(0.5)	(2.8)	(0.2)	–	(4.0)
Non-underlying items – continuing operations	0.4	–	–	0.7	(0.4)	0.7

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	
	2017 £m	**2017 %**	2016 £m	2016 %	**2017 £m**	2016 £m
Western Europe	**239.0**	**53.5**	219.2	54.8	**165.6**	179.5
Eastern Europe	**42.3**	**9.5**	36.0	9.0	**18.3**	17.7
North America	**98.5**	**22.1**	89.2	22.3	**26.3**	28.4
Middle East	**14.9**	**3.3**	12.4	3.1	**–**	0.1
Asia	**37.0**	**8.3**	32.5	8.1	**46.8**	35.5
Rest of the World	**14.8**	**3.3**	10.7	2.7	**–**	–
Total	**446.5**	**100.0**	400.0	100.0	**257.0**	261.2

Revenues arising in the UK, which is the parent Company's country of domicile, were £21.7m (2016: £15.6m). The net book value of non-current assets located in the UK at 30 November 2017 was £12.4m (2016: £2.1m). 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 2017 was £78.0m (2016: £76.1m) and revenues in the year to 30 November 2017 were £72.6m (2016: £69.5m).

2. PROFIT/(LOSS) BEFORE TAXATION

	2017 £m	2016 £m
Total operating costs	**461.4**	368.6
Comprises:		
Cost of sales	**320.4**	279.0
Distribution costs	**41.9**	37.5
Administrative and other costs	**42.8**	44.8
Other operating costs	**3.3**	2.8
Research and development expenditure recognised as an expense	**6.2**	5.1
Non-underlying items	**46.7**	(0.7)
Total operating costs above include:		
Staff costs	**105.8**	94.3
Inventories		
Cost of inventories recognised as an expense	**186.1**	178.1
Write down of inventories recognised as an expense	**0.6**	0.3
Change in provisions held against inventories	**1.1**	(0.1)
Depreciation of property, plant and equipment	**18.5**	15.8
Amortisation of intangible assets	**4.8**	5.2
Exchange differences recognised as a loss/(gain)	**1.3**	(0.6)
Loss/(gain) on disposal of non-current assets	**0.2**	(0.1)
Amounts payable under operating leases:		
Property	**3.6**	3.5
Plant and equipment	**1.9**	1.9

The balance of operating costs relates to other external charges.

These non-underlying items, which are outlined in detail in note 5, have all been charged to 'Other operating costs' with the exception of the pension administration costs of £0.2m (2016: £0.1m) which have been charged to 'Administration and other costs'.

Auditor's remuneration

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

	2017 £m	2016 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**0.4**	0.4
Non-audit services:		
Corporate tax compliance	**–**	–
Corporate tax consultancy	**–**	0.2
Other non-audit services	**–**	–

The total amount paid to the auditor was £0.5m (2016: £0.7m).

3. STAFF NUMBERS AND COSTS

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

	Group	
	2017	2016
Production	**1,565**	1,590
Sales	**289**	292
Administrative	**313**	281
Total	**2,167**	2,163

The average number of people employed by the Company during the year was 19 (2016: 21).

The aggregate staff costs were:

	Group	
	2017 £m	2016 £m
Wages and salaries	**85.3**	75.3
Social security costs	**16.5**	15.5
Pension costs	**4.0**	3.5
Total	**105.8**	94.3

	Company	
	2017 £m	2016 £m
Wages and salaries	**3.4**	3.1
Social security costs	**0.4**	0.4
Pension costs	**0.2**	0.2
Total	**4.0**	3.7

The Directors of the Company are listed on pages 48 and 49.

The increase in Group staff costs is due to 2.8% average wage inflation, a change in the mix of employee roles and foreign exchange effects.

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 £2.7m (2016: £2.5m).

(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 scheme is subject to the regulatory requirements that apply to registered UK pension schemes, and a Trustee board is responsible for ensuring it is operated in a manner compliant with the relevant regulations. The weighted duration of the expected benefit payments from the scheme is around 15 years.

The net income statement charge for the year ended 30 November 2017 for the UK pension scheme was £0.7m (2016: £0.3m).

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 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.

In applying IAS 19, the Company has considered the requirements of IFRIC 14 and whether the Company has an 'unconditional right' to a refund of surplus, in particular assuming the gradual settlement of the Scheme liabilities over time until all members have left the Scheme (i.e. on the death of the last beneficiary). The company has concluded that it does have an effective unconditional right to a refund under these circumstances, and on these grounds IFRIC 14 does not require an adjustment to the net pension liability.

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. The buy-in policy provides an exact match to the benefits of the members covered, and is valued as equal to the present value of the defined benefit obligation for those members.

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 by actions taken to reduce investment risk, including the purchase of a buy-in policy. 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.

4. POST-EMPLOYMENT BENEFITS continued

The financial assumptions used to estimate defined benefit obligations are:

	UK schemes		Non-UK schemes Weighted average assumptions	
	2017 %	2016 %	**2017 %**	2016 %
Discount rate	**2.50**	2.80	**2.75**	2.75
Future salary increases	**–**	–	**2.25**	2.25
Future pension increases	**3.10**	3.10	**1.80**	1.80
Inflation increase (Consumer Price Inflation)	**2.10**	2.20	**2.00**	2.00
Health care cost trend – immediate	**–**	–	**6.60**	6.60
Health care cost trend – ultimate	**–**	–	**4.50**	4.50

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 21.6 years and a female member for a further 23.5 years (2016: male – 21.6 years, female – 23.7 years). They also assume that a UK Scheme male member currently aged 45, will survive a further 43.0 years and a female member for a further 45.0 years (2016: male – 43.4 years, female – 45.6 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	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Fair value of scheme assets	**193.4**	188.2	**10.9**	11.8	**204.3**	200.0
Present value of defined benefit obligations	**(183.4)**	(190.4)	**(23.1)**	(24.6)	**(206.5)**	(215.0)
Net asset/(liability) recognised in the balance sheet	**10.0**	(2.2)	**(12.2)**	(12.8)	**(2.2)**	(15.0)

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Current service cost	**–**	–	**0.4**	0.4	**0.4**	0.4
Net interest (income)/cost	**–**	(0.2)	**0.2**	0.3	**0.2**	0.1
Administration costs	**0.7**	0.5	**–**	–	**0.7**	0.5
	0.7	0.3	**0.6**	0.7	**1.3**	1.0

Amounts recognised in other comprehensive income are as follows:

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Net actuarial gain/(loss) in the year due to:	**9.8**	(11.8)	**8.9**	(11.1)
– Changes in financial assumptions	**(3.9)**	(23.8)	**(4.6)**	(22.7)
– Changes in demographic assumptions	**2.2**	0.3	**2.1**	–
– Experience adjustments on benefit obligations	**4.9**	2.0	**4.7**	1.9
Actual return on scheme assets less interest on scheme assets	**6.6**	9.7	**6.7**	9.7
Associated deferred tax	**(3.2)**	0.3	**(3.1)**	–

4. POST-EMPLOYMENT BENEFITS continued

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

	UK schemes		Non-UK schemes		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Opening balance sheet (liability)/asset	(2.2)	5.2	(12.8)	(9.9)	(15.0)	(4.7)
Amount recognised in income statement	(0.7)	(0.3)	(0.6)	(0.7)	(1.3)	(1.0)
Amount recognised in other comprehensive income	8.9	(11.1)	0.9	(0.7)	9.8	(11.8)
Contributions paid	4.0	4.0	0.4	0.6	4.4	4.6
Exchange gain	–	–	(0.1)	(2.1)	(0.1)	(2.1)
Closing balance sheet asset/(liability)	10.0	(2.2)	(12.2)	(12.8)	(2.2)	(15.0)

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

	UK schemes		Non-UK schemes		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Opening defined benefit obligation	190.4	172.9	24.6	19.8	215.0	192.7
Current service cost	–	–	0.4	0.4	0.4	0.4
Interest cost	5.2	5.9	0.6	0.7	5.8	6.6
Actuarial (gain)/loss due to:	(2.2)	20.8	(0.7)	0.7	(2.9)	21.5
– Changes in financial assumptions	4.6	22.7	(0.4)	1.1	4.2	23.8
– Changes in demographic assumptions	(2.1)	–	(0.1)	(0.3)	(2.2)	(0.3)
– Experience adjustments on obligations	(4.7)	(1.9)	(0.2)	(0.1)	(4.9)	(2.0)
Benefits paid	(10.0)	(9.2)	(1.3)	(0.9)	(11.3)	(10.1)
Exchange adjustments	–	–	(0.5)	3.9	(0.5)	3.9
Closing defined benefit obligation	183.4	190.4	23.1	24.6	206.5	215.0

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

	UK schemes		Non-UK schemes		Total	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Opening fair value of scheme assets	188.2	178.1	11.8	9.9	200.0	188.0
Interest on scheme assets	5.1	6.1	0.4	0.4	5.5	6.5
Actual return on scheme assets less interest on scheme assets	6.7	9.7	0.2	–	6.9	9.7
Administration costs	(0.7)	(0.5)	–	–	(0.7)	(0.5)
Contributions by employers	4.1	4.0	0.3	0.6	4.4	4.6
Benefits paid	(10.0)	(9.2)	(1.3)	(0.9)	(11.3)	(10.1)
Exchange adjustments	–	–	(0.5)	1.8	(0.5)	1.8
Closing fair value of scheme assets	193.4	188.2	10.9	11.8	204.3	200.0

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

	2017 £m	2017 %	2016 £m	2016 %
Equity securities	26.2	14	23.7	13
Debt securities	8.0	4	–	–
Diversified growth funds	45.5	24	44.6	24
LDI funds	34.6	18	28.5	15
Property	22.8	12	20.4	11
Insurance policy	35.2	18	36.4	19
Cash and other	21.1	10	34.6	18
Total	193.4	100	188.2	100

4. POST-EMPLOYMENT BENEFITS continued

The insurance policy is a buy-in policy that matches the benefits due to a group of pensioners, and is valued at the amount of obligations covered. The remaining assets are invested in quoted pooled funds, apart from the investment in a segregated diversified growth fund for which quoted prices are not available; the valuation of this fund is provided by the fund manager. The scheme uses Liability Driven Investment ('LDI') funds to help manage investment risk, providing a hedge against nominal rate liabilities.

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

	2017 £m	2017 %	2016 £m	2016 %
Equity securities	4.8	44	5.1	43
Debt securities	5.4	49	6.0	51
Property	–	–	0.1	1
Insurance policy	0.6	6	–	–
Cash and other	0.1	1	0.6	5
Total	10.9	100	11.8	100

A sensitivity analysis of significant assumptions on the UK scheme at 30 November is as follows:

	Decrease/(increase) in obligation (£m)			
	2017		2016	
Change in assumptions	-0.5%pa	+0.5%pa	-0.5%pa	+0.5%pa
Discount rate	(11.5)	10.2	(12.5)	11.1
Inflation and pension increases	6.5	(6.7)	7.2	(7.4)
	-1 year	+1 year	-1 year	+1 year
Life expectancy	5.8	(6.5)	6.3	(6.3)

Consistent with the previous year's figures, these sensitivities have been calculated to show the movement in the defined benefit obligation in isolation, taking into account the effects of the obligation on the matching annuity policy, and assume no other changes in market conditions at the accounting date.

5. NON-UNDERLYING ITEMS

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

		2017 £m	2016 £m
Amounts charged/(credited) to operating profit			
Impairment of Civil Engineering assets – (*Civil Engineering segment*)	(a)	26.9	–
Write down of Ivanka plant – (*Civil Engineering segment*)	(b)	4.7	–
Loss on disposal of the agro-textile business – (*Building & Industrial segment*)	(c)	12.7	–
Pension administration costs – (*Unallocated segment*)	(d)	0.2	0.1
Acquisition-related costs – (*Building & Industrial segment*)	(e)	0.5	0.1
Provision for custom duties – (*Unallocated segment*)	(f)	1.7	–
Amortisation of acquired intangible assets	(g)	3.7	4.0
Pension buy-in costs – (*Unallocated segment*)	(h)	–	0.2
Profit from land sale – (*Building & Industrial/Interiors & Transportation*)	(h)	–	(1.1)
Total charge to operating profit		50.4	3.3
Tax credit in the year	(i)	(11.0)	(0.6)
Total charge to discontinued operations	(j)	1.0	3.7
Total charge to profit for the period		40.4	6.4

Notes to the Accounts continued

5. NON-UNDERLYING ITEMS continued

(a) Following the poor performance of CE, impairment reviews of its goodwill and other assets were conducted. These resulted in a full impairment of the £19.4m goodwill balance, with further impairments of property, plant & equipment (PP&E) and certain intangible assets totalling £6.6m and £0.9m respectively.

(b) As part of the first stage review of CE, it was decided to exit from the loss-making weaving plant in Ivanka, Slovakia. As a consequence, the assets have been written down to the proceeds expected to be realised from the exit, resulting in a charge of £4.7m. This charge is comprised of a write-down of PP&E totalling £3.4m, a write down of intangible assets totalling £0.3m, and a write off of inventory of £1.0m.

(c) In October 2017, the Group completed the disposal of the Lokeren-based agro-textile business. The proceeds totalled £6.1m (€7.0m), of which £5.8m was received in the year and £0.3m in December 2017. The disposal generated a loss before tax of £12.7m (£8.4m after tax).

(d) The Group incurred £0.2m (2016: £0.1m) of pension administration costs relating to its UK defined benefit scheme.

(e) In the year the Group incurred costs of £0.5m (2016: £0.1m) relating to the acquisition of Walflor Industries Inc.

(f) The Group has identified irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office which was closed several years ago. The non-underlying charge of £1.7m represents the Group's best estimate of the liability and it has been treated as non-underlying due to its nature, and the fact that it does not relate to the current period. A thorough investigation is being undertaken and the Group is confident that this is a contained matter.

(g) The amortisation of acquired intangibles of £3.7m (2016: £4.0m) is excluded from underlying business profit in accordance with Group's accounting policies.

(h) In the year to 30 November 2016, the Group incurred professional fees of £0.2m in respect of the medically-underwritten buy-in of £34m of UK pension scheme liabilities, which completed on 3 December 2015; and recorded a profit of £1.1m on the sale of unused land at the Group's manufacturing site in Asheville, USA.

(i) The non-underlying tax credit of £11.0m (2016: £0.6m) includes:

- £3.1m credit in respect of the initial recognition of previously unrecognised tax losses;
- £4.3m credit on the loss on disposal of the agro-textile business;
- £2.2m credit in respect of the Civil Engineering impairment;
- £1.1m credit in respect of the amortisation of acquired intangibles, and
- £0.3m credit on other non-underlying items.

(j) The Group recorded a loss of £1.0m in respect of discontinued operations. We reached agreement with the purchaser of the artificial grass yarns business, sold in 2016, on the level of deferred consideration receivable, and the £0.9m difference between the final amount agreed and the debtor held at the end of 2016 has been included as a non-underlying item from discontinued operations, net of a £0.2m tax credit. A share of loss of £0.3m from the Bonar Natpet joint venture was also recognised.

In the year ended 30 November 2016, the £3.7m loss reflected the actual loss from the sale of the artificial grass yarns business.

6. FINANCIAL INCOME AND FINANCIAL EXPENSE

	2017 £m	2016 £m
Financial income		
Interest income	**0.1**	0.2
	0.1	0.2
Financial expense		
Interest on bank overdrafts and loans	**(4.5)**	(5.2)
Amortisation of bank arrangement fees	**(0.4)**	(0.4)
Net interest on pension scheme net liabilities	**(0.2)**	(0.1)
Capitalised interest	**0.2**	–
	(4.9)	(5.7)
Net financial expense	**(4.8)**	(5.5)

7. TAXATION

Recognised in the income statement

	2017 £m	2016 £m
Current tax		
UK corporation tax		
– current year	**–**	–
– prior year	**–**	–
Overseas tax		
– current year	**8.4**	10.2
– prior year	**(0.1)**	(0.3)
Total current tax	**8.3**	9.9
Deferred tax	**(10.4)**	(1.7)
Total (credit)/charge in the income statement from continuing operations	**(2.1)**	8.2
Tax from discontinued operations	**–**	–
Tax on disposal of grass yarns business (Note 29)	**(0.2)**	(0.9)
Total tax (credit)/ charge in the income statement	**(2.3)**	7.3

The amount of deferred tax income relating to changes in tax rates is £0.2m (2016: £nil).

7. TAXATION continued

Reconciliation of effective tax rate

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 19.33% (2016: 20.00%) to the profit before tax are as follows:

	2017 £m	2016 £m
Loss/(profit) before tax from continuing operations	**(19.7)**	25.9
Loss before tax from discontinued operations	**(1.2)**	(4.1)
Loss/(profit) before tax from total operations	**(20.9)**	21.8
Tax (credit)/charge at 19.33% (2016: 20.00%)	**(4.0)**	4.4
Expenses not deductible	**5.6**	2.6
Income not taxable	**(2.2)**	(1.6)
Higher tax rates on overseas earnings	**1.1**	3.5
Current tax losses not utilised	**–**	0.3
Tax losses utilised	**(0.1)**	(1.8)
Other differences	**0.5**	0.2
Recognition of previously unrecognised deferred tax assets	**(3.1)**	–
Prior period adjustments	**(0.1)**	(0.3)
Total tax (credit)/charge for the year	**(2.3)**	7.3

Deferred tax recognised directly in other comprehensive income

	2017 £m	2016 £m
Actuarial gains and losses relating to post-employment benefit obligations	**(3.2)**	0.3
Total of items that will not be reclassified subsequently to profit or loss	**(3.2)**	0.3

A 1% reduction in the main rate of UK corporation tax from 20% to 19% took effect from 1 April 2017. A further reduction from 19% to 17% will take effect from 1 April 2020. 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. The reduction in the US federal tax rate from 35% to 21% which was enacted on 22 December 2017 and which will take effect from 1 January 2018 is expected to generate a one-off benefit of circa £1.4m on the revaluation of deferred tax liabilities in 2018, together with a reduction of circa 3% in the effective tax rate on profit before non-underlying items, depending on changes in the Group's geographic mix of profits.

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 £20.1m (2016: £86.9m).

9. DIVIDENDS

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

	2017 £m	2016 £m
Final dividend for the year ended 30 November 2016 – 2.00 pence per share (2015: 1.80 pence per share)	**6.6**	5.9
Interim dividend for the year ended 30 November 2017 – 1.05 pence per share (2016: 1.00 pence per share)	**3.4**	3.3
	10.0	9.2

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2017 of 2.00 pence per share which will absorb an estimated £6.6m 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 13 April 2018, it will be paid on 19 April 2018 to Ordinary Shareholders who are on the register of members at close of business on 23 March 2018.

During the year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2016 of 2.00 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 17 March 2017.

The Directors declared an interim dividend on Ordinary Shares in relation to the year ended 30 November 2017 of 1.05 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 26 August 2017.

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:

	2017			2016		
	Earnings £m	Weighted average number of shares (millions)	Per share amount Pence	Earnings £m	Weighted average number of shares (millions)	Per share amount Pence
Statutory – continuing operations						
Basic earnings per share	(18.2)	329.425	(5.56)	17.1	328.984	5.20
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	–	5.556	–	–	3.330	–
Diluted earnings per share	(18.2)	334.981	(5.56)	17.1	332.314	5.15
Statutory – discontinued operations						
Basic earnings per share	(1.0)	329.425	(0.30)	(3.2)	328.984	(0.98)
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	–	5.556	–	–	3.330	–
Diluted earnings per share	(1.0)	334.981	(0.30)	(3.2)	332.314	(0.97)
Statutory – total operations						
Basic earnings per share	(19.2)	329.425	(5.86)	13.9	328.984	4.22
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	–	5.556	–	–	3.330	–
Diluted earnings per share	(19.2)	334.981	(5.86)	13.9	332.314	4.18
Before underlying items – continuing operations						
Basic earnings per share	21.2	329.425	6.42	20.3	328.984	6.01
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	–	5.556	–	–	3.330	–
Diluted earnings per share	21.2	334.981	6.32	20.3	332.314	5.95

On a statutory basis, the effect of the dilutive shares has been ignored as it is deemed to be anti-dilutive (i.e. it is reducing the loss per share).

11. GOODWILL

	Group 2017 £m	Group 2016 £m
Cost		
At 1 December	82.6	78.0
Disposal of the grass yarns business	–	(8.4)
Acquisition of Walflor Industries Inc.	0.9	–
Exchange adjustments	2.8	13.0
At 30 November	86.3	82.6
Accumulated impairment losses		
At 1 December	–	8.4
Disposal of the grass yarns business	–	(8.4)
Impairment loss recognised	19.4	–
At 30 November	19.4	–
Net book value at 30 November	66.9	82.6

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, being the operating segments. During the previous year, the artificial grass yarns business was disposed of along with the associated goodwill. A summary of the carrying value presented at CGU level is shown below:

	Group 2017 Net book value £m	Group 2016 Net book value £m
Cash generating unit groups		
Building & Industrial	12.2	10.9
Civil Engineering	–	19.0
Coated Technical Textiles	39.0	37.6
Interiors & Transportation	15.7	15.1
At 30 November	66.9	82.6

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 (as these have been assessed to be higher than the estimate of fair value less costs to sell) for each CGU group 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 group are derived from the most recent annual budgets approved by the Board (being the 2018 budget plan with 2019-2022 extrapolated from the 2018 budget), 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% (2016: 2%) beyond year five which is consistent with rates disclosed by the OECD.

Discount rate

Forecast pre-tax cash flows for each CGU group are discounted to net present value using the Group's discount rate, calculated based on external advice. Pre-tax discount rates were calculated separately for each CGU group and were 11.1% to 11.3% (2016: 11.4% in each case) and were used to calculate value in use for each CGU group, reflecting management's views of the individual risks and rewards associated with each CGU group. These discount rates were not risk adjusted, as risk was reflected in the cash flows.

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.

With the exception of the goodwill allocated to the Civil Engineering CGU group, the recoverable amounts of all CGUs show headroom compared to their carrying value when reasonably likely changes are made to key assumptions.

Impairment of Civil Engineering goodwill

The goodwill allocated to the Civil Engineering CGU group was last tested for impairment at the end of 2016 financial year. At that point, whilst no impairment was required, the Civil Engineering CGU group was highlighted as the only CGU grouping where a reasonably likely change in assumptions could trigger an impairment of goodwill.

Following a review of the Civil Engineering market, triggered by the downturn in the GBU's performance, management have reduced their forecasts for the future performance of the Civil Engineering GBU.

These reduced forecasts have then been used to project the value in use of the Civil Engineering CGU grouping using the macro assumptions listed above.

The analysis resulted in an estimate of recoverable amount of the Civil Engineering CGU grouping of £33.8m. Accordingly the full carrying value of the goodwill of £19.4m has been impaired. In addition, the value in use estimate resulted in an impairment of Civil Engineering's intangible assets totalling £0.9m (Note 12) and property, plant and equipment totalling £6.6m (Note 13).

A 1% increase or decrease to either the discount rate or the growth rate assumption would have no impact on the goodwill impairment that has been recognised.

11. GOODWILL continued

The sensitivity of the PPE/intangible impairment to a 1% change in the discount rate and growth rates are set out in the table below:

	Long-term growth rates		Discount rate	
	+1% £m	-1% £m	+1% £m	-1% £m
PPE/intangible impairment	(2.6)	2.0	2.9	(3.6)

12. INTANGIBLE ASSETS

Group	Computer software £m	Research and development £m	Order backlog £m	Customer relationships £m	Marketing related £m	Technology based £m	Non-compete agreements £m	Total £m
Cost								
At 30 November 2015	3.5	5.2	0.4	29.3	12.3	18.0	1.1	69.8
Exchange adjustment	0.8	1.2	0.1	5.3	2.6	3.4	0.2	13.6
Additions	2.8	0.5	–	–	–	–	–	3.3
Disposal of the grass yarns business	–	(0.4)	(0.1)	(1.3)	–	(1.8)	(0.7)	(4.3)
At 30 November 2016	7.1	6.5	0.4	33.3	14.9	19.6	0.6	82.4
Exchange adjustment	**–**	**0.3**	**–**	**0.8**	**0.6**	**0.7**	**–**	**2.4**
Additions	**5.0**	**0.7**	**–**	**–**	**–**	**–**	**–**	**5.7**
Acquisition of Walflor Industries Inc.	**–**	**–**	**–**	**2.5**	**–**	**0.1**	**0.2**	**2.8**
Disposal of the agro-textile business	**(0.5)**	**(0.8)**	**–**	**–**	**–**	**–**	**–**	**(1.3)**
At 30 November 2017	**11.6**	**6.7**	**0.4**	**36.6**	**15.5**	**20.4**	**0.8**	**92.0**
Aggregate amortisation								
At 30 November 2015	2.6	2.5	0.3	19.9	7.5	15.6	1.1	49.5
Exchange adjustment	0.6	0.6	0.1	3.4	1.6	2.9	0.2	9.4
Charge for the year	0.4	0.8	–	2.0	1.0	1.0	–	5.2
Disposal of the grass yarns business	–	–	(0.1)	(1.3)	–	(1.8)	(0.7)	(3.9)
At 30 November 2016	3.6	3.9	0.3	24.0	10.1	17.7	0.6	60.2
Exchange adjustment	**–**	**0.1**	**–**	**0.9**	**0.4**	**0.5**	**–**	**1.9**
Charge for the year	**0.3**	**0.8**	**–**	**1.7**	**0.9**	**1.1**	**–**	**4.8**
Disposal of the agro-textile business	**(0.4)**	**(0.5)**	**–**	**–**	**–**	**–**	**–**	**(0.9)**
Impairment	**0.7**	**0.2**	**–**	**0.3**	**–**	**–**	**–**	**1.2**
At 30 November 2017	**4.2**	**4.5**	**0.3**	**26.9**	**11.4**	**19.3**	**0.6**	**67.2**
Net book value								
At 30 November 2017	**7.4**	**2.2**	**0.1**	**9.7**	**4.1**	**1.1**	**0.2**	**24.8**
At 30 November 2016	3.5	2.6	0.1	9.3	4.8	1.9	–	22.2
At 30 November 2015	0.9	2.7	0.1	9.4	4.8	2.4	–	20.3

Notes

(i) 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.

(ii) Customer relationships consist of customer lists, customer contracts and relationships and non-contractual customer relationships.

(iii) 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.

(iv) Technology-based intangible assets relate to innovations and technological advances and include patented and unpatented technology, databases and trade secrets.

(v) Non-compete agreements prohibit a seller from competing with the purchaser of a business.

(vi) The Civil Engineering Impairment review resulted in an impairment of £0.2m relating to Research and Development and a £0.7m impairment to computer software (Note 11). In addition, the decision to close the Ivanka site has resulted in a £0.3m write down to the Customer Relationships intangible asset (Note 5).

(vii) Computer software and Research & Development represent assets which are internally generated.

The Company intangible assets of £0.8m (2016: £nil) represents capitalised software costs.

13. PROPERTY, PLANT AND EQUIPMENT

	Group				Company
	Property £m	Plant and equipment £m	Assets under construction £m	Total £m	Total Property £m
Cost					
At 30 November 2015	46.5	211.6	35.9	294.0	0.4
Exchange adjustment	10.2	40.7	4.3	55.2	–
Additions	1.3	10.1	7.1	18.5	0.7
Reclassifications	9.5	26.3	(36.7)	(0.9)	–
Disposals	(0.3)	(2.4)	–	(2.7)	(0.3)
Disposal of the grass yarns business	–	(14.7)	–	(14.7)	–
At 30 November 2016	67.2	271.6	10.6	349.4	0.8
Exchange adjustment	**1.0**	**3.4**	**(0.3)**	**4.1**	**–**
Additions	**2.9**	**7.2**	**19.2**	**29.3**	**–**
Acquisition of Walflor Industries Inc.	**–**	**0.5**	**–**	**0.5**	**–**
Reclassifications	**0.3**	**1.9**	**(2.2)**	**–**	**–**
Disposals	**–**	**(3.8)**	**–**	**(3.8)**	**–**
Disposal of the agro-textile business	**(5.2)**	**(21.5)**	**–**	**(26.7)**	**–**
At 30 November 2017	**66.2**	**259.3**	**27.3**	**352.8**	**0.8**
Accumulated depreciation					
At 30 November 2015	18.4	143.6	–	162.0	0.2
Exchange adjustment	3.9	27.2	–	31.1	–
Charge for the year	1.4	14.4	–	15.8	0.1
Reclassifications	(0.2)	(0.9)	–	(1.1)	–
Disposals	(0.2)	(2.1)	–	(2.3)	(0.1)
Disposal of the grass yarns business	–	(6.4)	–	(6.4)	–
At 30 November 2016	23.3	175.8	–	199.1	0.2
Exchange adjustment	**0.6**	**3.6**	**–**	**4.2**	**–**
Charge for the year	**5.0**	**13.5**	**–**	**18.5**	**0.1**
Reclassifications	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**(3.0)**	**–**	**(3.0)**	**–**
Disposal of the agro-textile business	**(2.7)**	**(17.8)**	**–**	**(20.5)**	**–**
Impairments	**2.1**	**7.9**	**–**	**10.0**	**–**
At 30 November 2017	**28.3**	**180.0**	**–**	**208.3**	**0.3**
Net book value					
At 30 November 2017	**37.9**	**79.3**	**27.3**	**144.5**	**0.5**
At 30 November 2016	43.9	95.8	10.6	150.3	0.6
At 30 November 2015	28.1	68.0	35.9	132.0	0.2

The carrying value of freehold land not depreciated at 30 November 2017 was £2.9m (2016: £4.2m). Committed capital expenditure at 30 November 2017 totalled £3.4m (2016: £16.6m).

Following a review of the profitability of the Ivanka site (part of the Civil Engineering GBU) , and the subsequent decision to close the site, the property, plant and equipment have been written down to management internally-generated estimate of the expected sales proceeds net of expected costs to sell. This has resulted in a property impairment charge of £2.1m and an impairment of plant and equipment totalling £1.3m which are included within non-underlying items. The property, plant and equipment has been written down to its estimated recoverable amount of £4.7m (including £1.0m value of inventory).

The impairment review of the CGUs allocated to the Civil Engineering Segment has resulted in an impairment of plant and equipment including within non-underlying items totalling £6.6m (Note 11).

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 £m	2016 £m
Cost at 1 December	103.5	103.5
Equity investment in subsidiary undertaking	88.1	–
Cost at 30 November	191.6	103.5
Provision for impairment at 1 December and 30 November	(10.3)	(10.3)
Net book value at 30 November	181.3	93.2

During the year, £nil (2016: £0.4m) was provided in respect of shares held in a dormant entity. During the year, a 100% wholly owned subsidiary, Low & Bonar Euro Holdings Limited, was incorporated. The subsidiary undertakings are shown within Note 36.

15. INVESTMENT IN JOINT VENTURE

	Group	
	2017 £m	2016 £m
Cost		
At 1 December	3.0	3.0
Equity investment in joint venture	–	–
Share of retained loss	–	–
Exchange adjustment	–	–
At 30 November	3.0	3.0
Impairment provision		
At 1 December	(3.0)	(3.0)
Impairment of investment in joint venture	–	–
At 30 November	(3.0)	(3.0)
Net book value at 30 November	–	–

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

	2017 £m	2016 £m
Total assets	38.4	42.7
Total liabilities	(35.4)	(35.7)
Net assets	3.0	7.0
Group share of net assets	1.5	3.5
Total revenue	17.6	16.2
Total loss for the year	(3.6)	(2.6)
Group share of loss for the year	(0.3)	(1.3)

The difference between the Group's share of net assets of £1.5m and the liability held for sale of £1.4m (Note 29) represents prior year impairments, foreign exchange movements and capitalisation of losses. The joint venture is shown within Note 36.

16. INVESTMENT IN ASSOCIATES

	Group	
	2017 £m	2016 £m
Cost and net book value		
At 1 December	0.5	0.5
Share of retained profit	0.2	0.1
Dividends received	–	(0.1)
At 30 November	0.7	0.5

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

	2017 £m	2016 £m
Total assets	1.7	1.4
Total liabilities	–	(0.2)
Net assets	1.4	1.2
Group share of net assets	0.6	0.5
Total revenue	3.0	3.3
Total profit for the year	0.4	0.3
Group share of profit for the year	0.2	0.1

The associates are shown within Note 36.

17. INVENTORIES

	Group	
	2017 £m	2016 £m
Raw materials	21.9	23.5
Work in progress	19.3	17.1
Finished goods	56.1	56.9
Total	97.3	97.5

Inventories are presented in the balance sheet net of provision for impairment of obsolete and slow-moving items. The provision required 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 (Note 2).

18. TRADE AND OTHER RECEIVABLES

	Group 2017 £m	Group 2016 £m
Current		
Trade receivables	73.6	64.9
Provision for impairment of receivables	(1.3)	(1.5)
Net trade receivables	72.3	63.4
Other receivables	11.0	10.5
Prepayments and accrued income	3.6	5.2
Total	86.9	79.1

	Company 2017 £m	Company 2016 £m
Non-current		
Amounts owed by subsidiaries	47.2	39.9
Current		
Amounts owed by subsidiaries	171.5	151.5
Other receivables	0.7	0.5
Prepayments and accrued income	0.7	0.4
Total	172.9	152.4

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 2017 £m	Group 2016 £m
Not past due	63.3	53.8
0–30 days past due	4.6	4.7
31–120 days past due	2.5	2.4
More than 120 days past due	3.2	4.0
Total	73.6	64.9

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

	Group 2017 £m	Group 2016 £m
Balance at 1 December	(1.5)	(2.4)
Increased during the year	(0.2)	(0.5)
Released during the year	0.3	0.2
Utilised during the year	0.1	1.6
Exchange adjustments	–	(0.4)
Total	(1.3)	(1.5)

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

	Group 2017 £m	Group 2016 £m
Not past due	–	–
0–30 days past due	–	–
31–120 days past due	(0.1)	(0.1)
More than 120 days past due	(1.2)	(1.4)
Total	(1.3)	(1.5)

Provisions for impairment of receivables are estimated by management based on prior experience and their assessment of the current economic environment. Management believe that this provision is adequate to cover the risk of bad debts and exposure to credit risk. At 30 November 2017, 70.7% (2016: 70.5%) of trade receivables were insured.

19. TRADE AND OTHER PAYABLES

	Group 2017 £m	Group 2016 £m
Current		
Trade payables	64.2	57.6
Other taxes and social security	2.5	2.1
Other payables	2.6	7.0
Accruals	17.4	17.7
Total	86.7	84.4

	Company 2017 £m	Company 2016 £m
Current		
Amounts owed to subsidiaries	102.8	16.8
Other taxes and social security	0.2	0.2
Other payables	1.9	1.5
Accruals	0.7	0.7
Total	105.6	19.2

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 2017.

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 2017 £m	**Book value 2017 £m**	Fair value 2016 £m	Book value 2016 £m	**Fair value 2017 £m**	**Book value 2017 £m**	Fair value 2016 £m	Book value 2016 £m
Loans and receivables								
Cash and cash equivalents	**38.2**	**38.2**	26.3	26.3	**0.1**	**0.1**	1.4	1.4
Trade and other receivables	**83.3**	**83.3**	73.9	73.9	**219.4**	**219.4**	191.9	191.9
Financial liabilities at amortised cost								
Trade and other payables	**(89.7)**	**(89.7)**	(89.0)	(89.0)	**(105.6)**	**(105.6)**	(19.2)	(19.2)
Bank overdrafts	**(2.7)**	**(2.7)**	(0.1)	(0.1)	**(2.0)**	**(2.0)**	(1.3)	(1.3)
Preference shares	**(0.4)**	**(0.4)**	(0.4)	(0.4)	**(0.4)**	**(0.4)**	(0.4)	(0.4)
Prepaid arrangement fees	**0.8**	**0.8**	0.9	0.9	**0.5**	**0.5**	0.7	0.7
Floating rate borrowings	**(121.4)**	**(121.4)**	(86.8)	(86.8)	**(71.6)**	**(71.6)**	(48.7)	(48.7)
Fixed rate borrowings	**(53.5)**	**(52.9)**	(51.6)	(50.9)	**–**	**–**	–	–
Total	(145.4)	(144.8)	(126.8)	(126.1)	40.4	40.4	124.4	124.4

Estimation of fair value

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

Cash and cash equivalents

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

Trade and other receivables/payables

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

Interest-bearing financial assets and liabilities

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

20. FINANCIAL ASSETS, LIABILITIES, DERIVATIVES AND FINANCIAL RISK MANAGEMENT continued

Funding and liquidity

The Group's borrowing facilities at 30 November 2017 totalled £215m (2016: £209m), 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;
- a €60m senior loan note raised by private placement with Pricoa Capital Group Limited; this funding is unsecured and is scheduled for repayment between September 2022 and September 2026 in even tranches, and bears interest at a fixed rate of 2.57% per annum for the term of the loan; and
- 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	
	2017 £m	2016 £m
Net debt	**138.4**	111.0
Total equity	**180.3**	202.4
Total	**318.7**	313.4

Analysis of cash and cash equivalents

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Sterling	**2.5**	2.2	**–**	0.8
Euro	**19.9**	5.8	**0.1**	–
US Dollar	**10.9**	7.8	**–**	0.6
Other	**4.9**	10.5	**–**	–
Total	**38.2**	26.3	**0.1**	1.4

Analysis of interest-bearing borrowings

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Borrowings falling due within one year or on demand				
Interest bearing loans and overdrafts	**2.7**	0.1	**2.0**	1.3
Total	**2.7**	0.1	**2.0**	1.3
Borrowings falling due after more than one year				
Interest bearing loans and overdrafts	**120.6**	86.1	**71.1**	48.0
2.57% €60m Senior Note due 2022-2026	**52.9**	50.7	**–**	–
Other borrowings				
– Preference shares	**0.4**	0.4	**0.4**	0.4
Total	**173.9**	137.2	**71.5**	48.4

20. FINANCIAL ASSETS, LIABILITIES, DERIVATIVES AND FINANCIAL RISK MANAGEMENT continued

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

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

Group 2017

	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	1.9	(13.8)	(14.3)	(0.3)	(14.0)	–	–
– Euro	1.3	(73.8)	(75.2)	(0.8)	(74.4)	–	–
– US Dollar	2.5	(20.2)	(21.0)	(0.5)	(20.5)	–	–
2.57% €60m Senior Note due 2022-2026	2.6	(52.9)	(63.1)	(1.4)	(1.4)	(4.1)	(56.2)
RMB150m facility	5.2	(13.6)	(16.1)	(0.7)	(0.7)	(14.7)	–
Bank overdrafts							
– Sterling	2.5	(1.7)	(1.7)	(1.7)	–	–	–
– Euro	2.5	(1.0)	(1.0)	(1.0)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.8	–	–	–	–	–
		(176.6)	(192.8)	(6.4)	(111.0)	(18.8)	(56.6)
Trade and other payables		(89.7)	(89.7)	(89.5)	(0.2)	–	–
Total		(266.3)	(282.5)	(95.9)	(111.2)	(18.8)	(56.6)

Group 2016

	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	2.3	–	–	–	–	–	–
– Euro	1.5	(59.7)	(62.1)	(0.9)	(0.9)	(60.3)	–
– US Dollar	2.3	(14.9)	(16.1)	(0.3)	(0.3)	(15.5)	–
2.57% €60m Senior Note due 2022-2026	2.6	(50.9)	(60.7)	(1.3)	(1.3)	(3.9)	(54.2)
RMB150m facility	5.6	(12.2)	(14.7)	(0.7)	(0.7)	(13.3)	–
Bank overdraft – Euro	1.5	(0.1)	(0.1)	(0.1)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.9	–	–	–	–	–
		(137.3)	(154.1)	(3.3)	(3.2)	(93.0)	(54.6)
Trade and other payables		(89.0)	(89.0)	(88.8)	(0.2)	–	–
Total		(226.3)	(243.1)	(92.1)	(3.4)	(93.0)	(54.6)

20. FINANCIAL ASSETS, LIABILITIES, DERIVATIVES AND FINANCIAL RISK MANAGEMENT continued

Company 2017

	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	1.9	(14.6)	(15.4)	(0.3)	(15.1)	–	–
– Euro	1.3	(36.8)	(38.1)	(0.5)	(37.6)	–	–
– US Dollar	2.5	(20.2)	(21.6)	(0.5)	(21.1)	–	–
Bank overdrafts							
– Sterling	2.5	(1.7)	(1.7)	(1.7)	–	–	–
– Euro	2.5	(0.3)	(0.3)	(0.3)	–	–	–
– Other	2.5	–	–	–	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.5	–	–	–	–	–
		(73.5)	(77.5)	(3.3)	(73.8)	–	(0.4)
Trade and other payables		(105.6)	(105.6)	(105.6)	–	–	–
Total		(179.1)	(183.1)	(108.9)	(73.8)	–	(0.4)

Company 2016

	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	2.3	–	–	–	–	–	–
– Euro	1.5	(33.8)	(35.1)	(0.5)	(0.5)	(34.1)	–
– US Dollar	2.3	(14.9)	(16.1)	(0.3)	(0.3)	(15.5)	–
Bank overdrafts							
– Sterling	2.5	–	–	–	–	–	–
– Euro	2.5	(1.3)	(1.3)	(1.3)	–	–	–
– Other	2.5	–	–	–	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.7	–	–	–	–	–
		(49.7)	(52.9)	(2.1)	(0.8)	(49.6)	(0.4)
Trade and other payables		(19.2)	(19.2)	(19.2)	–	–	–
Total		(68.9)	(72.1)	(21.3)	(0.8)	(49.6)	(0.4)

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 US 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. Underlying profit before tax for the year ended 30 November 2016 retranslated using 2017 average exchange rates would have been £2.2m higher.

(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.

For the year ended 30 November 2017 and 30 November 2016 no derivative instruments were used to manage the transactional currency exposures.

The following significant exchange rates applied during the year:

	Average rate 2017	Average rate 2016	Year end rate 2017	Year end rate 2016
Sterling/Euro	**1.15**	1.23	**1.14**	1.18
Sterling/US Dollar	**1.28**	1.37	**1.35**	1.25
Sterling/Czech Crown	**30.26**	33.31	**28.98**	31.87
Sterling/Hungarian Forint	**354.05**	384.22	**355.33**	368.84
Sterling/Chinese Yuan	**8.70**	9.02	**8.95**	8.61

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:

	2017		2016	
	Profit £m	Equity £m	Profit £m	Equity £m
US Dollar	**(0.8)**	**(1.6)**	(1.0)	(1.7)
Euro	**(0.1)**	**(6.3)**	(0.3)	(6.4)
Czech Crown	**(0.1)**	**(1.1)**	(0.2)	(1.0)
Chinese Yuan	**(0.3)**	**(4.5)**	(0.2)	(3.4)

A 10% weakening of Sterling against the above currencies as at 30 November 2017 and 2016 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 and receivables which represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk in relation to cash 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.

20. FINANCIAL ASSETS, LIABILITIES, DERIVATIVES AND FINANCIAL RISK MANAGEMENT continued

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Trade and other receivables	**83.3**	73.9	**219.4**	191.9
Cash and cash equivalents	**38.2**	26.3	**0.1**	1.4
Total	**121.5**	100.2	**219.5**	193.3

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 2017 and 2016 were on a floating rate basis, apart from preference debt with an average coupon rate of 5.75% and the €60m Senior Note due 2022-2026 which bears interest at 2.57%.

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Fixed rate				
Total fixed rate	**(53.3)**	(51.1)	**(0.4)**	(0.4)
Floating rate				
Total floating rate	**(85.1)**	(59.9)	**(73.0)**	(47.9)
Total	**(138.4)**	(111.0)	**(73.4)**	(48.3)

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 £0.7m (2016: £0.7m). The impact on the profit or loss for the period would have been to increase or decrease profit by £0.9m (2016: £1.0m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

21. DEFERRED TAXATION

Group

Recognised deferred tax assets and liabilities:

	2017			2016		
	Assets £m	Liabilities £m	Net assets/ (liabilities) £m	Assets £m	Liabilities £m	Net assets/ (liabilities) £m
Intangible assets	–	(4.2)	(4.2)	–	(4.2)	(4.2)
Retirement benefit liabilities	2.6	–	2.6	3.1	–	3.1
Retirement benefit assets	–	(3.5)	(3.5)	–	–	–
Accelerated tax depreciation	–	(9.2)	(9.2)	–	(13.6)	(13.6)
Tax losses	7.3	–	7.3	1.1	–	1.1
Other	0.2	(0.6)	(0.4)	1.4	(1.3)	0.1
Net tax assets/(liabilities)	10.1	(17.5)	(7.4)	5.6	(19.1)	(13.5)

Unrecognised deferred tax assets:

	2017 £m	2016 £m
Tax losses	21.0	25.2
Retirement benefit liabilities	–	0.4
Employee share schemes	1.4	1.5
Accelerated tax depreciation	0.9	0.7
Total	23.3	27.8

Unrecognised tax losses include an amount of £6.5m (2016: £6.5m) in respect of capital losses. The tax losses have no expiry date.

Movement in deferred tax during the year ended 30 November 2017:

	Balance 1 Dec 2016 £m	Recognised in other comprehensive income £m	Recognised in income £m	Arising on acquisition £m	Exchange adjustments £m	Balance 30 Nov 2017 £m
Intangible assets	(4.2)	–	1.1	(1.0)	(0.1)	(4.2)
Retirement benefit liabilities	3.1	(0.1)	(0.3)	–	(0.1)	2.6
Retirement benefit assets	–	(3.1)	(0.4)	–	–	(3.5)
Accelerated tax depreciation	(13.6)	–	4.1	(0.1)	0.4	(9.2)
Tax losses	1.1	–	6.2	–	–	7.3
Other	0.1	–	(0.3)	–	(0.2)	(0.4)
Total	(13.5)	(3.2)	10.4	(1.1)	–	(7.4)

Movement in deferred tax during the year ended 30 November 2016:

	Balance 1 Dec 2015 £m	Recognised in other comprehensive income £m	Recognised in income £m	Arising on acquisition £m	Exchange adjustments £m	Balance 30 Nov 2016 £m
Intangible assets	(4.4)	–	1.0	–	(0.8)	(4.2)
Retirement benefit liabilities	2.2	0.3	(0.1)	–	0.7	3.1
Accelerated tax depreciation	(12.2)	–	1.1	–	(2.5)	(13.6)
Tax losses	1.0	–	–	–	0.1	1.1
Other	0.6	–	(0.3)	–	(0.2)	0.1
Total	(12.8)	0.3	1.7	–	(2.7)	(13.5)

21. DEFERRED TAXATION continued

The Group has recognised deferred tax assets of £10.1m (2016: £5.6m) 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 assets of £23.3m (2016: £27.8m) as the Directors do not 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 totalling £0.7m (2016: £0.8m) in respect of potential withholding tax due on the remittance of undistributed profits from 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.

Company

The Company has recognised deferred tax assets of £3.5m (2016: nil) mainly attributable to tax losses, and deferred tax liabilities of £3.5m (2016: nil) related to the pension surplus.

Unrecognised deferred tax assets:

	2017 £m	2016 £m
Tax losses	8.7	13.3
Retirement benefit liabilities	–	1.5
Employee share schemes	1.5	0.4
Total	10.2	15.2

The Company has not recognised deferred tax assets of £10.2m (2016: £15.2m) as the Directors do not 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.

Tax losses include an amount of £4.4m (2016: £4.4m) in respect of capital losses. The tax losses have no expiry date.

22. PROVISIONS

	Group £m
Current	
At 30 November 2015	0.1
Created in the year	–
Utilised in the year	(0.1)
At 30 November 2016	–
Created in the year	1.7
Utilised in the year	–
At 30 November 2017	1.7

The Group has identified irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office which was closed several years ago. The provision created during the year of £1.7m represents the Group's best estimate of the liability and is not expected to vary materially (Note 5).

23. OTHER PAYABLES

	Group	
	2017 £m	2016 £m
Non-current		
Other payables	0.8	0.2

	Company	
	2017 £m	2016 £m
Non-current		
Amounts owed to subsidiaries	–	–

24. SHARE CAPITAL

	Group and Company 2017		Group and Company 2016	
	Ordinary Shares £m	Deferred Shares £m	Ordinary Shares £m	Deferred Shares £m
Allotted, called up and fully paid				
At 1 December				
329,298,026 (2016: 328,983,477) Ordinary Shares at 5 pence each	16.5	–	16.5	–
154,571,152 Deferred Shares at 20 pence each	–	30.9	–	30.9
408,008 Ordinary Shares (2016: 314,549) issued under share option plans and long-term incentive plan	–	–	–	–
At 30 November				
329,706,034 (2016: 329,298,026) Ordinary Shares of 5 pence each	16.5	–	16.5	–
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.

Notes to the Accounts continued

24. SHARE CAPITAL continued

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.

Ordinary Share Capital

At a general meeting of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, shall have one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution shall have one vote. No member shall, unless the Directors otherwise determine, be entitled to be present or to be counted in a quorum or to vote either personally or by proxy or otherwise at any general meeting of the Company or at any separate general meeting of the holders of any class of the shares of the Company or upon a poll or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of shares in the Company of which he is the holder (whether alone or jointly with any other person), together with interest, costs, charges and expenses (if any), remains unpaid. If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) in respect of: the shares comprising the shareholding account in the Register of Members which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the default shares, which expression shall include any further shares which are issued in respect of such shares); and any other shares held by the member, the member shall (for so long as the default continues) not nor shall any transferee to which any of such shares are transferred other than pursuant to an approved transfer or pursuant to the Articles be entitled to be present or to vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of shares of the Company or to exercise any other right conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company. The profits which the Company may determine to distribute in respect of any financial year or other period for which its accounts are made up shall be applied, in the first place, in paying to the holders of the first cumulative preference stock a fixed cumulative preferential dividend at the rate of 6 per cent. per annum: in the second place, in paying to the holders of the second cumulative preference stock a fixed cumulative preferential dividend at the rate of 6 per cent. per annum: and, in the third place, in paying to the holders of the third cumulative preference stock a fixed cumulative preferential dividend at the rate of 5½ per cent. per annum, and, subject to any special rights which may be attached to any shares hereafter created or issued, the balance of the said profits shall be distributed among the holders of the ordinary shares. On a return of assets on liquidation or otherwise, the assets of the Company available for distribution among the members shall be applied, in the first place, in repaying to the holders of the first cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital): in the second place, in repaying to the holders of the second cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital): and, in the third place, in repaying to the holders of the third cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital), and, subject to any special rights which may be attached to any shares hereafter created or issued, the balance shall belong to and be distributed among the holders of the ordinary shares. A Deferred Share entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of (i) the amounts entitled to be paid to holders of the preference stock, and (ii) the capital paid up on each ordinary share of five pence in the share capital of the Company and the further payment of £10,000,000 on each such ordinary share. The full rights and obligations attaching to ownership of shares in the Company are contained in its Articles of Association.

The Company operates an employee benefit trust to hold shares in relation to satisfying awards made under certain employee share schemes. At 30 November 2017, the trust held 26,752 Ordinary Shares (2016: 26,752 Ordinary Shares).

Shares issued during the year

During the year ended 30 November 2017, 408,008 shares (2016: 314,549 shares) were issued to employees who exercised share options. The nominal value was 5.00p per share and the aggregate consideration was £0.2m (2016: £0.2m). £Nil shares (2016: Nil) were issued pursuant to awards made under the LTIP granted in 2013.

24. SHARE CAPITAL continued

Preference Shares

	Group and Company 2017 £m	Group and Company 2016 £m
Allotted, called up and fully paid		
100,000 (2015: 100,000) 6% first cumulative preference stock of £1.00 each	**0.1**	0.1
100,000 (2015: 100,000) 6% second cumulative preference stock of £1.00 each	**0.1**	0.1
200,000 (2015: 200,000) 5.5% third cumulative preference stock of £1.00 each	**0.2**	0.2
Total	**0.4**	0.4

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

Potential issues of Ordinary Shares

An element of senior executive remuneration is provided in the form of share options and long-term incentive plan awards. More details of these options and awards can be found in the Directors' 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 2.9 million Ordinary Shares outstanding at 30 November 2017 (2016: 3.2 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 0.6 million (2016: 0.9 million).

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

				Ordinary Shares of 5p each				
Year of grant	Average fair value in pence	Exercise price in pence	Exercise period	1 Dec 2016	Granted	Exercised	Forfeited	30 Nov 2017
Share options								
2012	19.31	51.20	2015 to 2017	9,787	–	(9,787)	–	**–**
2013	18.55	58.80	2016 to 2018	101,254	–	(4,897)	(90,235)	**6,122**
2013	20.29	58.80	2016 to 2018	230,597	–	(15,292)	(51,703)	**163,602**
2014	22.37	68.80	2017 to 2019	88,598	–	(34,008)	(13,081)	**41,509**
2014	21.89	68.80	2017 to 2019	455,528	–	(198,655)	(159,632)	**97,241**
2015	14.20	48.80	2018 to 2020	693,844	–	(54,403)	(65,643)	**573,798**
2015	13.47	48.80	2018 to 2020	662,734	–	–	(33,142)	**629,592**
2016	12.59	49.00	2019 to 2021	379,080	–	(23,469)	(65,058)	**290,553**
2016	11.84	49.00	2019 to 2021	534,317	–	–	(21,019)	**513,298**
2017	15.87	55.20	2020 to 2022	–	531,116	–	(17,064)	**514,052**
2017	16.55	55.20	2020 to 2022	–	71,666	–	–	**71,666**
Total				3,155,739	602,782	(340,511)	(516,577)	**2,901,433**

The weighted average exercise price of share options outstanding at 30 November 2017 was 51.69p (2016: 53.37p). The weighted average exercise prices of share options granted, exercised and forfeited in the year to 30 November 2017 were 55.2p, 63.14p and 58.29p, respectively (2016: 49.00p, 55.56p and 87.00p, respectively). No share options were exercisable at 30 November 2017 (2016: 0.1 million).

The fair values of share options granted in the year to 30 November 2017 ranged from 15.87p to 16.55p (2016: 11.84p to 13.33p) and were derived using the Black-Scholes model. The assumed future volatility ranged from 31.22% to 32.20% (2016: 26.61% to 30.34%), the dividend yield was 4.23% (2016: 4.48%), the expected term ranged from 3.4 years to 5.4 years (2016: 3.4 years to 5.4 years) and the risk-free rate ranged from 0.12% to 0.42% (2016: 0.39% to 0.77%).

The average share price in the year ended 30 November 2017 was 74.90p (2016: 62.70p).

24. SHARE CAPITAL continued

Long-term incentive plan awards

Under the provisions of the long-term incentive plans there were awards for a total of 9.6 million Ordinary Shares outstanding at 30 November 2017 (2016: 8.7 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 3.3 million (2016: 3.4 million).

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

				Ordinary Shares of 5p each				
Year of grant	Average fair value in pence	Award price in pence	Vesting period	1 Dec 2016	Awarded	Exercised	Forfeited	30 Nov 2017
2014	75.48	89.75	2014 to 2017	1,343,867	–	–	(1,343,867)	**–**
2014	66.05	82.00	2014 to 2017	542,168	–	–	(542,168)	**–**
2015	48.27	57.25	2015 to 2018	3,063,406	–	–	(125,678)	**2,937,728**
2015	50.62	59.50	2015 to 2018	76,965	–	–	(1,788)	**75,177**
2015	62.24	71.00	2015 to 2018	270,383	–	–	–	**270,383**
2016	54.36	63.50	2016 to 2018	138,848	–	–	–	**138,848**
2016	51.54	63.50	2016 to 2019	3,265,096	–	–	(391,407)	**2,873,689**
2017	57.40	70.00	2017 to 2020	–	2,799,352	–	(217,702)	**2,581,650**
2017	63.31	77.00	2017 to 2020	–	142,857	–	–	**142,857**
2017	53.33	69.50	2017 to 2020	–	553,572	–	–	**553,572**
Total	58.26	64.06		8,700,733	3,495,781	–	(2,622,610)	**9,573,904**

None of the instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2017 (2016: nil). The fair values of awards made in the year to 30 November 2017 ranged from 37.15p to 77.00p (2016: 39.58p to 63.50p) and were derived using the Black-Scholes or Stochastic models. The assumed future volatility was based on historical trends and ranged from 25.11% to 31.38% (2016: 32.36% to 33.54%), the dividend yield was 0% (2016: 0%), the expected term was 2 to 3 years (2016: 2 to 3 years) and the risk-free rate ranged from 0.17% to 0.42% (2016: 0.38% to 0.52%).

The total amount charged to the Consolidated Income Statement in respect of share-based payments was £0.7m (2016: £0.9m). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2017 or 30 November 2016.

25. SHARE PREMIUM ACCOUNT

	Group and Company	
	2017 £m	2016 £m
At 1 December	**74.4**	74.2
Premium on Ordinary Shares issued during the year	**0.2**	0.2
At 30 November	**74.6**	74.4

26. TRANSLATION RESERVE

	Group	
	2017 £m	2016 £m
At 1 December	**(26.0)**	(61.0)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	**(0.4)**	36.7
Exchange differences recycled from reserves	**–**	(1.7)
At 30 November	**(26.4)**	(26.0)

27. NON-CONTROLLING INTEREST

	Group	
	2017 £m	2016 £m
At 1 December	**6.4**	6.1
Share of profit after taxation	**0.6**	0.6
Dividends	**(1.0)**	(0.3)
Exchange adjustment	**0.4**	–
At 30 November	**6.4**	6.4

Non-controlling interest represents the minority shareholder's 40% interest in Yihua Bonar Yarns & Fabrics Co. Ltd. ('YBF'). Total net assets for YBF at 30 November 2017 were £16.0m (2016: £17.8m) and total profit after taxation for the year ended 30 November 2017 was £1.6m (2016: £1.5m).

28. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

	Group 2017 £m	Group 2016 £m
For the year ended 30 November		
Net increase/(decrease) in cash and cash equivalents	**12.5**	(11.6)
Net cash flow from movements in debt financing	**(36.4)**	20.1
Amortisation of bank arrangement fees	**(0.4)**	(0.4)
Foreign exchange differences	**(3.1)**	(17.0)
Movement in net debt in the year	**(27.4)**	(8.9)
Net debt at 1 December	**(111.0)**	(102.1)
Net debt at 30 November	**(138.4)**	(111.0)

	Company 2017 £m	Company 2016 £m
For the year ended 30 November		
Net decrease in cash and cash equivalents	**(1.3)**	(3.8)
Net cash flow from movements in debt financing	**(23.8)**	50.6
Amortisation of bank arrangement fees	**(0.3)**	(0.4)
Foreign exchange differences	**0.3**	0.4
Movement in net debt in the year	**(25.1)**	46.8
Net debt at 1 December	**(48.3)**	(95.1)
Net debt at 30 November	**(73.4)**	(48.3)

29. DISCONTINUED OPERATIONS

Discontinued operations

During the prior year, the Board announced the disposal of the Group's artificial grass yarns business (previously comprising the majority of its Sport & Leisure global business unit). The disposal completed on 1 September 2016. In the prior periods, the results were presented within discontinued operations on the face of the income statement and as a disposal group held for sale on the balance sheet. The £0.9m loss for the year primarily represents the true-up of the final settlement of the deferred purchased consideration receivable outstanding at 30 November 2016.

In addition to this, the Board has agreed to dispose of the Group's interest in the joint venture, Bonar Natpet LLC (Note 35). Efforts to sell the business had commenced in 2016 and the investment was treated as a discontinued operation in the November 2016 accounts. The results for the year ended 30 November 2017 include a share of loss of £0.3m (2016: £1.3m).

The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows:

	Group 2017 £m	Group 2016 £m
Revenue	**–**	22.3
Expenses	**–**	(22.9)
Loss before tax	**–**	(0.6)
Loss on disposal of grass yarns business	**(0.9)**	(2.2)
Tax on loss on disposal of grass yarns business	**0.2**	0.9
Net loss from disposals	**(0.7)**	(1.9)
Share of results from Bonar Natpet LLC	**(0.3)**	(1.3)
Net loss attributable to discontinued operations (attributable to owners of the Company)	**(1.0)**	(3.2)

During the year ended 30 November 2017, the discontinued businesses contributed £nil (2016: £3.6m outflow) to the Group's net operating cash flows and paid £nil (2016: £nil) in respect of investing activities and financing activities.

Liabilities held for sale at 30 November 2017 of £1.4m (2016: £1.3m) represent the estimate of the Group's obligation to fund the joint venture, which are included within other unallocated liabilities for the purposes of segmental reporting.

30. DISPOSAL OF THE AGRO-TEXTILE BUSINESS

In 2017, the Board commenced a plan to sell the Group's Lokeren-based agro-textile business, which is part of its Building & Industrial global business unit and operating segment. On 11 July, agreement was reached to dispose of the trade and assets of the agro-textile business, subject to the fulfilment of a number of conditions. The disposal was completed on 31 October 2017 and the net loss on disposal was as follows:

	2017 £m
Consideration received in cash and cash equivalents	**5.8**
Deferred consideration	**0.3**
Total consideration received and receivable	**6.1**
Analysis of assets and liabilities over which control was lost:	
Intangible assets	**0.4**
Property, plant and equipment	**6.5**
Inventories	**10.3**
Net assets disposed of	**17.2**
Transaction costs	**(1.6)**
Loss on disposal (Note 5)	**12.7**
Tax on disposal	**(4.3)**
Net loss on disposal	**8.4**

The disposal does not meet the definition of 'Discontinued operations' as it is not a major business line.

31. BUSINESS COMBINATIONS

On 17 January 2017, Low & Bonar acquired 100% of the share capital of Walflor Industries Inc., a company registered in Washington State, USA, on a debt-free, cash-free basis for a total consideration of £2.9m and a contingent consideration of up to £0.7m in cash based on the commercial performance of the business in the 12 months following acquisition. The contingent consideration has been fair-valued upon acquisition at £0.3m. The company produce rain screens and acoustic mats and the acquisition significantly strengthens our customer relationships in the US building products market and provides a West Coast platform for further growth.

Acquisition costs of £0.5m have been charged to non-underlying items. Results of the acquired business are included with the results of the Building & Industrial global business unit.

The acquired business contributed £1.1m to the Group's consolidated revenue for the year and increased the Group's consolidated underlying profit before interest and tax for the year by £0.4m. Had the business been owned by the Group for the entire year, the contribution to the Group's consolidated revenue and consolidated underlying profit before interest and tax would have been £1.3m and £0.5m respectively.

Details of the purchase consideration, the provisional fair values of net assets acquired and provisional goodwill arising on the acquisition of Walflor Industries Inc. are as follows:

	Book value at acquisition £m	Fair value adjustments £m	Provisional fair value £m
Intangible assets			
Customer related	–	2.5	2.5
Technology related	–	0.1	0.1
Non-compete agreement related	–	0.2	0.2
Property, plant and equipment	0.2	0.3	0.5
Inventories	0.1	–	0.1
Deferred tax liabilities	(0.1)	(1.0)	(1.1)
Net assets acquired	**0.2**	**2.1**	**2.3**
Cash consideration			2.9
Contingent consideration			0.3
Fair value of consideration			**3.2**
Goodwill arising on acquisition			**0.9**

Goodwill of £0.9m arising from the acquisition is attributable to revenue synergies expected to be generated from new cross-selling opportunities across the enlarged US building products market. It also includes expected benefits from the existing workforce and expertise as a result of being part of the enlarged Buildings & Industrial global business unit.

32. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Plant and equipment				
Lease payments within one year	**1.8**	1.7	**–**	–
Lease payments between one and two years	**1.3**	1.3	**–**	–
Lease payments between two and five years	**1.1**	1.0	**–**	–
Lease payments beyond five years	**0.1**	0.3	**–**	–
Total	4.3	4.3	–	–
Property				
Lease payments within one year	**4.6**	4.2	**0.4**	0.4
Lease payments between one and two years	**4.2**	2.7	**0.4**	0.4
Lease payments between two and five years	**11.0**	6.2	**0.5**	0.8
Lease payments beyond five years	**2.5**	4.1	**–**	–
Total	22.3	17.2	1.3	1.6

The increase in the operating lease commitments from 2016 relates to the renewal of two property leases which were due to expire during 2017.

33. 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 2017, an accrual of £nil (2016: £nil) remains in the Group's balance sheet for the ongoing remediation costs as the Directors now believe that all costs have been incurred.

The Company from time to time guarantees certain obligations of its subsidiaries arising in the normal course of trade. At 30 November 2017, £13.6m of guarantees were outstanding (2016: £11.2m). In addition, the Company has issued a joint and several liability undertaking, as defined in Article 403 of Book 2 of the Civil Code in the Netherlands, for its subsidiary undertaking Low & Bonar Technical Textiles Holding BV.

33. CONTINGENT LIABILITIES continued

At 30 November 2017, the Group had guaranteed SAR 33.3m (£6.6m) (2016: SAR 36.3m (£7.7m)) of debt obligations of its joint venture Bonar Natpet LLC. The Group expects to be released from its guarantee during 2018, under agreement to exit the joint venture.

34. RELATED PARTY TRANSACTIONS

At 30 November 2017, the Group held a trade receivable of £nil (2016: £0.1m) and a trade payable of £0.1m (2016: £0.2m) due from/to Bonar Natpet LLC, a joint venture.

At 30 November 2017, the Group was owed £0.1m (2016: £0.2m) by the Low & Bonar Group Retirement Benefit Scheme.

The Company provides debt finance to various operating subsidiaries. A total of £218.7m was outstanding at 30 November 2017 (2016: £191.4m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2017, the total amount payable to subsidiaries was £14.7m (2016: £16.8m). The Company received income in respect of management services provided to its subsidiaries totalling £8.7m (2016: £6.4m). The Company received interest income from related parties totalling £5.0m (2016: £5.9m) and accrued interest payable to related parties of £0.1m (2016: £0.2m). The Company received dividend income from its subsidiaries of £11.8m (2016: £77.9m).

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

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

	2017 £m	2016 £m
Short-term benefits	**2.3**	2.3
Post-employment benefits	**0.4**	0.4
Share-based payments	**–**	–
Termination benefits	**–**	–
	2.7	2.7

Key personnel comprise two Executive Directors (2016: two) and nine other members of the Executive Leadership Team (2016: nine).

The aggregate amount of Directors' remuneration was £0.7m (2016: £0.8m) and the aggregate gain made by the Directors on the exercise of share options was £nil (2016: £nil). The cash paid into defined contribution schemes was £0.1m (2016: £0.2m) and three Directors were members of defined contribution schemes during the year (2016: two). 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.

35. POST BALANCE SHEET EVENT

Bonar Natpet

In January 2018, the Group reached agreement with National Petrochemical Industrial Co. (Natpet), to exit from the joint venture Bonar Natpet. The agreement is conditional upon among other things:

- regulatory approval in Saudi Arabia,
- Agreement by Saudi Investment Development Fund (SIDF) to refinance Bonar Natpet's funding, release the Low & Bonar Technical Textiles Holding BV (a wholly owned subsidiary of the Company) from its guarantee of that funding, and secure such additional security as it requires from Natpet; and
- Upon finalisation of the new SIDF arrangements, confirmation from Natpet's own banks that they approve the refinancing package.

Under the terms of the agreement, the Group will contribute £0.1m to Natpet's costs associated with the transaction, and pay to Bonar Natpet 50% of the value of all its trade debts older than six months at the date of sale (estimated to be £1.3m). The Group will be entitled to a fee of 25% of Bonar Natpet's contribution margin from above-budgeted levels of revenue to the end of its 2019 financial year. The Group will also continue to license certain trademarks related to the business to Bonar Natpet until 2020, and will also appoint it as its exclusive distributor in the region for its geo-textile product range for a 5-year period.

Completion is expected to take place on or prior to 15 September 2018, and if it has not done so the agreements will terminate unless both parties agree to extend the period for completion.

Closure of Ivanka plant

Subsequent to the year-end, as an outcome of the first phase of the Board's review of the Civil Engineering Global Business Unit, a decision has been taken to close the loss-making weaving plant in Ivanka, Slovakia.

Change in tax rates

The reduction in the US federal tax rate from 35% to 21%, which was enacted on 22 December 2017 and will take effect from 1 January 2018, is expected to generate a one-off benefit of approximately £1.4m on the revaluation of deferred tax liabilities in 2018. In addition, from that date the Group's ongoing effective tax rate is expected to reduce by 3% to 26%, assuming the existing mix of profits.

36. GROUP COMPANIES

Subsidiary undertakings	Principal product areas	Registered address	%
Building & Industrial/Civil Engineering/Interiors & Transportation			
Low & Bonar NV	Woven and non-woven fabrics and construction fibres	Industriestraat 39, 9240 Zele, Belgium	100.0
Yihua Bonar Yarns & Fabrics Co. Ltd	Woven fabrics	No.6 Yangtze West Road, Yizheng, Yangzhou, China People's Republic of China	60.0
Low & Bonar Hull Limited	Construction fibres	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Low & Bonar Hungary Kft	Non-woven fabrics	3580 Tiszaújváros, Huszár Andor street 5., Hungary	100.0
Low & Bonar BV	Polymeric mats and composites	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Production GmbH	Polymeric mats and composites	Rheinstraße 11, 41836 Hückelhoven, Germany	100.0
Low & Bonar Germany GmbH and Co. KG	Polymeric mats and composites, and holding company	Glanzstoffstr. 1, 63906 Erlenbach, Germany	100.0
Low & Bonar Paris SARL	Polymeric mats and composites	12 Rue de la Renaissance 92160 Antony, France	100.0
Low & Bonar Inc	Polymeric mats and composites	National Registered Agents, Inc,.160 Greentree Dr. Ste 101, Dover, Kent, DE 19904, USA	100.0
Bonar Xeroflor GmbH	Green roofs	Glanzstoffstraße 1, 63906 Erlenbach a. Main, Germany	100.0
XF Technologies BV	Intellectual property	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Slovakia a.s	Woven and non-woven fabrics	Novozamocka 207, 951 12 Ivanka pri Nitre, Slovakia	100.0
Low & Bonar (Shanghai) Trading Company Limited	Woven fabrics	Unit 1581, 15F L'Avenue Shanghai, No.99 Xian Xia Road, Changing, Shanghai 200051, People's Republic of China	100.0
Bonar High Performance Materials (Changzhou) Co. Ltd	Polymeric mats	No. 9 Xingtang Road, Xinbei District, Changzhou, 213034 People's Republic of China	100.0
Low & Bonar Dundee Limited	Specialist yarns	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100.0*
Bonar Xirion NV	Specialist yarns	Industriestraat 39, 9240 Zele, Belgium	100.0
Bonar Technical Yarns Inc	Specialist yarns	160 Mine Lake Ct Ste 200, Raleigh, North Carolina, 27615, USA	100.0
Bonar Yarns BV	Specialist yarns	Eerste Bokslootweg 17, 7821 AT Emmen, The Netherlands	100.0
Coated Technical Textiles			
Low & Bonar Logistics GmbH	Technical coated fabrics	Edelzeller Str. 44, 36043 Fulda, Germany	100.0
Low & Bonar GmbH	Technical coated fabrics	Rheinstraße 11, 41836 Hückelhoven, Germany	100.0
Low & Bonar Romania S.R.L.	Technical coated fabrics	Stefanestii de Jos, no.2 Linia de Centura Street C1/C1B, Ilfov, Romania	100.0
Low & Bonar Oldham Ltd	Technical coated fabrics	One Connaught Place, London, W2 2ET, England	100.0
Low & Bonar Italy S.r.l.	Technical coated fabrics	Via Enrico Fermi 52/A, Settimo Milanese Milano 20019, Italy	100.0
Low & Bonar Lyon SARL	Technical coated fabrics	Mehler Texnologies Batiment A1, 3 Chemin De Cysises, 69340 Francheville France	100.0
Low & Bonar Martinsville Inc	Technical coated fabrics	220 B. Cabell Street, Martinsville, Virginia 24112 USA	100.0
Low & Bonar Czech s.r.o.	Technical coated fabrics	Slechtova 860, 51251 Lomnice nad Popelkou, Czech Republic	100.0
Low & Bonar Poland Sp. Z o.o.	Technical coated fabrics	Sosnowiec 41-200, ul. Mikołajczyka 31 a, Poland	100.0
Low & Bonar Turkey Teknik Tekstil Ticaret Limited Sirketi	Technical coated fabrics	Basaksehir San. sit. A Blok No: 22, 34490 Basaksehir, Istanbul, Turkey	100.0
Low & Bonar Latvia s.i.a.	Technical coated fabrics	Liepajas iela 3 d, LV-1002, Riga, Latvia	100.0
Low & Bonar Middle East Trading LLC	Technical coated fabrics	Office 1007, Sidra Tower, Sheikh Zayed Road, Dubai, United Arab Emirates	100.0

36. GROUP COMPANIES continued

Subsidiary undertakings	Principal product areas	Registered address	%
Low & Bonar Technical Textiles OOO	Technical coated fabrics	115035, Sadovnicheskaya embankment, 79, Moscow, Russia	100.0
Low & Bonar India Private Limited	Technical coated fabrics	205 CA Chambers, 18/12, W.E.A., Karol Bagh, New Delhi - 110005, Delhi, India	100.0
Low & Bonar Brasil Têxtil E Participações Ltda	Technical coated fabrics	Avenida Paulista 1079, Suite 81 Condomínio Edifício Torre João Salém Cerqueira César 01311-2007 Brazil	100.0
Group companies			
Bonar International Holdings Limited	Holding company	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Bonar International Sarl	Holding company	8-10 Avenue de la Gare, 1610, Luxembourg	100.0
LCM Construction Products Ltd	Holding company	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Low & Bonar Euro Holdings Limited	Finance company	One Connaught Place, London, W2 2ET, England	100.0
Low & Bonar Technical Textiles Holding BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Colbond Holding BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Verwaltungs GmbH	Holding company	Glanzstoffstr. 1, 63906 Erlenbach am Main, Germany	100.0
Colbond (Nederland) BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Dormant companies			
A.G. Scott Textiles Limited	Dormant	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100.0
Bamber Carpets Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Nuway Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Offshore Canada Inc	Dormant	333 Bay Street, Suite 2400, Toronto ON M5H 2T6, Canada	100.0
Bonar Pack Centre Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Plastics Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Rotaform Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Silver Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Systems Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Bonar Ventures Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0
Bryanston 955 Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0
Cole Group PLC	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0

36. GROUP COMPANIES continued

Subsidiary undertakings	Principal product areas	Registered address	%
Cupa Engineering Co Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Gaskell Carpet Tiles Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Goldtide Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Leisurewear Africa Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Lobex Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Lobo Nominees Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0
Low & Bonar Pension Scheme (1986) Trustee Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Low & Bonar Pension Trustees Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Low & Bonar UK Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Modulus Flooring Systems Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Nuway Manufacturing Co. Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Placell Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Platinum Prestige Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
R.H.Cole Investments Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Rotaform Plastics Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Waddington Cartons Ltd	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Joint venture			
Bonar Natpet LLC	Geotextiles	Unit M01, Mezzanine Floor, Future Business Centre, Coast Guard Street, Jeddah 21533, Kingdom of Saudi Arabia	50.0
Associated undertakings			
CPW GmbH	Intellectual property	Kasinostr. 19-21, 42103 Wuppertal, Germany	33.3
Enka Water Control Corporation	Dormant	1301 Sand Hill Road, Enka, Bucombe County, North Carolina 28728-1057, 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.

5 The results, cash flows and balance sheets of all subsidiaries are consolidated in the Group financial statements. The results of the joint venture and associates are accounted for in accordance which the policy set out in Note 1.

37. ALTERNATIVE PERFORMANCE MEASURES

The Group uses alternative performance measures as it believes they allow a better understanding of underlying business performance, are consistent with its communication with investors, and facilitates better comparison with peer companies.

These alternative performance measures are:

- Underlying operating profit, underlying profit before tax, and Basic underlying EPS. These numbers are available on the face of the income statement.
- Underlying segment operating profit is set out in Note 1
- Underlying operating margin/return on sales is set out in Note 1
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Net debt
- Return on capital employed

EBITDA

EBITDA is used in determining the Group's gearing, and is calculated based on the definition set out in the Group's banking covenants. A reconciliation is as follows:

		2017 £m	2016 £m
Underlying operating profit		**35.5**	34.7
Add back:	Depreciation (note 2)	**18.5**	15.8
	Amortisation of intangibles (note 2)	**4.8**	5.2
	Less: amortisation included as a non-underlying item (note 5)	**(3.7)**	(4.0)
	IFRS 2 charge (note 24)	**0.7**	0.9
	Pension administration costs (note 4)	**0.7**	0.5
	Less: amount included as a non-underlying item (note 5)	**(0.2)**	(0.1)
Annualisation of impact of acquisitions and disposals during the period		**0.1**	–
Other		**–**	0.1
EBITDA		**56.4**	53.1

Net debt

Net debt is calculated as follows:

	2017 £m	2016 £m
Interest-bearing loans and borrowings	**176.6**	137.3
Less: Cash and cash equivalents	**(38.2)**	(26.3)
Net debt[1]	**138.4**	111.0

1 Net debt for covenant compliance purposes is retranslated at the average exchange rates for the year, to match the rates used to translate EBITDA. The resulting figure was £137.9m (2016: £105.4m).

Return on capital employed (ROCE)

ROCE is one of the Group's key measures for assessing its performance. It is calculated as follows:

	2017 £m	2016 £m
Underlying operating profit	**35.5**	34.7
Divided by Capital employed	**318.7**	313.4
ROCE	**11.1%**	11.1%

	2017 £m	2016 £m
Net debt	**138.4**	111.0
Net assets	**180.3**	202.4
Capital employed	**318.7**	313.4

Five year history

	2017 £m	2016 £m	2015 (restated) £m	2014 £m	2013 (restated) £m
Revenue					
Continuing operations	**446.5**	400.0	362.1	410.6	403.1
Discontinued operations	**–**	22.3	33.7	–	–
Total (including discontinued operations)	**446.5**	422.3	395.8	410.6	403.1
Underlying operating profit					
Continuing operations	**35.5**	34.7	31.8	31.7	31.4
Discontinued operations	**–**	1.8	1.0	–	–
Total (including discontinued operations)	**35.5**	36.5	32.8	31.7	31.4
Operating (loss)/profit					
Continuing operations	**(14.9)**	31.4	25.8	23.2	23.4
Discontinued operations	**–**	(0.6)	(7.2)	–	–
Total (including discontinued operations)	**(14.9)**	30.8	18.6	23.2	23.4
Underlying profit before tax					
Continuing operations	**30.7**	29.2	27.4	25.2	25.3
Discontinued operations	**–**	0.5	(0.8)	–	–
Total (including discontinued operations)	**30.7**	29.7	26.6	25.2	25.3
(Loss)/profit before tax					
Continuing operations	**(19.7)**	25.9	21.4	16.7	16.7
Discontinued operations	**–**	(4.1)	(9.0)	–	–
Total (including discontinued operations)	**(19.7)**	21.8	12.4	16.7	16.7
Reconciliation to statutory measures					
Continuing operations					
Underlying operating profit	**35.5**	34.7	31.8	31.7	31.4
Non-underlying items	**(50.4)**	(3.3)	(6.0)	(8.5)	(7.0)
Operating (loss)/profit (statutory)	**(14.9)**	31.4	25.8	23.2	23.4
Underlying profit before tax	**30.7**	29.2	27.4	25.2	25.3
Non-underlying items	**(50.4)**	(3.3)	(6.0)	(8.5)	(8.6)
(Loss)/profit before tax (statutory)	**(19.7)**	25.9	21.4	16.7	16.7
Capital Structure					
Net debt	**138.4**	111.0	102.1	88.0	86.8
Total equity	**180.3**	202.4	172.0	148.7	193.1
Total	**318.7**	313.4	274.1	236.7	279.9
Per Ordinary Share					
Basic earnings per share (including discontinued operations) (pence)	**(5.86p)**	4.22	1.73	3.76	3.74
Dividends declared per share (pence)	**3.1**	3.0	2.8	2.7	2.6

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

2015 results were restated for the disposal of the grass yarns business. Earlier years' results have not been restated.

Company information and advisers

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Solicitors
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Squire Patton Boggs LLP

Principal bankers
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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

FINANCIAL CALENDAR

Annual General Meeting	13 April 2018

Announcement of results for the year ending 30 November 2018

Q1 update	13 April 2018
Half year	11 July 2018
Q3 update	26 September 2018
Full year	30 January 2019

Final dividend payment for the year ended 30 November 2017

Ordinary Shares	19 April 2018
First, second and third cumulative preference stock	1 March 2018 and 1 September 2018

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