


Progress through performance

# A global leader in performance materials

Annual Report and Accounts 2016







**We take plastics and convert them into yarns and fibres. From these we produce a mixture of woven, non-woven, coated and composite materials and sell them into a range of end markets and applications that affect everyday life.**

We use our own process technology and know-how to produce performance materials that provide our customers with enhanced functional value.



**Strategic Report**

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**Operational highlights**

- Strong profit growth in Building & Industrial, Civil Engineering and Interiors & Transportation
- Margins improving as a result of ongoing strategic initiatives in these businesses
- Production issues that impacted the performance in Coated Technical Textiles now largely resolved
- Disposal of artificial grass yarns has streamlined the Group's focus
- Acquisition of Walfloor, post period end, reflects commitment to invest in most attractive segments
- Exit from the Bonar Natpet JV on track, but slower than originally expected
- Increase of 7.9% in full year dividend, reflecting confidence in the outlook

**Financial highlights****Revenue****£400.0m**(Actual: +10.5%, Constant currency<sup>1</sup> -0.2%)**Profit before tax, amortisation and non-recurring items****£29.2m**(Actual: +6.6%, Constant currency<sup>1</sup> -5.2%)**Profit before tax (statutory)****£25.9m**

(Actual: +21.0%)

**Basic EPS before amortisation and non-recurring items****6.01p**(Actual: +2.6%, Constant currency<sup>1</sup> -9.0%)**Basic EPS (statutory)****5.20p**

(Actual: +16.3%)

**Dividend per share****3.00p**

(Actual: +7.9%)

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





## Chairman's statement

# Good performance and strategic progress

I am pleased to report on another year of progress for the Group. Low & Bonar has undergone a transformation over the past two years. We are now a nimbler, tighter, customer focussed organisation.

**Martin Flower**  
Chairman



We are seeing the tangible results of that transformation with good progress towards our targets for most of the Group. Without the issues in Coated Technical Textiles, we would now be very close to a double digit operating margin for the Group.

Profit before tax, amortisation and non-recurring items from continuing operations increased by 6.6% to £29.2m (2015 (restated): £27.4m). On a statutory basis, profit before tax increased by 21.0% to £25.9m from £21.4m (restated) in 2015. On a constant currency basis, operating profits before amortisation and non-recurring items were better than last year in Building & Industrial (+16.0%), Civil Engineering (+27.3%) and Interiors & Transportation (+14.8%) but were down in Coated Technical Textiles (-37.9%). As reported at the half year, profits within Coated Technical Textiles were impacted by production issues which, whilst largely resolved during the second half of the year, impacted sales towards the end of the year. Overall, profit before tax, amortisation and non-recurring items on a constant currency basis decreased by 5.2% to £29.2m (2015 (restated): £30.8m). The Group's operating margin before amortisation and non-recurring items was 8.7% (2015 (restated): 8.8%); lower margins in Coated Technical Textiles offsetting gains in Building & Industrial, Civil Engineering and Interiors & Transportation. Group revenues, on a constant current basis were broadly flat at £400.0m. Demand generally for our products remained robust, reflecting the diversity and strength of our niche market positions, products and service delivery.

Good strategic progress has been made. The Group's new Colback-manufacturing site at Changzhou, China was commissioned at the start of the year and has performed very well. The Group also successfully divested its under-performing artificial grass yarns business in September 2016 for £21.7m, in order to focus on our higher margin businesses. In addition, we are on track to exit our joint venture in Saudi Arabia and negotiations are well under way with our partner, Natpet, albeit progressing more slowly than expected.

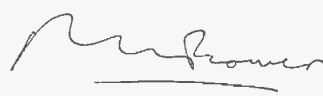
The Group has continued to invest in assets to support growth. Capital expenditure totalled £22.2m (2015: £33.7m) including £7.8m (total investment being £26.0m) on the new factory in Changzhou, China, the new non-woven plant in Tiszaújváros, Hungary and new looms in Ivanka, Slovakia which amounted to, £1.4m (2015: £5.6m) and £1.7m (2015: £nil) respectively. The Group has also invested £2.7m (2015: £nil) in a new Group ERP system, the first roll-out starts in Q2 2017. On 17 January 2017, the Group purchased for \$3.6m the business and assets of Walfloor Industries Inc, based near Seattle, USA, which produces rainscreens and acoustic mats. The acquisition significantly strengthens our customer relationships in the US building products market and provides a West Coast platform for further growth. The acquisition is expected to be earnings enhancing in the coming year, albeit profits in the first year are expected to be modest.

To reflect the Board's confidence in making further progress, we are proposing an increased final dividend of 2.00 pence per share (2015: 1.80 pence). Subject to shareholders' approval at the Annual General Meeting on 12 April 2017, the dividend will be paid on 13 April 2017 to members registered as of 17 March 2017. The proposed full year dividend of 3.00 pence per share (2015: 2.78 pence) is covered 2.0 times (2015: 2.0 times) by earnings before amortisation and non-recurring items.

It is my pleasure, as always, to acknowledge the skills and dedication of employees throughout Low & Bonar who have worked hard to deliver further progress for the Group. Their combined efforts have sustained the Group's vision of Progress Through Performance.

It is expected that market conditions in Europe will remain challenging, but we are well positioned. We expect that North American markets will remain supportive and China will continue to develop. The manufacturing issues that have affected Coated Technical Textiles are now largely resolved and we expect to see margins in this business recovering through 2017. We have a clear strategy to enhance returns and will continue to focus on active portfolio management and investing in growth opportunities.

We enter 2017 in good shape with a strong platform for growth. We are confident of achieving further progress in 2017 and beyond for all of our businesses.



**Martin Flower**  
Chairman  
1 February 2017



## What we do

# Driving progress through performance materials

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



**Clark Halladay**  
Global Business Director

### Building & Industrial

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

[See page 20 for more information](#)

Percentage of revenue

**18%**



**Neil Ryan**  
Global Business Director

### Civil Engineering

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

[See page 21 for more information](#)

Percentage of revenue

**23%**



**Marc Krauth**  
Global Business Director

### Coated Technical Textiles

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

[See page 22 for more information](#)

Percentage of revenue

**32%**



**Gareth Kaminski-Cook**  
Global Business Director

### Interiors & Transportation

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

[See page 23 for more information](#)

Percentage of revenue

**27%**

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

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





Where we operate

# Improving the quality of daily life across the globe

**20**

Countries

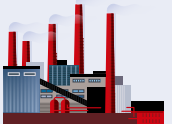
**2,163**

Employees



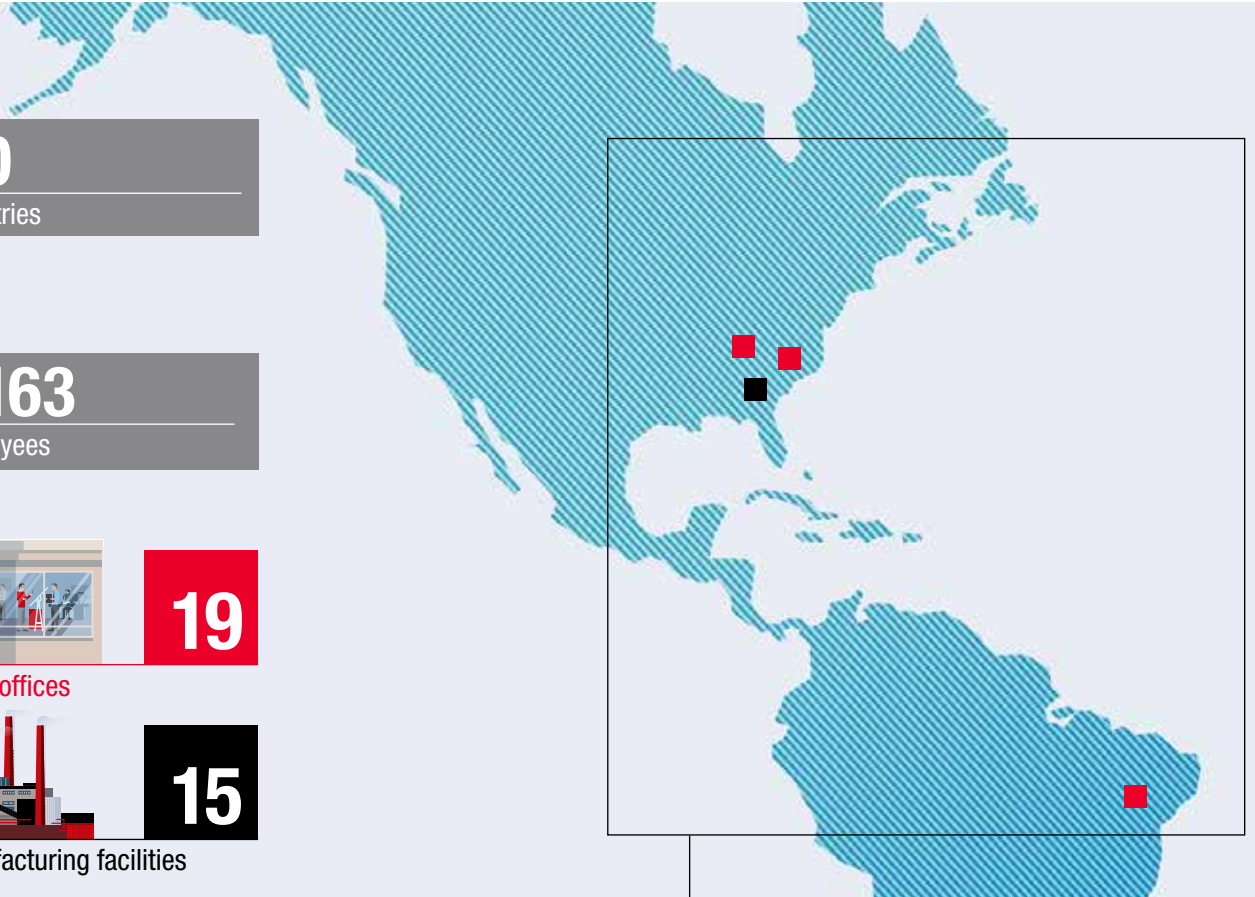
**19**

Sales offices



**15**

Manufacturing facilities



## North America

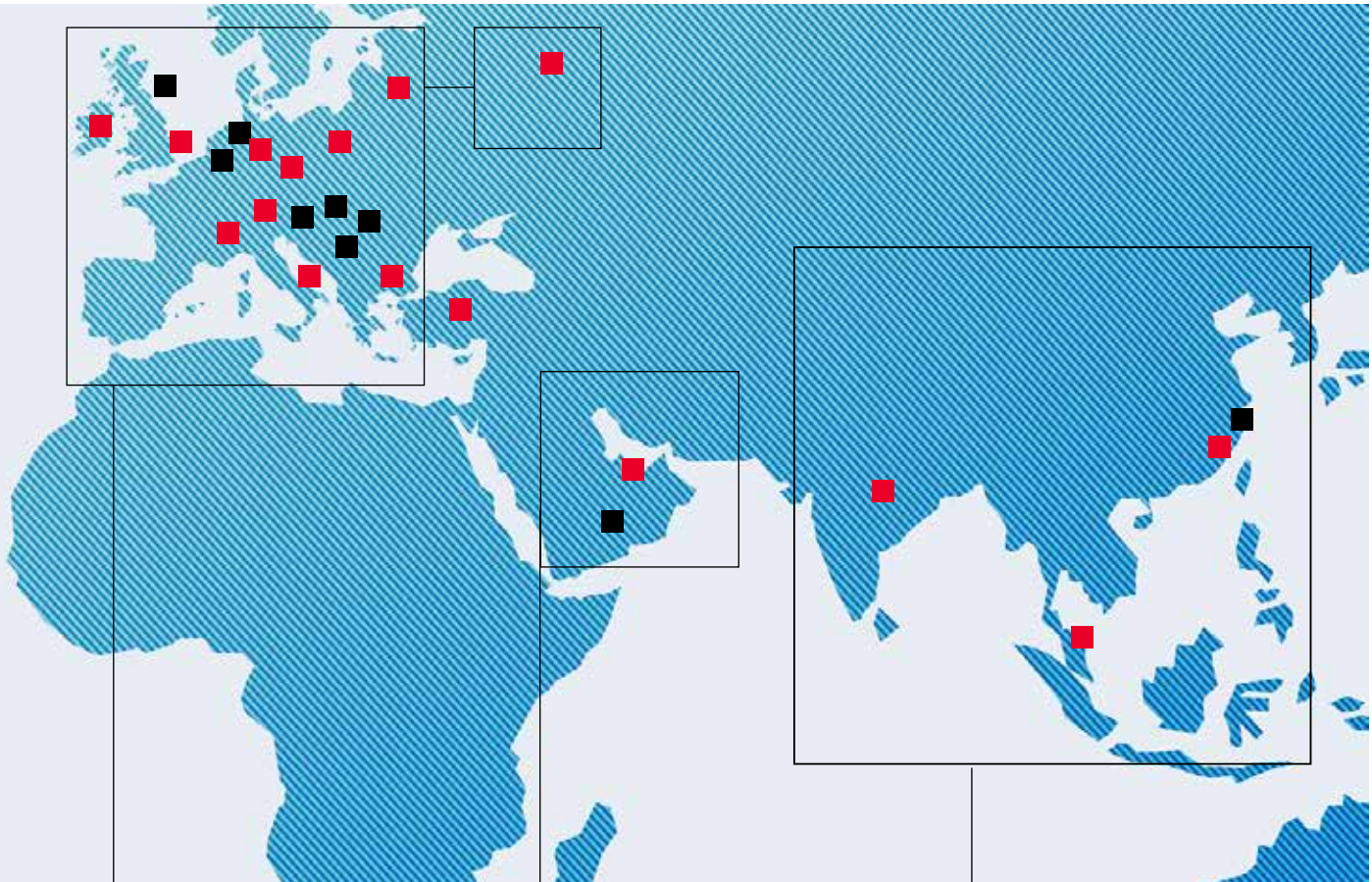
Manufacturing facilities

**USA**  
Asheville, NC

Percentage of sales to customers in North America

**22%**





**Europe**

Manufacturing facilities

**UK**

Dundee

**Belgium**

Zele and Lokeren

**The Netherlands**

Arnhem and Emmen

**Germany**

Obernburg, Hückelhoven and Fulda

**Czech Republic**

Lomnice

**Hungary**

Tiszaújváros

**Slovakia**

Ivanka pri Nitre

Percentage of sales to customers in Europe

**64%**

**Middle East**

Manufacturing facilities

**Saudi Arabia**

Yanbu

Percentage of sales to customers in the Middle East

**3%**

**Asia**

Manufacturing facilities

**China**

Yizheng and Changzhou

Percentage of sales to customers in Asia and ROW

**11%**

## How we grow

# Our market drivers

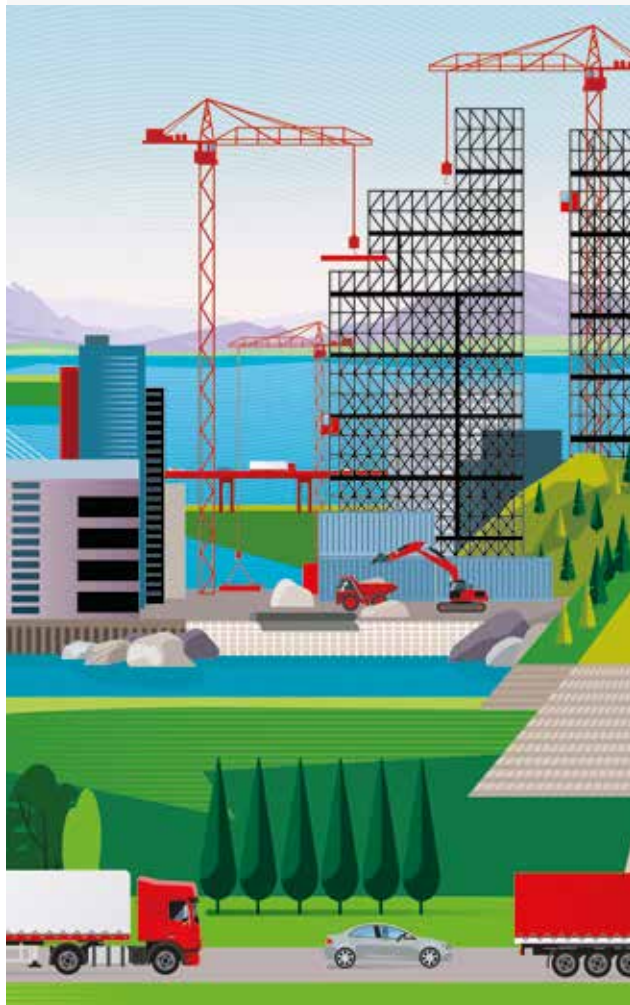
Our customers are facing growing global challenges. In helping them to meet the demands of social and environmental changes, our solutions are laying the foundations to improve the quality of daily life.

### Population growth

Resulting in rapid urbanisation, transport and infrastructure needs and requirements for clean water, air, and food.

#### Group drivers:

- Urbanisation and need for better infrastructure
- Food safety in agriculture and protection of food supplies in transportation
- Demand for air, water, home and automotive filtration
- Faster and safer construction
- Demands for infrastructure in areas of economic development



### Limited resources

Sustainable production and consumption requiring materials efficiency, re-manufacturing and the use of renewables.

#### Group drivers:

- Water conservation in agriculture
- Lower carbon footprint and environmental benefits compared to traditional materials
- Growth in the renewable energy sector
- Carbon-emission reduction driving towards lighter weights and electric engines





## Transformative technologies

Advancements accelerating and creating new markets in smart fabrics, lightweight materials and advanced robotics.

### Group drivers:

- Improved durability of construction
- Ease of handling, aesthetic and design flexibility driving substitution of wall-to-wall carpets with carpet tiles
- Economic and environmental requirements driving high strength, low weight flooring solutions
- Design of “healthier” buildings with better air flow, moisture control and acoustic performance



## Quality of life

Lifestyle and buying habits which emphasise safety, attitudes to product quality, customer service and imported products.

### Group drivers:

- Increased quality control in performance and safety
- Demands for quality of life improvements in areas of economic development
- Higher disposable income and emerging middle class driving demand for luxury cars
- Outdoor advertising trends



## Our business model

# We seek to gain competitive advantage through new product development, customer insight and applied technology

## Our resources

### Strong product portfolio of leading brands

Our portfolio of premium brands are well positioned in their respective markets for growth.

### Strong customer insight

Our technology and understanding of customers processes, as well as our close working partnerships co-developing solutions, enables us to meet their unique needs.

### International manufacturing capability

Our commitment to developing global supply capability in all regions with local technical service support, whilst leveraging our European experience and knowledge, makes us more responsive to changing market needs.

### Differentiated technology

Our advanced research and development capabilities, own manufacturing technologies and in-depth knowledge of each local market enables us to focus on engineering products for specific transformational applications.

### Experienced and expert workforce

We invest wisely in our people and our organisation to ensure that we realise their full potential and leverage their skills to deliver our promises.

### Financial strength

Our financial strength gives us the ability to invest in attractive opportunities that will allow us to maximise value for our shareholders.

## How we do it

### We use our resources

Strong product portfolio of leading brands

Strong customer insight

International manufacturing capability

Differentiated technology

Experienced and expert workforce

Financial strength

### In our chosen markets

Building & Industrial

Civil Engineering

Coated Technical Textiles

Interiors & Transportation

### Our values underpin how we operate

#### Be world class

Be market leaders across the full range of our products and services, delivering solutions that are the best in our industry.

#### Empower and perform

Collaborate across functions and geographies to make the right decisions and take the best to our customers.



## Applying our core capabilities

Leading positions in niche industrial markets

Creating bespoke solutions for our customers

Excellence in innovation

Operational capability and efficiency

People and culture

## To create value

High return on investment

Strong revenue growth

## Our core capabilities

### Leading positions in niche industrial markets

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

### Creating bespoke solutions for our customers

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

### Excellence in innovation

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

### Operational capability and efficiency

We operate Group-wide capability and efficiency improvement programmes.

### People and culture

We value the diversity of experiences of our people. We have resourceful individuals who bring ideas and initiatives to contribute to the growth of our Group.

### Embrace the new

Enhance our offer through innovation and customer collaboration, thereby anticipating where the opportunities and challenges lie.

### Collaborate to transform

Work together and form strong and meaningful relationships for the benefit of our customers.

**Our strategy for growth is outlined on pages 12-13**

## Our strategic framework

# Low & Bonar's ambition is to be the acknowledged leader in performance materials solutions

### Our new four-pillar strategy

Our ambition is to be the acknowledged leader in performance materials solutions. We will use our proprietary technologies, our strong and deep relationships with our customers and seamless commercial execution to nurture existing business and pursue sustainable, profitable growth. We strive to bring bespoke solutions to our customers through higher-margin products based on superior customer insight and the best use of our applied technologies.

### Sustained Shareholder Value

Return on Sales  
Target: 10.0% – **Actual 8.7%**

### Revenue Growth Strategy

#### Commercial Execution

Our customers are at the centre of what we do. We closely engage with our customers 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.

▶ See page 14 for our strategy in action

#### Geographical Expansion

We are a global Group. 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.

▶ See page 15 for our strategy in action

### Driven by the Low & Bonar Premium Brands

#### Adfil

Adding life to concrete

#### BonarAgro

Sustainable performance

#### BonarBuilt

Materials and expertise that enhance performance

#### Bonar Pure

Expertise and technologies that contribute to cleaner, purer air, water and industrial processes

### Our Promise:

Low & Bonar enables progress through performance and provides technologies to exceed our customers' needs, address the challenges of an evolving world and improve the quality of daily life.



## An evolving strategy

As part of the transformation of our business, which has been underway for the last two years, we have transitioned our strategic pillars to reflect our evolving approach, simplified structure and refined corporate strategy. These pillars underpin our five-year plan.



### Colback

Enables customers to excel, distinguish and differentiate

### Enka Solutions

Engineering nature

### Mehgies

Transforming people's lives and environments

### Xeroflor

Bringing nature back. Innovative, extensive vegetation technologies

## Our Vision:

Driving exceptional value through performance materials and technical expertise that contribute to a more sustainable world.

## Our strategy in action and KPIs

# Commercial Execution

We have a customer-focussed, unified approach to commercial execution. Our realignment into a structure with a clear focus on our markets has enabled us to get closer to our customers and markets, resulting in faster and improved execution, a focus on higher quality, value-added products, and ultimately improving returns.

### Progress

Over the past year all businesses have significantly strengthened their marketing segmentation activity in order to strengthen value propositions and drive product innovation. There is more focus on driving pull-through demand in the growth strategies, as well as selling to the direct customer, this creates stronger customer loyalty and better pricing. A Group-wide Commercial Effectiveness programme has been developed by the sales and marketing communities to share best practices, and to leverage experience and resource in order to develop skills and jointly target opportunities.

### Outlook

The Group is well-positioned to retain and grow market share in all its chosen markets.

- In Geosynthetics the Civil Engineering team will continue building project pipelines. The Macro fibres business will continue to grow through best-in-class new product launches.
- The Interiors & Transportation business has strong market positions in its core tufted flooring and auto businesses in both Europe and North America and has excellent opportunities to continue growing share in Asia, in the adjacent resilient markets in North America and decorative markets in Asia.
- The Building & Industrial business will continue its fast growth across all segments: roofing, building, industrial, agro and filtration. There is continuous product development and significant market share growth opportunity across all segments and regions.
- Coated Technical Textiles has reorganised its offering to increase its appeal to two target segments: design-oriented applications and performance-focussed segments. This will transform communication and the relevance of the offer.

### Key priorities

- Continuously improve segmentation and depth of insight so that value propositions are truly differentiated and drive product development
- Disciplined implementation of sales plans
- Continuously invest in developing skills and leveraging collective capability between GBUs

### KPI

#### Return on sales

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

Target	10%
2016	8.7%
2015	8.8% (restated)
2014	7.7%

The movement in return on sales in the year is discussed in detail on page 27.

### Combining flexibility and expertise

The relocation of refugees from the French “jungle” to the 18th Borough in Paris required a Refugee Registration Centre with a welcoming architectural design to serve as a shelter, an information hub and meeting point.

Starting in July 2016, with a September 2016 deadline, the structure was planned as the heart of the refugee centre and required a smart solution with materials capable of saving time and fitting in with the architect’s design concept.

Low & Bonar’s unique material MEHGIES® VALMEX® 7211 was chosen to cover a 900m<sup>2</sup> site, supported by our strong client relationship and ability to supply the product within a strict timeframe.

The project demonstrates our agility to fit specific client demands; we take time to gain an in-depth understanding of their needs and translate them into our daily processes to meet bespoke requirements.



# Geographical Expansion

A key part of our business model is to be truly local. As our customers become more global we are expanding our market reach to ensure we are closer to them, in particular in China and North America. Our established sales and manufacturing presence in these regions means we can be more responsive to changing market needs and better exploit opportunities.

## Progress

The major geographic expansion in 2016 was the commissioning of a new plant in China, serving the Interiors & Transportation and Building & Industrial businesses, with an annual capacity of 60 million m<sup>2</sup> of Colback. This was in response to local demands from international customers and also enables us to capture growth opportunities in APAC. It allows us to offer supply security to customers across the world. The new capacity has been matched with investment in local sales, technical and service support. We also remain committed to building our North American presence.

All four GBUs will benefit from our presence in China. Approximately 10% of Colback is sold into China and this will increase as our flooring, filtration, building and decorative segments expand in this region. In Europe, we continue to strengthen our asset bases in Hungary and Slovakia.

## Outlook

Over the coming year we will continue to strengthen our global footprint in China by doubling the Colback capacity by early 2018. In addition, we will introduce scrim technology in the China facility, enabling the Building & Industrial and Civil Engineering businesses to bring new products to local markets.

## Key priorities

- Increase market penetration in China and North America
- Continue to position ourselves as an early innovator
- Mitigate against regional economic uncertainty by spreading risk across geographic markets

## KPI

### Sales outside Europe

Target	50%
2016	36%
2015	35% (restated)
2014	33%

The increase in the year is due to strong sales in North America and the opening of the Changzhou factory in China.

## Expansion into China

Colback is a widely-used primary backing in carpet tiles, high-grade patterned wall-to-wall carpeting, walk-off mats and moulded car carpets.

Until 2016, it was produced exclusively in the Netherlands and the US, resulting in long lead times and high costs for some global customers. Asia Pacific is a core market for the Group and we decided to build a production plant in Changzhou, China, to support global customers with an increasing focus towards the region.

In 2016 Colback was produced for the first time in Changzhou. The £26m site now supplies high-quality applications to the flooring market, building and automotive industries in domestic and Asian regional markets. It provides full control of the production process and has the ability to produce 60 million m<sup>2</sup> per annum of Colback, with space to launch a second production line to meet future customer requirements.

Changzhou reduces our customers' environmental footprint within their supply chain and makes them price competitive. It consolidates our position as global leader in the carpet tile backing and automotive markets.





# Technology Differentiation

Innovation is critical to our future growth and productivity, which is why we have adopted a strategic marketing approach. 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. Our dedicated innovation team is focussed on engineering products for specific applications, and identifying transformational growth opportunities.

### Progress

Our technology group is dedicated to optimising our existing technology base and enhancing the functionality of our products through new technologies. Over the past year we have concentrated our expertise and know-how in our four global technology centres, and launched our corporate incubator, which provides an innovative environment to develop new ventures. We have launched three ventures, in acoustics, cushioning and comfort, and smart architectural textiles, and enriched our pipeline of new venturing opportunities. We have extended our collaborative partnerships with customers, suppliers, institutes and technology start-ups. We have implemented technology development roadmaps for our key technologies, supporting better investment decisions. This allows us to ensure that the second Colback line in Changzhou will conform to state-of-the-art non-woven technology. We have also upgraded the technical capabilities of our weaving plant in Hungary.

### Outlook

As we continue to diversify, our technology capabilities will be enhanced, delivering on the product development initiatives of our GBUs, and focussing on our strategic marketing capabilities to identify unmet market needs and realise new product solutions. We will drive our current ventures, developing new business propositions to the point of investment decisions, initiate promising new technologies and enrich our innovation pipeline. We will deepen and expand our collaborative partnerships to transform our offering and will consider strategic bolt-on acquisitions if they help us deliver innovation and add to business diversification.

### Key priorities

- Develop new product solutions that differentiate
- Enhance current technologies and consider technology acquisitions to develop functional products
- Explore and implement longer-term transformational technologies

### KPI

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

Target	16.0%
2016	12.6%
2015	13.7%
2014	16.0%

The KPI is expected to increase in future years following the launch of a number of projects in 2017.

### Co-developing with customers

A leading filter manufacturer approached BonarPure with a development need, requiring new technology and machinery. The customer wanted to use Colback on its new lines, while eliminating seams and defects using USB (Ultra Sonic Bonding) seaming technology, a new development for the Group.

The project required us to identify a company to provide a seaming unit to fit on a re-winder as well as be automated and meet the customer's process. Through collaboration between the Group and the customer, a solution was identified, tested and approved. After pilot trials, a unit was installed in late 2016.

Colback without seams eliminates problems running the new, faster and wider automated filter manufacturing lines. Long-term benefits include an increased value proposition for many Colback applications in the Filtration market, fewer risks for the customers' production process and packaging, and growth and expansion opportunities.

Further existing filter customers have been identified who will benefit from seamless Colback rolls without defects.



# Operational Excellence

Our ambition is to manufacture in global, world class facilities that deliver high-quality products today and in the future. Our organisational structure allows us to leverage our Group functions to ensure we deliver optimal business process effectiveness, and we are developing a range of best practice programmes to drive this forward.

## Progress

Our Manufacturing Excellence programme has been defined and is now being implemented Group-wide. The key pillars of this programme are based on well-established world class lean manufacturing principles. We have restructured our global manufacturing footprint into core technologies and appointed a Manufacturing Manager to each, to oversee the implementation of best practice in terms of safety, quality, reliability and efficiency. Global Champions have also been appointed to support the Manufacturing Managers in each pillar of the excellence programmes and to promote best practice exchange.

We have developed standard KPIs and these are now being used across all sites to enable clearer monitoring and reporting of progress.

## Outlook

Our biggest opportunity is building organisational excellence across the Group. We are half-way through a three year programme to embed our organisational structure, becoming efficient in a new way of working. Over the coming year we will continue to deliver on our strategic plans; our priorities are health and safety, putting the right people in the right roles and talent development. Continual fine-tuning of our processes to deliver efficiency should translate into stronger Group performance.

## Key priorities

- Focus on the health, safety and environmental performance of our facilities and products
- Use standardised processes to enhance product quality and to enhance our supply chain reliability, adding value to our customers
- Optimise manufacturing output to support demand requirements in terms of current and new products

## KPI

### Return on capital employed

(Operating profit before amortisation and non-recurring items as a percentage of net assets plus net debt)

Target	12.0%
2016	11.1%
2015	12.5% (restated)
2014	11.4%

The movement in return on capital employed is discussed in detail on page 29. The KPI in 2016 is also impacted by foreign exchange effects with earnings being retranslated at average rates and net assets and net debt at closing rates. The impact in 2016 is a net reduction of 70bps, with sterling being weaker at the year end.

## Collaborating and partnering

Over 2015 we worked with a major OEM Building Products company that was dissatisfied with a current product, which was expensive to produce, to design a new solution. We embraced teamwork, strategic focus and professionalism to give this customer a unique advantage, and executed the project with operational discipline and focus, resulting in the 2016 launch of an innovative product.

Our collaborative approach created new ways of working and cross-functional participation throughout the Group, with a high level of overall professionalism, customer communication and knowledgeable response. Our integrated team drew on expertise throughout the Group; involving Sales, Project Management, Applications, R&D, Operations, Purchasing and Production. Advanced pre-planning paid off, with focus enhanced by regular internal and customer communication, stakeholder ownership and accountability.

Our internal expertise, operations and professionalism resulted in a mutually beneficial relationship, with unique opportunities for growth and multiple application development. We have a continued partnership, opening the door to global opportunities and additional building applications.



## Chief Executive's review

# Becoming a global leader in performance materials

The Group has made further progress over the last twelve months on its transformational journey from a production-led company to a market-focussed, global performance materials business.

**Brett Simpson**  
Group Chief Executive



- Revenue increased 10.5% to £400.0m despite mixed market conditions
- Profit before tax, amortisation and non-recurring items increased 6.6% to £29.2m with strong growth from Building & Industrial, Interiors & Transportation and Civil Engineering
- Margins remained stable at 8.7% (2015: 8.8%) – held back by CTT issues
- We successfully reorganised the Group into an actively-managed portfolio of businesses delivering growth and high-quality earnings
- We opened the new Colback plant in Changzhou, China, and approved the next phase of development





Results for the year, however, were mixed. As anticipated, there was strong sales and profit growth in Building & Industrial and Interiors & Transportation and profit and margin improvement in Civil Engineering. Operating profit before amortisation and non-recurring items in Building & Industrial and Interiors & Transportation grew by 16.0% and 14.8% respectively and by 27.3% in Civil Engineering. Profits within Coated Technical Textiles were disappointing and 37.9% lower than last year due largely to manufacturing issues during the first half of the year. Overall, the Group operating margin was 8.7% (2015 (restated): 8.8%), this includes the negative drag from Coated Technical Textiles which we estimate to have been 1.3%.

### Strategic Progress

With a simplified structure and refined corporate strategy, Low & Bonar can combine its collective global expertise to deliver strong results. The Group now has a strong corporate brand, with a portfolio of premium brand products sitting underneath the Low & Bonar umbrella.

In 2016, we strengthened our commercial approach by developing a deeper customer interface to become more proactive and forward-looking as a business, creating bespoke products for our customers to generate greater added-value and deliver better returns. Intimate knowledge of our markets and leveraging our technical expertise can help deliver competitive advantage and provide depth to our four Global Business Units.

Over the year we have invested in increasing capacity and capability across the business to take advantage of future growth opportunities. We are working on increasing our international footprint, based on the regional preferences and requirements of our customers. We are leveraging our European-centric expertise and expanding into other parts of the world, including China and North America, through a mixture of strategic bolt-on acquisitions and organic growth. Our acquisition strategy remains focussed on opportunities which meet our stringent financial criteria.

Key operational highlights in 2016 include our new plant in Changzhou, China, which opened at the start of the year. Low & Bonar is the first British company to produce a proprietary technical textile in China. We use local teams that we have trained to manufacture quality products that meet local and international customers' needs and, in our first year of operation, the plant outperformed expectations. Demand for Colback is strong and growing, and the first commercial products were delivered ahead of forecasts. The plant ended the year with 75% utilisation and expects to reach full capacity by the end of 2017. The Board has approved the next phase of the Changzhou plant's development and we anticipate that a second production line will be built and on-stream by early 2018, at a total cost of around £22m.

We continue to invest in the European heartlands of our business. We are pleased with the strong performance of the new non-woven facility in Tiszaújváros, Hungary, where we have replaced and rejuvenated existing lines. This investment in Civil Engineering, which accounts for on average 23% of the Group's revenue, has strengthened its asset base and added extra capability.

Performance in Civil Engineering has also been boosted by the previous investment in a new 8,000 m<sup>2</sup> plant in Slovakia, which manufactures woven and non-woven geosynthetics for large-scale infrastructure projects. The Ivanka pri Nitre plant is enabling it to address the significant growth potential in this area.

Building & Industrial continues to see strong profit growth and margin progression. North America, in particular, provides an opportunity to develop its customer-branded (private label) work, including working with major building suppliers.

Interiors & Transportation has strong market drivers with good market growth delivering a solid performance across its three regions. The business has had an encouraging first year with the new China facility and continues to invest in new platforms, bringing the latest technology to its Chinese customer base.

Our Coated Technical Textiles operations, based in Germany and Eastern Europe, have suffered from a combination of more stringent regulatory requirements and operational issues resulting in pressure on profits. We have focussed on addressing the underlying issues and changing the work, sales and operational planning processes to optimise the product mix and shift to higher-end products. We start the new financial year with confidence that Coated Technical Textiles will get back on track during 2017.

A hallmark of our new strategy has been the reorganisation of the Group into an actively-managed portfolio of businesses capable of delivering sustainable growth and high-quality earnings. During 2016, we have been committed to resolving legacy issues. It was for this reason that the Board decided to divest the artificial grass yarns business, which formed the majority of the Sports & Leisure global business unit. We have also made progress in agreeing our exit from our joint venture with Natpet in Saudi Arabia. Proceeds from the sale of artificial grass yarns will be used to invest in assets capable of generating our Group financial targets of 10% return on sales and 12% return on capital employed.

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

**Brett Simpson**  
Group Chief Executive  
1 February 2017

# Building & Industrial



**Clark Halladay**  
Global Business Director

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

On a constant currency basis, sales increased by 6.4% and operating profits by 16.0% with operating margins improving to 14.9% from 13.6% last year. Sales were up in all markets; demand was particularly strong during H2, especially for roofing products in the US market. Sales were buoyed by major account wins with roofing, ventilation and green roofing customers. A new global industrial team has been formed to drive sales growth in cabin-air filtration and capitalise on local production and service being available in Asia from our new Colback plant in Changzhou, China.

Global agriculture sales, which were positive but below expectations, were constrained by some service and delivery issues at our Lokeren site, which limited our ability to meet strong market demand for greenhouse screens and mushroom and compost mats. These issues were resolved in Q4 and the Agro business delivered record screen volumes in the final quarter. Favourable market patterns are expected in 2017, and the business remains committed to expansion in the North American market.

The business outlook for 2017 is positive in all segments. On 17 January 2017, the Group purchased for \$3.6m the business and assets of Walfloor Industries Inc, based near Seattle, USA, which produces rainscreens and acoustic mats. The acquisition significantly strengthens our customer relationships in the US building products market and provides a West Coast platform for further growth. The acquisition is expected to be earnings enhancing in the coming year, albeit profits in the first year are expected to be modest.

## Revenue

**£73.4m**

## Operating profit before amortisation and non-recurring items

**£10.9m**

## Operating margin before amortisation and non-recurring items

**14.9%**

## Market drivers

- Food safety in agriculture and protection of food supplies in transportation
- Water conservation in agriculture
- Demand for air, water, home and automotive filtration

	2016	2015	Actual	Constant currency <sup>1</sup>
Revenue	<b>£73.4m</b>	£61.7m	+19.0%	+6.4%
Operating Profit before amortisation and non-recurring items	<b>£10.9m</b>	£8.4m	+29.8%	+16.0%
Operating Margin before amortisation and non-recurring items	<b>14.9%</b>	13.6%		

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

## BonarAgro Duracover – Conserving fragile natural areas

All around Europe, invasive exotic weeds, such as Japanese knotweed, are difficult to eradicate and stifle vegetation. European Integrated Pest Management legislation aims to reduce pesticides being used and a sustainable solution is needed.

BonarAgro's Duracover is the only 100% bio-based woven product available in the landscaping sector worldwide. A pilot project was set up at Pas de Calais (France) by Eden 62, an organisation responsible for conserving fragile natural areas. After

installing Duracover, the weeds were eradicated without using pesticides, with recolonisation by other vegetation within three years.

Based on this success, French cities, municipalities and environmental organisations are now using BonarAgro's Duracover to fight invasive weeds.



# Civil Engineering



**Neil Ryan**  
Global Business Director

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

Despite challenging market conditions, Civil Engineering improved its profitability and margins through a combination of better sales mix and market share gains in targeted specification sales. On a constant currency basis profits were up 27.3%. Commercial successes during the year included strong volume growth in Adfil macro construction fibres and strong sales in our differentiated products, principally prefabricated vertical drainage and erosion control products, as well as delivering organic growth in the USA.

In 2016, development work was completed to ensure that all geosynthetic products will meet the highest standards of durability in the imminent upgrade of the industry standards. Our new, state-of-the-art, non-woven facility in Tiszaújváros, Hungary also came on-stream during the year with a new 6.5m wide line and the relocation of a renovated line from our older facility nearby. We also successfully developed and launched our new best in class Durus S500 macro synthetic fibre for concrete reinforcement.

Looking forward, geographical opportunities for growth include the US and Asia, while demand next year in core European markets is expected to be broadly unchanged, as they are heavily reliant on public funding. We will continue to leverage our market and technical capabilities to accelerate growth in all our target markets and remain very confident that the business will make further progress towards 10% operating margin.

## Revenue

# £90.8m

## Operating profit before amortisation and non-recurring items

# £4.2m

## Operating margin before amortisation and non-recurring items

# 4.6%

## 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

	2016	2015	Actual	Constant currency <sup>1</sup>
Revenue	<b>£90.8m</b>	£85.4m	+6.3%	-3.9%
Operating Profit before amortisation and non-recurring items	<b>£4.2m</b>	£3.1m	+35.5%	+27.3%
Operating Margin before amortisation and non-recurring items	<b>4.6%</b>	3.6%		

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

## Embankment protection

Dutch Water Authorities are constantly challenged to keep water under control and protect embankment erosion of inland waterways. Waterway De Dalle flows through a peaty area, which can easily erode and settles unevenly. This makes erosion control particularly difficult. To ensure De Dalle would be able to cope with increasing future water flows, it was decided to widen the waterway and to make the embankments less steep.

The Water Authority Hollandse Delta chose Enkamat A20 to cover and provide 15km of erosion protection for waterway embankments.

Enkamat A20 is a unique 20mm high 3D structure mat prefilled with bitumen-bound chippings with open spaces, allowing vegetation to grow through the mat. It provides a strong vegetation foothold, with embankments keeping their natural appearance, and offers permanent protection with low maintenance.





# Coated Technical Textiles



**Marc Krauth**  
Global Business Director

The Coated Technical Textiles GBU supplies a range of technical coated fabrics providing aesthetics and design, performance and protection in a number of different markets.

As previously reported, Coated Technical Textiles has had a poor year, significantly impacted by various manufacturing problems which added approximately £3.4m to costs and negatively impacted sales. On a constant currency basis, sales were down 2.4% compared to last year and profits fell by 37.9% to £8.7m. The manufacturing issues are now resolved for the most part and the focus for the business in 2017 is on restoring market confidence and regaining customers. Markets and customers generally remain supportive.

The new sales teams' focus on the higher margin segments (flexible containers and tensile architecture) is beginning to gain traction. Major developments in 2016 included a significant order to supply fabric for the Volgograd stadium in Russia for the 2018 World Soccer tournament. We have also launched Camouflage for an inflatable boat application and Flexi Pools, designed to withstand extreme UV exposure and for improved durability when in contact with treated pool water.

The focus for 2017 will be on reliability and rebuilding Coated Technical Textiles' reputation for service delivery and quality product. Further gains in higher margin segments should support further profit improvement.

## Revenue

**£129.8m**

## Operating profit before amortisation and non-recurring items

**£8.7m**

## Operating margin before amortisation and non-recurring items

**6.7%**

## 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

	2016	2015	Actual	Constant currency <sup>1</sup>
Revenue	<b>£129.8m</b>	£120.4m	+7.8%	-2.4%
Operating Profit before amortisation and non-recurring items	<b>£8.7m</b>	£12.8m	-32.0%	-37.9%
Operating Margin before amortisation and non-recurring items	<b>6.7%</b>	10.6%		

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

## Unique textile façades for extreme weather conditions

Preysi, an Ecuadorean engineering company, wanted to build a new Government building in Esmeralda, on the West coast of Ecuador with an unhindered view to the ocean, integrated into local surroundings and providing a special feature at night.

Situated close to the equator, Esmeralda experiences bright sunlight. The answer was to wrap the building in an innovative textile façade – Low & Bonar's MEHGIES®

VALMEX® TF400 mesh in silver. Opened in 2016, the grid fabric serves as a sun screen and wind shield and is visually appealing. The textile façade can be used as a cinema screen by night, integrating the governmental building into the newly-developed recreational heart of the city and opening the coastline to the public.



# Interiors & Transportation



**Gareth Kaminski-Cook**  
Global Business Director

The Interiors & Transportation GBU supplies technical fabrics used in transportation, interior carpeting, resilient tiles and decorative products.

Interiors & Transportation delivered very good profit growth; profits were up 14.8% to £17.1m on a constant currency basis. Sales were 1.7% ahead on a constant currency basis for the full year. Sales in H1 were 3.8% ahead aided by additional capacity from the new plant in Changzhou, China, but sales in H2 were flat due to the pass-through of price reductions in connection with lower raw material prices.

The performance in China has been pleasing with both sales and margins being ahead of plan. The total sales of Colback in China were £11.7m (2015: £8.5m). Sales of Colback from Changzhou, including £3.1m export sales, totalled £9.6m (2015: £nil).

The Interiors & Transportation business serves a number of nascent market segments, where Colback has established a strong market position with recognised advantages and a reputation for innovating, so the outlook is positive for good growth from a leading position. We enter 2017 with a good supply situation.

## Revenue

# £106.0m

## Operating profit before amortisation and non-recurring items

# £17.1m

## Operating margin before amortisation and non-recurring items

# 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

	2016	2015 (restated) <sup>2</sup>	Actual	Constant currency <sup>1</sup>
Revenue	<b>£106.0m</b>	£94.6m	+12.1%	+1.7%
Operating Profit before amortisation and non-recurring items	<b>£17.1m</b>	£13.4m	+27.6%	+14.8%
Operating Margin before amortisation and non-recurring items	<b>16.1%</b>	14.2%		

1. Constant currency is calculated by retranslating comparative period results at current period exchange rates.
2. Restated to include the continuing Sport & Leisure segment.

## Next generation technology for the global automotive market

With increased demand from the automotive market to produce high quality, tufted moulded car carpets with a reduced weight and optimised material composition, and stringent OEM cost savings requirements, we developed Colback ProMotive, a new generation of 3D mouldable primary carpet backings. Launched in 2016, it is now available to the global automotive market.

Colback ProMotive provides unrivalled robustness and consistency, and superior and consistent moulding properties. It is a thermally-bonded, spun-laid non-woven, made from bi-component filaments and designed to meet high performance requirements at lower weight.

The technology can be applied to other applications requiring high-quality moulded products at a reduced weight, opening up further growth opportunities.



## Executive Leadership Team

# Leading the Group's transformation

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

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

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



“

**The ELT is the heart of the business. We have good people with expertise, judgement and a passion for service. But it's more than that, it's about providing a strong point of view that brings insight and thinking that tells me this is the right team to enable change and build for the future.**

”

**Brett Simpson**  
Group Chief Executive

**1. Brett Simpson**  
Group Chief Executive

**2. Mike Holt**  
Chief Financial Officer

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

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

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

**6. Gareth Kaminski-Cook**  
Global Business Director,  
Interiors & Transportation

**7. Wayne Currie**  
Group Director of Operations

**8. Jan van Boldrik**  
Group Director of Special  
Projects/Adviser to CEO

**9. Francis Bird**  
Group Director of  
Human Resources

**10. Hans Kolnaar**  
Group Director of  
Innovation

**11. Matthew Joy**  
Group General Counsel





## Financial review

# Delivering strong growth throughout the Group

We are starting to see tangible results from our transformation. There was good profit growth in three of our four businesses. Results in Coated Technical Textiles, however, were disappointing.

**Mike Holt**  
Chief Financial Officer





## Results Overview

	2016	2015 (restated) <sup>1</sup>	Actual	Constant currency <sup>2</sup>
Revenue	<b>£400.0m</b>	£362.1m	10.5%	(0.2%)
Operating profit before amortisation and non-recurring items	<b>£34.7m</b>	£31.8m	9.1%	(2.8%)
Operating margin before amortisation and non-recurring items <sup>3</sup>	<b>8.7%</b>	8.8%		
Profit before tax, amortisation and non-recurring items	<b>£29.2m</b>	£27.4m	6.6%	(5.2%)
Basic EPS before amortisation and non-recurring items	<b>6.01p</b>	5.86p	2.6%	(9.0%)
Dividend per share	<b>3.00p</b>	2.78p	7.9%	
Return on capital employed <sup>4</sup>	<b>11.1%</b>	12.5%		

1. Restated to exclude the results of discontinued operations.
2. Constant currency is calculated by retranslating comparative period results at current period exchange rates.
3. Operating profit before amortisation and non-recurring items as a percentage of revenue
4. Operating profit before amortisation and non-recurring items as a percentage of net assets plus net debt.

	2016 £m	2015 (restated) <sup>1</sup> £m
Operating profit (statutory)	<b>£31.4m</b>	£25.8m
Profit before tax (statutory)	<b>£25.9m</b>	£21.4m
Basic EPS (statutory)	<b>5.20p</b>	4.47p

### Pre-tax profit

Profit before tax, amortisation and non-recurring items from continuing operations increased by 6.6% to £29.2m (2015 (restated for discontinued operations): £27.4m). The impact of foreign exchange rate changes aided reported profits by £3.5m following the significant weakening of sterling against the Euro and US Dollar. Operating profits before amortisation and non-recurring items were 9.1% higher than last year at £34.7m (2015 (restated): £31.8m). Statutory operating profits were 21.7% higher at £31.4m against £25.8m in 2015 (restated). Statutory profit before tax was £25.9m (2015 (restated): £21.4m) after a net non-recurring credit of £0.7m (2015 (restated): charge of £1.9m) and a £4.0m charge for amortisation (2015: £4.1m).

Excluding the effect of favourable foreign exchange gains on translating overseas earnings due to weaker sterling, profit before tax, amortisation and non-recurring items on a constant currency basis was 5.2% lower than the prior year, profit before tax, amortisation and non-recurring items in 2015 being £30.8m. Operating margins remained stable at 8.7% against 8.8% (restated for discontinued operations) last year. Volume growth in Building & Industrial and Interiors & Transportation and effective margin management in Civil Engineering, together with net pricing gains, offset further investment in operational capability and a disappointing performance by Coated Technical Textiles, primarily within production. Manufacturing performance was also disappointing at our weaving site at Lokeren, Belgium which held back potential gains in our agriculture segment.

### Non-recurring items

There was a net non-recurring credit of £0.7m (2015 (restated): net non-recurring charge of £1.9m) in relation to continuing operations.

The Group recorded a profit of £1.1m on the sale of unused land at our North American manufacturing site in Asheville. The Group also incurred £0.1m (2015: £0.2m) of non-recurring pension administration costs relating to its UK defined benefit scheme. A further £0.2m (2015: £0.2m) of professional fees were incurred in respect of the medically-underwritten buy-in of £34m of UK pension scheme liabilities, which completed on 3 December 2015.

During the prior year, construction and start-up costs relating to the Group's construction of a new manufacturing facility in Changzhou, China, totalled £1.1m and reorganisation costs of £0.4m were incurred in the integration of the Group's operations into a single global business.



## Discontinued operations

On 4 July 2016, the Board announced the disposal of the Group's artificial grass yarns business (previously comprising the majority of its Sport & Leisure GBU). The disposal completed on 1 September 2016 and the prior period income statement has been restated accordingly.

The Group's joint venture in Saudi Arabia, Bonar Natpet, made a loss during the year of £2.6m (2015: £3.6m), of which the Group's share was £1.3m (2015: £1.8m). The Board is pursuing the disposal of the Group's interest in the joint venture and negotiations with interested parties are ongoing. Due to this, the Group's share of the results of the joint venture has been presented as discontinued operations.

## Taxation

The overall tax charge on continuing profit before tax was £8.2m (2015: £6.2m). The tax charge from continuing operations before amortisation and non-recurring items was £8.8m (2015: £7.6m), a rate of 30.4% (2015 (restated): 27.8%). The increase in effective rate relates to country mix of profits, in particular more profits derived from the USA and the disposal of the grass yarns business.

## Acquisitions

There were no acquisitions in 2016. On 17 January 2017, the Group acquired the business and assets of Walfloor Industries Inc, a producer of rainscreens and acoustic mats based near Seattle, USA, for an initial \$3.6m and a contingent consideration of up to \$0.9m in cash based on the commercial performance of the business over the next twelve months.

## Net debt

As at 30 November 2016, net debt was £111.0m (2015: £102.1m). This was circa £15m higher than had been expected at the half-year, due principally to the progressive weakening in sterling which accounted for about £12m and the deferred receipt of working capital proceeds from the sale of the artificial grass yarns business. Stock build was also a little higher than had been anticipated in Lokeren and at other sites due to buffering to meet demand in H1 2017. Capital expenditure was however lower with payments moving into 2017.

Cash inflow from operations was £38.5m (2015: £39.8m). During the year, the Group spent £18.9m (2015: £33.0m) on property, plant and equipment and £3.3m (2015: £0.7m) on intangible assets. Excluding replacement, efficiency and health and safety related capital expenditure, the amount invested in equipment to support future growth was £13.1m (2015: £23.0m). The main items related to the new factory build in Changzhou, China, the new non-woven plant in Tiszaújváros, Hungary and new looms in Ivanka, Slovakia which amounted to £7.8m (2015: £13.6m), £1.4m (2015: £5.6m) and £1.7m (2015: £nil) respectively. The Group also invested £2.7m (2015: £nil) in a new Group ERP system, the roll-out of which will commence in 2017. The total investment for the new ERP system is expected to be about £9m.

The Group received proceeds of £21.7m from the sale of the artificial grass yarns business in September 2016 and holds a receivable of £4.3m reflecting a working capital adjustment, based on the sale agreement, which the Group is due to receive in 2017. Costs incurred relating to the disposal of the business totalled £2.0m.

Trade working capital as a percentage of sales at year end increased to 26% (2015: 23%), the increase being mainly due to an increase in inventories of £14.7m. This reflects the planned ramp-up in our new facility in Changzhou, together with stock build to fulfil orders and product launches in early 2017, and continued production and scheduling issues at our Lokeren site.

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

	2016 £m	2015 £m
Cash and cash equivalents	<b>26.3</b>	33.9
Total bank debt	<b>(137.3)</b>	(136.0)
Net bank debt	<b>(111.0)</b>	(102.1)

The gearing ratio of total net debt to EBITDA decreased from 2.19 times (in 2015) to 1.98 times.

The Group's available debt facilities total €246m (2015: €233m) and comprise a five-year revolving credit facility of €165m through to July 2019, a private placement of €60m scheduled for repayment between September 2022 and September 2026 in even tranches, and loan facilities of Rmb150m through to June 2020. Net debt at 30 November 2017 is expected to be similar to 30 November 2016, on a constant currency basis.

### Return on capital employed

The return on capital employed has reduced to 11.1% (2015 (restated): 12.5%) due to significant capital expenditure in the year and stock build. The 2015 calculation has been restated to remove £20.2m of net assets associated with the disposed business and assets. 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, and the higher inventories were held to fulfil orders in H1 2017 and mitigate production bottlenecks at our site in Lokeren, Belgium.

### Earnings per share

Basic earnings per share, before amortisation and non-recurring items was 6.01p, an increase of 2.6% from 5.86p in 2015 (restated). On a constant currency basis, basic earnings per share before amortisation and non-recurring items reduced by 9.0% due to an increase in the effective tax rate from 27.8% to 30.4% along with the constant currency impact on the earnings of the Group. Basic earnings per share from continuing operations increased 16.3% from 4.47p in 2015 (restated) to 5.20p in 2016.

### Dividends

The Directors have proposed an increased final dividend in respect of the financial year ended 30 November 2016 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 12 April 2017, it will be paid on 13 April 2017 to Ordinary Shareholders who are on the register of members at close of business on 17 March 2017. The Company's distributable reserves at 30 November 2016 provide around 10 years cover for dividend payments at the current rate.

### Pensions

The charges for pensions are calculated in accordance with the requirement of IAS 19 Employee Benefits (revised). At 30 November 2016, the UK scheme showed a deficit of £2.2m (2015: surplus of £5.2m), the increase in the deficit is principally due to the fall in bond yields in the year, partially mitigated by the Schemes assets outperforming expected returns and lower than anticipated levels of inflation. During the year, the Group's UK defined benefit scheme continued to adopt a lower risk investment strategy in which the interest rate and inflation risks were more closely hedged and the exposure to equities reduced to 13% of the scheme's assets (2015: 19%). On 3 December 2015 the Group also completed a medically-underwritten buy-in of £34m of liabilities within its UK pension scheme, to eliminate interest rate, inflation and mortality risks and provide an effective liability and cash flow match.

The deficit in the Group's overseas schemes in Belgium, Germany and the USA increased to £12.8m (2015: £9.9m), again due to the fall in bond yields in the year.

### Restatement

Due to the disposal of the artificial grass yarns business (disclosed as discontinued operations), the remaining continuing interests within the Sport & Leisure segment have now been included within the Interiors & Transportation segment due to the similar nature of the products provided. The Group's reportable segments have also been restated to reflect the discontinued operations noted in the period and the change in operating segments.



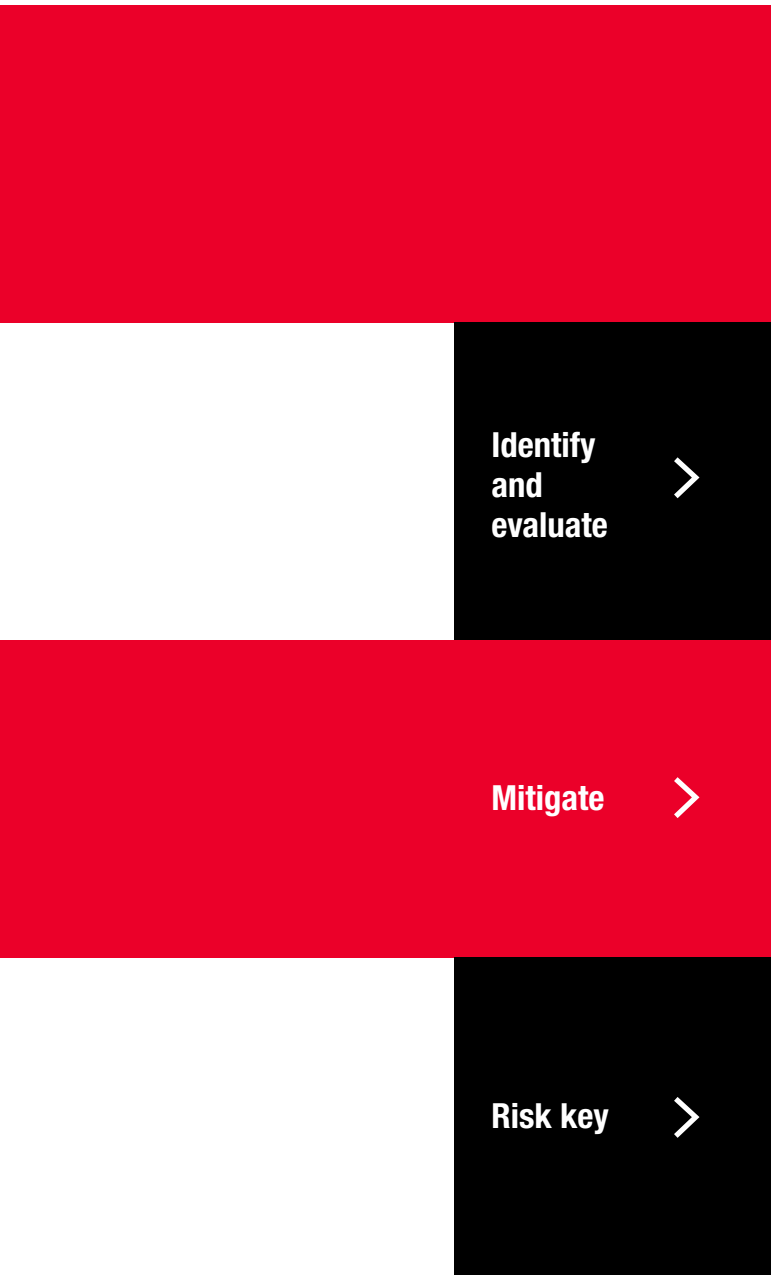
### Mike Holt

Chief Financial Officer  
1 February 2017

Principal risks and uncertainties

# Risk management framework

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**  
Risks impacting long-term strategic objectives.
- Operational**  
Risks arising during day-to-day activities which, if not managed, could impact upon the running of the business.
- Financial**  
Risks impacting directly upon the finances of the business.
- Compliance**  
Risks relating to legal and regulatory sanctions and reputational damage arising from failure to comply with applicable laws and regulations.

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

The risk registers ensure that each identified risk has a mitigation process developed for it, and documents how the mitigation strategy is implemented, the frequency of review, who is accountable for the process, the assessment of the adequacy of the mitigation strategy and who will undertake the steps to ensure that the risk is mitigated.

Risk Profile	Strategic	Operational	Financial	Compliance
<small>(Relative To Prior Year)</small>				
<b>Increasing</b> ▲	Global activity Organic growth/ competition			Laws and regulations
<b>Stable</b> ■	Cyber security Growth strategy	Business continuity Employee Raw material pricing	Treasury Pension funding	Health and safety
<b>Reducing</b> ▼			Funding	

The key risks noted above are evaluated by the bodies on page 31 as a standing agenda item at each of the relevant meetings in terms of the probability of the risk occurring and the impact it would have on the Group.



## Risk Oversight

### Board of Directors

- oversees risk management as a whole, with specific responsibility for political risks, take-over risks, funding and capital, acquisitions, investor relations and significant capital expenditure and delegates responsibility for addressing individual risk issues to:

#### Audit Committee

delegated responsibility for control of funding and capital, financial controls, evaluation and control of acquisitions, information, valuation and reporting in respect of pensions and treasury matters.

#### Risk Oversight Committee

delegated responsibility for maintaining the Group risk register, and for managing 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.

In recognition of its responsibility for risk issues, the Board has reviewed the key risks associated with the business and will continue to do so as a regular agenda item at its meetings in the coming year. Formal responsibility for risk matters set out in the Group Risk Register is divided between the Board, the Audit Committee and the Risk Oversight Committee. The Board has primary responsibility for those risks broadly categorised as political risks, take-over risks, funding and capital, acquisitions and significant capital expenditure and investor relations. The Audit Committee has delegated responsibility for control of funding and capital, financial controls, evaluation and control of acquisitions, information, valuation and reporting in respect of pensions and treasury matters. The internal audit function has a direct reporting line to the Audit Committee and relevant representatives attend Audit Committee meetings by invitation.

The Group's work in the area of operational risk management is facilitated by the Risk Oversight Committee, which is chaired by the Chief Financial Officer and is attended by the Group Chief Executive and other members of the Executive Leadership Team, together with the Group Health & Safety Director and Deputy Group Finance Director. The Risk Oversight Committee has responsibility for risks in the areas of health and safety, information security, the environment, major physical or operational incidents, raw materials, product failure, new product development, competition, customers, employees and regulatory and compliance issues. Health, safety and environmental ("HSE") and information security matters are delegated to the Group HSE Committee, which is chaired by the Group Health and Safety Director, and the Information Security Committee, which is chaired by the Deputy Group Finance Director, respectively.

The Risk Oversight Committee meets at least three times a year and operates under formal terms of reference established by the Board and is committed to continuing to develop and embed risk management processes within the Group. The work of all of the Board committees relating to risk management is discussed at full Board meetings on a regular basis in addition to the work undertaken by the Board on key risk issues. The Risk Oversight Committee receives reports from the Group HSE Committee and the Information Security Committee and reports on relevant matters to the Board.

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

- financial reporting: there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year, which are prepared regularly;
- operating unit controls: financial controls and procedures, including information system controls, are detailed in the Group Policies and Procedures Manual. All operating units are

required to confirm quarterly their compliance with policies and procedures set out in the manual (including those relating to HSE matters), local laws and regulations and report any control weaknesses identified in the past year. Independent confirmation of compliance is obtained annually for selected operating units; and

- investment appraisal: the Group has clearly defined guidelines for capital expenditure which are also set out in the Group Policies and Procedures Manual. These include detailed appraisal and review procedures, levels of authority and post-completion audits. Where businesses are being acquired, detailed due diligence is undertaken in advance of acquisition.

The continued development and implementation of the risk management and internal control system across the Group has allowed the Directors to comply with the UK Corporate Governance Code provisions on internal control in the course of the financial year ended 30 November 2016.

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

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

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

## Principal risks and uncertainties continued

Risk	Movement	Mitigating strategy
<p><b>Global activity</b></p> <p>The Group may be adversely affected by global economic conditions, particularly in its principal markets in mainland Europe and North America. The volatility of international markets could result in reduced levels of demand for the Group's products, a greater risk of customers defaulting on payment terms, supply chain risk and a higher risk of inventory obsolescence. Changes in international trade regulations or tariffs could potentially disrupt the Group's supply chains.</p>	▲	<p>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.</p> <p>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.</p> <p>Procurement management endeavour to mitigate supply chain risk by identifying and qualifying alternative sources of key raw materials.</p> <p>Potential changes to international trade regulations are monitored in order to try and anticipate and mitigate their impact.</p>
<p><b>Organic growth/competition</b></p> <p>The markets in which the Group operates are competitive with respect to price, geographic distinction, functionality, brand recognition and marketing and customer service.</p>	▲	<p>The Group has chosen to operate in attractive niche markets within the technical textile industry, using proprietary technology to manufacture products which are important determinants of the performance and/or efficiency of our customers' final product or process.</p> <p>Significant resources are dedicated to developing and maintaining strong relationships with our customers, and to developing new and innovative products which meet their precise needs.</p> <p>Innovation pipelines are Business Unit-led and rigorously managed through a stage-gate process.</p>
<p><b>Cyber security</b></p> <p>Disruption to or penetration of our information technology platforms could have a significant adverse effect on the Group.</p>	■	<p>The Group's information technology resources are continuously monitored and maintained, 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.</p> <p>Business continuity measures are in place to minimise the impact of any disruption to its operations.</p>
<p><b>Growth strategy</b></p> <p>The Board believes that growth, both organic and through acquisitions, is a fundamental part of its strategy for the Group. The Board reviews such growth opportunities on an ongoing basis and its acquisition strategy is based on appropriate acquisition targets being available and on acquired companies being integrated rapidly and successfully into the Group.</p>	■	<p>The current focus of the Group is on profitable, cash-generative organic growth supplemented by acquisitions where appropriate.</p> <p>The senior management team is experienced and has successfully executed and integrated several acquisitions and joint ventures in the past.</p> <p>Acquisitions are made subject to clearly defined criteria in existing or adjacent segments whose products and technologies are well understood, and only after extensive pre-acquisition due diligence. Acquisition proposals are supported by a detailed post-acquisition integration plan that is rigorously managed through to completion.</p>
<p><b>Business continuity</b></p> <p>The occurrence of major operational problems could have a material adverse effect on the Group. These may include risks of fire or major environmental damage.</p>	■	<p>The Group has process controls and proactive maintenance programmes designed to avoid problems arising. These are supported by regular site visits from risk management, internal audit staff and the Group HSE Committee. Crisis response procedures including business continuity/disaster recovery plans are in place to minimise the impact of any disruption to its operations. Where appropriate, risks are partially transferred through insurance programmes.</p>
<p><b>Employee</b></p> <p>The Group is reliant on its ability to attract, develop and retain talented leaders, professionals and specialists throughout the organisation.</p>	■	<p>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 all aspects of employment across the Group. We are committed to effective communication and engagement with employees which takes place on a continuous basis. We utilise our values of; be world class; empower and perform; embrace the new; collaborate to transform; in the way that we engage with our people and conduct our business.</p>

Risk	Movement	Mitigating strategy
<p><b>Raw material pricing</b></p> <p>The Group's profitability can be affected by the purchase price of its key raw materials and its ability to reflect any changes through its selling prices. The Group's main raw materials are polypropylene, polyester, nylon, polyethylene and PVC. The prices of these raw materials are volatile, and they are influenced ultimately by oil prices and the balance of supply and demand for each polymer.</p>		<p>The Group has a good level of expertise in polymer purchasing and uses a number of suppliers to ensure a balance between competitive pricing and continuity of supply.</p> <p>The Group's focus on operating efficiencies and the strength of its product propositions has in the past allowed the effect of raw material cost fluctuations to be successfully managed.</p>
<p><b>Treasury</b></p> <p>Foreign exchange is the most significant treasury risk for the Group.</p> <p>The reported value of profits earned by the Group's overseas entities is sensitive to the strength of Sterling, particularly against the Euro and the US Dollar. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and counterparty credit risk.</p>		<p>Group policy aims to naturally hedge transactional foreign exchange risks by buying and selling in the same currency. Policy in relation to residual risk ensures treasury activities are focussed on the management of risk with high quality counterparties; no speculative transactions are undertaken.</p> <p>The Group uses financial instruments to manage the exposures that may arise from its business operations as a result of movements in financial markets.</p>
<p><b>Pension funding</b></p> <p>The Group may be required to increase its contributions into its defined benefit pension schemes to cover funding shortfalls. The funding may be affected by poor investment performance of pension fund investments, changes in the discount rate applied and longer life expectancy of members.</p>		<p>Regular dialogue takes place with pension fund trustees and the Board regularly discusses pension fund strategy. The main Group scheme is closed to new members and to future benefit accrual and assumptions, including funding rates, are set in line with the actuaries' recommendations. A medically-underwritten buy-in of certain of the Group's pension liabilities was undertaken in December 2015, to reduce volatility from changing life expectancy.</p>
<p><b>Funding</b></p> <p>The Group, like many other companies, is dependent on its ability to both service its existing debts, and to access sufficient funding to refinance its liabilities when they fall due and to provide sufficient capital to finance its growth strategy.</p>		<p>The Group manages its capital to safeguard its ability to continue as a going concern, to 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.</p>
<p><b>Laws and regulations</b></p> <p>The Group's operations are subject to a wide range of laws and regulations, including employment, environmental and health and safety legislation, along with product liability and contractual risks.</p>		<p>The Group's policy manuals 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.</p> <p>Product liability risks are managed through stringent quality control procedures covering review of goods on receipt and prior to despatch and all manufacturing processes. Insurance cover, 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.</p>
<p><b>Health and safety</b></p> <p>The nature of the Group's operations presents risks to the health and safety of employees, contractors and visitors. Furthermore, inadequate health and safety practices could lead to business disruption, financial penalties or loss of reputation.</p>		<p>The Group's health and safety strategy aims to embed a strong and proactive health and safety culture across all aspects of our business. Health and safety matters are discussed at Group Board and Business Unit level meetings, and the Group HSE Committee meets regularly to develop and implement Group health and safety standards and Global Improvement Programmes, investigate incidents and near misses, and share best practice through site audits and training programmes. Performance is monitored against Group-wide health and safety KPIs.</p>



## Corporate & social responsibility

# Committed to sustainability working hand-in-hand with our long-term growth strategy

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

Throughout 2016 we have continued to focus significant effort, resource and capital in our CSR programmes. We remain committed to reviewing all aspects of our CSR processes and looking for opportunities to improve them, as by doing so we are also supporting our long-term strategy.

### Core values



Be world class



Empower and perform



Embrace the new



Collaborate to transform

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

### 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.
- 2. Manufacturing process** – The Group is focussed on optimising energy efficiency and the reduction of process emissions in its manufacturing processes. This year has seen significant improvements in our manufacturing processes with the use of lean and continuous improvement techniques.
- 3. Waste reduction** – The Group is focussed on minimising waste. In 2016, we have further reduced our waste creation in our manufacturing processes across all sites by investment in improved technology. This investment continues into 2017 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. We now have one carpet backing that is 100% recyclable.

2016 Priorities	2016 Progress	2017 priorities
Ensure the integrated Group HSE policy statement is embedded across the new sites in China and Hungary.	Policy statement fully embedded in all sites.	<b>The Group HSE Policy will be reviewed and re-issued in 2017.</b>
Commence monthly data capture and quarterly internal reporting for environmental metrics.	List of environmental metrics developed and agreed to be consistent with Global Reporting Initiatives (“GRI”) standards. Data capture progressing.	<b>Further embed monthly and quarterly data reviews for environmental metrics.</b>
Launch Project Planet at Global HSE Community meeting.	Project Planet launched at Global HSE Community meeting. A HSE week focussed on the environment was held at all sites this year in October.	<b>Continue to roll-out the project.</b>
Continue with the programme to expand the use of Environmental Management Systems ISO 14001 and ISO 50001.	Three sites in Germany achieved ISO 50001 certification and a number of sites continue to work towards introducing ISO 14001.	<b>Further sites to achieve ISO 14001 certification.</b>
Carry out energy audits at additional sites.	Energy audits were carried out at a further five sites. A number of projects have been completed to reduce energy use, including both gas and electricity use.	<b>Review audits for further opportunities to improve. Further capex programmes developed to reduce energy usage across a number of sites.</b>
Maintain focus on the identification of further opportunities to reduce waste and recycle materials.	A number of waste reduction projects have been completed as well as investments to increase re-use of onsite and offsite waste streams.	<b>An inventory of all waste reduction activities carried out at all locations will be completed to identify cross learning opportunities across the Group.</b>
Continue to review eco-efficiency opportunities.	We have continued to seek to develop new products that have applications to support global sustainability megatrends.	<b>Continue to review eco-efficiency opportunities to support our core goals.</b>
The fourth Low & Bonar global health and safety week will take place later in 2016.	Successful fourth global health and safety week event held (focussing on the environment).	<b>The fifth global health and safety week event will take place in 2017.</b>
Use health and safety global improvement programmes (“GIPs”) to reduce inherent risk and deal with accident hot spot topics.	Machinery safety programme continued and GIPs on hand injuries, manual handling and slip/trip/fall accidents continued to have an impact. The fire safety improvement programme has been developed and five capex programmes are in progress. A web-based HSE near miss and incident reporting tool has been created and embedded across all sites.	<b>The effectiveness of these GIPs will be reviewed this year and new measures identified if required.</b>
A range of further new/updated health and safety standards will be issued.	One new health and safety standard has been issued covering rider-operated trucks (fork-lift trucks etc.).	<b>A review will be held of the current standards and implementation plans developed where required. Further, new standards will be developed as required e.g. permit to work etc.</b>
A new Lost Time Accidents (“LTA”) target rate of 200* has been set.	Unfortunately the LTA rate has not reduced as targeted and stands at 800* with all management levels committed to improvement. Several programmes are in place to improve performance. The first aid rate has been reduced and the near miss reporting has been encouraged and has increased significantly, allowing more proactive management of safety to develop.	<b>Cultural development programmes including “Walk &amp; Talk” and other safety leadership initiatives to be rolled out. HSE Annual Improvement plans will be developed for each site.</b>

Note \* based on the number of work related accidents that involved the loss of any time from work (LTAs) per 100,000 employees

# Environmental management

Environmental management remains a key area of focus, as we recognise the environmental impact of our use of raw materials, the impact from our manufacturing processes (including use of energy, water and the generation of waste) and via the use and disposal of our products.

We continually seek to improve environmental management, and compliance with environmental regulation is a minimum requirement.

The Group concentrates its efforts on energy efficiency, the reduction of process emissions, the replacement of virgin raw materials with recycled material, where possible, and the minimisation of waste. Active plans are in place to support continuous improvement and these plans are being enhanced by improved reporting metrics and the broader adoption of certified environmental management systems, as described below.

We continue to review our environmental management programme, as well as key performance indicators for environmental performance. We have introduced environmental near miss reporting and we continue to review all incidents to develop our understanding of their cause and potential impact on the Group. All findings are quickly distributed across all sites for action. We have also expanded the range of environmental performance metrics to be measured and reported. They have been reported on internally during 2016 and conform to the GRI's G4 guidelines.

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

An enhanced environmental programme, Project Planet, was launched in early 2016 and will continue to progress in 2017. The key elements of the programme which have been completed include:

- completion of energy audits across a number of sites and the development of programmes of work to address opportunities arising from these energy audits;
- an assessment of our environmental airborne emission protection systems and the development of improvement plans to address the findings from these assessments;
- the reduction of waste through continuous focus on our processes and installation of recycling systems; and
- a successful manufacturing excellence project which has been trialled at our Hückelhoven site.

We will be undertaking the following parts of the programme in 2017:

- working towards the improvement of the airborne emissions protection system at our Fulda site;
- completing a number of energy reduction programmes across our sites; and
- continuing to review our airborne emissions and regulatory compliance across all sites.

Currently, three of our manufacturing sites are certified to the Environmental Management Systems ISO 14001:2004 and a number of our sites are working towards achieving certification in 2017. The introduction of ISO 14001:2015 and the HLS reporting structure has caused us to extend our initial programme of introduction. In addition, three manufacturing sites have been successfully certified to ISO 50001:2011 Energy Management Systems Standard.

## Greenhouse gas emissions

We report our greenhouse gas ("GHG") emission footprint covering all direct and indirect emissions for all relevant Group companies, expressed as tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>(e)), on page 37.

## Low & Bonar products

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

## BonaEco

We seek to innovate with products that have sustainability at their core. One of our more unique carpet yarns, BonaEco, is made from 100% recycled polypropylene yarn. BonaEco provides the industry with a 100% recycled solution which can be used throughout a variety of commercial and domestic projects. The market has gradually been moving towards a more "green" approach to manufacturing and production and BonaEco was a logical step in this process. We have also developed a unique recycling programme which has a dramatic impact on the way in which polypropylene carpet-backing yarns are produced. Using a dynamic process, we can recycle our polymer waste by re-extruding it into pellets. The pellets are then used to produce BonaEco to our highest standard of quality.

## Antimony-free

We are developing antimony-free carpet backings to support our goals and our customers' aims for sustainable carpet backings.

## Carpet backings

We have developed a new generation of 3D mouldable primary carpet backings called Colback ProMotive® to give greater performance and processing capability to our customers, as well as giving lighter and higher quality car carpets.

## Ground management and ground cover materials

The Group has developed a new geotextile with loop pile fabric to allow easier installation of concrete blocks for erosion control, reducing the requirement to install traditional rock revetment. This reduces installation time and improves weathering performance and durability compared to the traditional solution.

## Construction fibres

We have developed a new macro fibre Durus S500®, and production line, meeting CE requirements for fibre-reinforced concrete applications which gives improved performance and uses 20% less fibre content. Overall, the structural performance of the customers' product was improved with reduced material usage.

## Energy management and the use of renewable energy

We continually review opportunities to reduce energy use and review the balance of renewable energy in our energy mix. Since 2005, our two sites in Belgium have been working with an energy audit organisation established under the framework of the Kyoto Protocol. They have been screened for their energy consumption and all significant energy uses were measured separately, enabling us to take targeted efficiency measures where necessary.

In addition, we have continued our energy management programme and have now completed energy audits at a number of our sites. As in previous years, these have been converted into local improvement plans and capital programmes. Examples include:

- Zele
  - Steam boiler replaced with an enhanced energy system
  - Air conditioning system replaced with a more efficient system
  - Installed energy monitoring systems
- Lomnice
  - Improved motor control systems for reduced energy consumption
- Extensive Lighting improvements for reduced energy consumption at:
  - Ivanka
  - Obernburg
  - Fulda
- Obernburg
  - New oven for reduced energy consumption

### Waste management

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

We have reduced the amount of edge waste at a number of our facilities and are re-using a number of our core tubes and pallets that were previously discarded.

We have made an investment in Belgium for a recycling unit for HDPE tubes. This will allow us to recycle the tubes into extrudable granules for re-use. We have also invested in recycling systems for the macro and micro-fibre line process to recycle material back into use.

Across all our sites, we have significantly reduced our waste going to landfill and improved our recycling and segregation, as well as reducing production waste by improved manufacturing process controls.

At 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. This year we have recycled over 1,000 tonnes of material in our German operations by making this a key priority for investment and improvement.

### Water

Water usage is not a significant environmental impact for the Group due to the nature of our manufacturing operations. However, water usage is tracked and monitored and water management activities are regularly reviewed. We continue to invest in technology that allows us to reduce our water usage and have successfully introduced a number of recirculating systems to our processes in 2016 to reduce water consumption.

### Production environmental emissions

A number of our production processes result in airborne emissions for which we have all the required regulatory authorisations and permits. As part of Project Planet these emission points have been evaluated. This is a major area of work for 2017 with the planned upgrade of a number of sites' emission control systems to reduce our environmental impact, particularly at Fulda and Hückelhoven. We will be reviewing our environmental airborne emissions across all our sites during 2017 to confirm our control measures are effective.

## Greenhouse Gas emissions

Our GHG emissions report, in line with UK mandatory reporting requirements under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, is set out below.

Our total emissions this year are 122,966 tonnes CO<sub>2</sub>e, a 16% increase compared to last year. This is equivalent to 307.4 tonnes of CO<sub>2</sub>(e) per £1m of Group revenue.

There have been some significant changes to the Group in the year; the development of a new site in Hungary early in 2016, the sale of the artificial grass yarns business in September 2016 and the first full year of operation of the new Changzhou site in China.

The results of the artificial grass yarns business have been treated as discontinued operations in the consolidated financial statements. Therefore, to align the treatment of the GHG emission reporting with the results for the Group, the emissions from the disposed business have been excluded in 2016 and the 2015 results have also been restated to exclude these emissions. Similarly, the results from our share of the joint venture, Bonar Natpet LLC, have been treated as discontinued operations as we make plans to exit the venture. Given this, the emissions from Bonar Natpet have also been excluded from 2016 and 2015 has similarly been restated.

The increase in the emissions and intensity ratio in the year relate primarily to the new plant in Hungary, the first full operational year at the plant in Changzhou and increased levels of output at a number of our other manufacturing sites.

We have used the methodology set out by the Department for Environment, Food and Rural Affairs ("DEFRA") Environmental Reporting Guidelines 2013 to compile this report. As required, we have reported on our scope 1 and 2 emissions, which comprise direct emissions, such as heating and vehicle fuel, and indirect emissions such as purchased electricity. The sources of emissions included in our reporting fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated financial statements. Where data relates to a joint venture (or similar) the emissions have been apportioned on the basis of equity ownership.

We have computed our emissions using the DEFRA Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance issued in June 2013. For our UK operations, we have used the UK Government's 2016 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 Group emission data for period 1 December 2014 to 30 November 2016

	Tonnes of CO <sub>2</sub> (e) 2016	Tonnes of CO <sub>2</sub> (e) 2015
Energy emissions	120,545	104,165
Process emissions	0	0
Fugitive emissions	1,373	245
Vehicle related emissions	1,048	1,176
Total CO <sub>2</sub> (e)	122,966	105,586
Intensity ratio per £1m of Group revenue <sup>1</sup>	307.4	291.6

1. This is based on the continuing revenue of Low & Bonar for the year to 30 November. The diverse and complex nature of the Group's operations means that a metric based on units of production would not provide a consistent picture. Similarly, there is no meaningful relationship between occupied floor area or employee numbers and the carbon intensity of our operations. We will continue to monitor and review the appropriateness of the intensity ratio.



# Management of Health & Safety

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

Our focus on health and safety has continued this year as we continue to aim for improvement both in our health and safety performance and management.

Our LTA's have risen above the 2015 levels despite significant input, monitoring and attention as well as site infrastructure improvements. This will therefore continue to be a major focus for 2017.

The Group-wide health and safety strategy remains in place, supporting both our "Zero Accident Goal" and "Best in Class" aspirations, with the aim of embedding a strong and proactive health and safety culture across our business. The cornerstones of the strategy are improvement to visible leadership, employee engagement, risk-based management, accountability and health and safety competence, with a number of initiatives either started this year or fully implemented. These include:

- in addition to the existing inclusion of Human Resources and Engineering & Technology representation on the Group HSE Committee this year, we added Logistics representation. This committee is key to ensuring we have good employee engagement across all our business areas, as well as striking the correct balance between corporate and operational risk management;
- we held our fourth successful global health and safety week, involving all sites and focussing on the environment;
- further development of our HSE resourcing continued in order to support our ambitious HSE improvement programme. We have reviewed our HSE structure to ensure it is right-sized and fit for the Low & Bonar organisational structure. We will continue this review into 2017;
- there has continued to be strong Board and executive management support for our HSE programmes, with operating and capital expenditure being approved to deliver changes;
- the GIPs have continued on hand injuries, manual handling and slip/trip/fall accidents, as well as adding a focus on fork-lift truck safety, which have historically accounted for a significant number of all of our accidents. The significant improvement in near miss incident reporting has allowed a greater focus to be given to these reduction programmes and the reporting of even the most minor accidents;
- the introduction of a global reporting system allowing central recording of incidents and near miss data has allowed the further embedding of a broader range of health and safety metrics and information. This has enabled us to better understand our risk improvement opportunities. The proactive "Near Miss" category has now been fully integrated, which allows us to take advance action on potential risk situations

across all our businesses and improve the HSE culture of our sites. In the time of the new web-based reporting system being active, over 1,000 near misses were recorded and acted upon, taking us to nearly 3,000 for the year. This is a significant improvement in the number of near misses over last year. This information allows us to improve our focus on accident and incident avoidance whilst helping us to move towards our ambition of implementing a behaviour-based safety programme across the Group. The publication of learning from our significant events and high potential near misses continues to show benefit in risk reduction;

- the work on the health and safety standards and directives has continued and, as stated, new fork-lift truck standards have been issued this year. The work on new standards will continue into 2017; and
- our global HSE community, involving all plant managers and HSE professionals, which facilitates best practice exchange and is a key forum for professional development, continues to meet regularly.

## Fire risk management

Fire risk management has been a major focus for the Group to ensure the safety of our employees, and audits have now been completed across all our sites with the aim of reducing our risk level. In 2016, fire safety audits were carried out at Hückelhoven, Fulda, Lomnice and Asheville. The audits have allowed us to undertake and plan systems, procedures, hardware changes/upgrades and capital expenditure requirements to realise improvements over the next four years. The fire safety audit programme will continue across our sites in 2017.

A number of significant projects have either been completed or are planned for 2017, examples include:

### 2016 projects completed

- Emmen – extensive fire compartmentalisation;
- Hückelhoven – fire detection system improvements and extension for improved lone worker cover; and
- Warehouse fire system improvements in Italy.

### 2017 plans

- Asheville – new evacuation and alerting system to be installed;
- Emmen – implementation of phase 2 of a fire prevention road map;
- Hückelhoven – improved auto extinguishing systems and detection; and
- Ivanka and Lomnice – further fire system improvements.

**Health and safety performance**

In the prior year, we announced a reduction in our LTA target rate to 200\* for 2016. In 2016, we did not achieve this and ended the year with an LTA rate of 800\*. By the middle of 2016 we had recognised the need to take firm action to manage our levels of LTAs and a safety stop was initiated at all sites. This involved stopping every site, giving briefings and engagement events to make a clear statement that we see HSE as a top priority in the Group. Following this, we also developed our “Walk and Talk” programmes and safety leadership programmes. The materials for these programmes were developed and translated into all of the languages used in our sites and are currently being rolled out. Further to these actions, we have developed, and in 2017 are implementing, annual HSE improvement plans to give a clear focus for each site. All of these programmes have been endorsed by our global manufacturing community.

The LTA rate of 800\* in 2016 is a great disappointment to the Group and we are strongly committed to an improvement in this rate for 2017. Our target rate for 2017 is 400\* while we work towards improving our performance.

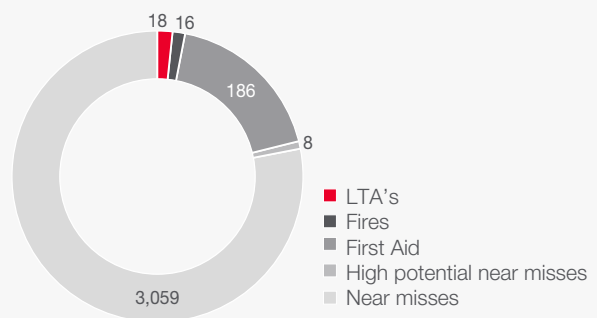
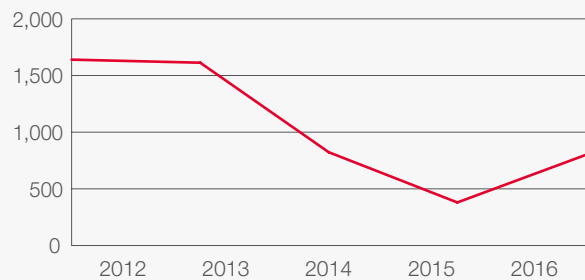
Two occupational ill health incidents were reported this year, both relating to hearing loss.

We remain mindful that there is much room for improvement, and that accident statistics continue to reveal only part of the story of successful health and safety management, and that health and safety culture is key. To support this we are rolling out an employee health and safety engagement programme as well as focussed HSE improvement plans for each site.

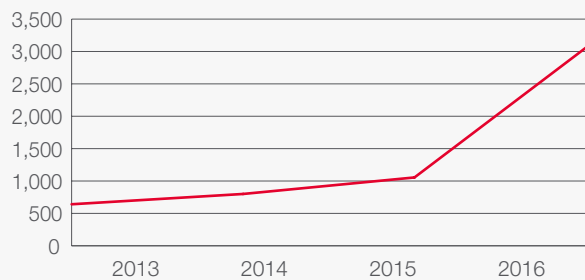
We continue to maintain our strong working relationship with our insurance risk surveyors, insurance brokers and underwriters during the year, and recognise the important role played by these partners. Risk improvement recommendations made by risk surveyors as a result of site visits continue to provide valuable information to support risk improvement activities. Our brokers are supporting us in enhancing our risk management approach.

Note \* based on the number of work related accidents that involved the loss of any time from work (LTAs) per 100,000 employees

**LTA's per 100,000 employees**



**Near misses**



# Human Rights & Gender Diversity

## Human rights

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

## Gender diversity

The Board is mindful, in the context of the current focus on the value of gender diversity, of the Group's approach to the diversity of its management and of the representation of women in senior roles. We have one female Director and, during the process for appointment of an additional Non-Executive Director in 2016 a number of female candidates were considered. We have not set a specific target for the number of female members of the Board and will appoint the best candidate available to us for any role. However, in setting the criteria for selection of candidates, the Group is conscious that it is possible to discourage inadvertently the successful candidacy of women and we will bear this in mind for all future appointments. We have requested our search consultants to provide female candidates for any future roles.

The Group has an equality and diversity policy under which Low & Bonar is committed to ensuring that all employees have an equal chance to contribute and to achieve their potential, irrespective of any defining feature that may give rise to unfair discrimination. Using fair, objective and innovative employment practices, our aim is to ensure that:

- all employees and potential employees are treated fairly and with respect at all stages of their employment; and
- all employees have the right to be free from harassment and bullying of any description, or any other form of unwanted behaviour, whether based on sex, trans-gender status, marital status, civil partnership status, pregnancy, race, disability, age, political or religious belief or sexuality.

We acknowledge the advantages in capitalising on the added value that diversity brings. We consider discrimination in the workplace on the basis of age, gender, disability, ethnic origin, nationality, sexual orientation, gender reassignment, religion or belief, marital status and pregnancy and maternity to be unacceptable.

The following table sets out a breakdown by gender showing at 30 November 2016: (i) the number of persons who were Directors of the Company; (ii) the number of persons who were senior managers of the Group (other than persons falling within sub-paragraph (i)); and (iii) the number of persons who were employees of the Group.

	Number of men	%	Number of women	%
Directors	6	86%	1	14%
Senior managers <sup>1</sup>	9	100%	0	0%
Employees <sup>2</sup>	1,600	75%	545	25%

1. The Group has an Executive Leadership Team, comprised of senior managers leading each Global Business Unit and Group Function.
2. Employees of its consolidated subsidiaries, excluding Bonar Natpet LLC.

## Employee involvement

The Group's policy is to keep employees informed on matters of concern to them and to encourage employee involvement. This policy is implemented in a wide variety of ways, which are reported on by the Group's businesses including regular meetings with employees' representatives, including a European Works Council.

Employee engagement activities have been particularly focussed during 2016, aimed at creating a unified business culture underpinning delivery of the right people, leadership, capabilities and organisation to fully achieve the Group Strategy and associated business results. These activities include employee engagement campaigns related to Low & Bonar's new brand and our Group-wide core values.

Our approach to talent management has included the implementation of a new performance management programme during the year. Involving an inclusive range of activities designed to differentially recognise and reward individual and team contributions to the overall success and strategic direction of the business.

The Group's employees are invited to participate in share ownership plans to encourage equity ownership.

## Equal opportunities statement

The Group has an equal opportunities policy. It is our stated policy to treat all workers and job applicants equally and fairly irrespective of their sex, marital status, civil partnership status, trans-gender status, sexual orientation, race, colour, nationality, ethnic origin, national origin, culture, religion, age, or disability ("protected characteristics" as per the Equality Act 2010).

Discrimination by or against an employee is prohibited, unless there is a specific legal exemption.

It is our policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, for continuing the employment of, and for arranging appropriate training for, employees who have become disabled persons during the period when they were employed by the Group and for their training, career development and promotion.

# Communities & Charities

## Modern Slavery Act statement

At Low & Bonar we recognise that modern slavery is a crime and a violation of fundamental human rights in all its forms: slavery, servitude, forced and compulsory labour and human trafficking. Low & Bonar is committed to acting ethically and with integrity in all our business dealings and is also committed to ensuring that there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains. We expect high standards from our contractors, suppliers and other business partners in relation to these matters and we are committed to developing and enforcing proportionate, risk-based systems and controls designed to ensure that modern slavery is not taking place in our own business or in our supply chains with our knowledge, and working to eliminate it if it is.

We recognise that our supply chains are complex and that we have many suppliers, not all of whom we have a significant or long-term relationship with. However, as part of our supply chain management processes, we will seek to:

- conduct risk-based analysis to understand if our key suppliers may operate in areas where attitudes to and prohibitions against modern slavery do not match our high expectations;
- undertake due diligence with regard to our key suppliers to monitor their policies with regard to modern slavery;
- include in our supply arrangements (wherever practicable) specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude or, where this is not practicable, give to our suppliers a statement that requires that our supplies are made without recourse to the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude;
- set an expectation that our suppliers will hold their own suppliers to the same high standards; and
- where appropriate and practicable, give support to our suppliers as they address coercive, abusive and exploitative work practices in their own business and supply chains.

Further information on this matter, together with the Group's formal statement published under the UK's Modern Slavery Act, can be found on the Group's website at [www.lowandbonar.com](http://www.lowandbonar.com).

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

Some examples of these efforts are as follows:

- In the Netherlands, support was given to a regional innovation initiative to educate and make innovation more visible to the local community where presentations were given to more than 400 participants;
- In Germany a group of trainees gave a week of their time for social projects in hospitals, retirement homes, children's centres and animal homes to support the community. During this week they also raised donations themselves and used these on other charitable projects;
- In the UK, an academic scholarship and prize were provided to a university for the 2016/17 year, as well as supporting live assessments, workshops and placement opportunities. A local football team has also benefited from kit support and sponsorship;
- In the US, a combination of employee pledges and corporate donations were made to the United Way charities and local firefighters. We also supported the local community by doing voluntary community work at the teaching gardens at the local elementary school as well as on-site health fair events;
- In Slovakia, donations were made to a local university, a church, a physical education project and the local elementary school parents association; and
- In Hungary, we gave donations to a local church to support children's summer camps.



## Board of Directors



### Martin Flower

Chairman (70)

#### 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.

#### Committee membership:

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

#### External appointments:

None.



### Brett Simpson

Group Chief Executive (52)

#### Appointed to the Board:

August 2014.

#### Experience:

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

#### Committee membership:

Member of the Nomination and Risk Oversight Committees.

#### External appointments:

None.



### Mike Holt

Chief Financial Officer (56)

#### Appointed to the Board:

November 2010.

#### Experience:

A chartered accountant, he was previously Group Finance Director of Vp plc for six years and, prior to that, held a number of senior financial positions with Rolls-Royce Group plc in the UK, the USA and Hong Kong.

#### Committee membership:

Chairman of the Risk Oversight Committee.

#### External appointments:

Non-executive Director of Schroders Asian Total Return Investment Company plc.



### Steve Hannam

Senior Independent  
Non-Executive Director (67)

#### Appointed to the Board:

September 2002.

#### Experience:

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

#### Committee membership:

Member of the Audit, Remuneration and Nomination Committees.

#### External appointments:

Non-executive director of McBride plc.



### Kevin Matthews

Non-Executive Director (53)

**Appointed to the Board:**

April 2015.

**Experience:**

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

**Committee membership:**

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

**External appointments:**

Chief Executive Officer of Revolymer plc.



### Mike Powell

Non-Executive Director (49)

**Appointed to the Board:**

December 2016.

**Experience:**

Former 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.

**Committee membership:**

Member of the Audit, Remuneration and Nomination Committees.

**External appointments:**

Group Finance Director of BBA Aviation plc.



### Trudy Schoolenberg

Non-Executive Director (58)

**Appointed to the Board:**

May 2013.

**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, having previously worked for 21 years for Royal Dutch Shell plc.

**Committee membership:**

Member of the Audit, Remuneration and Nomination Committees.

**External appointments:**

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



### John Sheldrick

Non-Executive Director (67)

**Appointed to the Board:**

October 2011.

**Experience:**

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

**Committee membership:**

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

**External appointments:**

None.

# Corporate governance

**Martin Flower**  
Non-Executive  
Chairman



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

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

### The Board

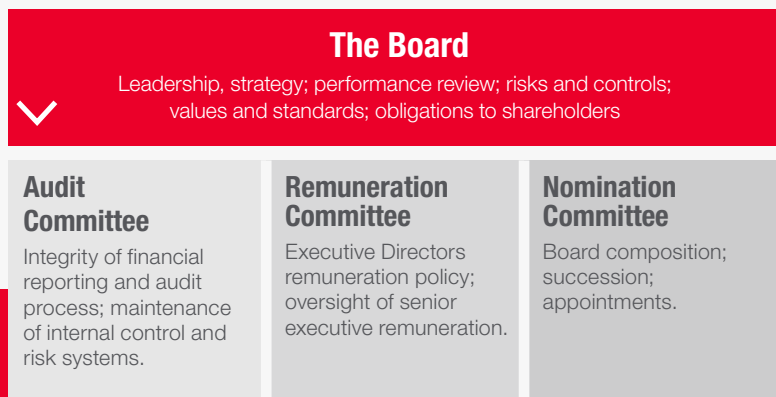
The Group is controlled through its Board of Directors, which provides entrepreneurial leadership of the Group and is ultimately responsible for its long-term success. Our main objectives are to create value for shareholders, to set the Group’s strategic objectives, to ensure that the necessary financial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

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

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

My role as Chairman and that of the Group Chief Executive, Brett Simpson, are separate and are clearly defined and documented. I am responsible for leading the Board and the Group Chief Executive is responsible for leadership of the business and implementation of strategy.

## Governance overview



### Directors and Directors' independence

Following the appointment of Mike Powell on 1 December 2016, the Board comprises a Non-Executive Chairman, five independent Non-Executive Directors and two Executive Directors, although John Sheldrick will be retiring as a Director at the Annual General Meeting to be held on 12 April 2017. The names of the Directors, together with their biographical details, are set out on pages 42 and 43. In determining the membership of the Board, we are mindful that it should be of sufficient size that the requirements of the business can be met and that changes to its composition and that of the committees can be managed without undue disruption, but should not be so large as to be unwieldy. I believe our Board has the appropriate balance of Executive and Non-Executive Directors and that no individual or small group of individuals can dominate decision-making.

I am also concerned to ensure that the Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. Since the year end, following a selection process more fully described in the Nomination Committee report on page 50, Mike Powell was appointed a Non-Executive Director.

The independent Non-Executive Directors challenge constructively and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. All Directors have access to the advice and services of the Company Secretary and Directors may take independent professional advice at the Company's expense.

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

The Board considers that each of the other Non-Executive Directors is independent in character and judgement and we continue to monitor whether there are relationships or circumstances which are likely to affect, or could appear to affect, a Director's judgement. Although he has served on the Board for over fourteen years, we continue to view Steve Hannam as independent in character and judgement. He has relevant experience in both executive and non-executive roles and continues to offer a regular and substantive challenge to the Executive Directors on their strategy for and management of the business. Given his long tenure, his continued membership of the Board is considered rigorously and, in accordance with the Code, he is required to submit himself for re-election to the Board annually. Although we continue to value his contribution and the continuity he brings, the Nomination Committee is currently planning for his succession.

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

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

### Professional development and performance evaluation

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

I have reviewed the contribution of individual Directors, in conjunction with my colleagues as appropriate, to reassure myself and the Board that each Director continues to contribute effectively and to demonstrate commitment to the role (including the ability to devote sufficient time for Board and committee meetings and any other duties). The Senior Independent Non-Executive Director chairs an annual meeting of the Non-Executive Directors to appraise my performance, taking into account the views of the Executive Directors, and the outcome of those discussions is conveyed to me by the Senior Independent Non-Executive Director.

The Board has established a process, led by me, for the annual evaluation of the performance of the Board and its principal committees by use of a questionnaire based on the requirements of the Code. Again this year, we considered the merits of using external assistance in connection with the evaluation but determined that it was not necessary to do so given the size of the Board, the good working practices and relationships which we have established over the years and the open and constructive way in which Directors express their views in relation to the operation of the Board on an ongoing basis.

### Information and meetings

The full Board had seven scheduled meetings during the year. The attendance details of the meetings of the Board and its main committees are set out below:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Martin Flower	7/7	–	9/9	5/5
Brett Simpson	7/7	–	–	5/5
Mike Holt	7/7	–	–	–
Steve Hannam	7/7	3/3	9/9	5/5
Kevin Matthews	7/7	3/3	9/9	5/5
Trudy Schoolenberg	7/7	3/3	9/9	5/5
John Sheldrick*	6/7	3/3	9/9	4/5

\* John Sheldrick was unable to attend one Board meeting and one Nomination Committee meeting due to illness.

Information is supplied in advance of each meeting with an agenda and papers covering the financial and operating performance of the Group's businesses and other matters to be considered at the meeting. It is my goal to ensure that the information available to the Board is accurate, timely and clear. Executive management reports on a continuing basis against the Group's budget (set at the start of the financial year) and rolling monthly annual forecasts. The Board also considers other key developments, such as the implementation of major projects. I encourage the Non-Executive Directors to seek clarification and amplification of information where necessary.



I set the agenda for the Board in discussion with executive management and the Company Secretary and ensure that adequate time is available for discussion of all agenda items. The papers are supplemented by information specifically requested by the Directors from time to time. Other members of senior management attend the Board meetings to present to the Board on the strategy for and performance of businesses within the Group. Additionally, the Board meets in separate sessions to consider and approve the strategy for the Group so that adequate time can be given to this vital aspect of its role away from the normal business of routine Board meetings.

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

I also encourage the Board to establish closer links with the Group's subsidiaries and their key executive management by visiting the Group's facilities and, in 2016, Board meetings were held at the Group's manufacturing facilities in Germany and Hungary. The scheduled Board meetings concentrate on strategy, financial and business performance. I believe that, to function effectively, all Directors need appropriate knowledge of the Group and access to its operations and staff. The Non-Executive Directors are therefore encouraged to meet with executive management to ensure constructive relations between them and to continue to promote a culture of openness and debate and to improve the effectiveness of the contribution of our Non-Executive Directors.

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

### Conflicts

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

### Committees

In accordance with the Code, the Board has established Audit, Remuneration and Nomination Committees, membership of which is set out in each committee report. All of the committees have written terms of reference, which have been approved by the Board and are available on the Company's website or on request from the Company Secretary. The Board has also established a Risk Oversight Committee (which itself has delegated authority to committees to deal with health and safety and information security) the operation of which is described in more detail on pages 31 to 33.

The Board recognises the value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals in deciding chairmanship and membership of committees, which has been refreshed over the last few years. Mike Powell, who was appointed a Non-Executive Director in December 2016, has joined the Audit, Nomination and Remuneration Committees. He will succeed John Sheldrick as Chairman of the Audit Committee when he retires at the Annual General Meeting on 12 April 2017.

### Relations with shareholders

I work to ensure that there is a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. Whilst recognising that most shareholder contact is with the Group Chief Executive and Chief Financial Officer, I ensure that all Directors are made aware of major shareholders' issues and concerns in whatever ways are most practical and efficient. This includes meeting directly with our brokers and public relations advisers and receiving written reports from them, as well as through direct meetings with shareholders. The Board is also given the reports on the Group written by analysts. It is also our practice to consider feedback from shareholders following results presentations. Our Non-Executive Directors have opportunities to meet with shareholders on request and, in 2017, I will again encourage them to attend results presentations and investor days so that they have an opportunity to meet with key stakeholders in person.

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

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

### Martin Flower

Non-Executive Chairman  
On behalf of the Board of Directors  
1 February 2017

# Audit Committee Report



**John Sheldrick**  
Chairman of the Audit Committee

#### Audit Committee members

John Sheldrick (Chairman)  
Steve Hannam  
Kevin Matthews  
Mike Powell  
Trudy Schoolenberg

#### Audit Committee Report

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

#### Composition and governance

All the Non-Executive Directors, with the exception of the Company's Chairman, serve on the Committee and we welcome Mike Powell to the Committee, having joined the Board in December 2016. Collectively, they have the skills and experience required to fully discharge their duties and I meet the requirements of recent and relevant financial experience, having been Group Finance Director of Johnson Matthey Plc from 1995 until my retirement in 2009.

When I retire as a Non-Executive Director at the Annual General Meeting on 12 April 2017, Mike Powell will succeed me as Chairman of the Audit Committee. He also meets the requirements of recent and relevant financial experience, currently holding the position of Group Finance Director of BBA Aviation plc and having held senior financial roles in a number of other companies.

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

The Committee Chairman may call a meeting at the request of any member, the Company's external auditor or internal audit. The Audit Committee meets privately with the external auditor and internal audit at least once a year. Both internal audit and the external auditor have direct access to the Chairman of the Committee outside of formal Committee meetings.

The Audit Committee meets at least three times a year. The primary role of the Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the Group's financial statements and any formal announcements relating to its financial performance;
- the Group's internal financial controls and internal control and risk management systems;
- the effectiveness of the Group's internal audit function;
- the effectiveness of the external audit process and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- policy on the engagement of the external auditor to supply non-audit services; and
- taking specific responsibility for certain key areas of risk management to support the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation.

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

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

#### Activities in 2016

The Audit Committee met on three occasions during the year ended 30 November 2016. The meetings of the Committee coincided with key dates in the financial reporting and audit cycle. The external auditor, KPMG LLP, and the Group's internal audit function were represented at all of the meetings.

The Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and half-year results statement prior to Board approval and reviewing the external auditor's detailed reports thereon, and also reporting to the Board the significant issues that the Committee considered in relation to the financial statements and how those issues were addressed, having regard to matters communicated to it by the external auditor;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditor in accordance with the policy it has adopted;
- reviewing the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks on the accounts, confirmations of auditor independence and the proposed audit fee;
- reviewing an annual report on the Group's system of internal control and its effectiveness and reporting to the Board on the results of the review;
- assisting the Board with overseeing an enterprise-wide approach to risk identification, management and mitigation;
- receiving regular reports from the Group internal audit function following operational audits;
- reviewing the Group's information security arrangements and cyber security preparedness with advice from PricewaterhouseCoopers LLP;
- reviewing the performance and effectiveness of internal and external audit; and
- reviewing the arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

## Financial reporting and significant areas of judgement

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

Area of judgement	Detail	Company response
<p>Impairment of goodwill. The Group has £82.6m of goodwill allocated to its four cash generating units ("CGUs"). Goodwill is recognised on acquisitions and represents the excess of the fair value of the consideration paid over the share of identifiable assets acquired and liabilities assumed. The carrying value of goodwill is reviewed at least annually to check that it is not in excess of its recoverable amount.</p>	<p>The recoverable amounts are calculated using the value in use of the CGUs which are based on the net present value of the projected cash flows for each CGU. The most significant judgements are in setting the assumptions for the calculation of the value in use of the CGUs, in particular the achievability of long-term financial forecasts and macroeconomic assumptions. Details of the assumptions used are provided in Note 11 to the Group financial statements on pages 98 and 99.</p>	<p>Cash flow projections for each CGU 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 CGUs. A sensitivity analysis was performed for each CGU by varying key assumptions whilst holding other variables constant. The recoverable amounts of all CGUs except Civil Engineering show significant headroom compared to their carrying value when reasonably likely changes are made to key assumptions.</p> <p>Civil Engineering activity within Europe is expected to remain challenging. Whilst many Western European countries showed slight growth in 2016, Eastern European countries experienced significant reductions in spending. Despite this the operating profits in the CGU grew by 27.3% on a constant currency basis in 2016. The 2017 budget for Civil Engineering assumed that whilst there is still some uncertainty in the outlook for 2017 in Europe, the CGU continues to capitalise on a successful year to make market share gains and there is continued investment in organisational capability to leverage market opportunities.</p> <p>The Audit Committee discussed the assumptions underlying the cash flow projections with both management and KPMG LLP and also considered the appropriateness of the discount rates used. Following discussion on headroom and sensitivity, the Committee was satisfied that the carrying amounts of goodwill were appropriate.</p>

Analysis to support the going concern statement on page 70 was also reviewed, with the Committee receiving reports from management and the external auditor on this matter. The Committee also received reports from management on the viability statement on page 71.

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

## Whistleblowing

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

## External auditor

The Audit Committee has developed a policy on the supply of non-audit services by the external auditor to help ensure their continued objectivity and independence. Following recent changes in EU legislation, tax compliance services will no longer be provided after 30 November 2016.

During the year, non-audit fees amounting to £0.2m were incurred, predominantly for tax consultancy and advisory services. These services related to foreign advisory work that required a detailed understanding of the Group and the Committee was satisfied that provision of these services by KPMG LLP would not impair their independence.

The Committee received and reviewed written confirmation from the external auditors on all relationships that, in their judgement, may bear on their independence. The external auditors have also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

The current overall tenure of the external auditor, KPMG LLP (and its predecessor KPMG Audit PLC), dates from 1975, although a re-tender exercise was conducted in 2002 and a limited review was conducted in 2008. Any decision to open the external audit to tender is taken on the recommendation of the Audit Committee. There are no contractual obligations that restrict the Company's current choice of external auditor. In 2015, a new lead partner was appointed.

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

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

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

### **Internal audit**

During the year, the Committee reviewed the results of audits undertaken by internal audit and management responses, including the implementation of any recommendations made. The Committee considered and approved the 2016 internal audit programme and the effectiveness of internal audit was reviewed. The Company has co-sourced its internal audit function with PricewaterhouseCoopers LLP ("PwC") since 2014 and the PwC partner-in-charge is invited to attend Audit Committee meetings.

### **John Sheldrick**

Chairman, Audit Committee  
1 February 2017



# Nomination Committee Report



**Martin Flower**

Chairman of the Nomination Committee

**Nomination Committee members**

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

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and for making recommendations to the Board with regard to any changes, including recommending candidates for appointment as both Executive and Non-Executive Directors. Appointments are discussed fully before a proposal is made to the Board and, as Chairman of the Committee, I am mindful that there should be a formal, rigorous and transparent procedure for the appointment of new Directors. The selection criteria are agreed by me in conjunction with my colleagues and we make use of independent recruitment consultants and the final appointment rests with the full Board.

As part of its review of non-executive succession in 2015, the Committee had identified the need for the recruitment of a new Non-Executive Director in 2016 and discussed the appropriate role specification and time commitment expected. It was agreed that this should include the requirement for financial, manufacturing and international experience. An independent consultant, Korn Ferry, was appointed to conduct the search and a long-list of names was developed by them in consultation with me. A short-list of candidates was developed, including a number of female candidates, and the best candidates for the role were interviewed by myself and the Group Chief Executive and our favoured candidates were also seen by all members of the Board. This process culminated in the appointment of Mike Powell as a Non-Executive Director in December 2016. Mike will succeed John Sheldrick as Chairman of the Audit Committee after the Annual General Meeting.

The Committee is currently considering succession planning in respect of Steve Hannam, the Company's Senior Independent Director, who has been a Non-Executive Director for over fourteen years.

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

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

**Martin Flower**

Chairman, Nomination Committee  
1 February 2017

# Directors' Remuneration Report

## Annual Statement by the Chair of the Remuneration Committee



### Kevin Matthews

Chairman of the Remuneration Committee

### Remuneration Committee members

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

### Introduction

I am pleased to present the Directors' Remuneration Report for the year ended 30 November 2016. All the Non-Executive Directors serve on the Remuneration Committee. I chair the Committee, having succeeded Steve Hannam as Chairman following the 2016 Annual General Meeting. The Committee determines the remuneration of the Executive Directors, exercises oversight of the structure and level of remuneration for senior executives and makes recommendations in respect of the Chairman's remuneration.

Low & Bonar's Remuneration Policy was approved at the AGM in 2014. A comprehensive review of this policy has been undertaken in 2016, in advance of seeking approval for a revised policy at the 2017 AGM, to ensure that it continues to be aligned with Group strategy and takes into account current and emerging market practice, including the best practice expectations of institutional investors.

The revised Directors' Remuneration Policy (set out on pages 53 to 60) will be put to shareholders for approval in a binding vote at the AGM on 12 April 2017. If approved, the policy will be effective from the date of approval by shareholders at the AGM. The Annual Remuneration Report (set out on pages 61 to 68), which describes how policy has been implemented in 2016 and how it will be implemented for the year ahead, along with this Annual Statement, will be subject to an advisory vote at the AGM.

For the next phase of our development, it is essential that the Remuneration Policy rewards successful execution of the Group's strategy and remains fit for purpose within the context of risk management and succession planning. Promoting these factors has been at the heart of the policy review.

The existing reward framework consists of base salary, pension and benefits, annual cash bonus and a long-term incentive ("LTIP") delivered in shares. In broad terms, the Committee considers that the current remuneration structure has worked well and remains fit for purpose. It is clear and consistent, with pay outcomes dependent upon performance linked to our strategic imperatives, and it ensures a significant proportion of pay is delivered in shares to provide alignment with investors.

The Committee is not proposing a fundamental change to the structure of the existing policy. Rather, following the review, the Committee has determined that several simple amendments to the policy are appropriate to ensure, primarily, that: (i) incentive plan metrics remain fully aligned with our strategic key performance indicators and continue to support the long-term success of the Company; (ii) the policy is sufficiently flexible, with appropriate safeguards for shareholders, to remain applicable over the next policy period; and (iii) the alignment between Executive Directors and shareholders is further strengthened. The key amendments, which are described further in the policy report, are as follows:

- increased flexibility to change the bonus performance metrics from year to year to facilitate an appropriate evolution of measurement;
- introduction of a two-year post-vesting holding period for LTIP awards made from 2017 onwards; and
- strengthening of recovery and withholding provisions.

### Consultation process

Following the policy review, the Committee wrote to our largest shareholders, together with key advisory organisations, setting out the proposed amendments to the Remuneration Policy. I am pleased to report that we received a high proportion of replies to our letter and that there was overwhelming support for the proposed changes. The consultation process was constructive and a number of shareholders took the opportunity to raise other points that they felt the Remuneration Committee might consider now or in the future. Some of these points will be acted upon and are incorporated in the proposed Remuneration Policy.



## Directors' Remuneration Report continued

### 2016 overview

Despite making good progress in the year, the profit before tax, amortisation and non-recurring items ("PBTA") and return on capital employed ("ROCE") targets for 2016 were not achieved and, therefore, no bonus is payable to the Executive Directors for 2016.

The performance of the business over the period 2014 to 2016 has also failed to deliver the target EPS growth. As a result, there will be no vesting of shares under the LTIP awards made in 2014 on the EPS performance condition (the period for which ended with the 2016 financial year). TSR performance under the 2014 awards will be evaluated in March 2017.

### Implementation of policy in 2017

The bonus for 2017 will continue to be dependent upon PBTA and ROCE, with the maximum remaining at 100% of salary. We will be making further LTIP awards to the Executive Directors in line with the Remuneration Policy. Awards for the current year will therefore be at 125% of salary and linked to EPS and TSR targets.

The salaries for the Executive Directors were reviewed in December 2016. An increase of 2.5% was awarded to the Executive Directors, which is consistent with average UK salary increases within the Group. There was no increase in the fees paid to the Chairman and Non-Executive Directors which were reviewed at the same time.

### Summary

The Committee has considered the proposed changes carefully and is satisfied that the revised Remuneration Policy continues to provide incentive opportunity that is fair and market competitive without encouraging undue risk-taking and will continue to promote the long-term success of the Company. The operation of the LTIP with the addition of the two-year post-vesting holding period will provide improved alignment between the executive team and shareholders over an extended period; the additional flexibility in the Policy to allow for alternative bonus metrics to be selected will ensure they remain aligned to strategic KPIs over the life of the Policy; and the strengthened recovery and withholding provisions also provide a further safeguard to shareholders in the event of a misstatement of results.

The Committee looks forward to your continuing support at the 2017 Annual General Meeting.

### Kevin Matthews

Chairman, Remuneration Committee  
1 February 2017

# Remuneration Policy

## DIRECTORS' REMUNERATION POLICY

This part of the Directors' Remuneration Report sets out the remuneration policy for the Group. This revised Directors' Remuneration Policy will be put to the shareholders for approval in a binding vote at the AGM on 12 April 2017 which will be the effective date of the revised policy, if approved. The Committee's current intention is that the revised policy will operate for the three year period to the AGM in 2020.

### Overview of the Remuneration Policy

The overarching objective of the Policy is to provide competitive pay arrangements which promote the long-term success of the Company. In order to achieve this objective, the Policy aims to ensure that the remuneration of Executive Directors and senior executives properly reflects their duties and responsibilities and is sufficient to recruit, retain and motivate high-quality executive talent, taking into account their geographical location and the territories which their responsibilities cover, whilst aligning the interests of senior executives as closely as possible with the interests of shareholders. The remuneration of the Executive Directors has been structured to provide a significant performance-related element linked to the achievement of stretching performance targets. The Committee keeps the Directors' Remuneration Policy under review to ensure that an appropriate balance between fixed and variable pay is maintained.

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

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

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

The Committee seeks to engage with its major shareholders when any significant changes to the Remuneration Policy are proposed. The Remuneration Committee also considers shareholder feedback received in relation to the AGM each year. This feedback, together with any additional feedback received during any communications from time to time, is then considered as part of the Company's annual review of remuneration. The Committee closely monitors developments in institutional investor best practice expectations.

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

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

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

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



## Remuneration Policy continued

### Changes to Remuneration Policy

As a result of the expiry of the current Remuneration Policy, which was approved by shareholders at the 2014 AGM, the Committee has undertaken a review of the Policy taking account of the Group's strategy, market developments, the views of our major shareholders, and developments in the best practice expectations of institutional investors. The Committee concluded that the overarching structure of the Policy continues to be fit for purpose but that some simple amendments could be incorporated in order to strengthen the alignment between executives and shareholders, and to provide the Committee with some more flexibility to ensure performance metrics can be changed over the policy period in light of the evolution of the strategy.

The proposed key changes to policy include:

- increased flexibility for the Committee to be able to change the bonus performance metrics from year to year to facilitate an appropriate evolution of measurement. Any material change in the metrics used will be communicated to shareholders.
- The introduction of a compulsory two-year post-vesting holding period for LTIP awards made from 2017 onwards.
- A strengthening of the recovery and withholding provisions to ensure, primarily, that misconduct is incorporated as a trigger.

### Salary

Purpose and link to strategy	To provide competitive fixed remuneration that will attract, retain and motivate high-quality key employees and reflect their experience, duties and geographical location.
Operation	<p>Reviewed annually, with changes typically effective 1 December.</p> <p>Benchmarked periodically against relevant market comparators as appropriate, including companies of a similar international reach and complexity.</p> <p>Individual pay levels determined by reference to internal reference points, performance, skills and experience in post.</p> <p>Consideration given to the pay levels in the country in which the Executive Director lives and works and the wider salary increases across the Group more generally.</p>
Maximum opportunity	<p>Salary levels will be eligible for increases during the three-year period that the Remuneration Policy operates.</p> <p>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.</p> <p>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.</p>
Framework used to assess performance and for the recovery of sums paid	The Committee considers individual salaries at the appropriate Committee meeting each year taking due account of the factors noted in operation of the salary policy.

### Benefits

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

### Pension

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

### Annual Bonus

Purpose and link to strategy	To incentivise annual delivery of performance objectives relating to the short-term goals of the Company.
Operation	Annual cash bonus awards are 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.
Maximum opportunity	<p>Maximum (% salary):</p> <p>100%</p>
Framework used to assess performance and for the recovery of sums paid	<p>Details of the performance measures used for the bonus relating to the previous financial year and targets and performance against them are provided in the Annual Remuneration Report.</p> <p>The annual bonus is determined based on performance against a range of the Company's key performance indicators and paid following the approval of the Group's audited results for the year by the Board.</p> <p>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.</p> <p>No more than 30% of salary in total is earned at the threshold performance levels, with a graduated scale operating thereafter through to maximum bonuses being earned for out-performance of the Company's targets for the year.</p> <p>Payments under the annual bonus plan may be subject to 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.</p>

## Remuneration Policy continued

### Long-Term Incentive Plan Awards

Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention and align the interests of Executive Directors with shareholders.
Operation	<p>An 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.</p> <p>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.</p> <p>A dividend equivalent provision operates enabling dividends to be paid (in cash or shares) on shares that vest.</p>
Maximum opportunity	<p>Maximum (% salary):</p> <p>125%</p> <p>In exceptional circumstances (e.g. recruitment), awards can be made up to 200% of salary.</p>
Framework used to assess performance and for the recovery of sums paid	<p>Granted subject to challenging financial (e.g. adjusted EPS) and total shareholder return performance targets tested over three years.</p> <p>20% of awards will vest for threshold performance, with full vesting taking place for equalling, or exceeding, the maximum performance targets.</p> <p>The Committee may scale back the level of vesting of an award if it considers underlying financial performance over the performance period has been significantly worse than the level of vesting would otherwise indicate.</p> <p>Payments may be subject to 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.</p>

### Share Ownership Guidelines

Purpose and link to strategy	To align interests of Executive Directors with shareholders.
Operation	<p>Executive Directors are expected to retain 50% of the after-tax number of vested shares issued under long-term incentive awards until the guideline is achieved.</p> <p>The Committee will monitor progress towards the guideline on an annual basis.</p>
Maximum opportunity	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 LTIP

The Committee will operate the annual bonus plan, the LTIP and SAYE Plan according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. 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 ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

All historic awards that were granted under the 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 ability to honour payments agreed prior to joining the Board (such as, for example, an annual bonus formulated to reflect divisional performance), albeit that any payments agreed in consideration of being promoted to the Board will be consistent with the Recruitment and Promotion Policy. A bonus may be forfeit 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 over-arching 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.

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

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

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

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

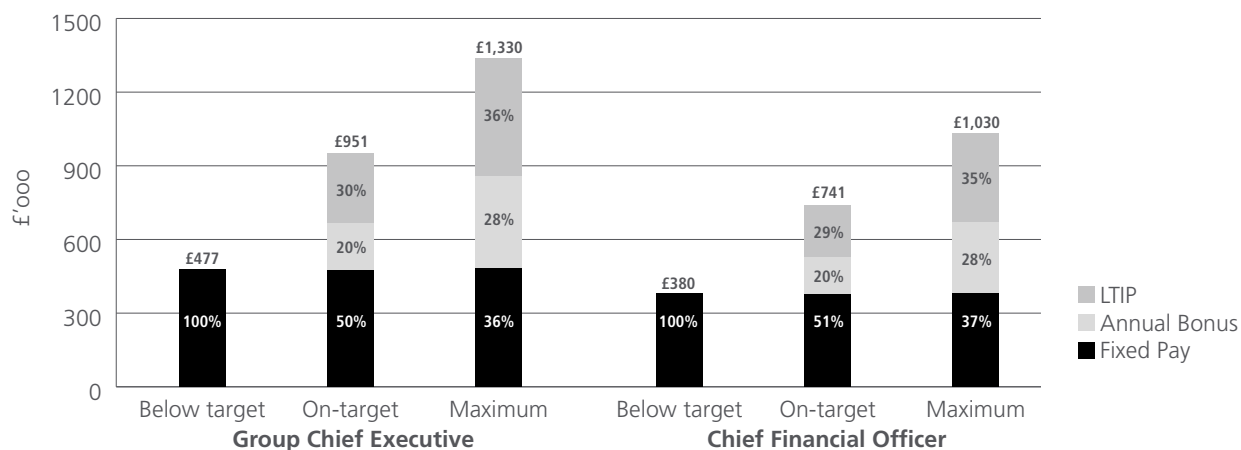
The level of variable pay varies by level of employee within the Group and is informed by the specific responsibilities of each role and local market practice as appropriate.



## Remuneration Policy continued

### Reward scenarios

The Policy results in a significant proportion of remuneration received by Executive Directors being dependent on Company performance. The graph below illustrates how the total pay opportunities for the Executive Directors vary under three different performance scenarios: below target, on-target and maximum. When reviewing the table, it should be noted that it has been prepared based on the policy detailed above and ignores, for simplicity, the potential impact of future share price growth.



Assumptions:

Below target = fixed pay only (base salary, benefits and pension);

On-target = 50% payable of the 2017 annual bonus and 60% vesting of the 2017 LTIP awards (based on the mid-point being achieved between threshold and maximum performance levels); and

Maximum = 100% payable of the 2017 annual bonus and 100% vesting of the 2017 LTIP awards.

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 December 2016. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed on page 55) for the year ending 30 November 2016. The pension value is set at 25% of salary.

The Executive Directors can participate in the SAYE Plan on the same basis as other employees. The value that may be received under this scheme is subject to tax-approved limits. For simplicity, the value that may be received from participating in this scheme has been excluded from the graph above.

Amounts have been rounded to the nearest £1,000. Share price growth on vesting of shares under LTIP awards has been ignored for the purposes of simplicity.

## Recruitment and Promotion Policy

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

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

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

The policy of the Company is to have service contracts for all the Executive Directors that continue indefinitely unless determined by their notice period. Executive Directors' service contracts may be terminated without notice for certain events, such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such event occurs.

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

The circumstances of the termination (taking into account the individual's performance and an individual's duty and opportunity to mitigate losses) will be taken into account by the Committee when determining amounts payable on or following termination. The Committee's normal policy is to reduce compensatory payouts to former Executive Directors where they receive remuneration from other employment during the notice period. The Committee will consider the circumstances of each leaver on a case by case basis and retain flexibility as to at which point, and to what extent, payments would be reduced.

Annual bonus may be payable only with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal pay out date. Different performance conditions may be set for the remainder of the bonus period to reflect the Executive Director's specific responsibilities.

## Remuneration Policy continued

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

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

In relation to a termination, the Committee may make payments in relation to any statutory entitlements or payments to settle compromise claims as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred and to meet any outplacement costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

### Non-Executive Directors' letter of appointment

Non-Executive Directors do not have service contracts but are appointed pursuant to letters of appointment renewable usually for periods of three years. The appointment of the Non-Executive Directors may be terminated by either the Director or the Company giving six months' notice in writing. Continuation of an appointment is contingent on re-election by the shareholders as required by the Articles of Association.

Martin Flower has a service contract with the Company dated 12 February 2010 (which replaced his letter of appointment relating to his previous service as a Non-Executive Director dated 1 January 2007). Mr Flower's appointment was extended for a further period of three years from 30 June 2016. The appointment may be terminated at any time by either party giving to the other six months' prior written notice. If the Company gives notice it may, at its discretion, terminate the appointment with immediate effect by paying an amount in respect of the fee for the notice period. Mr Flower's appointment as Chairman will terminate forthwith and without any compensation for loss of office if he is removed as a Director by resolution passed at a general meeting or if he ceases to be a Director pursuant to any provision of the Articles of Association.

The Committee may provide a Non-Executive Chairman with either a letter of appointment or service contract with up to six months' notice in writing on either side.

### External appointments

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

### Non-Executive Directors' Fees

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

# Annual Remuneration Report

## ANNUAL REMUNERATION REPORT

This part of the report has been prepared in accordance with part 3 of The Large and Medium Sized Companies & Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations") and Rule 9.8.6R of the Listing Rules. It sets out the implementation of the Remuneration Policy and discloses the amounts earned relating to the year ended 30 November 2016. The Annual Remuneration Report will be put to an advisory shareholder vote at the forthcoming Annual General Meeting on 12 April 2017. Those items marked with an asterisk are audited information.

## EXECUTIVE DIRECTORS: SINGLE FIGURE REMUNERATION TABLE\*

The table below shows the remuneration of the Executive Directors for the year ended 30 November 2016, and the comparative figures for the year ended 30 November 2015.

	Salary (note 1)		Benefits (note 2)		Annual Bonus (note 3)		LTIP Awards (note 4)		Pension (note 5)		Total	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Brett Simpson	370	360	3	3	–	216	–	–	93	90	466	669
Mike Holt	282	289	17	17	–	165	–	–	71	69	370	540
Total	652	649	20	20	–	381	–	–	164	159	836	1,209

- Salary includes an additional fee of £40,000 per annum paid to Mike Holt from 1 April 2014 to 30 March 2015 in recognition of additional duties assumed by him as set out in the Annual Report for the year ended 30 November 2014. This resulted in an additional payment of £13,333 in 2015.
- Benefits are a car allowance (not Brett Simpson) and private health insurance.
- The annual bonus is the only payment made to Directors which falls within paragraph 7(1)(c) of Part 3 of Schedule 8 to the Regulations. In setting the bonus plan for 2015, the metrics used were chosen to be aligned with the Group's stated medium-term objectives and were set out in more detail in last year's Annual Report.

The metrics used in the annual bonus plan in the year under review were chosen to be aligned with the Group's stated medium-term objectives. This resulted in a combination of profit and ROCE targets being set. The sliding scales of targets set took due account of both internal planning and the external market's expectations for the Company's performance. The bonus earned against the targets set, and a summary of the targets and weightings applying to each measure for 2016, is set out below:

Metric	Opportunity (% salary)	Payment (% salary)
Profit <sup>i</sup>		0%
ROCE <sup>ii</sup>	30%	0%

- Profit before tax, amortisation and non-recurring items at budgeted exchange rates. A "profit" element of the bonus was to be paid if profit before tax, amortisation and non-recurring items ("PBTA") equalled or exceeded the lower limit of £27.5m. At the lower limit, a "profit" bonus of 20% of salary was payable. Below the lower limit, no "profit" element of the bonus was to be paid. At a PBTA of £29.0m (the mid-point), a profit element of the bonus of 45% of salary was to be payable. A maximum "profit" element of the bonus of 70% of salary was to be payable if PBTA was equal to or more than £30.4m (the upper limit). Between the lower and mid point and between the mid point and the upper limit, the profit bonus percentage was to increase on a straight-line basis. As the targets were set at budgeted exchange rates, the level of profit determined to have been made during the year would differ from reported profits, which are based upon actual exchange rates during the year. Certain other minor adjustments to reported profits may also be taken into account when determining profits for the purposes of annual bonuses.
- ROCE targets were subject to achieving a threshold level of PBTA (calculated as set out above) to ensure that the returns were delivered on a profitable basis. A return on capital employed element of the bonus was to be payable if return on capital employed for the relevant periods equalled or exceeded the rates for the periods referred to in the table below. Return on capital employed was operating profit before non-recurring items and amortisation for the year ended 30 November 2016 divided by the average of the total sum of fixed assets (property, plant and equipment), inventories, trade debtors, prepayments, trade creditors and accruals at the end of each month of the period. Below the lower limit specified, no "return on capital employed" element of the bonus was to be paid. A maximum "return on capital employed" element of the bonus of 30% of salary was only to be payable if return on capital employed was equal to or more than the rate specified (the upper limit).

	Period-end return on capital employed	Bonus entitlement (as % of salary)
30 November 2016		
– lower limit	11.1%	10.0%
– mid-point	11.5%	20.0%
– upper limit	11.9%	30.0%

Between the lower and upper limits, the return on capital employed bonus percentage was to increase on a straight-line basis. The "return on capital employed" element of the bonus was only to become payable if actual PBTA was at least 90% of the PBTA target of £29.0m, which was not achieved.

- The amounts stated for 2015 comprise the value of ordinary shares vesting and being received in that financial year under (a) LTIP awards made in 2012 in relation to the TSR performance target (but not the EPS performance target) as the performance period in relation to the TSR target ended in that financial year, although no shares actually vested or were issued in respect of such awards and (b) LTIP awards made in 2013 in relation to the EPS performance target (but not the TSR performance target) as the performance period in relation to the EPS target ended in that financial year, although no shares actually vested or were issued in respect of such awards.

The amounts stated for 2016 comprise the value of ordinary shares vesting and being received in that financial year under (a) LTIP awards made in 2013 in relation to the TSR performance target (but not the EPS performance target) as the performance period in relation to the TSR target ended in that financial year, although no shares actually vested or were issued in respect of such awards and (b) LTIP awards made in 2014 in relation to the EPS performance target (but not the TSR performance target) as the performance period in relation to the EPS target ended in that financial year, although no shares actually vested or were issued in respect of such awards.

- In addition to their salaries, the Executive Directors are entitled to a percentage of their basic salary to enable them to make retirement benefit arrangements. Payments made under this arrangement during the year were a contribution of 25% of salary.



# Annual Remuneration Report continued

## Executive Directors' Remuneration for 2017

### Base salary

The Executive Directors' base salaries were reviewed in December 2016. The Committee took account of performance as well as responsibilities, skills and experience when reviewing salary. The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole. As a result, the Committee decided to increase Executive Directors' salaries as shown below with effect from 1 December 2016 in line with an average increase in UK salaries of 2.5%.

	Salary as at 1 December 2016	Salary as at 1 December 2015	Increase
Group Chief Executive	<b>£379,250</b>	£370,000	2.5%
Chief Financial Officer	<b>£289,050</b>	£282,000	2.5%

### Pensions and Benefits

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

### Performance-related bonus

The specific targets relating to the annual bonus for the year ending 30 November 2017 are considered to be commercially sensitive and will not therefore be disclosed in advance. They will be disclosed in next year's Annual Remuneration Report, along with disclosure of performance against them and the payments resulting. However, an overview of the bonus structure that is intended to operate in the current financial year is set out below.

In 2017, the Executive Directors will again be eligible to receive a performance-related bonus of up to 100% of salary with the metrics and opportunity composed as follows:

Metric	Opportunity (% salary)
Profit <sup>1</sup>	70%
ROCE <sup>2</sup>	30%

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

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

In line with the Company's Remuneration Policy, the bonus targets for the year ending 30 November 2017 will be on a graduated scale around targeted levels of performance. In relation to the profit element of a bonus (maximum of 70% of salary), the bonus payable at the threshold performance level is 20% of salary through to a maximum bonus being earned at up to 70% of salary in relation to delivering performance ahead of the Company's target. In relation to the ROCE element of the bonus (maximum of 30% of salary), the bonus payable at the threshold performance level is 10% of salary through to a maximum bonus being earned at up to 30% of salary in relation to delivering performance ahead of the Company's target. No bonus is earned against non-financial targets.

Bonus payments are subject to recovery and withholding provisions which would enable the Committee to recover the value overpaid to an Executive Director in the event of a material misstatement of the Company's financial results or material misconduct or if an error is made in assessing the extent to which any target and/or any other condition imposed on the bonus was satisfied. The recovery and withholding provisions would enable the Committee to withhold shares held under outstanding long-term incentive awards, and/or vested shares subject to any holding period and/or future cash bonus payments as part of the process through which any overpayment of annual bonus is recovered by the Company. The Committee may also request a repayment (in cash) if any recovery or withholding cannot be satisfied through the withholding of incentive pay. The recovery and withholding provisions operate for a two-year period following the date on which the bonus is paid. Bonuses for Executive Directors are subject to provisions allowing for payment on a pro rata basis to "good leavers" during the year as outlined above.

### Long-term Incentive Plan

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

The performance targets to apply to the awards to be granted in the current financial year under the 2013 LTIP will be, as in prior years, split so that half will vest dependent on challenging EPS growth targets and half dependent on relative TSR measured against the constituents of the FTSE Small Cap Index (excluding investment trusts). The targets, each tested over three years, are as follows:

#### Relative Total Shareholder Return (50% of an award)

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

Straight-line vesting between performance points

#### Earnings Per Share (50% of an award)

Adjusted annualised EPS growth <sup>1</sup>	Percentage vesting
Below 6% p.a.	0%
6% p.a.	20%
12% p.a.	100%

Straight-line vesting between performance points

1. The base-year EPS (i.e. that for the year ended 30 November 2016) is 6.19 pence, being our reported adjusted EPS of 6.01 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 pension scheme investment strategy, which is managed by independent trustees, is excluded from consideration of management performance.

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

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

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

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 which will enable the Committee to recover the value overpaid to an Executive Director under an award in respect of performance to the year ending 30 November 2019 in the event of a material misstatement of the Company's financial results or material misconduct or if an error is made in assessing the extent to which any target and/or any other condition imposed on vesting was satisfied. The recovery and withholding provisions will enable the Committee to withhold shares held under outstanding long-term incentive awards, and/or vested shares subject to a holding period, and/or future cash bonus payments as part of the process through which any value overpaid is recovered by the Company. The Committee may also request a repayment (in cash) if any recovery or withholding cannot be satisfied through the withholding of incentive pay. The recovery and withholding provisions will operate for a two-year period following the date on which the awards vest.

# Annual Remuneration Report continued

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

Awards under the LTIP by award of nil-cost options were made to each of Brett Simpson and Mike Holt on 4 February 2016 on the following basis:

	Basis of award granted	Share price at date of grant	Number of shares awarded	Face value of award	% of face value which vests at threshold
<b>Brett Simpson</b>	125% of salary	63.25p	731,225	£462,500	20%
<b>Mike Holt</b>	125% of salary	63.25p	557,312	£352,500	20%

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

## Other share-based incentives

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

## EXECUTIVE DIRECTORS SHARE PLAN INTERESTS\*

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

	Award date	Awards held at 1 December 2015	Granted during year	Exercised/ vested during year	Lapsed/ forfeited during year	Awards held at 30 November 2016	Exercise price (pence)	Normal vesting/ exercise date
<b>Brett Simpson</b>								
LTIP	26/08/2014	542,168	–	–	–	542,168	–	03/03/2017
LTIP	06/02/2015	796,460	–	–	–	796,460	–	06/02/2018
LTIP	04/02/2016	–	731,225	–	–	731,225	–	04/02/2019
		<b>1,338,628</b>				<b>2,069,853</b>		
SAYE	09/04/2015	36,885	–	–	–	<b>36,885</b>	48.8	01/06/2018
<b>Mike Holt</b>								
LTIP	09/04/2013	437,710	–	–	437,710	–	–	09/04/2016
LTIP	03/03/2014	364,810	–	–	–	364,810	–	03/03/2017
LTIP	06/02/2015	608,850	–	–	–	608,850	–	06/02/2018
LTIP	04/02/2016	–	557,312	–	–	557,312	–	04/02/2019
		<b>1,411,370</b>				<b>1,530,972</b>		
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
		<b>54,481</b>				<b>18,442</b>		

Under LTIP awards, 50% 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:

Date of grant	EPS		TSR	
	Measurement period ended	Minimum/maximum	Measurement period ended	Minimum/maximum
09/04/13	30/11/15	7.50p / 9.30p	08/04/16	Median/Upper quartile
03/03/14	30/11/16	7.42p / 9.23p	02/03/17	Median/Upper quartile
26/08/14	30/11/16	7.42p / 9.23p	02/03/17	Median/Upper quartile
06/02/15	30/11/17	6.85p / 8.52p	05/02/18	Median/Upper quartile
04/02/16	30/11/18	6.93p / 8.13p	03/02/19	Median/Upper quartile

Brett Simpson and Mike Holt did not participate in and therefore did not receive an award of shares under the SAYE Plan in 2016.

The market price of a share at 30 November 2016 was 67.0p and the range during the year to 30 November 2016 was 55.0p to 71.5p.

### Payments to past directors

No payments were made to past directors during the year.

### Payments for loss of office

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

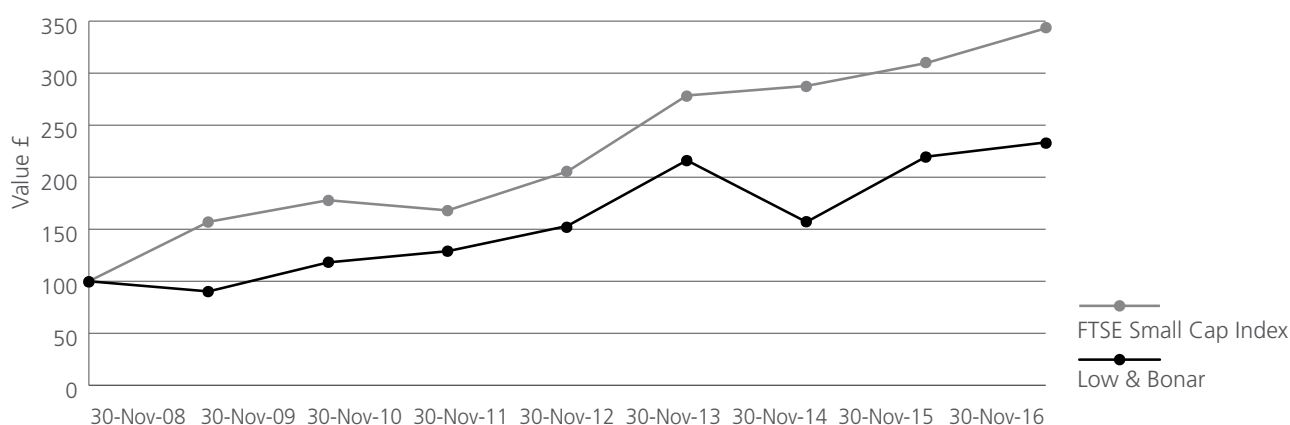
### Relative importance of spend on pay

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

	2016	2015	% change
– Employee costs	<b>£94.2m</b>	£84.3m	12%
– Dividends declared in respect of the year	<b>£9.9m</b>	£9.1m	9%

### TOTAL SHAREHOLDER RETURN

The following graph shows the total shareholder return performance of the Company's Ordinary Shares for the eight years ended 30 November 2016 relative to the FTSE Small Cap Index, of which the Company has been a constituent member throughout the period.



Total shareholders return – Source: Datastream (Thomson Reuters)

This graph shows the value, on 30 November 2016, of £100 invested in Low & Bonar PLC on 30 November 2008, compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year-ends.

### Group Chief Executive remuneration history

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

	2016	2015	2014 <sup>1</sup>	2013	2012	2011	2010	2009 <sup>2</sup>
Total remuneration (£)	<b>465,654</b>	668,727	623,586	1,064,510	1,308,727	803,309	710,067	479,922
Annual bonus (%)	<b>0%</b>	60%	0%	0%	79.3%	81%	100%	0%
LTIP vesting (%) <sup>3</sup>	<b>0%</b>	0%	20.9%	72%	98.7%	50%	0%	0%

- In 2014, the Group had two Chief Executives: Steve Good, until 8 September 2014, and Brett Simpson, from 8 September 2014. The total remuneration for 2014 represents those amounts paid to Mr Good (£503,366) until 30 September 2014 (the date on which he ceased to be a Director) and those amounts paid to Mr Simpson (£120,220) from 26 August 2014 (the date on which his employment with the Company started) to the end of that year.
- In 2009, the Group had two Chief Executives: Paul Forman, until 3 September 2009, and Steve Good, from 3 September 2009. The total remuneration for 2009 represents those amounts paid to Mr Forman (£382,800) until 31 October 2009 (the date on which he ceased to be a Director) and those amounts paid to Mr Good (£97,122) from 3 September 2009 to the end of that year.
- The LTIP awards are included in relation to any financial year on the same basis as those set out on page 64.



# Annual Remuneration Report continued

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

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

	2016	2015	% change
<b>Group Chief Executive (£)</b>			
– salary	<b>370,000</b>	360,000	2.8%
– benefits	<b>3,154</b>	2,727	15.7%
– bonus	<b>0</b>	216,000	–
<b>Average per employee<sup>1</sup> (£)</b>			
– salary	<b>44,991</b>	46,912	-4.1%
– benefits	<b>1,241</b>	1,091	13.8%
– bonus	<b>1,516</b>	6,843	-77.9%

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

## Directors' service contracts

Brett Simpson entered into a service agreement in June 2014, in respect of his employment which commenced on 26 August 2014, and Mike Holt entered into a service agreement in September 2010, in respect of his appointment which commenced on 22 November 2010.

Under Brett Simpson's service contract, the Company may make a payment in lieu of notice and has reserved the right to pay any sums due in equal monthly instalments during what would have been the unexpired portion of his contractual notice period. In such circumstances, he will be under a duty to take reasonable steps to mitigate any consequential losses by seeking an alternative remunerative position, whether as employee, director, self-employed consultant or shareholder, and to notify the Company in writing as soon as any such position is accepted, of when it is due to commence and the financial terms applicable to it. If he obtains an alternative position during this period any sums due to him will be reduced or extinguished accordingly.

The service contract for Mike Holt provides that, if a payment in lieu of notice is made, then on the date of notice of termination a payment of six months' salary is made. Further payments are made only if he is not in full-time employment at the time at which the payments fall to be made.

Mike Holt is currently a Non-Executive Director of Schroders Asian Total Return Investment Company plc, in respect of which he retains the fee payable of £28,500 per annum. The Executive Directors hold no other remunerated external appointments.

## Non-Executive Directors' letters of appointment

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

	Original appointment date	Commencement date of current term	Unexpired term at 31 January 2017
Martin Flower <sup>1</sup>	1 January 2007	30 June 2016	29 months
Steve Hannam	1 September 2002	1 September 2016	7 months
Kevin Matthews	1 April 2015	1 April 2015	14 months
Mike Powell	1 December 2016	1 December 2016	34 months
Trudy Schoolenberg	1 May 2013	1 May 2016	27 months
John Sheldrick	1 October 2011	1 October 2014	8 months

1. Martin Flower has a service contract with the Company dated 12 February 2010 (see page 60 for further details).

**NON-EXECUTIVE DIRECTORS' FEES\***

	Fees	
	2016 £000	2015 £000
Martin Flower	136	136
Steve Hannam <sup>1</sup>	42	47
Kevin Matthews <sup>2/3</sup>	45	27
Trudy Schoolenberg	40	40
John Sheldrick <sup>4</sup>	47	47

1. Steve Hannam received a fee of £7,000 per annum for his Chairmanship of the Remuneration Committee until 31 March 2016 (which is included in the number in the table).
2. Kevin Matthews became a Director on 1 April 2015 and the information in this report in respect of the year ended 30 November 2015 relates only to the period from that date.
3. Kevin Matthews received a fee of £7,000 per annum for his Chairmanship of the Remuneration Committee from 1 April 2016 (which is included in the number in the table).
4. John Sheldrick received a fee of £7,000 per annum for his Chairmanship of the Audit Committee (which is included in the number in the table).

**Non-Executive Directors' Remuneration for the year ending 30 November 2017**

Fees for the year ending 30 November 2017 (which are unchanged from the year under review) are:

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

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

**DIRECTORS' SHAREHOLDINGS\***

The tables below show the beneficial interests in the Ordinary Shares of the Company held by Directors who were in office during the year ended 30 November 2016. For Executive Directors, the table also shows share ownership compared with the share ownership guidelines (full details of which can be found in the Remuneration Policy on pages 53 to 60) based on the share price of 67.0p on 30 November 2016.

**Executive Directors**

	30 November 2016	Guideline on share ownership as a % of salary	Actual beneficial share ownership as a % of salary	Guideline met	Outstanding LTIP awards	Outstanding options
Brett Simpson	175,000	100%	32%	No	2,069,853	36,885
Mike Holt	532,437	100%	127%	Yes	1,530,972	18,442

**Non-Executive Directors**

	30 November 2016
Martin Flower	556,912
Steve Hannam	348,232
Kevin Matthews	24,389
Trudy Schoolenberg	72,462
John Sheldrick	76,993

During the period 1 December 2016 to 1 February 2017, no changes in Directors' interests have been notified to the Company.

No Director held any beneficial interest in or options over shares in or debentures of any other Group company at 30 November 2016 or at 1 February 2017, save as set out above and on the table on page 64.

# Annual Remuneration Report continued

## The Remuneration Committee

The Committee currently comprises all the Non-Executive Directors of the Company as listed on page 51. The attendance of each Director at meetings during the year is shown on page 45. All of the Committee members, with the exception of Mr Flower, are considered by the Board to be independent. Mr Flower became a member of the Committee on 6 July 2010 and, while it is no longer appropriate to apply the test of independence to him following his appointment as Chairman, he was considered by the Board to be independent on his initial appointment as a Non-Executive Director. The Company Secretary is the Secretary to the Committee.

The Group Chief Executive, the Chief Financial Officer and the Group Director of Human Resources may be invited to attend meetings of the Committee. The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisers. The Group Chief Executive, the Chief Financial Officer, the Group Director of Human Resources and the Company Secretary provide advice to the Committee on matters relating to the Remuneration Policy and Company practices.

The Committee's remit is set out in its terms of reference, a copy of which is available on the Company's website.

## Advisers

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

- New Bridge Street (an Aon plc company) was appointed by the Committee as advisers and provided advice on reward structures and levels and aspects of the Company's future remuneration policy. New Bridge Street is a member of the Remuneration Consultants Group and complies with their code of conduct. New Bridge Street also provides advice to the Company in respect of executive remuneration and Non-Executive Directors' fees, but no other Aon companies provide services to the Company. The fees paid to New Bridge Street for advice to the Committee during the year ended 30 November 2016, which were charged on their standard terms, were £50,315 (excluding VAT) (2015: £39,094, excluding VAT).
- Freshfields Bruckhaus Deringer LLP and Squire Patton Boggs LLP provided advice in respect of matters of legal compliance. Each of Freshfields Bruckhaus Deringer LLP and Squire Patton Boggs LLP provides legal advice to the Company on matters other than remuneration on a regular and continuing basis.

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

## AGM statement of shareholder voting

At the 2014 AGM, the Remuneration Policy received the following votes from shareholders:

Votes for		Votes against		Total votes cast	Votes withheld
No. of shares	% of shares voted	No. of shares	% of shares voted	% of issued share capital	No. of shares
255,985,610	99.4	1,642,039	0.6	78.9	92,227

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

Votes for		Votes against		Total votes cast	Votes withheld
No. of shares	% of shares voted	No. of shares	% of shares voted	% of issued share capital	No. of shares
244,446,711	99.5	1,198,168	0.5	74.7	77,956

## Kevin Matthews

Chairman, Remuneration Committee

On behalf of the Board of Directors

1 February 2017

# Directors' Report

The Directors present their report and the accounts of the Company and the Group for the year ended 30 November 2016.

## Strategic Report

The Directors have presented their Strategic Report on pages 1 to 41, which contains a fair review of the Company's business, and a description of the principal risks and uncertainties facing the Company. The review is intended to be a balanced and comprehensive analysis of the development and performance of the Company's business during the financial year, and the position of the Company's business at the end of that year, consistent with the size and complexity of the business. The review includes, to the extent necessary for an understanding of the development, performance or position of the Company's business, an analysis using financial key performance indicators. As the Company is a quoted company, the Strategic Report also, to the extent necessary for an understanding of the development, performance or position of the Company's business, includes (a) the main trends and factors likely to affect the future development, performance and position of the Company's business, and (b) information about (i) environmental matters (including the impact of the Company's business on the environment), (ii) the Company's employees, and (iii) social, community and human rights issues, including information about policies of the Company in relation to those matters and the effectiveness of those policies. The Report of the Directors should be read in conjunction with the Strategic Report, which forms part of this report and contains details of the principal activities of the Group during the year and an indication of likely future developments and an indication of the activities of the Group in the field of research and development.

The Strategic Report was approved by the Board of Directors on 1 February 2017.

## Greenhouse gas reporting

The Directors are required to set out in this report the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of any facility. The report must state the annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use. This report is shown on page 37 and forms part of this report.

## Results and dividends

The Group's consolidated profit for the year attributable to equity holders of the Company was £13.9m (2015: £5.7m).

The Company paid an interim dividend for the year ended 30 November 2016 of 1.0 pence per share on 22 September 2016 to Ordinary Shareholders whose names appeared in the register at the close of business on 26 August 2016. The Directors recommend that a final dividend of 2.00p (2015: 1.80p) be paid on 13 April 2017 to Ordinary Shareholders on the register at close of business on 17 March 2017.

Dividends	2016	2015	% Increase
Interim	1.00p	0.98p	2.0%
Final	2.00p	1.80p	11.1%
Total	3.00p	2.78p	7.9%

## Directors

The Directors of the Company are shown on pages 42 and 43. They all held office throughout the financial year under review, with the exception of Mike Powell who was appointed a Non-Executive Director on 1 December 2016.

The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its Directors. The Directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. The Company has executed deeds of indemnity for the benefit of each Director of the Company in respect of liabilities which may attach to them in their capacity as directors of the Company or of associated companies. These provisions, which are qualifying third party indemnity provisions as defined by section 234 of the Companies Act 2006, were in place throughout the year.

## Re-election of Directors

Mike Powell was appointed since the previous Annual General Meeting and, in accordance with the Company's Articles of Association, offers himself for election. His appointment is for a period of three years commencing on 1 December 2016.

Having been a Director for over nine years, Steve Hannam retires in accordance with the UK Corporate Governance Code and offers himself for re-election. Mr Hannam's appointment may be terminated by either him or the Company giving six months' notice in writing. Mr Hannam was appointed as Non-Executive Director of the Company in September 2002 for an initial term of three years and was last reappointed in 2016 for a term of one year up to 31 August 2017. The Board continues to believe that it benefits substantially from Mr Hannam's experience and expertise. Further details regarding Mr Hannam's re-election are set out on page 45.

In addition, although directors of companies which are not FTSE 350 companies are not subject to annual election by shareholders, all the other directors, with the exception of John Sheldrick, are also submitting themselves for re-election at the forthcoming Annual General Meeting.

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

## Directors' interests

Directors' interests in shares and debentures of the Company are shown on page 67.

## Substantial interests

As at 30 November 2016, the following interests in voting rights over the issued share capital of the Company had been notified in accordance with Rule 5 of the UKLA's Disclosure Guidance and Transparency Rules.

## Directors' Report continued

	No. of Ordinary Shares	% of total voting rights
JO Hambro Capital Management Limited	33,791,468	10.26
AXA Investment Managers S.A.	32,895,112	9.99
Schroders plc	30,463,499	9.25
Unicorn Asset Management Limited	21,432,965	6.51
Sterling Strategic Value Fund S.A.	19,067,000	5.79
Luxempart SA	17,249,145	5.24
Prudential plc	15,819,478	4.80
Henderson Global Investors	14,389,576	4.37
Aberforth Partners LLP	12,834,094	3.90

On 13 December 2016, Sterling Strategic Value Fund S.A. notified the Company that it had increased its shareholding to 21,262,070 shares representing 6.46% of the total voting rights and, on 3 January 2017, further notified the Company that it no longer had a notifiable interest. On 3 January 2017, Notz, Stucki Europe S.A. notified the Company that it had acquired an interest in 22,562,070 shares representing 6.85% of the total voting rights. No other changes to the table above have been disclosed to the Company between 30 November 2016 and 1 February 2017.

### Ordinary Share capital

The Company's issued share capital as at 30 November 2016 consisted of 329,298,026 Ordinary Shares with voting rights, 154,571,152 deferred shares without voting rights and £100,000 6 per cent first cumulative preference stock, £100,000 6 per cent second cumulative preference stock and £200,000 5.5 per cent third cumulative preference stock (the "preference stock"). Provided that preference dividends remain paid in accordance with the Company's Articles of Association, the preference stock does not carry voting rights. The Company does not hold any Ordinary Shares in treasury. The total number of voting rights in the Company is, therefore, 329,298,026. Further details of the Company's issued share capital at 30 November 2016 and of options granted and shares issued pursuant to the Company's employee share option schemes and long-term incentive plans are shown in Note 24 to the accounts. The Company operates an employee benefit trust to hold shares in relation to satisfying awards made under certain employee share schemes. At 30 November 2016, the trust held 26,752 Ordinary Shares (2015: 26,752 Ordinary Shares). During the year, the Company issued a total of 314,549 Ordinary Shares to employees on the exercise of options under the Group's save-as-you-earn plans. Allotment of these shares took place at various points during the year at prices ranging from £0.428 to £0.588 pence per share according to the terms of the options and awards.

As at 1 February 2017, being the latest practicable date before publication of this report, there were 329,346,110 Ordinary Shares in issue.

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

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

1. in relation to a pre-emptive rights issue only, equity securities up to a maximum nominal amount of £10,966,164.80, which represented approximately two-thirds of the Company's issued Ordinary Shares at the date the authority was granted (reduced by the nominal amount of any Relevant Securities allotted under the next paragraph); and
2. in any other case, Relevant Securities up to a maximum nominal amount of £5,483,082.40 (approximately one-third of the Company's issued Ordinary Shares), reduced by the nominal amount of any equity securities allotted under the previous paragraph.

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

1. in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £10,966,164.80; or
2. in any other case, up to a maximum nominal amount of £1,644,924.70, which represented approximately 10% of the Company's issued Ordinary Shares (excluding treasury shares) as at the date the authority was granted.

### Annual General Meeting

The Annual General Meeting will be held at The Royal Institution, 21 Albemarle Street, London, W1S 4BS on Wednesday 12 April 2017, 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

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



### Viability statement

The Directors have assessed the viability of the Group over a five-year period, taking into account the Group's position at 30 November 2016 and the potential impacts of the principal risks over the review period.

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

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

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

Based on this assessment and the results of the enhanced stress testing, and on the assumption that the principal risks are managed or mitigated in the ways disclosed, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 30 November 2021.

### Internal controls

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

### Financial instruments

The financial risk management objectives and policies of the Company and policies for hedging each major type of forecasted transaction for which hedge accounting is used and the exposure of the Company to price risk, credit risk, liquidity risk and cashflow risk are set out in Note 20 on pages 105 to 111.

### Significant agreements

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

### Information to the auditor

Each Director who held office at the date of this Directors' Report has confirmed that, so far as he or 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.

### Auditor

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

### Fair, balanced and understandable

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

By order of the Board

### Stuart Haydon

Company Secretary  
1 February 2017

# Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

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

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

We confirm that to the best of our knowledge:

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



**Brett Simpson**  
Group Chief Executive  
1 February 2017



**Mike Holt**  
Chief Financial Officer  
1 February 2017

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

## Opinions and conclusions arising from our audit

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

We have audited the financial statements of Low & Bonar PLC for the year ended 30 November 2016 set out on pages 75 to 120. 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU');
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### 2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows (unchanged from 2015):

#### Recoverability of goodwill £82.6m (2015: £69.6m)

##### Risk vs 2015: Unchanged

Refer to page 48 (Audit Committee Report), pages 84 and 85 (accounting policy) and pages 98 and 99 (financial disclosures)

**The risk** – The Group has significant goodwill allocated to its four (2015: four of its five) cash generating units ('CGUs'). In the light of challenging trading conditions in the Civil Engineering CGU and production issues in the Coated Technical Textiles CGU, there is a risk that the carrying value of goodwill may be in excess of its recoverable amount and an impairment may arise. The estimation of recoverable amount is complex and significant judgement is required in making some of the estimates, specifically cash flow projections, discount rates and short term growth rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, this is the key judgemental area that our audit was concentrated on.

**Our response** – Our procedures included testing the controls relating to the preparation and approval of the Group's budget upon which the forecasts are based. We critically assessed the budgets including considering the historical accuracy of the budgeting process and the reflection of actual and anticipated trading conditions in the forecasts. We challenged the assumptions in the budgets with reference to historical trends, and our own expectations based on our knowledge of the business.

In respect of the growth rates used in the impairment testing, we compared the Group's assumptions to externally derived data for inputs such as OECD country GDP forecasts. In respect of the Civil Engineering CGU we also compared growth rates used to the forecast impact of capital and operational investments made by the Group over the last 12 months.

We utilised our own internal valuation specialist to assist us in assessing the applicable discount rates. We applied sensitivities to the budgets for the financial year to 30 November 2017, medium and long term growth rates and the discount rate. In particular we applied rigorous sensitivities to the Civil Engineering and Coated Technical Textiles CGU forecasts by increasing the discount rate, reducing the budgeted profits and reducing the future growth rates. This was performed in order to reflect the risks of under-

performance and forecasting risk resulting in the need for an impairment. We calculated a range of discount rates, performance shortfalls and growth rates where the recoverable amount of assets equalled the net book value and considered this as part of our sensitivity analysis. In addition, we compared the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of the aggregate discounted cash flow.

We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected our own sensitivity analysis.

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

Materiality for the Group financial statements as a whole was set at £2,600,000, determined with reference to a benchmark of Group profit before tax, normalised by removing the effect of non-recurring items and averaging profit over the last three years for the Coated Technical Textiles CGU due to current year production issues, of £30,300,000, of which it represents 8.6%. The Group team performed procedures on the items excluded from normalised group profit before tax. The benchmark has been changed this year to reflect industry consensus, compared to the comparative year, where the materiality for the group financial statements as a whole, set at £2,600,000, was determined with reference to a benchmark of Group revenue, of which it represented 0.7%.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £75,000 (2015: £75,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 43 (2015: 45) reporting components we subjected ten (2015: ten) to audits for Group reporting purposes and three (2015: four) to specified risk-focussed audit procedures. The latter were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed, or to provide further audit coverage over the Group's results and balances.

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

	Number of components (2015)	Group revenue (2015)	Total profits and losses that make up group profit before tax (2015)	Group total assets (2015)
Audits for Group reporting purposes	10 (10)	72% (69%)	75% (73%)	64% (70%)
Specified risk-focussed audit procedures	3 (4)	6% (9%)	9% (6%)	11% (8%)
<b>Total</b>	<b>13 (14)</b>	<b>78% (78%)</b>	<b>84% (79%)</b>	<b>75% (78%)</b>

The remaining 22% (2015: 22%) of total Group revenue, 16% (2015: 21%) of total profits and losses that make up Group profit before tax and 25% (2015: 22%) of total Group assets is represented by 30 (2015: 31) reporting components, none of which individually represented more than 3% (2015: 3%) of total Group revenue, 3% (2015: 5%) of total profits and losses that make up Group profit before tax or 3% (2015: 4%) of total Group assets. For the remaining components, we performed analysis at a disaggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality level, which ranged from £182,000 to £1,950,000 (2015: £170,000 to £1,950,000), having regard to the mix of size and risk profile of the Group across the components. The work on six (2015: six) components was performed by component auditors and the remainder by the Group audit team.

The Group audit team visited component locations in Germany and Belgium and reviewed the work of the component auditor in those locations; in 2015 the Group audit team visited component locations in the Netherlands and Germany and met with the component auditor of the USA. Telephone meetings were also held with these components and the components in the United Kingdom and the Netherlands (2015: components in Belgium), including participation in completion meetings by telephone. Telephone meetings were held with other components during the year as necessary. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

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

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 44 to 46 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

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

- the directors' statement of the Viability Statement on page 71, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the five years to 30 November 2021; or
- the disclosures in the Significant Accounting Policies section of the financial statements concerning the use of the going concern basis of accounting.

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

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

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

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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 70 and 71, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 44 to 46 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

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

#### **Scope and responsibilities**

As explained more fully in the Directors' Responsibilities Statement set out on page 72, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ  
1 February 2017

## Consolidated Income Statement

for the year ended 30 November

	Note	2016			2015		
		Before amortisation and non- recurring items £m	Amortisation and non- recurring items (Note 5) £m	Total £m	Before amortisation and non- recurring items (restated) £m	Amortisation and non- recurring items (Note 5) (restated) £m	Total (restated) £m
<b>Revenue</b>	1	<b>400.0</b>	<b>–</b>	<b>400.0</b>	362.1	–	362.1
<b>Operating profit/(loss)</b>	1	<b>34.7</b>	<b>(3.3)</b>	<b>31.4</b>	31.8	(6.0)	25.8
Financial income	6	<b>0.2</b>	–	<b>0.2</b>	0.1	–	0.1
Financial expense	6	<b>(5.7)</b>	–	<b>(5.7)</b>	(4.5)	–	(4.5)
Net financing costs		<b>(5.5)</b>	–	<b>(5.5)</b>	(4.4)	–	(4.4)
<b>Profit/(loss) before taxation</b>	2	<b>29.2</b>	<b>(3.3)</b>	<b>25.9</b>	27.4	(6.0)	21.4
Taxation	7	<b>(8.8)</b>	<b>0.6</b>	<b>(8.2)</b>	(7.6)	1.4	(6.2)
<b>Profit/(loss) after taxation</b>		<b>20.4</b>	<b>(2.7)</b>	<b>17.7</b>	19.8	(4.6)	15.2
<b>Profit/(loss) for the year from continuing operations</b>		<b>20.4</b>	<b>(2.7)</b>	<b>17.7</b>	19.8	(4.6)	15.2
<b>Profit/(loss) for the year from discontinued operations</b>	29	<b>0.5</b>	<b>(3.7)</b>	<b>(3.2)</b>	(0.8)	(8.2)	(9.0)
<b>Profit/(loss) for the year</b>		<b>20.9</b>	<b>(6.4)</b>	<b>14.5</b>	19.0	(12.8)	6.2
<b>Attributable to</b>							
Equity holders of the Company		<b>20.3</b>	<b>(6.4)</b>	<b>13.9</b>	18.5	(12.8)	5.7
Non-controlling interest	27	<b>0.6</b>	–	<b>0.6</b>	0.5	–	0.5
		<b>20.9</b>	<b>(6.4)</b>	<b>14.5</b>	19.0	(12.8)	6.2
<b>Earnings per share</b>							
Continuing operations:	10						
Basic		<b>6.01p</b>		<b>5.20p</b>	5.86p		4.47p
Diluted		<b>5.95p</b>		<b>5.15p</b>	5.75p		4.39p
Discontinued operations:							
Basic		<b>0.14p</b>		<b>(0.98p)</b>	(0.25p)		(2.74p)
Diluted		<b>0.14p</b>		<b>(0.97p)</b>	(0.24p)		(2.69p)
Total:							
Basic		<b>6.15p</b>		<b>4.22p</b>	5.61p		1.73p
Diluted		<b>6.09p</b>		<b>4.18p</b>	5.51p		1.70p



# Consolidated Statement of Comprehensive Income

for the year ended 30 November

	Note	2016 £m	2015 £m
<b>Profit for the year</b>		<b>14.5</b>	6.2
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial (loss)/gain on defined benefit pension schemes	4	(11.8)	2.2
Deferred tax on defined benefit pension schemes	4	0.3	–
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of foreign operations, net of hedging		36.7	(17.8)
Exchange differences recycled from reserves		(1.7)	–
<b>Total other comprehensive income for the year, net of tax</b>		<b>23.5</b>	(15.6)
<b>Total comprehensive income for the year</b>		<b>38.0</b>	(9.4)
<b>Attributable to</b>			
Equity holders of the parent		37.4	(10.1)
Non-controlling interest	27	0.6	0.7
		<b>38.0</b>	(9.4)

## Balance Sheets

as at 30 November

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
<b>Non-current assets</b>					
Goodwill	11	82.6	69.6	–	–
Intangible assets	12	22.2	20.3	–	–
Property, plant and equipment	13	150.3	132.0	0.6	0.2
Investment in subsidiaries	14	–	–	93.2	93.6
Investment in joint venture	15	–	–	–	–
Investment in associates	16	0.5	0.5	–	–
Deferred tax assets	21	5.6	4.4	–	–
Other receivables	18	–	–	39.9	22.3
Post-employment benefits	4	–	5.2	–	5.2
		<b>261.2</b>	232.0	<b>133.7</b>	121.3
<b>Current assets</b>					
Inventories	17	97.5	82.6	–	–
Trade and other receivables	18	79.1	71.1	152.4	149.0
Cash and cash equivalents	20	26.3	33.9	1.4	5.3
Current tax receivable		–	–	–	–
		<b>202.9</b>	187.6	<b>153.8</b>	154.3
<b>Current liabilities</b>					
Interest-bearing loans and borrowings	20	0.1	31.5	1.3	34.0
Current tax liabilities	19	4.4	5.7	–	–
Trade and other payables	19	84.4	77.0	19.2	26.4
Provisions	22	–	0.1	–	–
Derivative liabilities	20	–	0.1	–	0.1
Liabilities directly associated with assets classified as held for sale	29	1.3	–	–	–
		<b>90.2</b>	114.4	<b>20.5</b>	60.5
<b>Net current assets</b>		<b>112.7</b>	73.2	<b>133.3</b>	93.8
<b>Total assets less current liabilities</b>		<b>373.9</b>	305.2	<b>267.0</b>	215.1
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	20	137.2	104.5	48.4	66.4
Deferred tax liabilities	21	19.1	17.2	–	–
Post-employment benefits	4	15.0	9.9	2.2	–
Other payables	23	0.2	1.6	–	–
		<b>171.5</b>	133.2	<b>50.6</b>	66.4
<b>Net assets</b>		<b>202.4</b>	172.0	<b>216.4</b>	148.7
<b>Equity attributable to equity holders of the parent</b>					
Share capital	24	47.4	47.4	47.4	47.4
Share premium account	25	74.4	74.2	74.4	74.2
Translation reserve	26	(26.0)	(61.0)	–	–
Retained earnings		100.2	105.3	94.6	27.1
<b>Total equity attributable to equity holders of the parent</b>		<b>196.0</b>	165.9	<b>216.4</b>	148.7
Equity holders of the parent		196.0	165.9	216.4	148.7
Non-controlling interest	27	6.4	6.1	–	–
<b>Total equity</b>		<b>202.4</b>	172.0	<b>216.4</b>	148.7

The consolidated financial statements on pages 75 to 120 were approved by the Board on 1 February 2017 and signed on its behalf by:



**Brett Simpson**  
1 February 2017



**Mike Holt**  
1 February 2017

Registered number: SC008349

# Consolidated Cash Flow Statement

## for the year ended 30 November

	Note	2016 £m	2015 (restated) £m
<b>Profit for the year from continuing operations</b>		<b>17.7</b>	15.2
<b>Loss for the year from discontinued operations</b>		<b>(3.2)</b>	(9.0)
<b>Profit for the year</b>		<b>14.5</b>	6.2
Adjustments for:			
Depreciation		<b>15.8</b>	12.4
Amortisation		<b>5.2</b>	5.2
Income tax expense		<b>8.2</b>	6.2
Net financing costs		<b>5.5</b>	4.4
Share of results of joint venture		<b>1.3</b>	1.8
Loss on disposal of the grass yarns business		<b>1.3</b>	–
Impairment of investment in joint venture		–	8.2
Non-cash pension charges		<b>1.0</b>	1.1
(Increase)/decrease in inventories		<b>(14.7)</b>	2.8
Decrease/(increase) in trade and other receivables		<b>1.7</b>	(6.4)
Decrease in trade and other payables		<b>(2.0)</b>	(2.3)
Decrease in provisions		<b>(0.1)</b>	(0.4)
Gain on disposal of non-current assets		<b>(0.1)</b>	–
Equity-settled share-based payment		<b>0.9</b>	0.6
<b>Cash inflow from operations</b>		<b>38.5</b>	39.8
Interest received		<b>0.1</b>	–
Interest paid		<b>(5.0)</b>	(4.5)
Tax paid		<b>(10.8)</b>	(7.5)
Pension cash contributions		<b>(4.6)</b>	(4.5)
<b>Net cash inflow from operating activities</b>		<b>18.2</b>	23.3
Proceeds from the disposal of the grass yarns business		<b>21.7</b>	–
Acquisition of property, plant and equipment		<b>(18.9)</b>	(33.0)
Intangible assets purchased		<b>(3.3)</b>	(0.7)
Dividends paid to non-controlling interests		<b>(0.3)</b>	(1.0)
<b>Net cash outflow from investing activities</b>		<b>(0.8)</b>	(34.7)
Drawdown of borrowings		<b>17.8</b>	28.8
Repayment of borrowings		<b>(37.9)</b>	–
Movement in cash flow hedges		<b>0.1</b>	–
Proceeds of share issues to employees		<b>0.2</b>	0.3
Equity dividends paid		<b>(9.2)</b>	(9.0)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(29.0)</b>	20.1
<b>Net cash (outflow)/inflow</b>	28	<b>(11.6)</b>	8.7
<b>Cash and cash equivalents at start of year</b>		<b>33.9</b>	25.8
Foreign exchange differences		<b>4.0</b>	(0.6)
<b>Cash and cash equivalents at end of year</b>		<b>26.3</b>	33.9

# Company Cash Flow Statement

## for the year ended 30 November

	Note	2016 £m	2015 £m
<b>Profit for the year</b>	8	<b>86.9</b>	11.2
Adjustments for:			
Depreciation		<b>0.1</b>	–
Income tax credit		–	–
Provision for investment impairment		<b>0.4</b>	–
Loss on disposal – non-current assets		<b>0.1</b>	–
Net financing income		<b>(1.8)</b>	(0.9)
Non-cash pension charges		<b>0.5</b>	0.8
(Increase)/decrease in receivables		<b>(20.9)</b>	2.2
(Decrease)/increase in payables		<b>(6.7)</b>	4.3
Equity-settled share-based payment		<b>0.9</b>	0.6
<b>Cash inflow from operations</b>		<b>59.5</b>	18.2
Interest received		<b>5.3</b>	5.8
Interest paid		<b>(4.3)</b>	(4.0)
Tax paid		–	–
Pension cash contributions		<b>(4.0)</b>	(3.8)
<b>Net cash inflow from operating activities</b>		<b>56.5</b>	16.2
Acquisition of property, plant and equipment		<b>(0.7)</b>	–
<b>Net cash outflow from investing activities</b>		<b>(0.7)</b>	–
Proceeds of share issues to employees		<b>0.2</b>	0.3
Repayment of borrowings		<b>(50.6)</b>	(5.8)
Equity dividends paid		<b>(9.2)</b>	(9.0)
<b>Net cash outflow from financing activities</b>		<b>(59.6)</b>	(14.5)
<b>Net cash (outflow)/inflow</b>	28	<b>(3.8)</b>	1.7
<b>Cash and cash equivalents at start of year</b>		<b>5.3</b>	3.6
Foreign exchange differences		<b>(0.1)</b>	–
<b>Cash and cash equivalents at end of year</b>		<b>1.4</b>	5.3

## 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 2014	47.3	74.0	(43.0)	105.8	184.1	6.4	190.5
Total comprehensive income for the year	–	–	(18.0)	7.9	(10.1)	0.7	(9.4)
Dividends paid to Ordinary Shareholders	–	–	–	(9.0)	(9.0)	–	(9.0)
Dividends paid to Non-Controlling Interests	–	–	–	–	–	(1.0)	(1.0)
Shares issued	0.1	0.2	–	–	0.3	–	0.3
Share-based payment	–	–	–	0.6	0.6	–	0.6
Net increase/(decrease) for the year	0.1	0.2	(18.0)	(0.5)	(18.2)	(0.3)	(18.5)
At 30 November 2015	47.4	74.2	(61.0)	105.3	165.9	6.1	172.0
<b>Total comprehensive income for the year</b>	–	–	<b>35.0</b>	<b>2.4</b>	<b>37.4</b>	<b>0.6</b>	<b>38.0</b>
<b>Dividends paid to Ordinary Shareholders</b>	–	–	–	<b>(9.2)</b>	<b>(9.2)</b>	–	<b>(9.2)</b>
<b>Dividends paid to Non-Controlling Interests</b>	–	–	–	–	–	<b>(0.3)</b>	<b>(0.3)</b>
<b>Disposal of equity participation in subsidiary</b>	–	–	–	<b>0.8</b>	<b>0.8</b>	–	<b>0.8</b>
<b>Shares issued</b>	–	<b>0.2</b>	–	–	<b>0.2</b>	–	<b>0.2</b>
<b>Share-based payment</b>	–	–	–	<b>0.9</b>	<b>0.9</b>	–	<b>0.9</b>
<b>Net increase/(decrease) for the year</b>	–	<b>0.2</b>	<b>35.0</b>	<b>(5.1)</b>	<b>30.1</b>	<b>0.3</b>	<b>30.4</b>
At 30 November 2016	47.4	74.4	(26.0)	100.2	196.0	6.4	202.4



## 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 2014	47.3	74.0	22.4	143.7
Profit for the year	–	–	11.2	11.2
Actuarial gain on defined benefit pension scheme	–	–	1.9	1.9
Dividends paid to Ordinary Shareholders	–	–	(9.0)	(9.0)
Shares issued	0.1	0.2	–	0.3
Share-based payment	–	–	0.6	0.6
Net increase for the year	0.1	0.2	4.7	5.0
At 30 November 2015	47.4	74.2	27.1	148.7
<b>Profit for the year</b>	–	–	<b>86.9</b>	<b>86.9</b>
<b>Actuarial loss on defined benefit pension scheme</b>	–	–	<b>(11.1)</b>	<b>(11.1)</b>
<b>Dividends paid to Ordinary Shareholders</b>	–	–	<b>(9.2)</b>	<b>(9.2)</b>
<b>Shares issued</b>	–	<b>0.2</b>	–	<b>0.2</b>
<b>Share-based payment</b>	–	–	<b>0.9</b>	<b>0.9</b>
<b>Net increase for the year</b>	–	<b>0.2</b>	<b>67.5</b>	<b>67.7</b>
<b>At 30 November 2016</b>	<b>47.4</b>	<b>74.4</b>	<b>94.6</b>	<b>216.4</b>

# Significant Accounting Policies

## General information

Low & Bonar PLC (the "Company") is a company domiciled in Scotland and incorporated in Scotland under the Companies (Consolidation) Act 1908. The address of the registered office is Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ. The management head office is One Connaught Place, London, W2 2ET.

The consolidated financial statements of the Company for the year ended 30 November 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

## (A) Basis of preparation

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

The financial information for the comparative periods has been restated to present the results of our artificial grass yarns business and our joint venture interest in Bonar Natpet LLC within discontinued operations.

The Group's business activities, together with the factors likely to affect its future development, performance and position, together with details of cash flows and borrowing requirements, are set out in the Strategic Report on pages 1 to 41. 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 30 to 33 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 X).

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

The adopted IFRS applied by the Group in the preparation of these financial statements are those that were effective at 30 November 2016. The Group has adopted the following new Standards, Interpretations and Amendments which became effective during the year with no significant impact on the Group's consolidated financial results or position:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle

## (B) Basis of consolidation

### (i) Subsidiaries

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

The interest of non-controlling interests is initially stated at the non-controlling interest's share of the fair values of the identifiable assets and liabilities recognised on the date of acquisition. Subsequent to this acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Changes in the Group's interest that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### (ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity-accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

### (iii) Joint ventures

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

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

### (iv) Transactions eliminated on consolidation

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

**(v) Discontinued operations**

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

**(vi) Business combinations**

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

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

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

**(ii) Translation of foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The income statements of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the date of the transactions. Exchange differences arising from the translation of foreign operations, and of related qualifying hedges, are taken to Other Comprehensive Income. They are released to the income statement upon disposal. Monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the net investment in the foreign operation.

**(iii) Hedging of risks**

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

**(D) Derivative financial instruments**

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

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

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

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

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

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

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

**(E) Hedging****(i) Cash flow hedges**

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

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

**(ii) Hedge of net investment in foreign operations**

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

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

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

**(F) Property, plant and equipment****(i) Owned assets**

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

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

## Significant Accounting Policies continued

### **(ii) Leased assets**

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

### **(iii) Subsequent expenditure**

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

### **(iv) Depreciation**

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

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

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

For other assets, the useful economic lives are:

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

### **(G) Intangible assets**

#### **(i) Goodwill**

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

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

#### **(ii) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when it is incurred.

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

### **(iii) Other intangible assets**

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

### **(iv) Amortisation**

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

The estimated useful lives of the identified intangible assets are as follows:

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

### **(H) Trade and other receivables**

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

### **(I) Inventories**

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

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

### **(J) Cash and cash equivalents**

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

### **(K) Impairment**

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

reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognised in the income statement.

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

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

Receivables with a short duration are not discounted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### **(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.



## Significant Accounting Policies continued

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

### **(O) Provisions**

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

### **(P) Trade and other payables**

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

### **(Q) Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sales of goods are recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer (which is predominantly on despatch as most items are sold on a CIF basis), the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Group.

### **(R) Expenses**

#### **(i) Operating lease payments**

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

#### **(ii) Finance lease payments**

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

#### **(iii) Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, net interest in respect of defined benefit pension assets and liabilities, interest receivable on funds invested, dividend income and gains and losses on hedging instruments that are recognised in the income statement (see accounting policy E). Interest income is recognised in the income statement as it accrues, using the effective interest rate.

### **(S) Non-recurring items**

Items which are both material and non-recurring are presented within their relevant consolidated income statement category and are described in more detail in Note 5. Non-recurring costs includes items which are not expected to recur or are not related to the underlying trading activities of the Group. The separate reporting of non-recurring items helps to provide a better indication of the Group's underlying business performance. Such items may include restructuring costs, acquisition-related costs, redundancy costs and costs of establishing new ventures.

### **(T) Taxation**

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

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

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

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

### **(U) Segment reporting**

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

### **(V) Significant judgements and estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The significant judgement area for the Group is the valuation of the Group's goodwill and intangible assets and investment in its joint venture. Impairment tests have been undertaken with respect to goodwill and intangible assets (Notes 11, 12 and 15) using commercial judgement and key assumptions and estimates including the discount rate, the long-term growth rate and the cash flow projections to be used. Estimating a value in use amount requires management to make an estimate of the future expected cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

In relation to the Group's property, plant and equipment (Note 13), useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved.

Note 4 outlines the key assumptions used to value the Group's post-employment obligations and the sensitivity of obligations to changes in these assumptions. The key assumptions include the discount rate, the rate of inflation, the mortality assumptions and the rate of future pension increases. Measurement of the UK Scheme's defined benefit obligation is particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease of 0.5% in the discount rate would result in a decrease or increase in the defined benefit obligation of c £11.1m – £12.5m (2015: £11.2m – £12.5m) respectively.

A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables and provision for share-based payments which are described in more detail in Note 18 and Note 24, respectively.

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

### **(W) Financial guarantee contracts**

Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, these are considered to be insurance arrangements and are accounted for as such. In this respect, the Company treats the guarantee contract as a contingent liability unless it becomes probable that the Group will be required to make a payment under the guarantee.

### **(X) New IFRS not yet applied**

On the date on which these financial statements were authorised the following Standards, Interpretations and Amendments had been issued but were not effective for the year ended 30 November 2016 (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 14: Regulatory Deferral Accounts
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases – not yet endorsed by the EU
- Amendments to IAS1: Disclosure initiative
- 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
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

- Annual Improvements to IFRSs – 2012-2014 Cycle
- Amendment to IAS 7: Disclosure initiative – not yet endorsed by the EU
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses – not yet endorsed by the EU
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Clarifications to IFRS 15: Revenue from Contracts with Customers – not yet endorsed by the EU

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

- IFRS 9 Financial Instruments and additions to IFRS 9
- IFRS 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.

### **(Y) Non-GAAP measures**

The following non-GAAP measures have been used in the financial statements:

- Profit before tax, amortisation and non-recurring items
- Operating profit before amortisation and non-recurring items
- Operating margin before amortisation and non-recurring items
- Basic EPS before amortisation and non-recurring items

Management uses these terms as it believes they allow a better understanding of underlying business performance and are consistent with its communication with investors.

## 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 previously split into five reportable business units: Building & Industrial, Civil Engineering, Coated Technical Textiles, Interiors & Transportation and Sport & Leisure. Due to the disposal of the artificial grass yarns business (disclosed as discontinued operations), the remaining continuing interests within the Sport & Leisure segment have now been included within the Interiors & Transportation segment due to the similar nature of the products provided. The Group's reportable segments have also been restated to reflect the discontinued operations noted in the period and the change in operating segments. 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

	2016 £m	2015 (restated) £m
Building & Industrial	73.4	61.7
Civil Engineering	90.8	85.4
Coated Technical Textiles	129.8	120.4
Interiors & Transportation	106.0	94.6
<b>Revenue for the period</b>	<b>400.0</b>	<b>362.1</b>

#### Operating profit/(loss)

	Before amortisation and non-recurring items		After amortisation and non-recurring items	
	2016 £m	2015 (restated) £m	2016 £m	2015 (restated) £m
Building & Industrial	10.9	8.4	10.8	7.8
Civil Engineering	4.2	3.1	3.7	2.0
Coated Technical Textiles	8.7	12.8	5.9	10.3
Interiors & Transportation	17.1	13.4	17.6	12.1
Unallocated central	(6.2)	(5.9)	(6.6)	(6.4)
<b>Operating profit</b>	<b>34.7</b>	<b>31.8</b>	<b>31.4</b>	<b>25.8</b>
Financial income			0.2	0.1
Financial expense			(5.7)	(4.5)
Net financing costs			(5.5)	(4.4)
<b>Profit before taxation</b>			<b>25.9</b>	<b>21.4</b>
Taxation			(8.2)	(6.2)
Profit for the year – continuing operations			17.7	15.2
Loss for the year – discontinued operations			(3.2)	(9.0)
<b>Profit for the year</b>			<b>14.5</b>	<b>6.2</b>

**Segment information – Constant currency analyses**

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

	2016 £m	2015 (reported) (restated) £m	Period on period change %	2015 (constant currency) (restated) £m	Period on period change %
<b>Revenue</b>					
Building & Industrial	73.4	61.7	+19.0%	69.0	+6.4%
Civil Engineering	90.8	85.4	+6.3%	94.5	-3.9%
Coated Technical Textiles	129.8	120.4	+7.8%	133.0	-2.4%
Interiors & Transportation	106.0	94.6	+12.1%	104.2	+1.7%
<b>Revenue for the period</b>	<b>400.0</b>	<b>362.1</b>	<b>+10.5%</b>	<b>400.7</b>	<b>-0.2%</b>
<b>PBTA</b>					
Building & Industrial	10.9	8.4	+29.8%	9.4	+16.0%
Civil Engineering	4.2	3.1	+35.5%	3.3	+27.3%
Coated Technical Textiles	8.7	12.8	-32.0%	14.0	-37.9%
Interiors & Transportation	17.1	13.4	+27.6%	14.9	+14.8%
Unallocated Central	(6.2)	(5.9)	+5.1%	(5.9)	+5.1%
<b>Operating profit before amortisation and non-recurring items</b>	<b>34.7</b>	<b>31.8</b>	<b>+9.1%</b>	<b>35.7</b>	<b>-2.8%</b>
Net financing costs	(5.5)	(4.4)	+25.0%	(4.9)	+12.2%
<b>PBTA before non-recurring items and discontinued operations</b>	<b>29.2</b>	<b>27.4</b>	<b>+6.6%</b>	<b>30.8</b>	<b>-5.2%</b>

**Segment assets, liabilities, other information**

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 joint venture						–
Investment in associates						0.5
Cash and cash equivalents						26.3
Post-employment benefits						–
Other unallocated assets						17.0
<b>Total Group assets</b>						<b>464.1</b>
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)
<b>Total Group liabilities</b>						<b>(261.7)</b>
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-recurring items – continuing operations	(0.4)	–	–	(0.7)	0.4	(0.7)

# Notes to the Accounts continued

## 1. Segmental information continued

	Building & Industrial	Civil Engineering	Coated Technical Textiles	Interiors & Transportation (restated)	Unallocated Central	Total
2015	£m	£m	£m	£m	£m	£m
Reportable segment assets	53.1	69.1	125.9	125.6	–	373.7
Investment in joint venture						–
Investment in associates						0.5
Cash and cash equivalents						33.9
Post-employment benefits						5.2
Other unallocated assets						6.3
<b>Total Group assets</b>						<b>419.6</b>
Reportable segment liabilities	(14.1)	(15.9)	(17.5)	(26.4)	–	(73.9)
Loans and borrowings						(136.0)
Derivative liabilities						(0.1)
Post-employment benefits						(9.9)
Other unallocated liabilities						(27.7)
<b>Total Group liabilities</b>						<b>(247.6)</b>
Other information						
Additions to property, plant and equipment	2.6	7.5	3.2	19.8	0.1	33.2
Additions to intangible assets and goodwill	0.3	0.1	0.1	0.2	–	0.7
Depreciation	2.2	2.2	3.0	5.0	–	12.4
Amortisation of acquired intangible assets	0.5	0.9	2.5	0.2	–	4.1
Non-recurring items – continuing operations	0.1	0.2	–	1.1	0.5	1.9

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*	
	2016	2016	2015	2015	2016	2015
	£m	%	(restated) £m	(restated) %	£m	£m
Western Europe	<b>219.2</b>	<b>54.8</b>	200.7	55.4	<b>176.7</b>	158.3
Eastern Europe	<b>36.0</b>	<b>9.0</b>	33.6	9.3	<b>17.4</b>	13.7
North America	<b>89.2</b>	<b>22.3</b>	79.3	21.9	<b>26.2</b>	24.7
Middle East	<b>12.4</b>	<b>3.1</b>	12.9	3.6	<b>0.1</b>	8.1
Asia	<b>32.5</b>	<b>8.1</b>	25.9	7.1	<b>35.2</b>	27.2
Rest of the World	<b>10.7</b>	<b>2.7</b>	9.7	2.7	–	–
<b>Total</b>	<b>400.0</b>	<b>100.0</b>	362.1	100.0	<b>255.6</b>	232.0

Revenues arising in the UK, which is the parent Company's country of domicile, were £15.6m (2015 (restated): £20.0m). The net book value of non-current assets located in the UK at 30 November 2016 was £2.1m (2015: £6.4m). 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 2016 was £76.1m (2015: £66.6m) and revenues in the year to 30 November 2016 were £69.5m (2015: £55.6m).

\* Non-current assets exclude those relating to non-current assets held for sale



## 2. Profit before taxation

	2016 £m	2015 (restated) £m
Total operating costs	<b>368.6</b>	336.3
Comprises:		
Cost of sales	<b>262.2</b>	231.7
Distribution costs	<b>37.5</b>	30.2
Administrative and other costs	<b>44.8</b>	40.0
Research and development expenditure recognised as an expense	<b>5.1</b>	4.2
Non-recurring items	<b>(0.7)</b>	1.9
Total operating costs above include:		
Staff costs	<b>94.2</b>	84.3
Inventories		
Cost of inventories recognised as an expense	<b>178.1</b>	167.3
Write down of inventories recognised as an expense	<b>0.3</b>	0.3
Change in provisions held against inventories	<b>(0.1)</b>	(0.1)
Depreciation of property, plant and equipment	<b>15.8</b>	12.4
Amortisation of intangible assets	<b>5.2</b>	5.2
Exchange differences recognised as a gain	<b>(0.6)</b>	(1.3)
Gain on disposal of non-current assets	<b>0.1</b>	–
Amounts payable under operating leases:		
Property	<b>3.5</b>	3.6
Plant and equipment	<b>1.9</b>	1.9

The balance of operating costs relates to other external charges.

### Auditor's remuneration

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

	2016 £m	2015 £m
<b>Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts</b>	<b>0.1</b>	0.1
<b>Fees payable to the Company's auditor and their associates for other services to the Group:</b>		
The audit of the Company's subsidiaries	<b>0.4</b>	0.3
Non-audit services:		
Corporate tax compliance	–	0.1
Corporate tax consultancy	<b>0.2</b>	0.1
Other non-audit services	–	–

The total amount paid to the auditor was £0.7m (2015: £0.6m).

## 3. Staff numbers and costs

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

	Group	
	2016	2015
Production	<b>1,590</b>	1,521
Sales	<b>292</b>	295
Administrative	<b>281</b>	261
	<b>2,163</b>	2,077

The average number of people employed by the Company during the year was 21 (2015: 19).

The aggregate staff costs were:

	Group	
	2016 £m	2015 £m
Wages and salaries	<b>75.3</b>	68.0
Social security costs	<b>15.5</b>	13.0
Pension costs	<b>3.4</b>	3.3
	<b>94.2</b>	84.3

## Notes to the Accounts continued

### 3. Staff numbers and costs continued

	<b>Company</b>	
	<b>2016</b>	2015
	<b>£m</b>	£m
Wages and salaries	<b>3.1</b>	3.3
Social security costs	<b>0.4</b>	0.4
Pension costs	<b>0.2</b>	0.2
	<b>3.7</b>	3.9

The Directors of the Company are listed on pages 42 and 43.

The increase in Group staff costs is due to 2.2% average wage inflation, an increase in the average number of people employed 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 £2.5m (2015: £2.4m).

#### (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 2016 for the UK pension scheme was £0.3m (2015: £0.7m).

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 either (a) during the life of the Scheme (i.e. a refund of surplus whilst the Scheme is ongoing); or (b) assuming the gradual settlement of the Scheme liabilities over time until all members have left the Scheme (e.g. on the death of the last beneficiary); or assuming the full settlement of the Scheme liabilities in a single event (e.g. on winding-up). The Company has concluded that it has an effective unconditional right to a refund of surplus in the circumstances set out in (a) and (b) above and has also concluded that it has the right to surplus assets if the Scheme is in run-off until there are no members remaining, 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 during the year. Regular dialogue also takes place with the Scheme Trustee, and the Board regularly discusses pension fund strategy.

**(ii) Non-UK**

Defined benefit schemes are held in Germany, Belgium and the United States. Further disclosure on these schemes is detailed below. Given the relative immateriality of these schemes their results have been combined in the following disclosures. Defined benefit schemes also exist in the Group's Dutch businesses, which are members of an industry-wide scheme; it is not possible to separately identify assets and liabilities and therefore these schemes are accounted for on a contribution payable basis.

**(iii) Financial assumptions**

Management determines the assumptions to be adopted in discussion with their actuaries. The application of different assumptions could have a significant effect on the amounts reflected in the consolidated income statement, the consolidated statement of comprehensive income and the balance sheet in respect of post-employment benefits. The valuations require the exercise of judgement in relation to various assumptions, including the discount rate, future pension increases and employee and pensioner demographics. The assumptions vary among the countries in which the Group operates and there may be an inter-dependency between some of the assumptions.

The financial assumptions used to estimate defined benefit obligations are:

	UK schemes		Non-UK schemes	
	2016	2015	Weighted average assumptions	
	%	%	2016	2015
			%	%
Discount rate	<b>2.80</b>	3.50	<b>2.75</b>	3.25
Future salary increases	–	–	<b>2.25</b>	2.25
Future pension increases	<b>3.10</b>	2.90	<b>1.80</b>	1.80
Inflation increase (Consumer Price Inflation)	<b>2.20</b>	2.00	<b>2.00</b>	2.00
Health care cost trend – immediate	–	–	<b>6.60</b>	7.00
Health care cost trend – ultimate	–	–	<b>4.50</b>	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 23.7 years (2015: male – 21.5 years, female – 23.6 years). They also assume that a UK Scheme male member currently aged 45, will survive a further 43.4 years and a female member for a further 45.6 years (2015: male – 43.3 years, female – 45.5 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	
	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m
Fair value of scheme assets	<b>188.2</b>	178.1	<b>11.8</b>	9.9	<b>200.0</b>	188.0
Present value of defined benefit obligations	<b>(190.4)</b>	(172.9)	<b>(24.6)</b>	(19.8)	<b>(215.0)</b>	(192.7)
Net (liability)/asset recognised in the balance sheet	<b>(2.2)</b>	5.2	<b>(12.8)</b>	(9.9)	<b>(15.0)</b>	(4.7)

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

	UK schemes		Non-UK schemes		Total	
	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m
Current service cost	–	–	<b>0.4</b>	0.3	<b>0.4</b>	0.3
Net interest (income)/cost	<b>(0.2)</b>	(0.1)	<b>0.3</b>	0.3	<b>0.1</b>	0.2
Administration costs	<b>0.5</b>	0.8	–	–	<b>0.5</b>	0.8
	<b>0.3</b>	0.7	<b>0.7</b>	0.6	<b>1.0</b>	1.3

Amounts recognised in other comprehensive income are as follows:

	Group		Company	
	2016	2015	2016	2015
	£m	£m	£m	£m
Net actuarial (loss)/gain in the year due to:	<b>(11.8)</b>	2.2	<b>(11.1)</b>	1.9
– Changes in financial assumptions	<b>(23.8)</b>	(0.9)	<b>(22.7)</b>	(1.3)
– Changes in demographic assumptions	<b>0.3</b>	–	–	–
– Experience adjustments on benefit obligations	<b>2.0</b>	1.3	<b>1.9</b>	1.4
Actual return on scheme assets less interest on scheme assets	<b>9.7</b>	1.8	<b>9.7</b>	1.8
Associated deferred tax	<b>0.3</b>	–	–	–

## Notes to the Accounts continued

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

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

	UK schemes		Non-UK schemes		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Opening balance sheet asset/(liability)	5.2	0.2	(9.9)	(11.0)	(4.7)	(10.8)
Amount recognised in income statement	(0.3)	(0.7)	(0.7)	(0.7)	(1.0)	(1.4)
Amount recognised in other comprehensive income	(11.1)	1.9	(0.7)	0.3	(11.8)	2.2
Contributions paid	4.0	3.8	0.6	0.7	4.6	4.5
Exchange gain	–	–	(2.1)	0.8	(2.1)	0.8
Closing balance sheet (liability)/asset	(2.2)	5.2	(12.8)	(9.9)	(15.0)	(4.7)

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

	UK schemes		Non-UK schemes		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Opening defined benefit obligation	172.9	176.3	19.8	21.0	192.7	197.3
Current service cost	–	–	0.4	0.3	0.4	0.3
Interest cost	5.9	6.1	0.7	0.7	6.6	6.8
Actuarial loss/(gain) due to:	20.8	(0.1)	0.7	(0.3)	21.5	(0.4)
– Changes in financial assumptions	22.7	1.3	1.1	(0.4)	23.8	0.9
– Changes in demographic assumptions	–	–	(0.3)	–	(0.3)	–
– Experience adjustments on obligations	(1.9)	(1.4)	(0.1)	0.1	(2.0)	(1.3)
Benefits paid	(9.2)	(9.4)	(0.9)	(1.0)	(10.1)	(10.4)
Exchange adjustments	–	–	3.9	(0.9)	3.9	(0.9)
Closing defined benefit obligation	190.4	172.9	24.6	19.8	215.0	192.7

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

	UK schemes		Non-UK schemes		Total	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Opening fair value of scheme assets	178.1	176.5	9.9	10.0	188.0	186.5
Interest on scheme assets	6.1	6.2	0.4	0.4	6.5	6.6
Actual return on scheme assets less interest on scheme assets	9.7	1.8	–	–	9.7	1.8
Administration costs	(0.5)	(0.8)	–	–	(0.5)	(0.8)
Contributions by employers	4.0	3.8	0.6	0.7	4.6	4.5
Benefits paid	(9.2)	(9.4)	(0.9)	(1.0)	(10.1)	(10.4)
Exchange adjustments	–	–	1.8	(0.2)	1.8	(0.2)
Closing fair value of scheme assets	188.2	178.1	11.8	9.9	200.0	188.0

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

	2016 £m	2016 %	2015 £m	2015 %
Equity securities	23.7	13	33.7	19
Debt securities	–	–	–	–
Diversified growth funds	44.6	24	73.5	41
LDI funds	28.5	15	37.3	21
Property	20.4	11	19.4	11
Insurance policy	36.4	19	–	–
Cash and other	34.6	18	14.2	8
	188.2	100	178.1	100

The assets are invested in quoted pooled funds, apart from the insurance policy of £36.4m and £44.6m invested in a segregated diversified growth fund for which quoted prices are not available. The scheme uses Liability Driven Investment (“LDI”) funds to help manage investment risk, 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:

	2016 £m	2016 %	2015 £m	2015 %
Equity securities	5.1	43	4.6	47
Debt securities	6.0	51	5.1	51
Property	0.1	1	0.1	1
Cash and other	0.6	5	0.1	1
	<b>11.8</b>	<b>100</b>	9.9	100

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

	Decrease/(increase) in obligation (£m)			
	2016		2015	
Change in assumptions	-0.5%pa	+0.5%pa	-0.5%pa	+0.5%pa
Discount rate	(12.5)	11.1	(12.5)	11.2
Inflation and pension increases	7.2	(7.4)	6.9	(7.3)
	-1 year	+1 year	-1 year	+1 year
Life expectancy	6.3	(6.3)	7.0	(7.1)

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. Amortisation and non-recurring items

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

	2016 £m	2015 £m
<b>Amounts charged/(credited) to operating profit</b>		
China factory start-up costs	–	1.1
Reorganisation costs	–	0.4
Pension administration costs	0.1	0.2
Pension buy-in costs	0.2	0.2
Profit from land sale	(1.1)	–
Acquisition-related costs	0.1	–
<b>Total non-recurring items</b>	<b>(0.7)</b>	1.9
Amortisation of acquired intangible assets	4.0	4.1
<b>Total charge to operating profit</b>	<b>3.3</b>	6.0
Tax credit in the year	(0.6)	(1.4)
Total charge to discontinued operations	3.7	8.2
<b>Total charge to profit for the period</b>	<b>6.4</b>	12.8

### Total charge to operating profit

The Group recorded a profit of £1.1m on the sale of unused land at our North American manufacturing site in Asheville.

The Group also incurred £0.1m (2015: £0.2m) of non-recurring pension administration costs relating to its UK defined benefit scheme. A further £0.2m (2015: £0.2m) of professional fees were incurred in respect of the medically-underwritten buy-in of £34m of UK pension scheme liabilities, which completed on 3 December 2015.

During the prior year, construction and start-up costs relating to the Group's construction of a new manufacturing facility in Changzhou, China, totalled £1.1m and reorganisation costs of £0.4m were incurred in the integration of the Group's operations into a single global business.

### Total charge to discontinued operations

The Group recorded £3.7m in discontinued operations consisting of a loss on disposal before tax of £2.2m, an associated tax credit on the loss on disposal of £0.9m, redundancy costs of £0.7m, transaction costs of £0.5m, claims costs of £0.8m and £0.4m write off of intangible assets linked to the disposed business.

In the prior year, the Group impaired the carrying value of its investment in, and loan to, its joint venture Bonar Natpet LLC, resulting in a charge of £8.2m.



## Notes to the Accounts continued

### 6. Financial income and financial expense

	2016 £m	2015 £m
<b>Financial income</b>		
Interest income	0.2	0.1
	<b>0.2</b>	0.1
<b>Financial expense</b>		
Interest on bank overdrafts and loans	(5.2)	(3.9)
Amortisation of bank arrangement fees	(0.4)	(0.4)
Net interest on pension scheme net liabilities	(0.1)	(0.2)
	<b>(5.7)</b>	(4.5)

### 7. Taxation

#### Recognised in the income statement

	2016 £m	2015 £m
<b>Current tax</b>		
UK corporation tax		
– current year	–	–
– prior year	–	–
Overseas tax		
– current year	10.2	8.5
– prior year	(0.3)	(0.1)
<b>Total current tax</b>	<b>9.9</b>	8.4
<b>Deferred tax</b>	<b>(1.7)</b>	(2.2)
<b>Total charge in the income statement from continuing operations</b>	<b>8.2</b>	6.2
<b>Tax from discontinued operations</b>	–	–
<b>Tax on disposal of gross yarns business</b>	<b>(0.9)</b>	–
<b>Total tax charge in the income statement</b>	<b>7.3</b>	6.2

The amount of deferred tax income relating to changes in tax rates is £nil (2015: £nil).

#### Reconciliation of effective tax rate

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 20.00% (2015: 20.33%) to the profit before tax are as follows:

	2016 £m	2015 (restated) £m
<b>Profit before tax from continuing operations</b>	<b>25.9</b>	21.4
<b>Loss before tax from discontinued operations</b>	<b>(4.1)</b>	(9.0)
<b>Profit before tax from total operations</b>	<b>21.8</b>	12.4
<b>Tax charge at 20.00% (2015: 20.33%)</b>	<b>4.4</b>	2.5
Expenses not deductible and income not taxable	1.0	(0.3)
Higher tax rates on overseas earnings	3.5	2.5
Current tax losses not utilised	0.3	2.1
Tax losses utilised	(1.8)	–
Other differences	0.2	(0.5)
Prior period adjustments	(0.3)	(0.1)
<b>Total tax charge for the year</b>	<b>7.3</b>	6.2

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

	2016 £m	2015 £m
Actuarial gains and losses relating to post-employment benefit obligations	0.3	–
<b>Total of items that will not be reclassified subsequently to profit or loss</b>	<b>0.3</b>	–

A 1% reduction in the main rate of UK corporation tax from 20% to 19% will take 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.

## 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 £86.9m (2015: £11.2m).

## 9. Dividends

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

	2016 £m	2015 £m
Final dividend for the year ended 30 November 2015 – 1.80 pence per share (2014: 1.75 pence per share)	5.9	5.8
Interim dividend for the year ended 30 November 2016 – 1.00 pence per share (2015: 0.98 pence per share)	3.3	3.2
	<b>9.2</b>	9.0

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2016 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 12 April 2017, it will be paid on 13 April 2017 to Ordinary Shareholders who are on the register of members at close of business on 17 March 2017.

During the year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2015 of 1.80 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 18 March 2016.

The Directors declared an interim dividend on Ordinary Shares in relation to the year ended 30 November 2016 of 1.00 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 26 August 2016.

## 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:

	2016			2015		
	Earnings	Weighted average number of shares	Per share amount	Earnings (restated)	Weighted average number of shares	Per share amount (restated)
	£m	(millions)	Pence	£m	(millions)	Pence
<b>Statutory – continuing operations</b>						
<b>Basic earnings per share</b>	<b>17.1</b>	<b>328.984</b>	<b>5.20</b>	14.7	328.116	4.47
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	3.330		–	6.230	
<b>Diluted earnings per share</b>	<b>17.1</b>	<b>332.314</b>	<b>5.15</b>	14.7	334.346	4.39
<b>Statutory – discontinued operations</b>						
<b>Basic earnings per share</b>	<b>(3.2)</b>	<b>328.984</b>	<b>(0.98)</b>	(9.0)	328.116	(2.74)
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	3.330		–	6.230	
<b>Diluted earnings per share</b>	<b>(3.2)</b>	<b>332.314</b>	<b>(0.97)</b>	(9.0)	334.346	(2.69)
<b>Statutory – total operations</b>						
<b>Basic earnings per share</b>	<b>13.9</b>	<b>328.984</b>	<b>4.22</b>	5.7	328.116	1.73
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	3.330		–	6.230	
<b>Diluted earnings per share</b>	<b>13.9</b>	<b>332.314</b>	<b>4.18</b>	5.7	334.346	1.70
<b>Before amortisation and non-recurring items – continuing operations</b>						
<b>Basic earnings per share</b>	<b>19.8</b>	<b>328.984</b>	<b>6.01</b>	19.3	328.116	5.86
Earnings attributable to Ordinary Shareholders						
<b>Effect of dilutive items</b>						
Share-based payment	–	3.330		–	6.230	
<b>Diluted earnings per share</b>	<b>19.8</b>	<b>332.314</b>	<b>5.95</b>	19.3	334.346	5.75

## Notes to the Accounts continued

### 11. Goodwill

	Group	
	2016 £m	2015 £m
<b>Cost</b>		
At 1 December	78.0	86.4
Disposal of the grass yarns business	(8.4)	–
Exchange adjustments	13.0	(8.4)
At 30 November	82.6	78.0
<b>Accumulated impairment losses</b>		
At 1 December	8.4	8.4
Disposal of the grass yarns business	(8.4)	–
Impairment loss recognised	–	–
At 30 November	–	8.4
<b>Net book value at 30 November</b>	<b>82.6</b>	69.6

#### 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. During the year, the artificial grass yarns business was disposed of and the associated goodwill was also disposed of. A summary of the carrying value presented at CGU level is shown below:

	Group	
	2016 Net book value £m	2015 Net book value £m
<b>Cash generating unit</b>		
Building & Industrial	10.9	9.0
Civil Engineering	19.0	17.0
Coated Technical Textiles	37.6	31.1
Interiors & Transportation	15.1	12.5
At 30 November	82.6	69.6

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 for each CGU based on projected cash flows, discounted to calculate the net present value. The approach to what is considered to be the key assumptions within the impairment reviews is outlined below.

#### Cash flow projections

Cash flow projections for each CGU are derived from the most recent annual budgets approved by the Board, which take into account current market conditions and the long-term average and projected growth rates for each of the key markets served by the CGUs, along with forecast changes to selling prices and direct costs and CGU-specific forecast risks and potential cash volatilities. These cash flow projections are based on management’s expectations of future changes in markets informed by various external sources of information.

#### Long-term growth rates

The value in use calculations assume terminal growth rates of 2% (2015: 2%) beyond year five.

#### Discount rate

Forecast pre-tax cash flows for each CGU are discounted to net present value using the Group’s discount rate, calculated based on external advice. Pre-tax discount rates were calculated separately for each CGU and were 11.4% in each case (2015: 12.4% to 12.8%) and were used to calculate value in use for each CGU, reflecting management’s views of the individual risks and rewards associated with each CGU.

### Sensitivity

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

The recoverable amounts of all CGUs except Civil Engineering show significant headroom compared to their carrying value when reasonably likely changes are made to key assumptions.

Civil Engineering activity within Europe is expected to remain challenging. Whilst many Western European countries showed slight growth in 2016, Eastern European countries experienced significant reductions in spending. Despite this, the operating profits in the CGU grew by 27.3% on a constant currency basis. The 2017 budget for Civil Engineering, which has been used in preparing the cash flow projections in the impairment review, assumed that whilst there is still some uncertainty in the outlook for 2017 in Europe, the CGU continues to capitalise on a successful year to make market share gains and there is continued investment in organisational capability to leverage market opportunities.

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

	Cash flow	Long-term growth rates		Discount rate		Goodwill 2016
	Sensitivity (decrease)	Current assumption	Sensitivity (rate)	Current assumption	Sensitivity (rate)	£m
Civil Engineering	11%	2%	0.7%	11.4%	12.6%	19.0

## Notes to the Accounts continued

### 12. Intangible assets

Group	Computer software £m	Research and development £m	Order backlog £m	Customer relationships £m	Marketing related £m	Technology based £m	Non-compete agreements £m	Total £m
<b>Cost</b>								
At 30 November 2014	3.9	5.2	0.4	32.7	14.0	20.2	1.2	77.6
Exchange adjustment	(0.4)	(0.7)	–	(3.4)	(1.7)	(2.2)	(0.1)	(8.5)
Additions	–	0.7	–	–	–	–	–	0.7
At 30 November 2015	3.5	5.2	0.4	29.3	12.3	18.0	1.1	69.8
<b>Exchange adjustment</b>	<b>0.8</b>	<b>1.2</b>	<b>0.1</b>	<b>5.3</b>	<b>2.6</b>	<b>3.4</b>	<b>0.2</b>	<b>13.6</b>
<b>Additions</b>	<b>2.8</b>	<b>0.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3.3</b>
<b>Disposal of the grass yarns business</b>	<b>–</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>–</b>	<b>(1.8)</b>	<b>(0.7)</b>	<b>(4.3)</b>
<b>At 30 November 2016</b>	<b>7.1</b>	<b>6.5</b>	<b>0.4</b>	<b>33.3</b>	<b>14.9</b>	<b>19.6</b>	<b>0.6</b>	<b>82.4</b>
<b>Aggregate amortisation</b>								
At 30 November 2014	2.6	2.0	0.3	19.8	7.4	16.5	1.2	49.8
Exchange adjustment	(0.4)	(0.2)	–	(2.1)	(0.9)	(1.8)	(0.1)	(5.5)
Charge for the year	0.4	0.7	–	2.2	1.0	0.9	–	5.2
At 30 November 2015	2.6	2.5	0.3	19.9	7.5	15.6	1.1	49.5
<b>Exchange adjustment</b>	<b>0.6</b>	<b>0.6</b>	<b>0.1</b>	<b>3.4</b>	<b>1.6</b>	<b>2.9</b>	<b>0.2</b>	<b>9.4</b>
<b>Charge for the year</b>	<b>0.4</b>	<b>0.8</b>	<b>–</b>	<b>2.0</b>	<b>1.0</b>	<b>1.0</b>	<b>–</b>	<b>5.2</b>
<b>Disposal of the grass yarns business</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>	<b>(1.3)</b>	<b>–</b>	<b>(1.8)</b>	<b>(0.7)</b>	<b>(3.9)</b>
<b>At 30 November 2016</b>	<b>3.6</b>	<b>3.9</b>	<b>0.3</b>	<b>24.0</b>	<b>10.1</b>	<b>17.7</b>	<b>0.6</b>	<b>60.2</b>
<b>Net book value</b>								
<b>At 30 November 2016</b>	<b>3.5</b>	<b>2.6</b>	<b>0.1</b>	<b>9.3</b>	<b>4.8</b>	<b>1.9</b>	<b>–</b>	<b>22.2</b>
At 30 November 2015	0.9	2.7	0.1	9.4	4.8	2.4	–	20.3
At 30 November 2014	1.3	3.2	0.1	12.9	6.6	3.7	–	27.8

#### Notes

- 1 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.
- 2 Customer relationships consist of customer lists, customer contracts and relationships and non-contractual customer relationships.
- 3 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.
- 4 Technology-based intangible assets relate to innovations and technological advances and include patented and unpatented technology, databases and trade secrets.
- 5 Non-compete agreements prohibit a seller from competing with the purchaser of a business.



### 13. Property, plant and equipment

	Group				Company			
	Property £m	Plant and equipment £m	Assets under construction £m	Total £m	Property £m	Plant and equipment £m	Assets under construction £m	Total £m
<b>Cost</b>								
At 30 November 2014	50.8	220.6	13.0	284.4	0.4	–	–	0.4
Exchange adjustment	(4.9)	(16.6)	(1.0)	(22.5)	–	–	–	–
Additions	0.5	6.2	26.5	33.2	–	–	–	–
Reclassifications	0.1	2.5	(2.6)	–	–	–	–	–
Disposals	–	(1.1)	–	(1.1)	–	–	–	–
At 30 November 2015	46.5	211.6	35.9	294.0	0.4	–	–	0.4
<b>Exchange adjustment</b>	<b>10.2</b>	<b>40.7</b>	<b>4.3</b>	<b>55.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Additions</b>	<b>1.3</b>	<b>10.1</b>	<b>7.1</b>	<b>18.5</b>	<b>0.7</b>	<b>–</b>	<b>–</b>	<b>0.7</b>
<b>Reclassifications</b>	<b>9.5</b>	<b>26.3</b>	<b>(36.7)</b>	<b>(0.9)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Disposals</b>	<b>(0.3)</b>	<b>(2.4)</b>	<b>–</b>	<b>(2.7)</b>	<b>(0.3)</b>	<b>–</b>	<b>–</b>	<b>(0.3)</b>
<b>Disposal of the grass yarns business</b>	<b>–</b>	<b>(14.7)</b>	<b>–</b>	<b>(14.7)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At 30 November 2016</b>	<b>67.2</b>	<b>271.6</b>	<b>10.6</b>	<b>349.4</b>	<b>0.8</b>	<b>–</b>	<b>–</b>	<b>0.8</b>
<b>Accumulated depreciation</b>								
At 30 November 2014	19.0	146.1	–	165.1	0.2	–	–	0.2
Exchange adjustment	(1.9)	(12.5)	–	(14.4)	–	–	–	–
Charge for the year	1.3	11.1	–	12.4	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–
Disposals	–	(1.1)	–	(1.1)	–	–	–	–
At 30 November 2015	18.4	143.6	–	162.0	0.2	–	–	0.2
<b>Exchange adjustment</b>	<b>3.9</b>	<b>27.2</b>	<b>–</b>	<b>31.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Charge for the year</b>	<b>1.4</b>	<b>14.4</b>	<b>–</b>	<b>15.8</b>	<b>0.1</b>	<b>–</b>	<b>–</b>	<b>0.1</b>
<b>Reclassifications</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>–</b>	<b>(1.1)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Disposals</b>	<b>(0.2)</b>	<b>(2.1)</b>	<b>–</b>	<b>(2.3)</b>	<b>(0.1)</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>
<b>Disposal of the grass yarns business</b>	<b>–</b>	<b>(6.4)</b>	<b>–</b>	<b>(6.4)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>At 30 November 2016</b>	<b>23.3</b>	<b>175.8</b>	<b>–</b>	<b>199.1</b>	<b>0.2</b>	<b>–</b>	<b>–</b>	<b>0.2</b>
<b>Net book value</b>								
<b>At 30 November 2016</b>	<b>43.9</b>	<b>95.8</b>	<b>10.6</b>	<b>150.3</b>	<b>0.6</b>	<b>–</b>	<b>–</b>	<b>0.6</b>
At 30 November 2015	28.1	68.0	35.9	132.0	0.2	–	–	0.2
At 30 November 2014	31.8	74.5	13.0	119.3	0.2	–	–	0.2

The carrying value of freehold land not depreciated at 30 November 2016 was £4.2m (2015: £3.5m). Committed capital expenditure at 30 November 2016 totalled £16.6m (2015: £3.6m).

## Notes to the Accounts continued

### 14. Investment in subsidiaries

	Company	
	2016 £m	2015 £m
Cost at 1 December and 30 November	103.5	103.5
Provision for impairment at 1 December and 30 November	(10.3)	(9.9)
<b>Net book value at 1 December and 30 November</b>	<b>93.2</b>	<b>93.6</b>

During the year, £0.4m (2015: £nil) was provided in respect of shares held in a dormant entity. The subsidiary undertakings are shown within Note 35.

### 15. Investment in joint venture

	Group	
	2016 £m	2015 £m
<b>Cost</b>		
At 1 December	3.0	3.6
Equity investment in joint venture	–	1.1
Share of retained loss	–	(1.8)
Exchange adjustment	–	0.1
<b>At 30 November</b>	<b>3.0</b>	<b>3.0</b>
<b>Impairment provision</b>		
At 1 December	(3.0)	–
Impairment of investment in joint venture	–	(3.0)
<b>At 30 November</b>	<b>(3.0)</b>	<b>(3.0)</b>
<b>Net book value at 30 November</b>	<b>–</b>	<b>–</b>

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

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

	2016 £m	2015 £m
Total assets	42.7	37.8
Total liabilities	(35.7)	(31.9)
Net assets	7.0	5.9
Group share of net assets	3.5	3.0
Total revenue	16.2	12.4
Total loss for the year	(2.6)	(3.6)
Group share of loss for the year	(1.3)	(1.8)

The £1.3m loss for the year has been provided within Liabilities held for sale (see Note 29) pending the conclusion of negotiations with interested parties on the disposal of the Group's investment. The difference between the Group's share of net assets of £3.5m and the provision of £1.3m represents prior year impairments, foreign exchange movements and capitalisation of losses. The joint venture is shown within Note 35.

### 16. Investment in associates

	Group	
	2016 £m	2015 £m
<b>Cost and net book value</b>		
At 1 December	0.5	0.5
Share of retained profit	0.1	–
Dividends received	(0.1)	–
<b>At 30 November</b>	<b>0.5</b>	<b>0.5</b>

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

	2016 £m	2015 £m
Total assets	1.4	1.1
Total liabilities	(0.2)	–
Net assets	1.2	1.1
Group share of net assets	0.5	0.5
Total revenue	3.3	3.1
Total profit for the year	0.3	0.2
Group share of profit for the year	0.1	–

The associates are shown within Note 35.

### 17. Inventories

	Group	
	2016 £m	2015 £m
Raw materials	23.5	20.6
Work in progress	17.1	14.1
Finished goods	56.9	47.9
	97.5	82.6

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

### 18. Trade and other receivables

	Group	
	2016 £m	2015 £m
<b>Current</b>		
Trade receivables	64.9	65.3
Provision for impairment of receivables	(1.5)	(2.4)
Net trade receivables	63.4	62.9
Other receivables	10.5	4.9
Prepayments and accrued income	5.2	3.3
	79.1	71.1
	Company	
	2016 £m	2015 £m
<b>Non-current</b>		
Amounts owed by subsidiaries	39.9	22.3
<b>Current</b>		
Amounts owed by subsidiaries	151.5	148.2
Other receivables	0.5	0.4
Prepayments and accrued income	0.4	0.4
	152.4	149.0

Included within the Group's other receivables is £nil (2015: £nil) owed by Bonar Natpet LLC, a joint venture. The Group has an established credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The Group's review includes external ratings and bank references, where available. Purchase limits are established for each customer; these limits are reviewed quarterly. The Group has a long history of trading with a number of its customers.

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

## Notes to the Accounts continued

### 18. Trade and other receivables continued

#### Impairment losses

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

	Group	
	2016 £m	2015 £m
Not past due	53.8	52.9
0–30 days past due	4.7	5.8
31–120 days past due	2.4	2.9
More than 120 days past due	4.0	3.7
	<b>64.9</b>	<b>65.3</b>

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

	Group	
	2016 £m	2015 £m
Balance at 1 December	(2.4)	(2.8)
Increased during the year	(0.5)	(0.2)
Released during the year	0.2	–
Utilised during the year	1.6	0.1
Exchange adjustments	(0.4)	0.5
	<b>(1.5)</b>	<b>(2.4)</b>

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

	Group	
	2016 £m	2015 £m
Not past due	–	–
0–30 days past due	–	–
31–120 days past due	(0.1)	(0.1)
More than 120 days past due	(1.4)	(2.3)
	<b>(1.5)</b>	<b>(2.4)</b>

Provisions for impairment of receivables are estimated by management based on prior experience and their assessment of the current economic environment. The trade receivables impairment provision as at 30 November 2016 was £1.5m (2015: £2.4m). Management believe that this provision is adequate to cover the risk of bad debts and exposure to credit risk. At 30 November 2016, 70.5% (2015: 68.9%) of trade receivables were insured.

### 19. Trade and other payables

	Group	
	2016 £m	2015 £m
<b>Current</b>		
Trade payables	57.6	52.4
Other taxes and social security	2.1	2.2
Other payables	7.0	7.5
Accruals	17.7	14.9
	<b>84.4</b>	<b>77.0</b>
Current tax liabilities	4.4	5.7
	<b>88.8</b>	<b>82.7</b>

	Company	
	2016 £m	2015 £m
<b>Current</b>		
Amounts owed to subsidiaries	<b>16.8</b>	18.2
Other taxes and social security	<b>0.2</b>	0.1
Other payables	<b>1.5</b>	6.3
Accruals	<b>0.7</b>	1.8
	<b>19.2</b>	26.4
Current tax liabilities	–	–
	<b>19.2</b>	26.4

Included within the Group's and Company's other payables is £nil (2015: £5.3m) owed to National Petrochemical Industrial Company (Natpet), the Group's joint venture partner in Bonar Natpet LLC.

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

The objectives of the Group's treasury policies are to ensure sufficient liquidity to meet the Group's operational and strategic needs and the management of financial risk at optimal cost. The main financial risks to which the Group is exposed are foreign currency risk, credit risk and interest rate risk. Group treasury policies are set by the Board and permit the use of conventional financial instruments and certain derivative instruments to manage and mitigate these risks. There were no changes to this policy in the year ended 30 November 2016.

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	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value
	2016 £m	2016 £m	2015 £m	2015 £m	2016 £m	2016 £m	2015 £m	2015 £m
Cash at bank and in hand	<b>26.3</b>	<b>26.3</b>	33.9	33.9	<b>1.4</b>	<b>1.4</b>	5.3	5.3
Trade and other receivables	<b>73.9</b>	<b>73.9</b>	67.8	67.8	<b>191.9</b>	<b>191.9</b>	170.9	170.9
Trade and other payables	<b>(89.0)</b>	<b>(89.0)</b>	(84.3)	(84.3)	<b>(19.2)</b>	<b>(19.2)</b>	(26.4)	(26.4)
Derivative liabilities	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Bank overdrafts	<b>(0.1)</b>	<b>(0.1)</b>	–	–	<b>(1.3)</b>	<b>(1.3)</b>	(2.3)	(2.3)
Preference shares	<b>(0.4)</b>	<b>(0.4)</b>	(0.4)	(0.4)	<b>(0.4)</b>	<b>(0.4)</b>	(0.4)	(0.4)
Prepaid arrangement fees	<b>0.9</b>	<b>0.9</b>	1.2	1.2	<b>0.7</b>	<b>0.7</b>	1.2	1.2
Floating rate borrowings	<b>(86.8)</b>	<b>(86.8)</b>	(105.2)	(105.2)	<b>(48.7)</b>	<b>(48.7)</b>	(67.3)	(67.3)
Fixed rate borrowings	<b>(51.6)</b>	<b>(50.9)</b>	(32.0)	(31.6)	–	–	(32.0)	(31.6)
	<b>(126.8)</b>	<b>(126.1)</b>	(119.1)	(118.7)	<b>124.4</b>	<b>124.4</b>	48.9	49.3

### 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.



## Notes to the Accounts continued

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

#### Forward exchange contracts

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

#### Funding and liquidity

The Group's borrowing facilities at 30 November 2016 totalled €246m (£208m) (2015: €232.5m (£163.1m)), 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:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>£m</b>	£m
Net debt	<b>111.0</b>	102.1
Total equity	<b>202.4</b>	172.0
	<b>313.4</b>	274.1

#### Analysis of cash and cash equivalents

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£m</b>	£m	<b>£m</b>	£m
Sterling	<b>2.2</b>	–	<b>0.8</b>	–
Euro	<b>5.8</b>	16.3	–	–
US Dollar	<b>7.8</b>	5.9	<b>0.6</b>	–
Other	<b>10.5</b>	11.7	–	5.3
	<b>26.3</b>	33.9	<b>1.4</b>	5.3

#### Analysis of interest-bearing borrowings

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£m</b>	£m	<b>£m</b>	£m
<b>Borrowings falling due within one year or on demand</b>				
Bank loans and overdrafts	<b>0.1</b>	–	<b>1.3</b>	2.5
5.9% €45m Senior Note due 2016	–	31.5	–	31.5
	<b>0.1</b>	31.5	<b>1.3</b>	34.0
<b>Borrowings falling due after more than one year</b>				
Bank loans and overdrafts	<b>86.1</b>	104.1	<b>48.0</b>	66.0
2.57% €60m Senior Note due 2022-2026	<b>50.7</b>	–	–	–
Other borrowings				
– Preference shares	<b>0.4</b>	0.4	<b>0.4</b>	0.4
	<b>137.2</b>	104.5	<b>48.4</b>	66.4

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 2016							
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multicurrency revolving facility							
– Sterling	2.3	–	–	–	–	–	–
– 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)	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		–	–	–	–	–	–
		(226.3)	(243.1)	(92.1)	(3.4)	(93.0)	(54.6)
Group 2015							
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multicurrency revolving facility							
– Sterling	2.1	(34.0)	(36.7)	(0.7)	(0.7)	(35.3)	–
– Euro	1.6	(48.5)	(51.4)	(0.8)	(0.8)	(49.8)	–
– US Dollar	1.8	(12.3)	(13.1)	(0.2)	(0.2)	(12.7)	–
5.9% €45m Senior Note due 2016	5.9	(31.6)	(33.2)	(33.2)	–	–	–
RMB 150m facility	5.6	(10.4)	(13.0)	(0.6)	(0.6)	(11.8)	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.2	–	–	–	–	–
		(136.0)	(147.8)	(35.5)	(2.3)	(109.6)	(0.4)
Trade and other payables		(84.3)	(84.3)	(82.7)	(1.6)	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		(0.1)	(0.1)	(0.1)	–	–	–
		(220.4)	(232.2)	(118.3)	(3.9)	(109.6)	(0.4)

## Notes to the Accounts continued

### 20. Financial assets, liabilities, derivatives and financial risk management continued *Analysis of interest-bearing borrowings* continued

	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
<b>Non-derivative financial liabilities:</b>							
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)	–	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		–	–	–	–	–	–
		(68.9)	(72.1)	(21.3)	(0.8)	(49.6)	(0.4)
<b>Company 2015</b>							
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
<b>Non-derivative financial liabilities:</b>							
Multicurrency revolving facility							
– Sterling	2.1	(34.0)	(36.7)	(0.7)	(0.7)	(35.3)	–
– Euro	1.6	(21.0)	(22.2)	(0.3)	(0.3)	(21.6)	–
– US Dollar	1.8	(12.3)	(13.1)	(0.2)	(0.2)	(12.7)	–
5.9% €45m Senior Note due 2016	5.9	(31.6)	(33.2)	(33.2)	–	–	–
Bank overdrafts							
– Sterling	2.4	(0.8)	(0.8)	(0.8)	–	–	–
– Euro	1.9	(1.1)	(1.1)	(1.1)	–	–	–
– Other	2.1	(0.4)	(0.4)	(0.4)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.2	–	–	–	–	–
		(100.4)	(107.9)	(36.7)	(1.2)	(69.6)	(0.4)
Trade and other payables		(26.4)	(26.4)	(26.4)	–	–	–
<b>Derivative financial liabilities:</b>							
Forward exchange contracts used for hedging							
– Outflow		(0.1)	(0.1)	(0.1)	–	–	–
		(126.9)	(134.4)	(63.2)	(1.2)	(69.6)	(0.4)

## 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. Profit before tax, amortisation and non-recurring items for the year ended 30 November 2015 retranslated using 2016 average exchange rates would have been £3.4m 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.

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

Carrying and fair value amount 2016						
Notional contract amount £m	Designated as cash flow hedges £m	Designated as net investment hedges £m	Not designated as hedges £m	Derivative assets £m	Derivative liabilities £m	
Forward exchange contracts	–	–	–	–	–	–
Carrying and fair value amount 2015						
Notional contract amount £m	Designated as cash flow hedges £m	Designated as net investment hedges £m	Not designated as hedges £m	Derivative assets £m	Derivative liabilities £m	
Forward exchange contracts	5.3	–	–	–	–	0.1

The gains and losses on ineffective portions of such derivatives are recognised immediately in the income statement. During the year to 30 November 2016, an amount of £nil (2015: £nil) was recognised due to hedge ineffectiveness. The amount recognised in equity in the year in respect of hedges was a loss of £nil (2015: £nil).

### Forward exchange contracts

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

	2016		2015	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Euro/Saudi Riyal	–	–	29.9	4.03

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

	2016		2015	
	Currency million	Average exchange rate	Currency million	Average exchange rate
Euro/Saudi Riyal	–	–	29.9	4.03

The following significant exchange rates applied during the year:

	Average rate 2016	Average rate 2015	Year end rate 2016	Year end rate 2015
Sterling/Euro	1.23	1.37	1.18	1.43
Sterling/US Dollar	1.37	1.53	1.25	1.51
Sterling/Czech Crown	33.31	37.53	31.87	38.54
Sterling/Hungarian Forint	384.22	425.15	368.84	443.05
Sterling/Chinese Yuan	9.02	9.60	8.61	9.63

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

### Sensitivity analysis

A 10% strengthening of Sterling against the following currencies would have decreased equity and profit 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:

	2016		2015	
	Profit £m	Equity £m	Profit £m	Equity £m
US Dollar	(1.0)	(1.7)	(1.1)	(1.9)
Euro	(0.3)	(6.4)	(0.2)	(5.2)
Czech Crown	(0.2)	(1.0)	(0.3)	(0.9)
Chinese Yuan	(0.2)	(3.4)	(0.1)	(2.5)

A 10% weakening of Sterling against the above currencies as at 30 November 2016 and 2015 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

### Credit risk

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

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

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

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

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

### Exposure to credit risk

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

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Financial assets at fair value through profit and loss	–	–	–	–
Trade and other receivables	73.9	67.8	191.9	170.9
Cash and cash equivalents	26.3	33.9	1.4	5.3
	<b>100.2</b>	101.7	<b>193.3</b>	176.2

### 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 2016 and 2015 were on a floating rate basis, apart from preference debt with an average coupon rate of 5.75% and in the current year the €60m Senior Note due 2022-2026 which bears interest at 2.57% and in the prior year the €45m Senior Note due 2016 which bore interest at 5.9% until its maturity in September 2016.

Floating rate financial assets and liabilities comprise borrowings under the Group's syndicated multi-currency revolving credit facility, which bear interest at LIBOR (or, in the case of borrowings in Euro, EURIBOR), or the lender's base rate for the currency concerned, plus a margin of between 1.0% and 2.0%, and cash deposits and bank overdrafts which bear interest at market rates; and borrowings under the Group's RMB150m facility, which bear interest at rates set by reference to local base rate.

### Profile

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

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
<b>Fixed rate</b>				
Net debt	(51.1)	(31.9)	(0.4)	(31.9)
Financial instruments	–	–	–	–
Total fixed rate	(51.1)	(31.9)	(0.4)	(31.9)
<b>Floating rate</b>				
Net debt	(59.9)	(70.2)	(47.9)	(63.2)
Financial instruments	–	(0.1)	–	(0.1)
Total floating rate	(59.9)	(70.3)	(47.9)	(63.3)
Total interest-bearing net debt and financial instruments	(111.0)	(102.2)	(48.3)	(95.2)

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 (2015: £0.5m). The impact on the profit or loss for the period would have been to increase or decrease profit by £1.0m (2015: £0.7m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

## 21. Deferred taxation

### Group

Recognised deferred tax assets and liabilities:

	2016			2015		
	Assets £m	Liabilities £m	Net assets/ (liabilities) £m	Assets £m	Liabilities £m	Net assets/ (liabilities) £m
Intangible assets	–	(4.2)	(4.2)	–	(4.4)	(4.4)
Retirement benefit liabilities	3.1	–	3.1	2.2	–	2.2
Accelerated tax depreciation	–	(13.6)	(13.6)	–	(12.2)	(12.2)
Tax losses	1.1	–	1.1	1.0	–	1.0
Other	1.4	(1.3)	0.1	1.2	(0.6)	0.6
Tax assets/(liabilities)	5.6	(19.1)	(13.5)	4.4	(17.2)	(12.8)

Unrecognised deferred tax assets:

	2016 £m	2015 £m
Tax losses	25.2	27.0
Retirement benefit liabilities	1.5	–
Employee share schemes	0.7	1.4
Accelerated tax depreciation	0.4	0.9
	27.8	29.3

Tax losses include an amount of £6.5m (2015: £6.9m) in respect of capital losses. The tax losses have no expiry date.

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	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
	(12.8)	0.3	1.7	(2.7)	(13.5)



## Notes to the Accounts continued

### 21. Deferred taxation continued

#### Group continued

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

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

The Group has recognised deferred tax assets of £5.6m (2015: £4.4m) as the Directors believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

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

#### Company

The Company has not recognised deferred tax assets or liabilities as the Directors believe it is not probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

Unrecognised deferred tax assets:

	2016 £m	2015 £m
Tax losses	13.3	15.3
Retirement benefit liabilities	1.5	–
Employee share schemes	0.4	1.4
	15.2	16.7

Tax losses include an amount of £4.4m (2015: £4.6m) in respect of capital losses. The tax losses have no expiry date. There are no timing differences arising in respect of the deferred tax liabilities which have not been recognised.

### 22. Provisions

	Restructuring £m
<b>Current</b>	
At 30 November 2014	0.5
Created in the year	–
Utilised in the year	(0.4)
Exchange difference	–
At 30 November 2015	0.1
<b>Created in the year</b>	–
<b>Utilised in the year</b>	(0.1)
<b>Exchange difference</b>	–
<b>At 30 November 2016</b>	–

### 23. Other payables

	Group	
	2016 £m	2015 £m
<b>Non-current</b>		
Other payables	0.2	1.6
	Company	
	2016 £m	2015 £m
<b>Non-current</b>		
Amounts owed to subsidiaries	–	–

## 24. Share capital

	Group and Company 2016		Group and Company 2015	
	Ordinary Shares £m	Deferred Shares £m	Ordinary Shares £m	Deferred Shares £m
<b>Allotted, called up and fully paid</b>				
At 1 December				
328,983,477 (2015: 327,813,741) Ordinary Shares at 5 pence each	16.5	–	16.4	–
154,571,152 Deferred Shares at 20 pence each	–	30.9	–	30.9
314,549 Ordinary Shares (2015: 1,169,736) issued under share option plans and long-term incentive plan	–	–	0.1	–
<b>At 30 November</b>				
329,298,026 (2015: 328,983,477) 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.

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.

## Notes to the Accounts continued

### 24. Share capital continued

#### Ordinary Share Capital continued

The Company operates an employee benefit trust to hold shares in relation to satisfying awards made under certain employee share schemes. At 30 November 2016, the trust held 26,752 Ordinary Shares (2015: 26,752 Ordinary Shares).

#### Shares issued during the year

During the year ended 30 November 2016, 314,549 shares (2015: 846,482 shares) were issued to employees who exercised share options. No shares (2015: 323,254) were issued pursuant to awards made under the LTIP granted in 2013.

#### Preference Shares

	Group and Company	
	2016 £m	2015 £m
<b>Allotted, called up and fully paid</b>		
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
	<b>0.4</b>	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 51 to 68. Employees are also invited to participate in the Low & Bonar Sharesave schemes.

#### Share options

Under the provisions of the employee share option schemes there were options for a total of 3.2 million Ordinary Shares outstanding at 30 November 2016 (2015: 3.9 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 0.9 million (2015: 1.6 million).

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

Year of grant	Average fair value in pence	Exercise price in pence	Exercise period	Ordinary Shares of 5p each				30 Nov 2016
				1 Dec 2015	Granted	Exercised	Forfeited	
<b>Share options</b>								
2006	27.23	108.18	2009 to 2016	442,126	–	–	(442,126)	–
2011	22.17	42.80	2014 to 2016	38,922	–	(38,922)	–	–
2011	22.16	42.80	2014 to 2016	36,688	–	–	(36,688)	–
2012	19.31	51.20	2015 to 2017	20,944	–	(1,468)	(9,689)	9,787
2013	18.55	58.80	2016 to 2018	135,435	–	(19,897)	(14,284)	101,254
2013	20.29	58.80	2016 to 2018	620,144	–	(215,671)	(173,876)	230,597
2014	22.37	68.80	2017 to 2019	118,421	–	–	(29,823)	88,598
2014	21.89	68.80	2017 to 2019	571,818	–	–	(116,290)	455,528
2015	14.20	48.80	2018 to 2020	795,153	–	–	(101,309)	693,844
2015	13.47	48.80	2018 to 2020	801,291	–	(36,014)	(102,543)	662,734
2016	12.59	49.00	2019 to 2021	–	405,528	–	(26,448)	379,080
2016	11.84	49.00	2019 to 2021	–	565,248	(2,577)	(28,354)	534,317
<b>Phantom share options</b>								
2006	2.93	108.18	2009 to 2016	336,836	–	–	(336,836)	–
Total				3,917,778	970,776	(314,549)	(1,418,266)	3,155,739

The weighted average exercise price of share options outstanding at 30 November 2016 was 53.37p (2015: 66.80p). The weighted average exercise prices of share options granted, exercised and forfeited in the year to 30 November 2016 were 49.00p, 55.56p and 87.00p, respectively (2015: 48.80p, 31.37p and 64.99p, respectively). 0.1 million share options were exercisable at 30 November 2016 (2015: 0.8 million).

The fair values of share options granted in the year to 30 November 2016 ranged from 11.84p to 13.33p (2015: 13.47p to 14.92p) and were derived using the Black-Scholes model. The assumed future volatility ranged from 26.61% to 30.34% (2015: 36% to 38%), the dividend yield was 4.48% (2015: 4.6%), the expected term ranged from 3.4 years to 5.4 years (2015: 3.4 years to 5.4 years) and the risk-free rate ranged from 0.39% to 0.77% (2015: 0.9% to 1.3%).

The average share price in the year ended 30 November 2016 was 62.70p (2015: 63.19p).

### Long-term incentive plan awards

Under the provisions of the long-term incentive plans there were awards for a total of 8.7 million Ordinary Shares outstanding at 30 November 2016 (2015: 7.5 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 3.4 million (2015: 3.6 million).

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

Year of grant	Average fair value in pence	Award price in pence	Vesting period	Ordinary Shares of 5p each				30 Nov 2016
				1 Dec 2015	Awarded	Exercised	Forfeited	
2013	53.07	70.50	2013 to 2016	1,848,967	–	–	(1,848,967)	–
2014	75.48	89.75	2014 to 2017	1,489,349	–	–	(145,482)	<b>1,343,867</b>
2014	66.05	82.00	2014 to 2017	542,168	–	–	–	<b>542,168</b>
2015	48.27	57.25	2015 to 2018	3,251,089	–	–	(187,683)	<b>3,063,406</b>
2015	50.62	59.50	2015 to 2018	76,965	–	–	–	<b>76,965</b>
2015	62.24	71.00	2015 to 2018	270,383	–	–	–	<b>270,383</b>
2016	54.36	63.50	2016 to 2018	–	138,848	–	–	<b>138,848</b>
2016	51.54	63.50	2016 to 2019	–	3,305,096	–	(40,000)	<b>3,265,096</b>
<b>Total</b>	<b>55.36</b>	<b>66.70</b>		<b>7,478,921</b>	<b>3,443,944</b>	<b>–</b>	<b>(2,222,132)</b>	<b>8,700,733</b>

None of the instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2016 (2015: nil). The fair values of awards made in the year to 30 November 2016 ranged from 39.58p to 63.50p (2015: 39.29p to 71.00p) and were derived using the Black-Scholes or Stochastic models. The assumed future volatility ranged from 32.36% to 33.54% (2015: 34.5% to 34.9%) the dividend yield was 0% (2015: 0%), the expected term was 2 to 3 years (2015: 3 years) and the risk-free rate ranged from 0.38% to 0.52% (2015: 0.66% to 0.97%).

The total amount charged to the Consolidated Income Statement in respect of share-based payments was £0.9m (2015: £0.6m). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2016 or 30 November 2015.

### 25. Share premium account

	Group and Company	
	2016 £m	2015 £m
At 1 December	<b>74.2</b>	74.0
Premium on Ordinary Shares issued during the year	<b>0.2</b>	0.2
<b>At 30 November</b>	<b>74.4</b>	74.2

### 26. Translation reserve

	Group	
	2016 £m	2015 £m
At 1 December	<b>(61.0)</b>	(43.0)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	<b>36.7</b>	(18.0)
Exchange differences recycled from reserves	<b>(1.7)</b>	–
<b>At 30 November</b>	<b>(26.0)</b>	(61.0)

### 27. Non-controlling interest

	Group	
	2016 £m	2015 £m
At 1 December	<b>6.1</b>	6.4
Share of profit after taxation	<b>0.6</b>	0.5
Dividends	<b>(0.3)</b>	(1.0)
Exchange adjustment	–	0.2
<b>At 30 November</b>	<b>6.4</b>	6.1

## Notes to the Accounts continued

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

	Group	
	2016 £m	2015 £m
<b>For the year ended 30 November</b>		
Net (decrease)/increase in cash and cash equivalents	(11.6)	8.7
Net cash flow from movements in debt financing	20.1	(28.8)
Amortisation of bank arrangement fees	(0.4)	(0.2)
Foreign exchange differences	(17.0)	6.2
Movement in net debt in the year	(8.9)	(14.1)
Net debt at 1 December	(102.1)	(88.0)
<b>Net debt at 30 November</b>	<b>(111.0)</b>	<b>(102.1)</b>
<b>Company</b>		
	2016 £m	2015 £m
<b>For the year ended 30 November</b>		
Net (decrease)/increase in cash and cash equivalents	(3.8)	1.7
Net cash flow from movements in debt financing	50.6	5.8
Amortisation of bank arrangement fees	(0.4)	(0.4)
Foreign exchange differences	0.4	0.4
Movement in net debt in the year	46.8	7.5
Net debt at 1 December	(95.1)	(102.6)
<b>Net debt at 30 November</b>	<b>(48.3)</b>	<b>(95.1)</b>

### 29. Discontinued operations

On 4 July 2016, 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 and the prior period income statement has been restated accordingly.

In addition to this, the Board are pursuing the disposal of the Group's interest in the joint venture, Bonar Natpet LLC and negotiations are well under way with our partner, Natpet. Therefore the Group's interest in the joint venture has been classified as a disposal group held for sale and presented separately in the balance sheet. The interest in the joint venture was previously presented separately on the face of the income statement and balance sheet.

The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows.

	Group	
	2016 £m	2015 £m
Revenue	22.3	33.7
Expenses	(22.9)	(32.7)
<b>(Loss)/profit before tax</b>	<b>(0.6)</b>	1.0
Attributable tax expense	-	-
Loss on disposal of grass yarns (Note 30)	(2.2)	-
Tax on loss on disposal of grass yarns	0.9	-
<b>Net (loss)/profit from the disposal of the grass yarns business</b>	<b>(1.9)</b>	1.0
Share of results from Bonar Natpet LLC	(1.3)	(1.8)
Impairment of investment in Bonar Natpet LLC	-	(8.2)
<b>Net loss attributable to discontinued operations (attributable to owners of the Company)</b>	<b>(3.2)</b>	<b>(9.0)</b>

During the year ended 30 November 2016, the discontinued businesses contributed £(3.6m) (2015: £(0.5m)) to the Group's net operating cash flows and paid £nil (2015: £0.7m) in respect of investing activities and financing activities. Liabilities held for sale at 30 November 2016 represent the provision created for the Group's share of the result for the year from Bonar Natpet LLC (Note 15).

### 30. Disposal of the grass yarns business

	2016 £m
Consideration received in cash and cash equivalents	21.7
Deferred consideration	4.3
Foreign exchange differences recycled from reserves	1.7
<b>Analysis of assets and liabilities over which control was lost</b>	
Trade receivables	8.3
Prepayments and other debtors	0.7
Inventories	16.0
Equity participation in subsidiary	0.8
Property, plant and equipment	8.3
Payables	(4.2)
<b>Net assets disposed of</b>	<b>29.9</b>
<b>Loss on disposal</b>	<b>(2.2)</b>

The loss on disposal is included in the loss for the year from discontinued operations (Note 29).

Net cash inflow on disposal of the business comprises only the consideration received. The deferred consideration will be settled by cash by the purchaser during 2017 and is included within Other receivables.

### 31. Operating lease commitments

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

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
<b>Plant and equipment</b>				
Lease payments within one year	1.7	1.3	–	–
Lease payments between one and two years	1.3	1.0	–	–
Lease payments between two and five years	1.0	1.2	–	–
Lease payments beyond five years	0.3	1.2	–	–
	<b>4.3</b>	4.7	–	–
<b>Property</b>				
Lease payments within one year	4.2	4.3	0.4	0.1
Lease payments between one and two years	2.7	4.0	0.4	–
Lease payments between two and five years	6.2	7.9	0.8	–
Lease payments beyond five years	4.1	14.8	–	–
	<b>17.2</b>	31.0	<b>1.6</b>	0.1

### 32. Contingent liabilities

At the time of disposing of the Group's North American packaging operations in March 2000, the Company entered into an Environmental Agreement with the purchasers of the business. The Environmental Agreement contains provisions regarding the remediation of known environmental contamination in the vicinity of one of the facilities which was sold in Burlington, Ontario. The Environmental Agreement expired in September 2006 and the Group has an ongoing liability only in respect of outstanding claims notified prior to this date. At 30 November 2016, an accrual of £nil (2015: £nil) remains in the Group's balance sheet for the ongoing remediation costs as the Directors now believe that all costs have been incurred.

In addition, the Company from time to time guarantees certain obligations of its subsidiaries arising in the normal course of trade. At 30 November 2016, £11.2m of guarantees were outstanding (2015: £nil). At 30 November 2016, the Company had guaranteed SAR 36.3m (£7.7m) (2015: SAR 38.3m (£6.8m)) of debt obligations of its joint venture Bonar Natpet LLC.



## Notes to the Accounts continued

### 33. Related party transactions

At 30 November 2016, the Group held a trade receivable of £0.1m (2015: £nil) and a trade payable of £0.2m (2015: £nil) due from/to Bonar Natpet LLC, a joint venture, and both the Group and Company held a liability of £nil (2015: £5.3m) to National Petrochemical Industrial Company (Natpet), the Group's joint venture partner in Bonar Natpet LLC.

At 30 November 2016, the Group was owed £0.2m (2015: £0.2m) by the Low & Bonar Group Retirement Benefit Scheme.

The Company provides debt finance to various operating subsidiaries. A total of £191.4m was outstanding at 30 November 2016 (2015: £170.5m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2016, the total amount payable to subsidiaries was £16.8m (2015: £18.2m). The Company received income in respect of management services provided to its subsidiaries totalling £6.4m (2015: £5.3m). The Company received interest income from related parties totalling £5.9m (2015: £5.2m) and accrued interest payable to related parties of £0.2m (2015: £0.1m). The Company received dividend income from its subsidiaries of £77.9m (2015: £16.0m).

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

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

	2016		2015	
	Number	£m	Number	£m
Short-term benefits		2.3		3.3
Post-employment benefits		0.4		0.4
Share-based payments		–		–
Termination benefits		–		0.5
	<b>11</b>	<b>2.7</b>	14	4.2

Key personnel comprise two Executive Directors (2015: two) and nine other members of the Executive Leadership Team (2015: eight) and no (2015: four) former members of the Executive Leadership team.

The aggregate amount of Directors' remuneration was £0.8m (2015: £1.2m) and the aggregate gain made by the Directors on the exercise of share options was £nil (2015: £nil). The cash paid into defined contribution schemes was £0.2m (2015: £0.2m) and two Directors were members of defined contribution schemes (2015: 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 51 to 68.

### 34. Post Balance Sheet event

On 17 January 2017, Low & Bonar acquired 100% of the share capital of Wafflor Industries Inc., a company registered in Washington State, USA, on a debt-free, cash-free basis for an initial consideration of \$3.6m and a contingent consideration of up to \$0.9m 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 \$0.6m. The company produces rainscreens 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.

The provisional fair value of the net assets acquired is \$0.7m, of which \$0.6m relates to property, plant and equipment acquired. However, due to the limited time available between the acquisition and the approval of the financial statements, the Group has not yet completed its assessment of the fair value of separately identifiable intangible assets.

### 35. Group companies

Subsidiary undertakings	Principal product areas	Country	%
<b>Building &amp; Industrial/Civil Engineering/Interiors &amp; Transportation</b>			
Low & Bonar NV	Woven and non-woven fabrics	Belgium	100.0
Yihua Bonar Yarns & Fabrics Co. Ltd	Woven fabrics	People's Republic of China	60.0
Low & Bonar Hull Limited	Construction fibres	England and Wales	100.0
Low & Bonar Hungary Kft	Non-woven fabrics	Hungary	100.0
Low & Bonar BV	Polymeric mats and composites	The Netherlands	100.0
Low & Bonar Production GmbH	Polymeric mats and composites	Germany	100.0
Low & Bonar Germany GmbH and Co. KG	Polymeric mats and composites, and holding company	Germany	100.0
Low & Bonar Paris SARL	Polymeric mats and composites	France	100.0
Low & Bonar Inc	Polymeric mats and composites	USA	100.0
Bonar Xeroflor GmbH	Green roofs	Germany	100.0
XF Technologies BV	Intellectual property	The Netherlands	100.0
Low & Bonar Slovakia a.s	Non-woven fabrics	Slovakia	100.0
Low & Bonar (Shanghai) Trading Company Limited	Woven fabrics	People's Republic of China	100.0
Bonar High Performance Materials (Changzhou) Co. Ltd	Woven fabrics	People's Republic of China	100.0
Low & Bonar Dundee Limited	Specialist yarns	Scotland	100.0*
Bonar Xirion NV	Specialist yarns	Belgium	100.0
Bonar Technical Yarns Inc	Specialist yarns	USA	100.0
Bonar Yarns BV	Specialist yarns	The Netherlands	100.0
<b>Coated Technical Textiles</b>			
Low & Bonar Logistics GmbH	Technical coated fabrics	Germany	100.0
Low & Bonar GmbH	Technical coated fabrics	Germany	100.0
Low & Bonar Romania S.R.L.	Technical coated fabrics	Romania	100.0
Low & Bonar Oldham Ltd	Technical coated fabrics	England and Wales	100.0
Low & Bonar Italy S.r.l.	Technical coated fabrics	Italy	100.0
Low & Bonar Lyon SARL	Technical coated fabrics	France	100.0
Low & Bonar Martinsville Inc	Technical coated fabrics	USA	100.0
Low & Bonar Czech s.r.o.	Technical coated fabrics	Czech Republic	100.0
Low & Bonar Poland Sp. Z o.o.	Technical coated fabrics	Poland	100.0
Low & Bonar Turkey Teknik Tekstil Ticaret Limited Sirketi	Technical coated fabrics	Turkey	100.0
Low & Bonar Latvia s.i.a.	Technical coated fabrics	Latvia	100.0
Low & Bonar Middle East Trading LLC	Technical coated fabrics	UAE	100.0
Low & Bonar Technical Textiles OOO	Technical coated fabrics	Russia	100.0
Mehler Texnologies India Private Limited	Technical coated fabrics	India	100.0
Low & Bonar Brasil Têxtil E Participações Ltda	Technical coated fabrics	Brazil	100.0
<b>Holding companies</b>			
Bonar International Holdings Limited	Holding company	Scotland	100.0*
Bonar International Sarl	Holding company	Luxembourg	100.0
LCM Construction Products Ltd	Holding company	England and Wales	100.0*
Low & Bonar Technical Textiles Holding BV	Holding company	The Netherlands	100.0
Colbond Holding BV	Holding company	The Netherlands	100.0
Low & Bonar Verwaltungs GmbH	Holding company	Germany	100.0
Colbond (Nederland) BV	Holding company	The Netherlands	100.0

## Notes to the Accounts continued

### 35. Group companies continued

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

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

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

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

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

## Five Year History

	2016 £m	2015 (restated) £m	2014 £m	2013 (restated) £m	2012 £m
<b>Revenue</b>					
Continuing operations	400.0	362.1	410.6	403.1	380.5
Discontinued operations	22.3	33.7	–	–	–
Total (including discontinued operations)	422.3	395.8	410.6	403.1	380.5
<b>Operating profit before amortisation and non-recurring items</b>					
Continuing operations	34.7	31.8	31.7	31.4	30.5
Discontinued operations	1.8	1.0	–	–	–
Total (including discontinued operations)	36.5	32.8	31.7	31.4	30.5
<b>Operating profit</b>					
Continuing operations	31.4	25.8	23.2	23.4	12.1
Discontinued operations	(0.6)	(7.2)	–	–	–
Total (including discontinued operations)	30.8	18.6	23.2	23.4	12.1
<b>Profit before tax, amortisation and non-recurring items</b>					
Continuing operations	29.2	27.4	25.2	25.3	24.5
Discontinued operations	0.5	(0.8)	–	–	–
Total (including discontinued operations)	29.7	26.6	25.2	25.3	24.5
<b>Profit before tax</b>					
Continuing operations	25.9	21.4	16.7	16.7	6.1
Discontinued operations	(4.1)	(9.0)	–	–	–
Total (including discontinued operations)	21.8	12.4	16.7	16.7	6.1
<b>Reconciliation to statutory measures</b>					
<b>Continuing operations</b>					
Operating profit before amortisation and non-recurring items	34.7	31.8	31.7	31.4	30.5
Amortisation	(4.0)	(4.1)	(5.2)	(5.6)	(5.8)
Non-recurring items	0.7	(1.9)	(3.3)	(2.4)	(12.6)
<b>Operating profit (statutory)</b>	31.4	25.8	23.2	23.4	12.1
Profit before tax, amortisation and non-recurring items	29.2	27.4	25.2	25.3	24.5
Amortisation	(4.0)	(4.1)	(5.2)	(5.6)	(5.8)
Non-recurring items	0.7	(1.9)	(3.3)	(3.0)	(12.6)
<b>Profit before tax (statutory)</b>	25.9	21.4	16.7	16.7	6.1
<b>Capital Structure</b>					
Net debt	111.0	102.1	88.0	86.8	82.6
Total equity	202.4	172.0	148.7	193.1	141.9
<b>Total</b>	313.4	274.1	236.7	279.9	224.5
<b>Per Ordinary Share</b>					
Basic earnings per share (including discontinued operations) (pence)	4.22	1.73	3.76	3.74	0.47
Dividends declared per share (pence)	3.0	2.8	2.7	2.6	2.4

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.



## Advisers and Financial Calendar

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Stuart Haydon

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#### **Registrar**

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#### **Auditor**

KPMG LLP

#### **Solicitors**

Freshfields Bruckhaus Deringer LLP  
Squire Patton Boggs LLP

#### **Principal bankers**

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

#### **Corporate finance advisers**

NM Rothschild & Sons Limited

#### **Brokers**

Peel Hunt LLP

### **Financial Calendar**

**Annual General Meeting** 12 April 2017

#### **Announcements for results for the year ending 30 November 2017**

Half year July 2017  
Full year February 2018

#### **Final dividend payment for the year ended 30 November 2016**

Ordinary Shares 13 April 2017  
First, second and third cumulative preference stock 1 March 2017 and 1 September 2017

## Notes





## Notes





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