The Group's governance structure supports our culture, values and our commitment to good corporate governance.

The role of the Board

To provide entrepreneurial leadership of the Group and be responsible for its long-term success. To set the Group's values and standards and ensure its obligations to its shareholders and stakeholders are understood and met. To create value for shareholders, to set the Group's strategic objectives, to ensure that the necessary financial and human resources are made available to enable it to meet those objectives and to review executive management performance; all within a framework of prudent and effective controls which enable risk to be assessed and managed.

Matters reserved for the Board

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

Board committees

To assist the Board in discharging its responsibilities it has established three Committees (Audit, Nomination and Remuneration) with delegated authority. Each of the Board Committees' terms of reference are available on our website (**investors.lowandbonar.com/corporate-governance**) and reports from each of the Committees for 2018 are included in this Annual Report and Accounts.

The Board has also established a Market Disclosure Committee, a sub-committee of the Board, to ensure compliance with all requirements relating to the disclosure of information required by UK accounting, statutory and listing requirements.

Management committees

Management committees also form an important part of our overall governance framework. Our most senior management committee is the ELT which is responsible under the leadership of the Group Chief Executive Officer for the performance of the business. Its members include the Business Unit Directors and key heads of functions. The Group Chief Executive Officer and ELT are supported in capital investment matters by the Investment Board which reviews the Group allocation of capital, manages the capex budget and allowances and carries out post-investment reviews. The HSE Committee also supports the Group Chief Executive Officer and the ELT by determining the Group's HSE standards and policies and driving the risk management of health, safety and environmental matters.

The Audit Committee is supported in the discharging of its duties by the Risk Oversight Committee. The Risk Oversight Committee supports and drives the Group's risk management strategy and policies. Further details on the Risk Oversight Committee are given on page 52.

GOVERNANCE IN ACTION

Board meeting in Belgium

In May 2018 the Board went to Zele, Belgium which gave the Directors the opportunity to visit our Belgian manufacturing site and meet our Belgian management team. The visit provided the Directors with a better insight into our Belgian business and the environment in which it operates.

Board meetings

The Board held nine scheduled meetings and 11 ad hoc meetings during the year with full Director attendance at all meetings. For further information see the table below.

In 2018 all members of the ELT attended the Board's strategy meeting to present on the proposed five-year strategy for the business and confirm performance forecasts for their business or function. Additionally, from time to time members of the ELT attend Board meetings to update the Board on their business or function's current performance and key projects. Following the joint Board/ELT strategy meeting, in September 2018 a separate session for the Board was held to consider and approve the strategy for the Group. It was agreed that this should be discussed separately from Board meetings so that adequate time could be given to this vital aspect of its role away from normal business.

Board attendance

The attendance of the Directors at Board meetings held between 1 December 2017 and 30 November 2018 was as follows:

Director	Meetings attended
Daniel Dayan	2/2*
Philip de Klerk	9/9
Simon Webb	6/6*
Trudy Schoolenberg	9/9
Peter Bertram	7/7*
Kevin Matthews	9/9
Mike Powell	9/9

* Director attendance at scheduled Board meetings was dependent on their appointment date. Ian Ashton joined the Board on 10 December 2018 and as such is not included in this table.

2018 Board activities

Area of focus	Activity
Leadership	■ Externally facilitated Board and committee evaluation ■ Visit to the Zele, Belgium manufacturing site ■ At every meeting received updates from the committee chairmen
Focus and growth	■ Investment approvals ■ M&A agenda including proposed disposal of Civil Engineering Global Business Unit
People and culture	■ Agree revised Company values ■ Agree the Board Diversity Policy ■ Succession planning for Non-Executive and Executive Directors ■ Approve the Low & Bonar Group Code of Conduct ■ At every Board meeting received the health and safety report ■ Endorse organisational structure changes

Strategy and performance	■ Presentations from the Executive Leadership Team on:
	  ■ Coated Technical Textiles
	  ■ Interiors & Transportation
	  ■ Civil Engineering
	■ Review Post-Implementation Reviews for major investments
	■ At every Board meeting receive the Group Chief Executive Officer's and Group Chief Financial Officer's reports
	■ Agree the Group's annual budget and five year strategic plan

Governance	■ Annual review of Directors and Officers Insurance ■ Discussed the Group's approach to the General Data Protection Regulations ■ Update the Company's Articles of Association ■ Review and approve updated delegation of authority policy ■ Approve the revised Low & Bonar Whistleblowing Policy ■ Presentation on the Company's Modern Slavery Act Statement 2018 ■ At every Board meeting receive a Company Secretarial and Governance update ■ Full and half year preliminary results approvals ■ At each meeting review current litigation matters
Risk and regulatory	■ Group Risk Register ■ Update on the Group's principal risks
Investor relations	■ Review shareholder engagement ■ Agree the Dividend Policy and propose final and approve interim dividends ■ Approve the Annual Report and Accounts and Notice of AGM

Independence of Non-Executive Directors

The Board reviews the independence of its Non-Executive Directors annually as part of its Board evaluation and also on the appointment of and change in circumstances of any Non-Executive Director. The Board considers that all the Non-Executive Directors bring strong independent oversight and demonstrate independent thought and judgement. Biographical details for both the Executive and Non-Executive Directors are set out on pages 60 and 61.

Peter Bertram, who joined the Board in February 2018, was initially determined by the Board to be non-independent given his involvement and role as a member of the Advisory Committee of Sterling Strategic Value Fund (SSVF), a significant shareholder of the Company. Following Peter Bertram's annual independence review in November 2018 the Board determined that he could now be deemed independent. This determination was based on the following factors: the Board does not believe that the circumstances around his appointment to the Advisory Committee are likely to affect or could appear to affect his judgement, the Advisory Committee only meets a maximum of four times a year, the Committee has no ability to make investment decisions for SSVF, Peter Bertram has never had another role with SSVF, ongoing feedback has been voluntarily provided by SSVF confirming that he recuses himself from discussions about the Company at Advisory Committee meetings, and likewise he does not participate in any Company discussion on SSVF.

Trudy Schoolenberg joined the Board in 2013 and was appointed Senior Independent Director in 2017. Following Trudy Schoolenberg's ten-week appointment as Interim Group Chief Executive Officer the Board felt it prudent to carry out an independence review to ensure it was appropriate that she returned to her Senior Independent Director role. The Board determined that she remained independent based on the following factors: she did not receive any incentives for her Interim Group Chief Executive Officer appointment nor any other benefits an employee would be entitled to i.e. pension or share plan participation and her length of tenure in the role was very brief.

In September 2018 Martin Flower retired from his position as Chairman of the Board after a tenure of 11 years. Daniel Dayan succeeded him and was determined independent on appointment. In order to strengthen the independence of the Non-Executive Directors, scheduled Non-Executive Director only meetings are planned into the Board timetable, and ad hoc meetings take place as necessary. At every Audit Committee meeting there is also time scheduled for the Non-Executive Directors to meet with the internal and external auditors without the Executive Directors present.

Board evaluation, induction and training

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through an evaluation of its own performance, that of its main committees and also annual director appraisals, full induction of new Board members and ongoing Board development. Appraisals are conducted by the Chairman for the Group Chief Executive Officer and, following discussions with the other Non-Executive Directors, by the Senior Independent Director for the Chairman. Following this formal evaluation, it is confirmed that the performance of each of the Directors continues to be effective and each continues to demonstrate commitment to the role.

2018 Board and Committee evaluation

The Board usually completes internal evaluations annually in line with best practice as the Company is not a constituent of the FTSE350 and therefore an external Board evaluation is not compulsory. As reported last year, in 2018 the Board determined that it would be beneficial to conduct an external Board and committee evaluation. As such Clare Chalmers Limited, an external facilitator with no connection to the Company, was engaged to lead our 2018 review.

2018 external Board and committee evaluation process:

Stage 1:	Stage 2:	Stage 3:	Stage 4:	Stage 5:
Observations	Interviews	Results collated, reported and evaluated	Discussion with the Chairmen and Board	Action plan agreed
Two individuals from Clare Chalmers Limited observed meetings of the Board and each of the three main committees.	The Board agreed the topics for the evaluation following consideration of the desired outcomes and the FRC's guidelines. Each Director together with the Company Secretary, Group General Counsel and Group M&A and Strategy Director were invited to one-to-one interviews with the external facilitator. Agendas for these meetings were circulated in advance to enable interviewees to consider the topics for discussion.	A report was compiled by Clare Chalmers Limited on the basis of the observations and the information and views supplied by the interviewees. All points were unattributed.	Draft conclusions are discussed with each of the Board Chairmen individually and then with the Board as a whole.	Clare Chalmers Limited facilitated the Board's evaluation action planning meeting and gave clarity on its report as required. The Board identified a long-list of actions and thereafter the Group Chief Executive Officer, Group Chief Financial Officer and Company Secretary were requested to consider the list and agree the actions to be progressed in 2018.

Board action plan from the 2018 Board and Committee evaluation

The conclusions of the 2018 review were generally positive and, with a number of areas for improvement. On the whole the Board and its committees operate effectively, and each Director contributes to the overall effectiveness and success of the Board.

Set out below are the Board recommendations following the evaluation together with details of the actions taken:

Board and Committee papers

Recommendations were made on improving the quality of Board papers further by: including additional financial information and progress against KPIs; imposing tighter deadlines for the submission of papers; and creating a standard Board paper template to ensure all salient points are captured. These points were actioned through revisions to the CFO Report to the Board, increased Executive Director support for the need to produce papers early to enable a full review by the Company Secretary, and the creation and dissemination of a number of Board paper templates.

ELT interaction with the Board

Recommendations were made for the inclusion of the ELT in the 2018 Board strategy meeting, an increase in the frequency of ELT presentations to the Board and an improvement in the quality of the pre-read papers. It was also recommended that the ELT are involved in the Group's risk management to ensure ELT and Board alignment. In September 2018 the Board held its first joint ELT and Board strategy day. The quality of submissions from the ELT has raised the standard of papers and the ELT are now full members of the Risk Oversight Committee with its quarterly meetings aligned to the timing of ELT meetings.

Company culture

Recommendations were made on enhancements to our Company culture including conducting an employee survey with feedback given to the Board and a review of the Company's values and behaviours. In June 2018 the Leadership Conference, a conference of the top 65 senior managers within the Company, debated and agreed upon an updated set of values and behaviours which were rolled out across the Group in July 2018.

Board development

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

At each Board meeting the Company Secretary provides an update on current legal and governance matters. Alongside this all Directors have access to the Company Secretary and can, at the Company's expense, seek independent professional advice where they judge it necessary to discharge their responsibilities. No independent advice was sought in the 2018 financial year.

The Company Secretary also:

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

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

Board induction

All Directors, on joining the Board, receive a tailored induction covering their duties and responsibilities as Directors. In the year inductions were arranged for Daniel Dayan, Simon Webb, Peter Bertram and Ian Ashton. Ian Ashton, and Simon Webb before him, met with the Group Chief Executive Officer, Executive Leadership Team and other senior management as well as spending time visiting Group manufacturing sites and receiving an induction pack of key business and governance papers. Peter Bertram received a full briefing document on all areas of the Group's business, key policies and governance matters. All new Directors may request further information as they consider necessary as part of their induction and on an ongoing basis thereafter to enable them to carry out their duties.

Nomination Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Daniel Dayan, Committee Chairman	N/A*
Philip de Klerk	1/1*
Trudy Schoolenberg	2/2
Kevin Matthews	2/2
Mike Powell	2/2

* Director attendance at scheduled Committee meetings was dependent on appointment dates.

As well as the 2 scheduled meetings, the Committee held 7 ad-hoc meetings during the year at which all required Committee members were present.

Key duties and role of the Committee

Key objectives and summary of responsibilities

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

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

Membership and meetings

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

Reporting to the Board

The Committee makes recommendations to the Board for all Director appointments and the Board is updated on matters discussed at meetings by way of updates from the Chairman of the Committee at the following Board meeting.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by the Board Chairman, and was also reviewed as part of the external evaluation process that was conducted by Clare Chalmers of Clare Chalmers Limited in early 2018 (see page 66).

Focus areas and activities

Board and Committee composition and appointments

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

As noted earlier, Peter Bertram was appointed to the Board in February 2018 whilst in September 2018 Martin Flower retired from his position as Chairman of the Board after a tenure of 11 years. I succeeded Martin Flower on 11 September 2018 to become the Group's Chairman. Simon Webb was appointed Group Chief Financial Officer with effect from 30 April 2018; however he resigned from his position as Group Chief Financial Officer on 25 September 2018 and stepped down from the Board on 17 December 2018. He remains an employee until 25 February 2019. Ian Ashton joined the Board as Group Chief Financial Officer on 10 December 2018.

As set out in our 2017 Annual Report and Accounts, Philip de Klerk was appointed to the position of Group Chief Executive Officer with effect from 1 March 2018, having been appointed Group Chief Financial Officer in October 2017.

Diversity

The Company recognises that diversity in its broadest sense is important to the Group's long-term success, and while all appointments to the Board are based on merit, experience and performance, the Board and Committees are mindful of the benefits of diversity of its management when recommending appointments to the Board. The Board's Diversity Policy is available on our website at **investors.lowandbonar.com/corporate-governance.**

Appointment process

When considering the recruitment of new Directors the Committee adopts a formal and transparent procedure with due regard to the skills, knowledge and level of experience required, as well as diversity. In the year, Low & Bonar appointed a new Board Chairman, Non-Executive Director, Group Chief Executive Officer and Group Chief Financial Officer. In 2018 the Company used Odgers Berndtson and Korn Ferry to support its appointment processes and/or to provide benchmarking ahead of the Committee taking its decision. The stages of the appointment process followed in each case are set out below:

Step 1

Engage each firm and agree search specification then either engage the firm to carry out the search or provide candidate benchmarking

Step 2

Agree the short-list of candidates (as appropriate)

Step 3

Interview process with Committee members and the Group Chief Executive Officer

Step 4

Recommendation to the Board from the Committee on the chosen candidate

Step 5

Draft appointment terms and agree with the selected candidate

Development and succession planning

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

The Board receive legal and regulatory updates from the Company Secretary at each Board meeting and annually the Committee reviews the training and development needs of each Director. The Directors also attend seminars and briefings organised by our advisers. In the year the Board received update training on the Market Abuse Regulation from our brokers Peel Hunt and our lawyers Freshfields.

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

Daniel Dayan
Chairman, Nomination Committee

30 January 2019

Audit Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Mike Powell, Committee Chairman	3/3
Kevin Matthews	3/3
Trudy Schoolenberg[1]	2/2*

1 Ceased to be a member of the Committee on 19 December 2017 following her appointment as Interim Group Chief Executive Officer. Was subsequently reappointed on 30 April 2018 following her return to her Non-Executive Director role.

* The Committee held an additional 2 ad-hoc meetings during the year at which all required Committee members were present.

2018 has been a challenging year for the Group, as profitability has deteriorated and leverage increased. This has led to increased risk in respect of asset recoverability, and of course, going concern and liquidity.

This report sets out how the Committee has dealt with the significant risks and areas of judgement in the Group's financial statements, together with a description of the role and responsibilities of the Committee, and how it discharged these throughout the course of the year.

The Group has seen significant change in the position of Group Chief Financial Officer during the year. Simon Webb joined the Board on 30 April 2018; however for personal reasons stepped down from the role in December 2018. It is disappointing to see yet another change in this role as frequent changes in this role do not aid the Committee in discharging its duties optimally. I am therefore delighted that Ian Ashton joined the Group as Group Chief Financial Officer from 10 December 2018. I look forward to working with him to achieve the 2019 objectives of the Committee.

Role and composition of the Committee

Summary of the Committee's role

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

Membership and meetings

Details of the members of the Committee as at 30 November 2018 are set out on the left.

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

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

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

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed regularly by myself as Chairman. In addition, as I highlighted in last year's report, an in-depth external evaluation process was conducted by Clare Chalmers of Clare Chalmers Limited during the year, please refer to page 66 for the conclusions of this review.

Key responsibilities

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

Financial reporting

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

Internal control and risk management

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

Internal audit

- reviewing, monitoring and assessing the role and effectiveness of internal audit including the scope of its audit plans and its work;
- regularly reviewing reports and issues identified in internal audit reports and management's responses to internal audit findings; and
- ensuring internal audit is adequately resourced and has appropriate authority and access to the organisation.

External audit

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

Viability and going concern statements

The Committee reviewed and challenged the assumptions within the work completed by management to assess whether the Group had access to sufficient resources to continue as a going concern for the foreseeable future, and in conducting a robust assessment of those risks that would threaten the Group's future performance or liquidity, including its resilience to the threats to viability posed by certain of those risks in severe but plausible scenarios.

Further detail on how the Committee discharged its responsibilities in respect of this area is outlined on page 73. The outcome of these assessments is shown in the going concern statement on page 109 and the Group's viability statement on page 53.

Internal audit effectiveness

During the year the Committee reviewed the results of audits undertaken by internal audit and management responses, including the implementation of any recommendations made. This work included:

- remediation of findings raised in the prior year, where it was noted that good progress had been made in remediating many of the control findings raised; however there remains more work to do during 2019 in the light of the Group's recent reorganisation;

Audit Committee report continued

- a review of inventory and production management controls and financial controls at Arnhem, which found these controls to be satisfactory;
- a post-investment review of Ivanka following the decision to close the site earlier this year; and
- a global procurement effectiveness review was commenced during the year, and will be completed shortly.

The Committee performed an annual assessment of PwC's effectiveness over the year, which found their work to be satisfactory, and approved the 2019 internal audit programme.

External auditor

As set out last year, given the duration of KPMG's tenure as auditor (over 40 years), the external audit was put out to tender during 2018. The tenure of the current lead partner, Anthony Hambleton, dates from 2015. As a result of this tender, the Committee recommended the appointment of Ernst & Young, led by UK audit partner Colin Brown, as the Group's auditor with effect from 2019. This recommendation will be put before shareholders at the Annual General Meeting in April 2019.

The performance and effectiveness of the current external auditor, KPMG LLP, was not formally reviewed by the Committee, given the change in tenure; however following discussion with Executive Directors and senior management, the Committee does not have any factors to disclose in relation to their performance in 2018.

Matters considered during the year

The Committee met three times during 2018, and has a rolling programme of agenda items to ensure that relevant matters are properly considered. The list below summarises the key items considered by the Committee during the year. The Board receives copies of the minutes of the Committee meetings and key issues covered are also reported to the subsequent Board meeting.

Financial reporting	■ reviewed the Group's 2018 Annual Report and financial statements and half-year results statement and associated announcements, as well as the trading statements issued in April, September and December 2018; ■ considered the key issues and judgements made in relation to the 2018 financial statements; ■ received reports from the external auditor on their audit of the 2018 financial statements; and ■ reviewed the process and stress-testing undertaken to support the Group's going concern and viability statements.
Internal control & risk management	■ reviewed an annual report on the effectiveness of the Group's internal control processes; ■ reviewed regular reports outlining the Group's progress on remediating internal control findings identified by the Group's internal auditor; ■ reviewed reports from the Risk Oversight Committee on the key risks facing the Group and the processes in place to avoid or mitigate them; ■ received reports from the provider of the Group's confidential whistleblowing service; and ■ received reports on the implementation of the Group's new enterprise resource planning ('ERP') system and the continued integrity of internal controls.
Internal audit	■ reviewed the performance of internal audit and approved the 2018 work plan; ■ received internal audit reports and reviewed the implementation status of audit recommendations; and ■ reviewed and approved the 2019 internal audit plan.
External audit	■ reviewed the auditor's plan for the 2018 audit, including areas of extended scope work, key risks and confirmations of auditor independence; ■ reviewed the performance of the external auditor; and ■ reviewed and approved the 2018 audit fee and reviewed non-audit fees payable to the external auditor in accordance with the Committee's policy.

Area of judgement	Response of the Audit Committee
Going concern and viability The ability of the Group to continue as a going concern, and to maintain financial viability over a longer period, depends upon continued access to sufficient financing facilities including the completion of the equity raise. The viability statement time period has reduced from five years to three years to reflect the recent volatility in the Group's results. The process to assess the appropriateness of the going concern assumption, and the viability statement, are set out on pages 109 and 53.	The Committee assessed the forecast level of net debt, headroom on existing borrowing facilities and compliance with debt covenants. This analysis covered a range of downside sensitivities including higher raw material prices and lower demand for the Group's products. The Committee reviewed the time period over which the assessment of viability is made, along with the scenarios that are analysed, the potential financial consequences and the assumptions made in the preparation of the viability statement and conclusion as to the appropriateness of the going concern assumption. The Committee concluded that the scenarios analysed were sufficiently severe but plausible, that the equity raise has been appropriately considered in the going concern assessment and that the three-year time period of the viability statement was appropriate. The Committee was also satisfied that the disclosures in the basis of preparation note, relating to the going concern assessment of the Group, were appropriately clear and transparent.
Impairment of goodwill, intangible assets and fixed assets The Group has £28.2m of goodwill, and £160.4m of other non-current assets allocated across its four segments (being the GBUs). The recoverability of these balances and impairment is always an area of focus given the inherent subjectivity in impairment testing. The most significant judgements are in setting the assumptions for the calculation of the value in use of the groups of cash generating units ('CGUs'), in particular the achievability of long-term financial forecasts and macroeconomic assumptions. Details of the assumptions used are provided in Note 11 to the Group financial statements on pages 130 and 131. A goodwill impairment charge of £39.0m was recorded in the year to 30 November 2018 in respect of CTT goodwill and a further £3.8m in respect of the Group's ERP system and impairment of plant and equipment in Hungary.	Cash flow projections for each segmental grouping of CGUs were derived from the most recent budgets approved by the Board, which take into account current market conditions and the long-term average growth for each of the key markets served by the GBUs. A sensitivity analysis was performed on the base case for each GBU by varying key assumptions whilst holding the other variables constant along with a range of downside sensitivities being applied to the projections in line with the going concern assessment noted above to further stress-test the recoverable values of the CGUs. With the exception of Coated Technical Textiles, where an impairment of goodwill of £39.0m was recorded and Civil Engineering, where goodwill and intangible assets were fully written down in 2017, the recoverable amounts of the other two GBUs show headroom compared to their carrying value when reasonably likely changes are made to key assumptions. The Coated Technical Textiles business unit has continued to suffer from ongoing production consistency issues, and their resolution has taken longer than expected. This has resulted in a deterioration in margins, particularly in the second half of 2018. This created a high degree of uncertainty over financial forecast assumptions, particularly around future pricing, margins and cash flows, and created a wide range of potential outcomes which the Committee considered when assessing management's view of future CGU performance for impairment testing purposes at both May and November 2018. The Civil Engineering goodwill balance was impaired in full during 2017, and the business unit has, as a whole, performed in line with expectations since that point. However, when looking at an individual site level (as is required once goodwill has been impaired), indicators of impairment existed at the Hungary site following operating losses in the year. This has led to an impairment of £2.3m of plant and equipment being recorded. Additionally, following a decision to not implement the Group's ERP system into the Civil Engineering and CTT business units, a review of the expected benefits from the ERP system was conducted. As some of the benefits from the ERP system were to be obtained from its implementation into these two business units, the decision to not implement has triggered an impairment of the ERP system of £1.5m. The Committee discussed the assumptions underlying the cash flow projections with both management and KPMG LLP, and also considered the appropriateness of the discount rates used. Following discussions on headroom and sensitivity, the Committee was satisfied with both the impairments recognised, and their related disclosures provided in Note 11 to the Group financial statements on pages 130 and 131.

Audit Committee report continued

Area of judgement	Response of the Audit Committee
Recoverability of the parent company's investments in subsidiaries and loans receivable At 30 November 2018, the parent company has investments in subsidiaries totalling £174.8m and amounts due from subsidiaries totalling £157.6m. Given the downturn in results from CTT and the Group generally, the recoverability of these investments and loans receivable was considered. This resulted in an £6.2m impairment to investments and a £5.3m impairment to loans receivable. The judgements made in assessing recoverability are similar to those made in testing goodwill for impairment (refer above).	The Committee considered the recoverability of the parent company's investments in, and the amounts due from, subsidiaries. The assessment of recoverability was underpinned by the cash flow projections and value in use calculations used for goodwill impairment tests. Following the work in respect of goodwill impairment testing and discussions with KPMG, the Committee was satisfied as to the assessment of the recoverability of the parent company's investment in subsidiaries and loans receivable.
Non-underlying items The Group's criteria for recognising an item as non-underlying involves the application of judgement in determining whether an item, due to its size or nature, should be separately disclosed in the income statement. Items classified as non-underlying are excluded from the calculation of adjusted EBITDA used in the banking covenants.	The Committee is conscious of the significant level of non-underlying items recognised during 2018, the judgement involved in determining what items are appropriate to be classified as non-underlying, and the impact that classifying items as non-underlying has on the Group's banking covenants. The Committee received a report from management on the items classified as non-underlying, and challenged management on the appropriateness of their classification as such. The Committee also took note of KPMG's views on their appropriateness. The Committee concluded that the classification of these items as non-underlying was appropriate, as it enhanced users' understanding of the performance of the Company. The Committee also considered the appropriateness of the disclosures in respect of these items, and insisted on non-underlying items being included as a key judgement in the Group's accounting policies.
The impact of uncertainties due to the UK exiting the European Union The UK represents a small percentage of the Group's sales (around 5%, 50% of which originate from UK-based entities), and we have one relatively small UK manufacturing facility. However we recognise that the UK's decision to withdraw from the EU has created political, social and macro-economic uncertainty for the UK and Europe and could lead to diminished customer confidence, restrictions on the movement of capital and the mobility of personnel. Additionally, the fluctuations in exchange rates arising from this uncertainty may have an impact on the Group's Sterling results.	The Committee continues to monitor the potential impact of the UK's vote to leave the European Union. Although the UK is a small part of the Group's sales and manufacturing base, the inherent uncertainty arising from the UK's exit is a risk to the Group, in particular the impact of foreign exchange fluctuations on the Group's reported Sterling results. The Committee is satisfied that the relevant risks have been taken into consideration in the forecast cash flows supporting the going concern assessment, viability statement and recoverability of assets and have been sensitised appropriately. The Committee has also reviewed the disclosures in relation to Brexit, being the Principal risks and uncertainties section on page 54, the Finance review on page 49 and the basis of preparation on page 109 and conclude that there is appropriate transparency of the risks and the Group's response to these risks.

Area of judgement	Response of the Audit Committee
Provision and contingent liabilities relating to customs duty irregularities In previous periods, the Group identified irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office which was closed several years ago. In 2018, the Group recognised a non-underlying charge of £1.6m and closing provision of £2.6m, which represents the Group's best estimate of the liability (both the penalty to be incurred and the related professional fees).	The Committee has challenged the key assessments and assumptions within the model prepared by management as well as understanding the process by which management have satisfied themselves that the £2.6m provision at 30 November 2018 is their best estimate of the likely outflow. The Committee has also reviewed the disclosures relating to the provision in 'Sources of estimation uncertainty' on page 115 and in Note 23 'Provisions'. Following this work, the Committee is satisfied that £2.6m represents managements best estimate of the provision at this time and that the key assessments and assumptions that have been considered in the model along with the impact of any reasonably possible changes to these assessments and assumptions are appropriately disclosed.

Other areas of judgement

The table above covers the significant areas of judgement within 2018. The Committee notes that on pages 114 to 116 of the financial statements, taxation and retirement benefit schemes are also disclosed as critical accounting judgements and key sources of estimation uncertainty. The key judgements and sources of uncertainty in these areas relates to the valuation of uncertain tax positions, the key assumptions used in the valuation of the UK defined benefit scheme and the uncertainty prevalent in the calculation of the additional liability relating to the recent GMP equalisation ruling. The Committee has reviewed and challenged the assumptions and judgements within management's assessment of these balances and concludes that the judgements made are appropriate.

Non-audit fees

The Committee has developed a policy on the supply of non-audit services by the external auditor to ensure their independence and objectivity, which prohibits certain activities from being undertaken by the external auditor and places pre-approved limits on audit related services, above which specific approval by the Committee is required. €5,000 of non-audit fees were incurred in 2018 relating to other assurance services in the Netherlands. The Committee formally approved these services in line with their policy on the supply of non-audit services and were satisfied that the provision of services by KPMG would not impair their independence or objectivity.

It is noted that in the first quarter of the year to 30 November 2019, KPMG was appointed as Reporting Accountant in respect of the Group's equity raise. The Committee notes that this role is commonly performed by the external auditors, and is not considered an independence threat.

Performance against 2018 objectives

Objective	Response of the Audit Committee
To assist in finding and inducting a new Group Chief Financial Officer into the Group	As already disclosed on page 59, Simon Webb was recruited and joined the Board in April 2018. He subsequently stepped down from his position in December 2018 for personal reasons but we are delighted that Ian Ashton has joined the Board on 10 December 2018.
To successfully re-tender the audit	A thorough audit re-tender process was completed and concluded upon in 2018 and, as a result of this tender, the Committee recommended the appointment of Ernst & Young led by UK audit partner Colin Brown as the Group's auditor with effect from 2019.
To review and monitor the implementation of the internal control improvements noted as part of the internal audit programme	We have reviewed regular reports outlining the Group's progress on remediating internal control findings identified by the Group's internal auditor. Good progress has been made and we will continue to review regular reports throughout 2019 until all findings are remediated.
To monitor the implementation of the ERP system	During 2018, the Committee received reports on the implementation of the Group's new ERP system and the continued integrity of internal controls. As noted in Note 12, we have made an impairment of £1.5m to the Group's ERP system following a change in the expected benefits from the system. Notwithstanding this, the implementation of the elements of the ERP system that occurred in 2018 were completed to a satisfactory level.

Key objectives for next year

The Committee's key objectives for next year are:

- assisting with the induction of the new Group Chief Financial Officer and improving the quality and depth of resources across the Finance team;
- aligning the control environment with the revised organisational structure and continuing to oversee the implementation of internal control improvements, including recommendations from PwC's financial and tax controls review received in the year; and
- overseeing the relationship with the new external auditors, Ernst & Young, as we go through the transition of the audit from KPMG and into the 2019 audit.

Mike Powell
Chairman, Audit Committee

30 January 2019

Relations with stakeholders

We are committed to maintaining good communications with our stakeholders.

Shareholders

Investor roadshows

Each year we have a planned programme of investor relations activities including roadshows in London and Scotland.

Registrar helpline

Our registrar, Equiniti, have a team of people to answer shareholder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances.

Institutional investor meetings

We hold meetings with major institutional investors and financial analysts to discuss business performance and strategy. Institutional investor meetings are usually attended by the Group Chief Executive Officer and Group Chief Financial Officer together with other senior leaders as appropriate. Institutional investors also meet with the Non-Executive Chairman to discuss matters of governance. In 2018 the Group Chief Executive Officer and/or Board Chairman met regularly with significant shareholders.

AGM

Our AGM is attended by the Board and all shareholders are invited and encouraged to attend. At the AGM a summary presentation of our financial results is given by the Group Chief Executive Officer before the Non-Executive Chairman deals with the formal business of the meeting. All shareholders present are invited to ask questions of the Board during the meeting. The Board and representatives from the Company are available after the meeting to answer any additional questions shareholders may wish to ask in a more informal setting.

Annual report and accounts

We publish our full Annual Report and Accounts annually which contains a strategic report, governance section, financial statements and additional information providing information on the Company to all our stakeholders.

Results announcements

We provide half-year and full-year announcements to the London Stock Exchange updating the market on progress against strategy, Company performance and financials. Our presentation slides are also made available on our website.

Website

Our website (**www.lowandbonar.com**) provides a range of information on the Company. There is a section dedicated to investors which includes amongst other areas the Company's financial calendar, financial results, presentations, London Stock Exchange announcements, analyst estimates and contract information.

Board investor updates

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

Employees

Works council

The Company is required to have works councils in a number of its locations and these councils are attended by a member of the HR function and feedback is given to the Board on these meetings through the Group Chief Executive Officer.

Feedback from the Board

The Group Chief Executive Officer updates employees on key decisions of the Board through an all-employee email which is then translated and made available on site noticeboards and through our employee intranet. The Group Chief Executive Officer also regularly visits all Company sites to update employees on key messages and to seek views and feedback from employees. More details are on pages 38 and 39.

Customers

The Group Chief Executive Officer gives updates to the Board on customer relationships, customer service together with a summary of discussions following face-to-face meetings with customers.

Suppliers

The Board receives updates at each meeting on suppliers and relationship management through the CEO Report to the Board.

Remuneration Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Kevin Matthews, Committee Chairman	3/3
Daniel Dayan	1/1
Trudy Schoolenberg[1]	2/2
Mike Powell	3/3

1 Ceased to be a member of the Committee from 19 December 2017 to 1 March 2018 during her appointment as Interim Group Chief Executive Officer.

* As well as the 3 scheduled Committee meetings, a further 5 ad-hoc meetings were held with full Director attendance.

ANNUAL REPORT ON REMUNERATION SEE PAGES 80 TO 87.

REMUNERATION POLICY (FOR REFERENCE) SEE PAGES 88 TO 91.

Annual statement by the Chairman

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 30 November 2018.

Remuneration Policy

Our Remuneration Policy was last put to shareholders at the AGM in 2017 and will be put to shareholders again at the AGM in 2020. Major shareholders will be consulted on any proposed policy revisions in the second half of 2019.

The Annual Report on Remuneration (set out on pages 80 to 87), describes how the policy has been implemented in 2018. On pages 88 to 91 we have set out those aspects of the policy that we consider shareholders will find most useful. The full policy as approved at, and effective from, the Annual General Meeting on 12 April 2017, is set out on pages 53 to 60 of the Company's 2016 Annual Report and Accounts which is available on the Company's website at **investors.lowandbonar.com/reports-and-presentations/yr-2016**.

2018 overview

2018 saw the promotion of Philip de Klerk to Group Chief Executive Officer (effective 1 March 2018) and the appointment of Simon Webb as Group Chief Financial Officer (30 April 2018). As such no inflationary increases were made to the Executive Directors' salaries. As advised in the Company's 2017 Annual Report and Accounts, Brett Simpson resigned from the Board on 19 December 2017 and Trudy Schoolenberg was appointed Interim Group Chief Executive Officer on 20 December 2017 following Brett Simpson's resignation, and held this position until 1 March 2018 when Philip de Klerk was appointed Group Chief Executive Officer (as announced on 31 January 2018). Trudy continued for a period of six weeks, following the end of her Interim Group Chief Executive Officer role, in an advisory capacity of £30,000 per month until she resumed her role as a Non-Executive Director on 15 April 2018. For details of Trudy Schoolenberg's Non-Executive Director fees see page 85.

The Group target underpin was not achieved and, therefore, no bonus is payable to the Executive Directors for 2018. Following the publication of the 2017 Annual Report and Accounts it was agreed with Trudy Schoolenberg that she would not be eligible to receive the previously confirmed (maximum £30,000) performance-related bonus, to avoid compromising her independence when returning to her Non-Executive Director role.

Remuneration Committee report continued

It was confirmed in the Company's 2017 Annual Report and Accounts that the EPS performance conditions were not met for the 2015 LTIP grant. The TSR performance period had not, at that time, concluded. A formulaic application of the TSR performance condition based on TSR averaged over a three-month period to the end of the performance period, as per the Plan Rules, would have resulted in a 50% vesting of the TSR element of the award (25% of the overall 2015 LTIP award). The Remuneration Committee considered the financial underpin, as it is entitled to do under the Plan Rules, and exercised its discretion to reduce the level of award for the 2015 LTIP to nil and as such no shares vested in respect of those awards. The Remuneration Committee believes that the application of discretion in this instance was appropriate considering the overall performance of the business and is consistent with the new Corporate Governance Guidelines that came into force on 1 January 2019.

The Remuneration Committee has for some time been keen to align Executive Directors' pension benefits with those of the senior management team and as such over the past two years pension contribution rates for the Executive Directors have been reduced from 25% to 15% of base salary.

No Executive Director who held office in the 2018 financial year held LTIP awards granted in 2016; however it is confirmed that these awards were subject to targets based on EPS, over the three-year period ended 30 November 2018, and relative TSR, over the three-year period ending 3 February 2019. The threshold level of EPS growth was not achieved, and no shares will vest in respect of that portion of the awards. The vesting of the TSR portion of the award will be assessed following the end of the TSR performance period.

In summary, the main elements of Philip de Klerk's remuneration package as Group Chief Executive Officer were:

Service agreement	12-month notice period*
Salary	£400,000
Pension	15% of salary. Although the policy approved by shareholders in 2017 permits contributions at the level of up to 25% of salary, we have set a contribution level of 15% of salary for Philip, which is comparable with the level provided to other senior employees.
Bonus	Up to 100% of salary
LTIP	Up to 125% of salary

* 6 month notice period from the Director

In summary, the main elements of Simon Webb's remuneration package as Group Chief Financial Officer are:

Service agreement	6-month notice period
Salary	£300,000
Pension	15% of salary. Although the policy approved by shareholders in 2017 permits contributions at the level of up to 25% of salary, we have set a contribution level of 15% of salary for Simon, which is comparable with the level provided to other senior employees.
Bonus	Up to 100% of salary
LTIP	Up to 125% of salary

As announced on 25 September 2018 Simon Webb notified the Company that he wished to leave the Company for personal reasons. Details of Simon Webb's leaving arrangements are set out on page 82 of this Annual Report and Accounts.

In the year the Committee also considered and approved the remuneration packages of members of the ELT in line with its terms of reference and the Committee Chairman conducted exit interviews for departing ELT members as required.

Following the year end, the Board was pleased to announce the appointment of Ian Ashton as Group Chief Financial Officer, starting on 10 December 2018. In summary, the main elements of Ian Ashton's remuneration package are:

Service agreement	12-month notice period*
Salary	£300,000
Pension	15% of salary. Although the policy approved by shareholders in 2017 permits contributions at the level of up to 25% of salary, we have set a contribution level of 15% of salary for Ian, which is comparable with the level provided to other senior employees.
Relocation Allowance	As Ian currently resides in the USA a relocation package has been provided to cover various costs related to relocation and accommodation for a period in London. The maximum reimbursement has been capped and the 2019 Remuneration Report will report on the actual costs incurred.
Bonus	Up to 100% of salary
LTIP	Up to 125% of salary

* 6 month notice period from the Director

Implementation of policy in 2019

For 2019, Philip de Klerk will be entitled to a 2.5% salary increase consistent with the average UK employee increase within the Group. Simon Webb was appointed Group Chief Financial Officer on 30 April 2018 with an annual salary of £300,000, but subsequently resigned. Ian Ashton joined the Board as Chief Financial Officer on 10 December 2018.

Low & Bonar has set out its key objectives for 2019: portfolio optimisation, profit improvement, reduction in working capital and net debt, improvement in operational efficiency and improved customer focus, strengthening the senior team and increased employee engagement. The bonus metrics for 2019 have been specifically designed to align with these key objectives. Philip de Klerk and Ian Ashton will be eligible for a bonus in 2019 with the maximum remaining at 100% of salary.

In 2018 the Remuneration Committee reviewed the Group's bonus structure as it was no longer seen as an incentive tool and as such no longer fit for purpose. Following this review the Remuneration Committee agreed to change the performance conditions and associated weightings for the 2019 bonus. The new performance conditions will comprise of profit targets, working capital targets and personal targets of strategic relevance to the Group with performance testing taking place at half-year and full-year with any payment to the Executive Directors being made after each financial year-end. The Remuneration Committee can choose to adjust the size of any bonus award as it deems necessary in accordance with the scheme rules. These targets were selected as it was felt that these will help drive performance against our strategy and KPIs, which in turn increase shareholder value. 20% of the bonus opportunity will be based on an EBITA target for the first half of 2019 and 30% will be based on an EBITA target for the second half of 2019. 12% of the bonus opportunity will be based on a working capital target for the first half of 2019 and 18% will be based on a working capital target for the second half of 2019. 20% of the bonus opportunity will relate to personal objectives. Due to Simon Webb's resignation he will not be entitled to a bonus in 2019.

As already notified to the shareholders, the Board is reviewing the Group's capital structure and exploring options to reduce net debt, including a potential equity raise. As a result, the Remuneration Committee will defer any decisions regarding the grant of LTIP awards and associated targets until this review is concluded.

As announced on 8 August 2018, Daniel Dayan joined the Board as Non-Executive Chairman, succeeding Martin Flower, on 11 September 2018 on a base fee of £150,000. As part of the appointment process the Committee reviewed the base fee of the Chairman in light of Daniel Dayan's skills and experience coupled with the fact the Committee had not increased the Chairman fees for 8 years and approved this increase in fees from those paid to Martin Flower (£136,000). Peter Bertram also joined the Board as a Non-Executive Director on 1 February 2018, as announced on 31 January 2018.

The base fee for all Non-Executive Directors was increased to £42,500 with effect from 1 June 2018 and as such there will be no increase in 2019. A supplementary fee for holding the office of Senior Independent Director was introduced in 2018 at £7,000. The supplementary fee for chairing the Audit Committee or Remuneration Committee remains unchanged at £7,000.

As noted in the Chairman's governance statement in this Annual Report and Accounts the Board are reviewing the required changes to our governance structures including remuneration. The aim is to comply with the 2018 UK Corporate Governance Code when it applies to the Company from the financial year commencing on 1 December 2019. In the meantime, the Remuneration Committee continues to align its policies and reporting and action has been taken to: reduce the Executive Directors' pension benefits; include a single figure CEO pay ratio and details of advisor costs in the Remuneration report for the second year in a row; and explain the Remuneration Committee's use of discretion in the year concerning the 2015 LTIP vesting.

The Committee looks forward to your continuing support at the 2019 Annual General Meeting.

Kevin Matthews
Chairman, Remuneration Committee

30 January 2019

Annual report on remuneration

The Annual Report on Remuneration sets out the implementation of the Remuneration Policy and discloses the amounts earned relating to the year ended 30 November 2018. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming Annual General Meeting on 5 April 2019. Those items marked with an asterisk are audited information.

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

Executive Directors: single figure remuneration table*

The table below shows the remuneration of the Executive Directors for the year ended 30 November 2018 and the comparative figures for the year ended 30 November 2017.

	Salary		Taxable benefits[1]		Annual bonus[2]		LTIP awards[3]		SAYE awards[4]		Pension[5]		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Brett Simpson[a]	**19**	379	**18**	42	**–**	–	**–**	–	**–**	–	**5**	95	**42**	516
Trudy Schoolenberg[b 6]	**71**	n/a	**11**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**82**	n/a
Philip de Klerk[c]	**377**	52	**24**	9	**–**	–	**n/a**	n/a	**–**	–	**57**	8	**458**	69
Simon Webb[d]	**176**	n/a	**4**	n/a	**n/a**	n/a	**n/a**	n/a	**–**	–	**26**	n/a	**206**	n/a
Total	**643**	431	**57**	51	**–**	–	**–**	–	**–**	–	**88**	103	**788**	585

a Brett Simpson resigned as a Director on 19 December 2017 and remained an employee until 30 April 2018. Details of payments made to him in connection with his leaving the business are set out on page 66 of the Company's 2017 Annual Report and Accounts.

b Trudy Schoolenberg was appointed Interim Group Chief Executive Officer on 20 December 2017, following Brett Simpson's resignation, and held this position until 1 March 2018 when Philip de Klerk was appointed Group Chief Executive Officer (as announced on 31 January 2018). Trudy continued for a period of six weeks, following the end of her Interim Group Chief Executive Officer role, in a supply chain advisory capacity at £30,000 per month until she resumed her role as a Non-Executive Director on 15 April 2018. For details of Trudy Schoolenberg's Non-Executive Director fees see page 85.

c Philip de Klerk joined the Company as Group Chief Financial Officer on 2 October 2017 and on 1 March 2018 was appointed Group Chief Executive Officer.

d Simon Webb was appointed Group Chief Financial Officer on 30 April 2018 and it has since been announced on 3 December 2018 that he will step down from the Board on 17 December 2018 but will remain an employee until 25 February 2019.

1 Taxable benefits – Executive Directors receive private health insurance and death-in-service cover (excluding Trudy Schoolenberg) and, where appropriate, travel and subsistence payments. Only Philip de Klerk received a car allowance.

2 Annual bonus – The Executive Directors' annual bonus opportunity for 2018 was based on underlying profit before tax (PBTA) at budgeted exchange rates (70%) and working capital reduction (30%, subject to threshold PBTA being achieved). The threshold levels were not achieved, and as a result no bonuses were earned.

	Working capital reduction			Group profit		
	Threshold	Mid	Upper	Threshold	Target	Upper
Target	£10.0m	£16.0m	£22.0m	£30.7m	£32.0m	£34.0m
% salary earned	10%	20%	30%	20%	45%	70%
2018 actual (at budgeted exchange rates)		£10.6m			£17.5m	

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

2017: No LTIP awards vested in respect of the performance period ending in 2017. Whilst it was confirmed in the Company's 2017 Annual Report and Accounts that the EPS performance conditions were not met for the 2015 LTIP grant the TSR performance period had not, at that time, concluded. Whilst a formulaic application of the TSR performance condition based on TSR averaged over a three-month period to the end of the performance period, as per the Plan Rules, would have resulted in vesting of part of the TSR element of the award, the Remuneration Committee considered the financial underpin, as it is entitled to do under the Plan Rules, and exercised its discretion to reduce the level of award for the 2015 LTIP to nil and as such no shares vested in respect of those awards.

2018: No LTIP awards vested in respect of the performance period ending in 2018. The performance period for the EPS portion of the LTIP awards granted in 2016 ended, but no shares vested as performance was below threshold (3.73p actual v 6.98p minimum threshold) The performance period for the TSR portion of the LTIP awards granted in 2016 ends in 2019 and vesting will be assessed then and reported in the 2019 Directors' Remuneration Report.

4 SAYE awards – As employees of the Company the Executive Directors were entitled to participate in the SAYE scheme if they so choose and can decide on their monthly contribution level of between £5 and £500 per month. The grant value of SAYE awards is used to calculate the values set out in the table.

5 Pension – In addition to their salaries, the Executive Directors are entitled to a percentage of their basic salary to enable them to make retirement benefit arrangements and/or a contribution to a defined contribution pension plan. Payments made under this arrangement during the year were on the basis of: Brett Simpson 25% of salary; Philip de Klerk 15% of salary; and Simon Webb 15% of salary.

6 Trudy Schoolenberg was not entitled to annual bonus, LTIP awards or pension benefits due to the interim nature of her role.

Executive Directors' remuneration for 2019

1. Base salary

Philip de Klerk's salary has been increased by 2.5% for 2019, in line with the UK-wide salary increase for 2019.

Simon Webb was appointed Group Chief Financial Officer on 30 April 2018 with an annual salary of £300,000. Ian Ashton joined the Board as Group Chief Financial Officer on 10 December 2018 with a salary of £300,000.

2. Annual bonus

The specific targets relating to the annual bonus for the year ending 30 November 2019 are considered to be commercially sensitive and will not therefore be disclosed in advance. They will be disclosed in next year's Annual Remuneration Report, along with disclosure of performance against them and the payments resulting. However, an overview of the bonus structure that is intended to operate in the current financial year is set out below.

Philip de Klerk and Ian Ashton will be eligible to receive a performance-related bonus of up to 100% of salary. Due to Simon Webb's resignation he will not be entitled to a bonus in 2019. The metrics and opportunities will be composed as follows, where the maximum bonus requires performance ahead of the Company's targets.

Metric	Weighting[1]		Bonus earned for threshold performance (% of maximum)	Bonus earned for maximum performance (% of maximum)
	H1 2019	H2 2019		
EBITA[2]	20%	30%	14.3%	50%
Working capital % of sales[3]	12%	18%	10.0%	30%
Personal[4]	8%	12%	5.0%	20%

1 Performance metrics will be assessed at half year and full year with payment of bonuses for the Executive Directors only being made annually after the end of the financial year. The Remuneration Committee can choose to adjust the size of any bonus award as it deems necessary in accordance with the Scheme rules.

2 EBITA at budgeted exchange rates on a constant basis throughout the year.

3 Working capital as a percentage of sales measured on a like-for-like basis at the beginning and end of the financial year. Working capital is defined as trade debtors plus inventories.

4 Personal targets are set with relevance to the Group's strategic targets.

Following the publication of the 2017 Annual Report and Accounts it was agreed with Trudy Schoolenberg that she would not be eligible to receive the previously confirmed (maximum £30,000) performance-related bonus to avoid compromising her independence when returning to her Non-Executive Director role.

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

3. LTIP awards

As already notified to shareholders the Board is reviewing the Group's capital structure and exploring options to reduce net debt, including a potential equity raise. As a result, the Remuneration Committee will defer any decisions regarding the grant of LTIP awards and associated targets until this review is concluded. Due to Simon Webb's resignation no LTIP award will be made to him in 2019.

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

Awards of nil-cost options were made to each of Philip de Klerk and Simon Webb in 2018 on the following basis. No awards were made to Brett Simpson in 2018:

	Basis of award granted	Share price at date of grant[2]	Number of shares awarded	Face value of award	% of face value which vests at threshold
Executive Directors					
Philip de Klerk (Granted: 22 March 2018)	125% of salary	62.20p	803,859	£500,000	20%
Simon Webb[1] (Granted: 16 May 2018)	125% of salary	62.20p	602,894	£375,000	20%

1 Simon Webb's LTIP award will lapse on 25 February 2019 following his resignation.

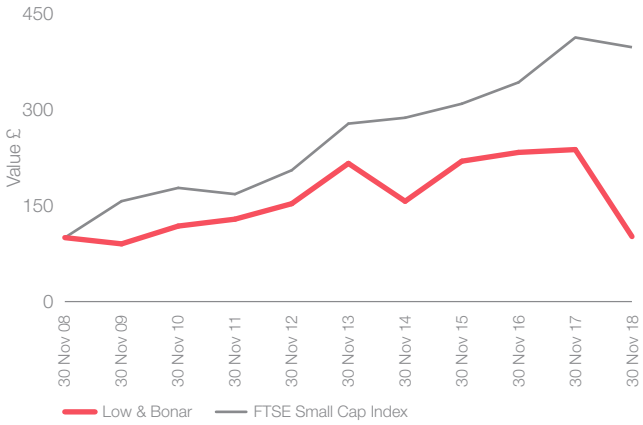
2 For Simon Webb, the Remuneration Committee applied the share price used to calculate the Group's 2018 LTIP award (including Philip de Klerk's award) so as to align the Executive Directors and negate the dip in share price seen in April/May 2018 that would have otherwise disproportionately increased the quantum of LTIP award made to Simon Webb.

Details of the performance conditions attaching to these awards are set out beneath the table on page 80.

Annual report on remuneration continued

The graph to the right shows Low & Bonar PLC's total shareholder return (TSR) for the ten years to 30 November 2018, which assumes that £100 was invested in Low & Bonar PLC on 30 November 2008. The company chose the FTSE Small Cap Index as an appropriate comparator for this graph, as Low & Bonar PLC has been a constituent of that index throughout the period.

Share price graph – total shareholder return



SAYE Plan – Awards granted during the year*

Executive Directors are also eligible to participate in the SAYE Plan on the same terms as any other eligible employee. Details of the SAYE awards granted to Executive Directors in the year are shown on page 84.

Payments to past Directors and loss of office*

Simon Webb resigned as a Director on 17 December 2018 but remained an employee until 25 February 2019. Remuneration earned by Mr Webb in the period to 17 December 2018 is included in the single figure remuneration table on page 80.

- In the period 17 December 2018 to 25 February 2019, Mr Webb will receive his salary, benefits and cash allowance in lieu of pension contributions of £64,577 in aggregate.
- Following the cessation of employment, Simon Webb will not receive any further remuneration payments or benefits.
- Simon Webb's 2018 LTIP award will lapse in full (in accordance with the Plan Rules) on his resignation date, 25 February 2019.
- Simon Webb will not receive an LTIP award for the financial year ended 30 November 2019.
- Simon Webb did not receive a bonus in respect of the financial year ended 30 November 2018 or 30 November 2019.

Martin Flower retired as Chairman of the Board on 11 September 2018 but continued to be remunerated for the outstanding duration of his six-month notice period which will expire on 9 March 2019. From 12 September 2018 to 30 November 2018 Martin Flower received £29,414 paid in equal monthly instalments. For the period from 1 December 2018 to 9 March 2019 Martin Flower will receive £37,072 paid in equal monthly instalments. For the duration of his notice period Martin Flower continues to receive no other benefits.

Outside appointments for Executive Directors

Subject to the rules governing conflicts of interest and the prior approval of the Board, the Group is supportive of its Executive Directors holding external non-executive positions. However in the year no Executive Directors held such positions.

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

Financial year ending 30 November of each year	2018[1]	2018[2]	2018[3]	2017	2016	2015	2014[4]
Group Chief Executive Officer	Philip de Klerk	Trudy Schoolenberg	Brett Simpson	Brett Simpson	Brett Simpson	Brett Simpson	Brett Simpson
Total remuneration (single figure) (£)	**457,917**	**82,156**	**41,549**	515,729	465,654	668,727	120,220
Annual bonus (%)	**0%**	**n/a**	**0%**	0%	0%	60%	0%
LTIP vesting (%)[8]	**0%**	**n/a**	**0%**	0%	0%	0%	0%

Financial year ending 30 November of each year	2014[5]	2013	2012	2011	2010	2009[6]	2009[7]
Group Chief Executive Officer	Steve Good	Steve Good	Steve Good	Steve Good	Steve Good	Steve Good	Paul Forman
Total remuneration (single figure) (£)	503,366	1,064,510	1,308,727	803,309	710,067	97,122	382,800
Annual bonus (%)	0%	0%	79.3%	81%	100%	0%	0%
LTIP vesting (%)[8]	40%	72%	98.7%	50%	0%	0%	0%

1 From 1 March 2018 (the date on which his Group Chief Executive Officer role commenced with the Company) to the end of that financial year.

2 From 20 December 2017 (the date on which her Interim Group Chief Executive Officer role commenced with the Company) to 28 February 2018.

3 From 1 December 2017 to 19 December 2017 (the date on which he ceased to be a Director).

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

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

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

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

8 The LTIP award for 2018 is stated as 0% reflecting the lapse of the 50% of the 2016 award based on EPS over the three-year period ended 30 November 2018; the vesting of the TSR portion of the award will be assessed following the end of the TSR performance period.

Change in the remuneration of the Group Chief Executive Officer

The table to the right shows the percentage change in the Group Chief Executive Officer's salary, benefits and annual bonus between 2017 and 2018 compared with the average percentage change of each of those components from all full-time employees based in the UK.

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

Pay ratio

We recognise the requirement arising from the 2018 UK Corporate Governance Code for the reporting of CEO to UK employee pay ratios including comparisons with certain quantities. As a step towards full compliance with these requirements in 2019 we have summarised the single figure CEO remuneration vs the average employee single figure remuneration for 2018.

	2018	2017	% change
Group Chief Executive Officer (£)			
– salary	**400,000**	379,250	5.5%
– benefits	**23,947**	41,666	(42.5)%
– bonus	–	–	–
Average per employee (£)			
– salary	**64,425**	51,487	25.1%
– benefits	**1,370**	1,341	2.2%
– bonus	–	1,826	(100)%

Relative importance of spend on pay

£m	2018	2017	% change
Overall expenditure on pay	**97.3**	104.6	(7.0)%
Dividends declared in respect of the year	**10.1**	10.0	1.0%

Further details can be found in Note 3 of the financial statements.

Single figure Group Chief Executive Officer ratio vs average single figure UK employee

Group Chief Executive Officer	£581,622
Average employee	£65,795
Pay ratio	8.8 times

Annual report on remuneration continued

Executive Directors' shareholdings and share interests*

Executive Directors are required to build a significant shareholding in the Company. Unvested awards are not included when assessing holding requirements. Vested awards are included in assessing holdings, but are adjusted to take into account the tax liability arising on exercise. During the financial year ending 30 November 2018 options and awards over shares were issued under the Low & Bonar PLC 2013 LTIP scheme rules and Low & Bonar 2018 Sharesave scheme ("SAYE").

The table below sets out the beneficial interests of the Executive Directors in the Ordinary Shares of the Company and a summary of the outstanding share awards as at 30 November 2018. Calculations are based on a share price of 26.5 pence (being the closing share price of a Low & Bonar PLC share on 30 November 2018). There have been no changes to these interests between 1 December 2018 and 30 January 2019.

	Shares held		Unvested share scheme awards			
	30 November 2018	30 November 2017	Unvested LTIP awards	Unexercised SAYE options	Shareholding requirement (% of base salary)	Actual beneficial share ownership (% of base salary)
Executive Directors						
Philip de Klerk	**100,000**	–	1,357,430	40,035	100%	6.6%
Simon Webb	**16,198**	–	602,894	40,035	100%	1.4%

Executive Directors' LTIP and SAYE interests*

The LTIP awards are subject to performance conditions, details of which are set out in the Remuneration Policy on page 89 and in the notes accompanying the table. Awards under the SAYE Plan are not subject to any performance conditions other than continued employment as at the vesting date.

The table below sets out the Executive Directors' interests in these plans. There were no changes to the interests listed below between 1 December 2018 and 30 January 2019.

	Award date	Awards held at 1 December 2017	Granted during year	Exercised/ vested during year	Lapsed/ forfeited during year	Awards held at 30 November 2018	Exercise price (pence)	Normal vesting/ exercise date
Philip de Klerk								
LTIP	19/10/2017	553,571	–	–	–	553,571	–	19/10/2020
LTIP	22/03/2018	–	803,859	–	–	803,859	–	22/03/2021
Total		553,571	803,859			1,357,430		
SAYE	11/05/2018	–	40,035	–	–	40,035	44.96	01/06/2021
Simon Webb								
LTIP	16/05/2018	–	602,894	–	–	602,894[1]	–	16/05/2021
Total			602,894			602,894		
SAYE	11/05/2018	–	40,035	–	–	40,035[1]	44.96	01/06/2021
Brett Simpson								
LTIP	06/02/2015	398,230	–	–	398,230[2]	–	–	06/02/2018
LTIP	04/02/2016	731,225	–	–	731,225[3]	–	–	04/02/2019
LTIP	24/03/2017	677,232	–	–	677,232[3]	–	–	24/03/2020
Total		1,806,687			1,806,687			
SAYE	09/04/2015	36,885	–	–	36,885[3]	–	48.8	01/06/2018

1 This award will lapse on 25 February 2019.

2 Whilst it was confirmed in the Company's 2017 Annual Report and Accounts that the EPS performance conditions were not met for the 2015 LTIP grant the TSR performance period had not, at that time, concluded. Whilst a formulaic application of the TSR performance condition based on TSR averaged over a three-month period to the end of the performance period, as per the Plan Rules, would have resulted in vesting of part of the TSR element of the award, the Remuneration Committee considered the financial underpin, as it is entitled to do under the Plan Rules, and exercised its discretion to reduce the level of award for the 2015 LTIP to nil and as such no shares vested in respect of those awards.

3 These awards lapsed on termination of his employment as discussed on page 82.

Fifty percent of the LTIP shares are subject to an EPS growth target and 50% to a relative TSR target measured against the constituents of the FTSE Small Cap Index. Under the TSR target, 20% of shares vest for median performance, rising on a straight-line basis to full vesting for upper-quartile performance. Under the EPS target, 20% of shares vest at the minimum target with full vesting at the maximum target and the percentage of shares vesting for performance between the minimum and maximum target rising on a straight-line basis. The measurement periods for both performance criteria and the EPS targets in respect of the awards above are as follows:

	EPS		TSR	
Date of grant	Measurement period ended	Minimum/ maximum	Measurement period ended	Minimum/maximum
06/02/2015	30/11/2017	6.85p / 8.52p	05/02/2018	Median/Upper quartile
04/02/2016	30/11/2018	6.98p / 8.23p	03/02/2019	Median/Upper quartile
24/03/2017	30/11/2019	7.37p / 8.70p	23/03/2020	Median/Upper quartile
19/10/2017	30/11/2019	7.37p / 8.70p	23/03/2020	Median/Upper quartile
22/03/2018	30/11/2020	7.93p / 9.36p	22/03/2021	Median/Upper quartile
16/05/2018	30/11/2020	7.93p / 9.36p	16/05/2021	Median/Upper quartile

The closing share price of a share on 30 November 2018 was 26.5 pence and the range during the year to 30 November 2018 was 25 pence to 70 pence.

Single total figure of remuneration for the Non-Executive Directors

Fees and taxable benefits payable to Non-Executive Directors

The table below sets out the remuneration of each Non-Executive Director during the financial year ended 30 November 2018 and the comparative figure for the year ended 30 November 2017. Non-Executive Directors are not eligible to participate in short or long-term incentive plans or to receive any pension from the Group, however, relevant travel expenses are reimbursed.

			Fees £'000		Taxable benefits[8] £'000	
	Additional responsibilities	Committee membership[1]	**2018**	2017	**2018**	2017
Non-Executive Directors						
Daniel Dayan	Chairman, Chairman of the Nomination Committee	R, N	33.1[6]	–	–	–
Trudy Schoolenberg[2]	Senior Independent Director[5]	A, R, N	33.0[7]	40.6	–	4.6
Peter Bertram[3]	N/A	–	34.6[7]	–	0.4	–
Kevin Matthews[2]	Chairman of the Remuneration Committee	A, R, N	48.3[7]	47.0	1.4	3.6
Mike Powell[2]	Chairman of the Audit Committee	A, R, N	48.3[7]	44.2	1.3	3.8
Past Non-Executive Directors						
Martin Flower[4]	Past Chairman, Chairman of the Nomination Committee	R, N	136.0	136.0	1.3	2.3

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

2 Kevin Matthews, Mike Powell and Trudy Schoolenberg all receive an additional fee of £7,000 per annum for their roles as Chairman of the Remuneration Committee, Chairman of the Audit Committee and for holding the office of Senior Independent Director respectively (which is included in the numbers in the table). The decision to introduce an uplift in fees for the Senior Independent Director was made by the Board in June 2018.

3 Peter Bertram joined the Board on 1 February 2018 on an annual fee of £40,000.

4 Martin Flower retired from the Board with effect from 11 September 2018 but continued to be remunerated for the outstanding duration of his six-month notice period which will expire on 9 March 2019. His fees for 2018 are stated to 11 September 2018.

5 From 20 December 2017 to 1 March 2018 Trudy Schoolenberg was appointed Interim Group Chief Executive Officer. Her remuneration details for her time as Interim Group Chief Executive Officer are detailed on page 80 and are not included in this table. Trudy also held a supply chain consulting role following the end of her Interim Group Chief Executive role; this remuneration is set out on page 80.

6 Daniel Dayan joined the Board on 11 September 2018 on an annual fee of £150,000.

7 It was agreed to increase the annual Non-Executive Director fee from £40,000 to £42,500 from 1 June 2018.

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

Annual report on remuneration continued

Base fees payable to Non-Executive Directors in 2018

The annual base fees payable to the Chairman and Non-Executive Directors for 2018 and 2019 are shown below. These figures have not been pro-rated for time in role; for this information see the table on the previous page.

	2018	2019
Chairman	**150.0**[1]	150.0
Non-Executive Director fee	**42.5**[2]	42.5
Senior Independent Director	**7.0**	7.0
Chairman of the Audit Committee	**7.0**	7.0
Chairman of the Remuneration	**7.0**	7.0

1 This reflects Daniel Dayan's joining the Company on 12 September 2018.

2 This fee increase only took effect from 1 June 2018. Accordingly, the aggregate base fee in 2018 was £41,250.

Non-Executive Directors' shareholdings*

The table below sets out the current shareholdings of the Non-Executive Directors (including beneficial interests) as at 30 November 2018 (or earlier, on stepping down from the Board). The Company does not operate a share ownership policy for Non-Executive Directors, but encourages Non-Executive Directors to acquire shares on their own account.

	Number of shares held outright as at 30 November 2018[1]	Number of shares held outright as at 30 November 2017
Non-Executive Directors		
Daniel Dayan	**368,000**	n/a
Trudy Schoolenberg	**72,462**	72,462
Peter Bertram	**75,150**	n/a
Kevin Matthews	**34,537**	24,389
Mike Powell	**39,000**	39,000
Past Non-Executive Director		
Martin Flower[2]	**556,912**	556,912

1 There have been no changes in beneficial interests of the Non-Executive Directors between 1 December 2018 and 30 January 2019.

2 Shareholding is as at stepping down from the Board on 11 September 2018.

Service contracts/letters of appointment

All Directors are subject to annual (re)appointment at the 2019 Annual General Meeting on 5 April 2019.

	Date of service contract/ letter of appointment	Length of service at 30 November 2018
Daniel Dayan	11 September 2018	2 months
Philip de Klerk	2 October 2017	1 year 2 months
Ian Ashton[1]	10 December 2018	N/A
Trudy Schoolenberg[2]	1 May 2013	5 years 7 months
Peter Bertram	1 February 2018	10 months
Kevin Matthews	1 April 2015	3 years 8 months
Mike Powell	1 December 2016	2 years

1 Following the resignation of Simon Webb, Ian Ashton was appointed Group Chief Financial Officer.

2 Following the resignation of Brett Simpson as a Director and Group Chief Executive Officer on 19 December 2017, Trudy Schoolenberg was then appointed as Interim Group Chief Executive Officer on 20 December 2017 on a three-month fixed term contract until 1 March 2018.

The Remuneration Committee

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

Under its terms of reference the Committee is responsible for:

- recommending to the Board the framework or broad policy for the remuneration of the Company's Group Chief Executive Officer, Chairman, Executive Directors, Company Secretary and such other members of the executive management as it is designated to consider;
- following a remuneration policy which shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance;
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy;
- approving the design of targets for any performance-related pay schemes operated by the Company and the total annual payments made under the Remuneration Policy;
- recommending the design of all executive share incentive plans for approval by the Board and shareholders, and overseeing any associated awards and the performance targets to be used;
- approving policy for and scope of pension arrangements for each Executive Director and other senior executives;

- approving the total individual remuneration package of each Executive Director and other senior executives;
- ensuring that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- appointing any remuneration consultants who advise the Committee and review trends across the Group;
- overseeing any major changes in employee benefits structures throughout the Group;
- agreeing the policy for authorising claims for expenses from the Group Chief Executive Officer and Chairman of the Board; and
- reviewing its own performance, constitution and terms of reference.

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

Committee composition

The Committee membership currently comprises all the Non-Executive Directors listed on page 77. The attendance of each Committee member at meetings during the year is shown on page 77. The Group Chief Executive Officer and a representative from the human resources function were regular attendees at Committee meetings held during the year. No individual was present when their own remuneration or benefits were discussed.

All of the Committee members, with the exception of Mr Dayan, are considered by the Board to be independent. Mr Dayan became a member of the Committee on 12 September 2018 and, while it is no longer appropriate to apply the test of independence to him following his appointment as Chairman, he was considered by the Board to be independent on his initial appointment as a Non-Executive Director.

Advisors to the Committee

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

Deloitte LLP ("Deloitte")

Deloitte were appointed by the Committee as its principal advisors on 22 June 2017 following a tender process. Deloitte is a member of the Remuneration Consultants Group (the professional body for executive remuneration consultants). Deloitte provided the Committee with executive remuneration advice, including advice relating to the operation of employee and executive share plans. The fees incurred for advice provided by Deloitte to the Committee during 2018 were £5,425. In the year Deloitte also advised the Committee on specific employee matters relating to severance arrangements The fees incurred in relation to this one-off work were £3,000.

Freshfields Bruckhaus Deringer LLP ("Freshfields")

Freshfields and Squire Patten Boggs provide advice to the Committee in respect of matters of legal compliance and both advisors also provide legal advice to the Company, on matters other than remuneration, on a regular and continuing basis. In the year Freshfields advised the Committee on specific employee matters relating to both appointment and severance arrangements. The fees incurred in relation to these one-off pieces of work were £4,493.50.

Voting at the Annual General Meeting (AGM)

At the AGM on 13 April 2018, the Annual Report on Remuneration was put to an advisory vote and the Low & Bonar PLC 2018 Sharesave Scheme was subject to shareholder approval. At the AGM on 12 April 2017, the Directors' Remuneration Policy was put to a binding vote. The results were as follows:

Resolution	Votes for (and % of votes cast), including discretionary votes	Votes against (and % of votes cast)	Proportion of share capital voting	Shares on which Votes were withheld
Annual Report on Remuneration	263,217,055 (99.10%)	2,393,396 (0.90%)	80.53%	265,610,451
Directors' Remuneration Policy	211,979,056 (99.14%)	1,840,017 (0.86%)	64.84%	142,559
Low & Bonar PLC Sharesave Scheme	265,342,667 (99.93%)	174,203 (0.01%)	80.50%	176,276

Kevin Matthews
Chairman, Remuneration Committee

On behalf of the Board of Directors

30 January 2019

Directors' Remuneration Policy

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

Salary

Purpose and link to strategy	To provide competitive fixed remuneration that will attract, retain and motivate high-quality key employees and reflect their experience, duties and geographical location.
Operation	Reviewed annually, with changes typically effective 1 December. Benchmarked periodically against relevant market comparators as appropriate, including companies of a similar international reach and complexity. Individual pay levels determined by reference to internal reference points, performance, skills and experience in post. Consideration given to the pay levels in the country in which the Executive Director lives and works and the wider salary increases across the Group more generally.
Maximum opportunity	Salary levels will be eligible for increases during the three-year period that the Remuneration Policy operates. Executive Directors will normally receive a salary increase broadly in line with the increase awarded to the general workforce (in the country in which the Director lives, if appropriate) in percentage of salary terms. Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.
Framework used to assess performance and for the recovery of sums paid	The Committee considers individual salaries at the appropriate Committee meeting each year taking due account of the factors noted in operation of the salary policy.

Benefits

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

Pension

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

Annual bonus

Purpose and link to strategy	To incentivise annual delivery of performance objectives relating to the short-term goals of the Company.
Operation	Annual cash bonus awards are based on performance against a sliding scale of challenging targets related to the Company's key performance indicators. The Committee will review the relevance and suitability of the bonus measures each year, and may change them each year to ensure there is ongoing alignment with the Group's strategic objectives.
Opportunity	Maximum (% salary): 100%
Framework used to assess performance and for the recovery of sums paid	Details of the performance measures used for the bonus relating to the previous financial year and targets and performance against them are provided in the Annual Remuneration Report. The annual bonus is determined based on performance against a range of the Company's key performance indicators and paid following the approval of the Group's audited results for the year by the Board. Some guidance on targets for the bonus for each forthcoming year will be set out in the relevant Annual Remuneration Report, but the specific targets may be considered by the Committee to be commercially sensitive and may not be disclosed in advance. No more than 30% of salary in total is earned at the threshold performance levels, with a graduated scale operating thereafter through to maximum bonuses being earned for out-performance of the Company's targets for the year. Payments under the annual bonus plan may be subject to recovery and withholding provisions in the event of a material misstatement of the Company's financial results, material misconduct or if an error is made in assessing the extent to which any target and/or condition was satisfied.

Long-term incentive plan awards

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

Directors' Remuneration Policy continued

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

Bonus Plan and Long Term Incentive Plan (LTIP)

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

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

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

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

Choice of performance measures and approach to target setting

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

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

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

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

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

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

Non-Executive Directors' fees

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

Directors' Report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 30 November 2018.

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

Strategic Report

The Strategic Report is set out on pages 16 to 57 and is incorporated into this Directors' Report by reference. It contains details of likely future developments and research and development activities within the Group. The Strategic Report was approved by the Board of Directors on 30 January 2019.

Risk management and internal control

The Board is responsible for maintaining a risk management and internal control system and for managing principal risks faced by the Group. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material misstatement or loss. This is described in more detail in the Audit Committee Report on pages 70 to 75.

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

Financial risk management

Details of the Group's financial risk management policies are given in the Strategic Report on pages 50 to 57 and Note 20 to the Group financial statements on pages 136 to 141.

Greenhouse gas reporting

The disclosures concerning greenhouse gas emissions are included in the Corporate responsibility section on page 45.

Profit and dividends

The Group's consolidated loss for the year, after taxation, amounts to £45.7m (2017: loss of £17.6m). The Directors have declared dividends as follows:

Ordinary Shares	
Paid interim dividend of 1.05p per share Paid on 21 September 2018 (2017: 1.05p per share)	**£3.5m**
Proposed final dividend of 0.37p per share (2017: 2.00p per share)	**£1.2m**
Total dividend of 1.42p per share for 2017/18 (2017: 3.05p per share)	**£4.7m**

Subject to shareholder approval at this year's AGM, the final ordinary dividend will be paid on 10 April 2019 to shareholders whose names were on the Register of Members at the close of business on 15 February 2019.

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

Share capital

The Company's issued share capital as at 30 November 2018 comprised 330,106,588 pence Ordinary Shares, 154,571,152 deferred shares without voting rights and £100,000 6% first cumulative preference stock, £100,000 6% second cumulative preference stock and £200,000 5.5% third cumulative preference stock (the "Preference Stock").

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

During the period, 400,554 Ordinary Shares in the Company were issued under the terms of the Low & Bonar 2007 UK and International Sharesave Schemes at prices between 48.8 pence and 55.2 pence.

Details of the movements in the Company's issued share capital can be found on page 144 in Note 25 to the financial statements.

As announced on 30 January 2019, the Company is proposing to raise net proceeds of approximately £50m, after £4m of estimated commissions, fees and expenses. The equity raise is on the basis of 106 new shares for every 107 existing ordinary shares held by the eligible shareholder. The issue price is proposed to be 15p per new share.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 145 (Note 25).

The Company has a UK and international all-employee Sharesave scheme and a long-term incentive plan. Details of share-based payments during the year can be found on pages 144 to 147 (Note 25).

Directors and their share interests

Details of the Directors of the Company who served during the financial year ended 30 November 2018 are shown on pages 60 and 61 with the exception of Martin Flower who retired from the Board in 2017 on 10 September 2018 and Simon Webb who resigned from the Board on 17 December 2018.

Details of Directors' interests in the Company's Ordinary Shares, options held over Ordinary Shares, interests in share options and long-term incentive plans are set out on pages 81 to 85.

Directors' conflicts of interest

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

Directors' indemnities

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

Re-election of Directors

Although the Company is not a constituent of the FTSE 350, and as such the Directors are not required to seek annual re-election, the Directors will be voluntarily submitting themselves for re-election at the forthcoming Annual General Meeting. The length of appointment and notice periods for the Chairman and Non-Executive Directors are as follows:

	Tenure to 30 November 2018	Notice period
Daniel Dayan	2 months	3 months
Philip de Klerk	1 year 2 months	12 months*
Ian Ashton	N/A	12 months*
Trudy Schoolenberg	5 years 7 months	6 months
Peter Bertram	10 months	3 months
Kevin Matthews	3 years 8 months	6 months
Mike Powell	2 years	6 months

* 12 months from the Company or 6 months from the Director.

All Non-Executive Directors are subject to automatic termination if a Director is not elected or re-elected by shareholders at the AGM.

Political donations

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

Substantial interests

As at 28 January 2019, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

	No. of Ordinary Shares	% of total voting rights
Sterling Strategic Value Fund	57,074,983	17.29
Aberforth Partners LLP	54,133,684	16.40
J O Hambro Capital Management	35,075,143	10.63
Luxempart SA	26,661,395	8.08
AXA Investment Managers Ltd	25,250,000	7.65
Janus Henderson Investors	13,591,635	4.12
Chelverton Asset Management Ltd	13,356,562	4.05

Long-term viability statement

The Directors have assessed the viability of the Group over a three-year period to 30 November 2021, taking into account the Group's current position, the anticipated net proceeds from the announced equity raise and the potential impact of the principal risks set out in the Strategic Report. Based on this assessment and on the assumption that the principal risks are managed or mitigated, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review. Further details of our approach to assessing long-term viability can be found on page 53.

Significant agreements and change of control provisions

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

Subsidiaries, joint ventures and associated undertakings

As at 28 January 2019, the Group had 60 subsidiaries, joint ventures and associated undertakings. A list of these can be found on pages 152 to 155 (Note 37) to the Company's financial statements.

Annual General Meeting (AGM)

The 2019 AGM will be held at Instinctif Partners, 1st Floor, 65 Gresham Street, London EC2V 7NQ on Friday 5 April 2019, commencing at 11.00am and the notice of AGM containing the text of the resolutions to be proposed at the AGM together with explanatory notes will be sent to shareholders who have opted to receive it with this Annual Report and Accounts or alternatively can be found on our website at **investors.lowandbonar.com/shareholder-services/agm/yr-2019**.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out in the Strategic Report on pages 16 to 57 as well as the Group's principal risks and uncertainties as set out on pages 54 to 57. Based on the Group's cash flow forecasts and projections, which take into account the anticipated net proceeds from the announced equity raise, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. The Directors highlight that whilst the equity raise is fully underwritten, it is dependent on the receipt of shareholder approval, which is subject to customary conditions and is not scheduled to complete until after the date of signing these financial statements. Accordingly, at the time of signing these financial statements, there remains a material uncertainty related to events or conditions that may cast a significant doubt on the Group's ability to continue as a going concern. However, the Directors believe that shareholder approval will be received with the general meeting to approve the equity raise scheduled for 19 February 2019. For this reason, the Board considered it appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

Following a tender process the Board approved the appointment of EY as the Company's auditors from the start of the 2019 financial year. A resolution to appoint EY as auditor of the Company and to authorise the determination of its remuneration will be proposed at the forthcoming AGM.

Disclosure of information to auditor

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

UK Corporate Governance Code

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

The corporate governance statement is included in the Directors' Report by cross-reference and can be found on pages 58 to 94.

Approved by the Board and signed on its behalf by

Erika Percival
Company Secretary

30 January 2019

Statement of Directors' responsibilities

in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU") and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors are also responsible under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and in doing so have regard for the needs of wider society and stakeholders, including customers, consistent with the Group's core and sustainable business objectives.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Philip de Klerk
Group Chief Executive

30 January 2019

Ian Ashton
Group Chief Financial Officer

30 January 2019

Independent Auditor's report

to the members of Low & Bonar plc

1 Our opinion is unmodified

We have audited the financial statements of Low & Bonar PLC ("the Company") for the year ended 30 November 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Balance Sheets, Consolidated Cash Flow Statement, Company Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the shareholders in 1975. The period of total uninterrupted engagement is for the 44 financial years ended 30 November 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Material uncertainty related to going concern

We draw your attention to note A on page 109 of the financial statements which indicates that to avoid a potential covenant breach the Group and Parent Company's ability to continue as a going concern is dependent on the full anticipated receipts from the successful equity raise, which is subject to shareholder approval and the associated underwriting agreement.

These events and conditions, along with the other matters explained on page 109 constitute a material uncertainty that may cast significant doubt about the Group's and Parent's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

The risk: Disclosure quality

The financial statements explain how the Board has formed a judgment that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company.

That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model, including the impact of Brexit, and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.

The risk for our audit is whether or not those risks are such that they amount to a material uncertainty that may cast significant doubt about the ability to continue as a going concern. If so, that fact is required to be disclosed (as has been done) and, along with a description of the circumstances, is a key financial statement disclosure.

Our response:
With the assistance of a restructuring specialist we performed the following procedures:

- **Benchmarking assumptions:** We tested the integrity of the cash flow projections by assessing the appropriateness of key assumptions used in preparing those projections, with a specific focus on expected revenue growth and expected significant non-underlying income and expenditure. We evaluated these assumptions through enquiries with each of the divisional managers and those responsible for preparing and delivering these key initiatives.
- **Our sector experience:** We assessed the projections and assumptions by reference to our knowledge of the business and general market conditions and assessed the potential risk of management bias in preparing the cash flow projections.
- **Re-performance:** We re-performed the directors' forecast covenant calculations as at 30 November 2018, 31 May 2019, 30 November 2019, 31 May 2020 and 30 November 2020 for mathematical accuracy and compliance with finance arrangements.
- **Assessing application:** We assessed the appropriateness of the adjustments made in calculating adjusted EBITDA, the benchmark used in assessing covenant compliance, with particular focus on non-underlying items.
- **Sensitivity analysis:** We challenged the level of sensitivities applied (including downside scenarios) for reasonableness based on our knowledge of the business and markets served, and we evaluated whether the directors' plans to alleviate the downside risk evident from these scenarios were feasible in the circumstances.
- **Funding assessment:** We inspected the terms of the proposed equity raise, including the underwriting agreements, to assess the impact on the forecast cash flow models. We considered the terms of all the Group's financing arrangements, including both committed and uncommitted facilities, and assessed any impacts arising from the proposed equity raise and how these had been factored into the forecast models.
- **Assessing transparency:** We assessed the going concern disclosures for clarity, including that sufficient details were provided concerning the material uncertainty.

Our results:
We found the disclosure of the material uncertainty to be acceptable.

We are required to report to you if the directors' going concern statement under the Listing Rules set out on page 94 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3 Other key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The impact of uncertainties due to the UK exiting the European Union on our audit

Refer to page 54 (principal risks), page 53 (viability statement) and page 74 (Audit Committee Report), page 109 (accounting policy)

The risk: Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in the forecast-based valuation risks below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement, and to consider the directors' statement 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.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

Our response:
We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.
- **Sensitivity analysis:** When addressing the recoverability of Coated Technical Textiles group of Cash Generating Units, recoverability of Civil Engineering tangible fixed assets, recoverability of parent company's investments in Bonar International Holdings Limited and LCM Construction Products Limited and debt due from Coated Technical Textiles and Civil Engineering entities and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on going concern and impairment we considered all the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Our results
As reported below under the recoverability of Coated Technical Textiles group of Cash Generating Units, recoverability of Civil Engineering tangible fixed assets, recoverability of parent company's investments in Bonar International Holdings Limited and LCM Construction Products Limited and debt due from Coated Technical Textiles and Civil Engineering entities, we found the resulting estimates and related disclosures of these matters, and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Recoverability of Coated Technical Textiles Group of Cash Generating Units (CGU), Risk vs 2017: ▲

Refer to page 73 (Audit Committee report), page 112 (accounting policy) and pages 130 and 131 (financial disclosures).

The risk: Forecast-based valuation

The carrying amount of the Coated Technical Textiles CGU is significant and at risk of irrecoverability due to weak customer demand as a result of challenging production consistency issues and increased raw material prices. The carrying amount of the Coated Technical Textiles CGU is significant and the estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

Independent Auditor's report continued

Our response:
Our procedures included:

- **Benchmarking assumptions:** With the assistance of our restructuring specialist, we tested the integrity of the cash flow projections by assessing the appropriateness of key assumptions used in preparing those projections, with a specific focus on expected revenue growth and expected significant non-underlying income and expenditure. We evaluated these assumptions through enquiries with each of the divisional managers and those responsible for preparing and delivering these key initiatives.
- **Benchmarking assumptions:** We compared the group's assumptions in relation to key inputs such as, growth rate, discount rate, forecast revenue and profit margins, to historical information and externally derived data. We were assisted by our own valuation specialist to evaluate the discount rate.
- **Sensitivity analysis:** We performed a sensitivity analysis on the key assumptions noted above.
- **Assessing transparency:** We assessed the adequacy of disclosures in the financial statements, including those in respect of the key assumptions used and the impairment loss recorded.

Our results:
We found the Group's assessment of the recoverable amount of Coated Technical Textiles GBU and resulting impairment charge to be acceptable (2017 result: acceptable).

Recoverability of Civil Engineering tangible fixed assets, Risk vs 2017: ◀▶

Refer to page 73 (Audit Committee report), page 112 (accounting policy) and pages 132 and 133 (financial disclosures).

The risk: Forecast-based valuation

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

Our response:
Our procedures included:

- **Our sector experience:** We obtained the directors' assessment of whether indicators of impairment existed in the individual Civil Engineering CGUs in relation to tangible fixed assets and considered this for reasonableness in line with accounting standards.
- **Benchmarking assumptions:** With the assistance of our restructuring specialist, we tested the integrity of the cash flow projections by assessing the appropriateness of key assumptions used in preparing those projections, with a specific focus on expected revenue growth and expected significant non-underlying income and expenditure. We evaluated these assumptions through enquiries with each of the divisional managers and those responsible for preparing and delivering these key initiatives.
- **Benchmarking assumptions:** We compared the group's assumptions in relation to key inputs such as, growth rate, discount rate, forecast revenue and profit margins, to historical information and externally derived data. We were assisted by our own valuation specialist to evaluate the discount rate.
- **Sensitivity analysis:** We performed sensitivity analysis, including a breakeven analysis, on the key assumptions noted above.
- **Assessing transparency:** We assessed the adequacy of disclosures in the financial statements, including those in respect of the key assumptions used and the impairment loss recorded.

Our results:
We found the Group's assessment of the recoverable amount of Civil Engineering tangible assets to be acceptable (2017 result: acceptable).

Provision and contingent liabilities relating to customs duty irregularities £2.6 million, (2017: £1.7 million), Risk vs 2017: ▲

Refer to page 75 (Audit Committee report), page 116 (accounting policy) and page 143 (financial disclosures).

The risk: Subjective estimate

Significant judgment is required to assess whether the identified customs duty irregularities and any related penalties should be recognised as provisions within the financial statements or warrant disclosure as contingent liabilities.

The amounts involved are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided as a liability requires judgement.

Our response:
Our procedures included:

- **Personnel interviews:** We enquired of the directors and Group Counsel and inspected board minutes for discussions relating to the identified irregularities.
- **Benchmarking assumptions:** We compared the directors' estimate of the level of exposure arising from these irregularities to third party evidence, where available, accompanied by discussions with the Group's external legal advisors.
- **Assessing transparency:** We evaluated the adequacy of the Group's provision disclosure in the financial statements in accordance with accounting standards, and in particular the disclosure of the estimation uncertainty. We assessed whether the irregularities had any associated matters that warranted disclosure as a contingent liability.

Our results:
We found the group's assessment of the amount to be acceptable (2017 result: acceptable).

Recoverability of parent company's investments in Bonar International Holdings Limited and LCM Construction Products Limited and debt due from Coated Technical Textiles and Civil Engineering entities, Risk vs 2017: ▲

Refer to page 74 (Audit Committee report), page 112 (accounting policy) and pages 133 and 134 (financial disclosures).

The risk: Forecast-based valuation

The parent company holds its interest in its operations through a number of direct and indirect investments. As a result, the carrying value of its investments in Bonar International Holdings Limited and LCM Construction Products Limited is affected by the recoverability of the carrying value in the underlying investments. Due to the Coated Technical Textiles and Civil Engineering segments facing challenging trading conditions, as described in the forecast-based valuation risks above, there is a risk that the carrying value in these investments, as well as the amounts due from CTT and Civil Engineering entities, may not be recoverable.

The estimated recoverable amounts of these balances are subjective due to the inherent uncertainty in forecasting and discounting future cash flows.

Our response:
Our procedures included:

- **Benchmarking assumptions:** We tested the integrity of the cash flow projections relating to Bonar International Holdings Limited by assessing the appropriateness of key assumptions used in preparing those projections. We evaluated these assumptions through enquiries with each of the divisional managers and those responsible for preparing and delivering these key initiatives. We compared the group's assumptions in relation to key inputs such as, growth rate, discount rate, forecast revenue and profit margins, to historical information and externally derived data.
- **Our sector experience:** We evaluated assumptions within the cash flow projections relating to Bonar International Holdings Limited, in particular the discount rate, using our own valuation specialist.
- **Tests of detail:** Comparing the carrying amount of the investment in LCM Construction Products Limited to its draft balance sheet to identify whether its net assets, being an approximation of the minimum recoverable amount, was in excess of its carrying amount.
- **Tests of detail:** We identified the carrying amounts of debt due from entities that belong to the CTT and Civil Engineering segments. Assessing 100% of receivables due from companies in the CTT and Civil Engineering divisions to identify, with reference to the relevant debtors' draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making.
- **Assessing transparency:** We assessed the adequacy of the parent company's disclosures in respect of investments in subsidiaries/group debtor balances.

Our results:
We found the group's assessment of the recoverable amount of the parent company's investments in Bonar International Holdings Limited and LCM Construction Products Limited and debt due from entities included in the CTT and Civil Engineering segments to be acceptable (2017 result: acceptable).

4 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 £0.8 million (2017: £1.3 million), determined with reference to a benchmark of group result before tax from continuing operations, normalised to exclude non-underlying items other than amortisation of acquired intangibles, averaged over the current and previous 2 financial years due to the volatility of the result. Materiality represents 3.6% of this benchmark (2017: 4.8% of group loss before tax of £19.7 million, normalised to exclude non-underlying items other than amortisation of acquired intangibles, of £46.7 million).

The reduction in amount of the benchmark since the prior year is a result of lower profit before tax and non-underlying items.

Materiality for the parent company financial statements as a whole was set at £0.65 million (2017: £1.1 million), determined with reference to a benchmark of company total assets, of which it represents 0.2% (2017: 0.3%).

We applied a lower materiality of £0.5 million (2017: £1.0 million) to share based payments and the disclosure of Directors' Remuneration for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £40,000 (2017: £75,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 44 (2017: 43) reporting components, we subjected 6 (2017: 9) to full scope audits for group purposes and 1 (2017: 2) to specified audit procedures. The latter was not individually significant but was included in the scope of our group reporting work in order to provide further coverage over the group's results.

The procedures for full scope audits covered approximately 68% of total group revenue (2017: 74%); 64% of total profits and losses that make up group profit before tax (2017: 72%) and 65% of total group assets (2017: 50%). The procedures for specified audit procedures covered approximately 7% of total group revenue (2017: 7%), 2% of total profits and losses that make up group profit before tax (2017: 7%) and 4% of total group assets (2017: 16%).

Independent Auditor's report continued

The remaining 25% (2017: 19%) of total group revenue, 34% (2017: 21%) of total profits and losses that make up group profit before tax and 31% (2017: 34%) of total group assets is represented by 37 (2017: 32) reporting components, none of which individually represented more than 5% (2017: 4%) of any of total group revenue, 3% (2017: 1%) of total profits and losses that make up group profit before tax or 5% (2017: 9%) of total group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which was set at £0.65m as a reflection of the risk profile of the Group across the components. The work on 4 of the 6 components (2017: 5 of the 9 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team inspected audit documentation prepared by 4 (2017: 4) component teams for full scope audits, being Germany, Holland, China and Belgium (2017: Germany, Holland, Belgium and Czech Republic) and 1 (2017: nil) component team for specified audit procedures, being Czech Republic. Telephone conference meetings were also held with all component auditors. During these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

5 We have nothing to report on the other information in the Annual Report

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement page 53 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Corporate governance disclosures

We are required to report to you if:

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

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

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 95, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial nature of the group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we identified actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. Further detail in respect of the customs duty irregularities is set out in the key audit matter disclosures in section 3 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

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

Anthony Hambleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

St Nicholas House
Park Row
Nottingham
NG1 6FQ

30 January 2019

Consolidated Income Statement

for the year ended 30 November

	Note	2018 Underlying £m	2018 Non-underlying (Note 5) £m	2018 Total £m	2017 Underlying £m	2017 Non-underlying (Note 5) £m	2017 Total £m
Revenue	1	**431.9**	**–**	**431.9**	446.5	–	446.5
Operating profit/(loss)	1	**22.2**	**(58.6)**	**(36.4)**	35.5	(50.4)	(14.9)
Financial income	6	**0.2**	**–**	**0.2**	0.1	–	0.1
Financial expense	6	**(5.7)**	**(0.3)**	**(6.0)**	(4.9)	–	(4.9)
Net financing costs		**(5.5)**	**(0.3)**	**(5.8)**	(4.8)	–	(4.8)
Profit/(loss) before taxation	2	**16.7**	**(58.9)**	**(42.2)**	30.7	(50.4)	(19.7)
Taxation	7	**(4.4)**	**0.9**	**(3.5)**	(8.9)	11.0	2.1
Profit/(loss) after taxation		**12.3**	**(58.0)**	**(45.7)**	21.8	(39.4)	(17.6)
Profit/(loss) for the year from continuing operations		**12.3**	**(58.0)**	**(45.7)**	21.8	(39.4)	(17.6)
Loss for the year from discontinued operations	30	**–**	**(0.7)**	**(0.7)**	–	(1.0)	(1.0)
Profit/(loss) for the year		**12.3**	**(58.7)**	**(46.4)**	21.8	(40.4)	(18.6)
Attributable to							
Equity holders of the Company		**11.8**	**(58.7)**	**(46.9)**	21.2	(40.4)	(19.2)
Non-controlling interest	28	**0.5**	**–**	**0.5**	0.6	–	0.6
		12.3	**(58.7)**	**(46.4)**	21.8	(40.4)	(18.6)
Earnings per share	10						
Continuing operations:							
Basic		**3.56p**		**(14.04p)**	6.42p		(5.56p)
Diluted		**3.52p**		**(14.04p)**	6.32p		(5.56p)
Discontinued operations:							
Basic		**–**		**(0.21p)**	–		(0.30p)
Diluted		**–**		**(0.21p)**	–		(0.30p)
Total:							
Basic		**3.56p**		**(14.25p)**	6.42p		(5.86p)
Diluted		**3.52p**		**(14.25p)**	6.32p		(5.86p)

Consolidated Statement of Comprehensive Income

for the year ended 30 November

	Note	2018 £m	2017 £m
Loss for the year		**(46.4)**	(18.6)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension schemes	4	**3.5**	9.8
Deferred tax on defined benefit pension schemes	4	**(1.4)**	(3.2)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1.6**	–
Exchange differences recycled from reserves		**–**	–
Total other comprehensive income for the year, net of tax		**3.7**	6.6
Total comprehensive loss for the year		**(42.7)**	(12.0)
Attributable to			
Equity holders of the parent		**(43.3)**	(13.0)
Non-controlling interest	28	**0.6**	1.0
Total		**(42.7)**	(12.0)

Balance Sheets

as at 30 November

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current assets					
Goodwill	11	**28.2**	66.9	**–**	–
Intangible assets	12	**23.4**	24.8	**1.1**	0.8
Property, plant and equipment	13	**137.0**	144.5	**0.3**	0.5
Investment in subsidiaries	14	**–**	–	**174.8**	181.3
Investment in joint venture	15	**–**	–	**–**	–
Investment in associates	16	**0.8**	0.7	**–**	–
Deferred tax assets	22	**8.6**	10.1	**–**	3.5
Other receivables	18	**–**	–	**42.4**	47.2
Post-employment benefits	4	**11.4**	10.0	**11.0**	10.0
		209.4	257.0	**229.6**	243.3
Current assets					
Inventories	17	**93.9**	97.3	**–**	–
Trade and other receivables	18	**77.8**	86.9	**158.7**	172.9
Cash and cash equivalents	20	**47.8**	38.2	**0.4**	0.1
Assets classified as held for sale	21	**2.7**	–	**–**	–
		222.2	222.4	**159.1**	173.0
Current liabilities					
Interest-bearing loans and borrowings	20	**5.0**	2.7	**2.5**	2.0
Current tax liabilities		**0.7**	2.2	**–**	0.5
Trade and other payables	19	**92.4**	86.7	**11.7**	105.6
Provisions	23	**3.8**	1.7	**–**	–
Liabilities directly associated with assets classified as held for sale	30	**2.2**	1.4	**–**	–
		104.1	94.7	**14.2**	108.1
Net current assets		**118.1**	127.7	**144.9**	64.9
Total assets less current liabilities		**327.5**	384.7	**374.5**	308.2
Non-current liabilities					
Interest-bearing loans and borrowings	20	**171.3**	173.9	**65.1**	71.5
Deferred tax liabilities	22	**16.8**	17.5	**3.9**	3.5
Post-employment benefits	4	**11.1**	12.2	**–**	–
Other payables	24	**0.8**	0.8	**88.7**	–
		200.0	204.4	**157.7**	75.0
Net assets		**127.5**	180.3	**216.8**	233.2
Equity attributable to equity holders of the parent					
Share capital	25	**47.4**	47.4	**47.4**	47.4
Share premium account	26	**74.8**	74.6	**74.8**	74.6
Translation reserve	27	**(24.9)**	(26.4)	**–**	–
Retained earnings		**23.2**	78.3	**94.6**	111.2
Total equity attributable to					
Equity holders of the parent		**120.5**	173.9	**216.8**	233.2
Non-controlling interest	28	**7.0**	6.4	**–**	–
Total equity		**127.5**	180.3	**216.8**	233.2

The consolidated financial statements on pages 102 to 157 were approved by the Board on 30 January 2019 and signed on its behalf by:

Philip de Klerk
30 January 2019

Ian Ashton
30 January 2019

Registered number: SC008349

Consolidated Cash Flow Statement

for the year ended 30 November

	Note	2018 £m	2017 (restated) £m
Loss for the year from continuing operations		**(45.7)**	(17.6)
Loss for the year from discontinued operations		**(0.7)**	(1.0)
Loss for the year		**(46.4)**	(18.6)
Adjustments for:			
Depreciation	2	**15.9**	18.5
Amortisation	2	**4.1**	4.8
Income tax expense/(credit)	7	**3.5**	(2.1)
Net financing costs	6	**5.8**	4.8
Increase in provision for disposal of Bonar Natpet (liabilities held for sale)	30	**0.7**	0.3
Share of profit from associate	16	**(0.1)**	(0.2)
Loss on disposal of the grass yarns business		**–**	0.7
Loss on disposal of the agro-textile business		**–**	12.7
Civil Engineering impairment charge		**2.3**	31.6
Coated Technical Textiles impairment charge	11	**39.0**	–
ERP impairment charge	12	**1.5**	–
Other impairment charges		**1.0**	–
Non-cash pension charges		**4.5**	1.1
Other non-cash income		**(0.2)**	–
Decrease/(increase) in inventories		**4.4**	(9.2)
Decrease/(increase) in trade and other receivables		**9.5**	(10.3)
Increase/(decrease) in trade and other payables		**4.1**	(0.1)
Increase in provisions		**2.1**	1.7
(Gain)/loss on disposal of non-current assets		**(0.2)**	0.2
Equity-settled share-based payment		**(0.2)**	0.7
Cash inflow from operations		**51.3**	36.6
Interest received		**0.1**	–
Interest paid		**(5.2)**	(4.4)
Tax paid		**(5.4)**	(10.3)
Pension cash contributions		**(3.4)**	(4.4)
Net cash inflow from operating activities		**37.4**	17.5
Proceeds from the disposal of the grass yarns business		**–**	3.0
Proceeds from the disposal of the agro-textile business		**–**	4.2
Proceeds from the disposal of fixed assets		**2.6**	–
Acquisition of Walflor Industries Inc.		**–**	(3.4)
Acquisition of property, plant and equipment		**(15.2)**	(28.7)
Intangible assets purchased		**(3.4)**	(5.7)
Net cash outflow from investing activities		**(16.0)**	(30.6)
Drawdown of borrowings		**129.0**	33.7
Repayment of borrowings		**(127.9)**	–
Loan fees repaid		**(1.6)**	–
Proceeds of share issues to employees		**0.2**	0.2
Equity dividends paid		**(10.1)**	(10.0)
Dividends paid to non-controlling interests		**–**	(1.0)
Net cash (outflow)/inflow from financing activities		**(10.4)**	22.9
Net cash inflow	29	**11.0**	9.8
Cash and cash equivalents at start of year		**35.5**	26.3
Foreign exchange differences		**0.9**	(0.6)
Cash and cash equivalents at end of year		**47.4**	35.5

Company Cash Flow Statement

for the year ended 30 November

	Note	2018 £m	2017 (restated) £m
(Loss)/profit for the year	8	**(7.6)**	20.1
Adjustments for:			
Depreciation		**0.2**	0.1
Income tax charge/(credit)		**2.9**	(2.6)
Provision for investment impairment		**6.2**	–
Provision for amount due from subsidiary undertaking		**5.3**	–
Loss on disposal of investments		**0.3**	–
Net financing income		**(1.6)**	(2.9)
Non-cash pension charges		**4.2**	0.6
Other non-cash income		**(0.1)**	–
Decrease/(increase) in receivables		**13.7**	(27.7)
(Decrease)/increase in payables		**(5.3)**	86.1
Equity-settled share-based payment		**(0.2)**	0.7
Cash inflow from operations		**18.0**	74.4
Interest received		**5.7**	5.0
Interest paid		**(3.7)**	(1.7)
Pension cash contributions		**(3.0)**	(4.1)
Net cash inflow from operating activities		**17.0**	73.6
Investment in subsidiary		**–**	(88.1)
Acquisition of intangible assets		**(0.3)**	(0.8)
Net cash outflow from investing activities		**(0.3)**	(88.9)
Proceeds of share issues to employees		**0.2**	0.2
Loan fees repaid		**(1.4)**	–
Drawdown of borrowings		**71.5**	23.1
Repayment of borrowings		**(77.1)**	–
Equity dividends paid		**(10.1)**	(10.0)
Net cash (outflow)/inflow from financing activities		**(16.9)**	13.3
Net cash outflow	29	**(0.2)**	(2.0)
Cash and cash equivalents at start of year		**(1.9)**	0.1
Cash and cash equivalents at end of year		**(2.1)**	(1.9)

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 2016	47.4	74.4	(26.0)	100.2	196.0	6.4	202.4
Total comprehensive (loss)/profit for the year	–	–	(0.4)	(12.6)	(13.0)	1.0	(12.0)
Dividends paid to Ordinary Shareholders	–	–	–	(10.0)	(10.0)	–	(10.0)
Dividends paid to non-controlling interests	–	–	–	–	–	(1.0)	(1.0)
Shares issued	–	0.2	–	–	0.2	–	0.2
Share-based payment	–	–	–	0.7	0.7	–	0.7
Net increase/(decrease) for the year	–	0.2	(0.4)	(21.9)	(22.1)	–	(22.1)
At 30 November 2017	47.4	74.6	(26.4)	78.3	173.9	6.4	180.3
Total comprehensive profit /(loss) for the year	**–**	**–**	**1.5**	**(44.8)**	**(43.3)**	**0.6**	**(42.7)**
Dividends paid to Ordinary Shareholders	**–**	**–**	**–**	**(10.1)**	**(10.1)**	**–**	**(10.1)**
Shares issued	**–**	**0.2**	**–**	**–**	**0.2**	**–**	**0.2**
Share-based payment	**–**	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
Net increase/(decrease) for the year	**–**	**0.2**	**1.5**	**(55.1)**	**(53.4)**	**0.6**	**(52.8)**
At 30 November 2018	**47.4**	**74.8**	**(24.9)**	**23.2**	**120.5**	**7.0**	**127.5**

Company Statement of Changes in Equity

for the year ended 30 November

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 30 November 2016	47.4	74.4	94.6	216.4
Profit for the year	–	–	20.1	20.1
Actuarial gain on defined benefit pension scheme	–	–	8.9	8.9
Deferred tax on defined benefit pension scheme	–	–	(3.1)	(3.1)
Dividends paid to Ordinary Shareholders	–	–	(10.0)	(10.0)
Shares issued	–	0.2	–	0.2
Share-based payment	–	–	0.7	0.7
Net increase for the year	–	0.2	16.6	16.8
At 30 November 2017	47.4	74.6	111.2	233.2
Loss for the year	**–**	**–**	**(7.6)**	**(7.6)**
Actuarial gain on defined benefit pension scheme	**–**	**–**	**1.9**	**1.9**
Deferred tax on defined benefit pension scheme	**–**	**–**	**(0.6)**	**(0.6)**
Dividends paid to Ordinary Shareholders	**–**	**–**	**(10.1)**	**(10.1)**
Shares issued	**–**	**0.2**	**–**	**0.2**
Share-based payment	**–**	**–**	**(0.2)**	**(0.2)**
Net increase/(decrease) for the year	**–**	**0.2**	**(16.6)**	**(16.4)**
At 30 November 2018	**47.4**	**74.8**	**94.6**	**216.8**

Significant Accounting Policies

General information

Low & Bonar PLC (the 'Company') is a public company, limited by shares, domiciled in Scotland and incorporated in Scotland under the Companies (Consolidation) Act 1908. The address of the registered office is Whitehall House, 33 Yeaman Shore, Dundee, Scotland, 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 2018 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.

Both the Parent Company financial statements and the Group financial statements have been prepared in accordance with IFRS as adopted by the EU ('adopted IFRS'). At the date of authorisation of these financial statements, there are a number of Standards, Interpretations and Amendments in issue but not yet effective and which have therefore not yet been applied in these financial statements (accounting policy W).

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

The adopted IFRS applied by the Group in the preparation of these financial statements are those that were effective at 30 November 2018.

Going concern

The Group closely monitors and manages its funding position and liquidity risk throughout the year, including monitoring forecast covenant results to ensure it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, reduced volume growth, raw material price changes, and reduction in margins. These forecasts and sensitivity analyses allow management to mitigate any liquidity or covenant compliance risks in a timely manner.

During the year, management has taken action to implement certain cost-saving programmes, to reduce planned operational expenditure, general and administrative spend and capital expenditure, and to better control working capital. Management also successfully refinanced the Group's Revolving Credit Facility and Private Placement Notes, including a relaxation of the leverage covenant from 3x adjusted EBITDA to 3.5x adjusted EBITDA until, and including, the May 2019 covenant test.

At the year end, the Group had headroom of £88m on its borrowing facilities and headroom on its related financial covenants which are the same under both the Revolving Credit Facility and the Private Placement Notes. The Group routinely takes action to manage working capital every six months, and the headroom reflects the benefit of these actions.

The forecasts which underpin our going concern assessment are based on the approved 2019 budget, and reflect an assumed growth in sales volumes of B&I and I&T, an increase in profitability of Civil Engineering, following the operational improvement actions undertaken by management, and an improvement in profitability of CTT reflecting the progress made during 2018 to resolve the production consistency issues that have been experienced. The forecasts reflect an increase in raw material prices from 2018, and also reflect the net debt benefit of the working capital management actions taken each six months, at levels broadly similar to the amounts delivered in 2018. The forecasts indicate that the Group will be able to operate within the headroom of its existing borrowing facilities for at least 12 months from the date of approval of the Annual Report and Accounts.

Notwithstanding this, the level of headroom over the loan covenants is limited. Whilst further headroom could be created through certain mitigating actions, such as reduction in capex, further cost savings, and a reduction in dividends, risks to the business exist which could eliminate this headroom. These risks, which have been taken into account in modelling downside scenarios for the purposes of this assessment, and the viability statement review, include lower than projected sales growth, the recovery of CTT being slower than anticipated, the impact of foreign exchange fluctuations on the Group's reported Sterling results following the UKs withdrawal from the EU, and/or significant raw material price increases above those assumed in the budget combined with an inability to pass the price increases on to customers. The Directors are also pursuing the sale of the Civil Engineering business, and this disposal, which would create further headroom, has not been assumed within the projections.

The Directors have considered the base case projections, and the impact of the plausible risks to the business on these projections. Despite the actions taken to date to reduce cost, improve working capital and improve the business, there remains a risk that the leverage ratio will exceed the maximum leverage ratio under the debt facility arrangement of 3.5x times in the measurement period ended 31 May 2019 and in subsequent periods, noting that the leverage ratio covenant reduces to 3.0x times for the test date ended 30 November 2019 and future test dates.

Should a breach on the leverage covenant begin to appear likely despite mitigating actions that management would take, in the first instance we would seek to renegotiate the terms of the debt facilities or seek an amendment or waiver of the leverage ratio covenant. However we may not be able to obtain such amendment or waiver from the lenders either at all, or without a significant cost. In this situation, the lenders could demand accelerated repayment and we may not have the funds to make these repayments.

In light of this, the Group is intending to raise a net amount of £50m via an equity raise, the prospectus for which was published on 30 January 2019.

The Directors have considered in their assessment of going concern the prospects of the equity raise proceeding and the net proceeds of the equity raise being received by the Group, together with the risks attached to the equity raise not taking place, including appetite in the market as a result of Brexit uncertainty. The Directors highlight that whilst the equity raise is fully underwritten, it is dependent on the receipt of shareholder approval, which is subject to customary conditions, and which is not scheduled to complete until after the date of signing of these financial statements.

Significant Accounting Policies continued

(A) Basis of preparation continued

Accordingly, at the time of signing these financial statements, there remains a material uncertainty related to events or conditions that may cast a significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors believe that shareholder approval will be received with the general meeting to approve the equity raise scheduled for 19 February 2019, and that taking into account the proceeds of the equity raise, they therefore have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash for the foreseeable future and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis.

Restatement of Cash Flow Statement

The prior year cash and cash equivalent amounts in the Consolidated Cash Flow Statement and Company Cash Flow Statement have been restated to include bank overdrafts. This adjustment has resulted in cash and cash equivalents at the end of the year decreasing from £38.2m at 30 November 2017 to £35.5m for the Group and £0.1m to £(1.9)m for the Company. Drawdown on borrowings has decreased from £36.4m at 30 November 2017 to £33.7m for the Group and £23.8m to £23.1m for the Company. The restatement has no impact on the net assets of the Group or Company.

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

(ii) Associates

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

(iii) Joint ventures

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

The Group accounts for its joint ventures using the equity method. The investment in the joint venture is recognised initially at cost and is adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. Where a joint venture is loss-making, the Group accounts for its share of loss until the carrying value of the investment is reduced to zero. A share of further losses is only recognised to the extent that the Group has a legal or constructive obligation to do so.

(iv) Transactions eliminated on consolidation

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

(v) Discontinued operations

A discontinued operation is a component of the Group's businesses that represents a separate major line of business or geographical 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.

(C) Foreign currency continued

(ii) Translation of foreign operations

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

(D) Hedging

(i) Hedge of net investment in foreign operations

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

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

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

(E) Property, plant and equipment

(i) Owned assets

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

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

(ii) Leased assets

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

(iii) Subsequent expenditure

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

(iv) Depreciation

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

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

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

For other assets, the useful economic lives are:

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

(F) Intangible assets

(i) Goodwill

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

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

(ii) Research and development

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

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

(iii) Other intangible assets

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

Significant Accounting Policies continued

(F) Intangible assets continued

(iv) Amortisation

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

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

– technology based	5–10 years
– customer relationships	4–11 years
– marketing related	10 years
– order backlog	3 months
– non-compete agreements	4–5 years
– computer software	3–12 years
– research and development	5–7 years

(G) Trade and other receivables

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

(H) Inventories

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

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

(I) Cash and cash equivalents

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

(J) Impairment

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

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

(i) Calculation of recoverable amount

Receivables with a short duration are not discounted.

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

(K) Share capital

(i) Preference share capital

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

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

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

(ii) Dividends

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

(iii) Equity transaction costs

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

(L) Interest-bearing borrowings

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

(M) Employee benefits

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

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

Where the calculation results in a benefit to the Company or the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

(iii) Equity and equity-related compensation benefits

The Company and Group have applied the requirements of IFRS 2. In accordance with the exemption available within the transitional provisions of IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Company operates various equity-settled and cash-settled share option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant, and the fair value determined at the grant date of these payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured taking into account market conditions and by use of the Black-Scholes model or a Stochastic model, as appropriate. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on historic volatility patterns), the expected dividend yield and the risk-free interest rate (calculated based on UK Gilts with a term commensurate with the expected term remaining of the performance period at grant). The fair values of cash-settled payments are re-measured at each balance sheet date and the cost of these payments is recognised over the vesting period, taking into account the re-measurement of fair value at each balance sheet date.

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

(N) Provisions

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

(O) Trade and other payables

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

(P) Revenue

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

Sales of goods are recognised when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer (which is generally on despatch as most items are sold on a cost includes freight basis; or on delivery where Delivered Duty Paid ("DDP") Incoterms are used), the amount of revenue can be measured reliably, and it is probable that the economic benefits of the transaction will flow to the Group.

Significant Accounting Policies continued

(Q) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Net financing costs

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

(R) Non-underlying items

As permitted by IAS 1 (Revised): Presentation of Financial Statements, certain items are presented separately. Although the term "non-underlying" is not defined under IFRS, the Group has adopted the policy that the items that are separately presented as non-underlying on the face of the income statement are those items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, or due to materiality, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

The following items, and the related tax thereon, are routinely classified as non-underlying:

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

(S) Taxation

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

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

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

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

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

(T) Segment reporting

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

(U) Significant judgements and estimates

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

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

(U) Significant judgements and estimates
continued

(i) Critical accounting judgements

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

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

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

Taxation

The Group has a number of taxation judgements to consider including the recoverability of deferred tax assets, the assessment of corporation tax in each of the jurisdictions in which it operates and the total provision for income taxes based on management's interpretation of country-specific tax law and the likelihood of settlement. Included in current tax liabilities is an amount of £2.8m (2017: £3.5m) in respect of uncertain tax positions. This amount relates primarily to the risks arising from the inter-company pricing arrangements within the Group and to specific tax risks in Germany and the Netherlands. Inter-company pricing is the subject of continuing focus by the tax authorities following recent changes in the international tax rules and the liability has been reviewed at the 30 November 2018 in light of this. Management evaluates each of these risks on a case by case basis and regularly re-evaluates their assessment of likely outcomes based on the latest information available and previous experience.

In addition, the recognition and measurement of deferred tax requires the application of judgement in assessing the amount, timing and probability of future taxable profits and repatriation of retained earnings. These factors affect the determination of the appropriate rates of tax to apply and the recoverability of deferred tax assets. These judgements are influenced, inter alia, by factors such as estimates of future performance of the Group's operations, future capital expenditure and dividend policies. See Note 22 for the Group's deferred tax disclosures.

Non-underlying items

The definition of non-underlying items is not prescribed in any IFRS and therefore judgement is involved in determining which items constitute non-underlying items. The Directors apply judgement when considering the presentation of underlying and non-underlying items. As discussed above, the Group separately presents specific non-underlying items in the income statement, which in the Directors judgement, need to be disclosed separately by virtue of their nature, size and/or incidence in order for users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business. This judgement has an impact on the calculation of the covenants as non-underlying items are excluded from the calculation of adjusted EBITDA (Note 38).

As noted in accounting policy R, certain items are routinely presented separately as non-underlying items on the face of the income statement. In the current year, restructuring costs have been presented separately as they relate directly to a major Group-wide transformation programme which is over and above the level of restructuring that is routinely undertaken in the normal course of business. As disclosed in Note 5 these restructuring costs include the cost of headcount reductions and other non-underlying significant consulting costs.

(ii) Key sources of estimation uncertainty

Retirement benefit schemes

The expected costs of providing pensions and post-employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions. Note 4 outlines the key assumptions used to value the Group's post-employment obligations and the sensitivity of obligations to changes in these assumptions. The key assumptions include the discount rate, the rate of inflation, the mortality assumptions and the rate of future pension increases. Measurement of the UK Scheme's defined benefit obligation is particularly sensitive to changes in certain key assumptions including the discount rate. An increase or decrease of 0.5% in the discount rate would result in a decrease or increase in the defined benefit obligation of c £9.1m – £10.2m (2017: £10.2m – £11.5m) respectively.

The UK pension scheme provided guaranteed minimum pensions ("GMPs") in lieu of benefits under the State Earnings Related Pension Scheme ("SERPS") in respect of contracted-out service up to 5 April 1997. GMPs (in line with the State pension benefits provided within SERPS) are required to be paid to men and women at different retirement ages, 65 and 60 respectively. As a result of the ruling on 26 October 2018 relating to Lloyds Bank's pension schemes, Article 141 of the EC Treaty (and the Barber decision as enacted in the Pensions Act 1995) requires our scheme (or any UK pension scheme providing GMPs) to adjust benefits to remove inequalities introduced by GMPs, including those caused by the different retirement ages. In conjunction with the Group's pension advisors, we have made an initial assessment of the additional liability this ruling would give rise to and at 30 November 2018 estimate the additional liability to be £4m. This estimation is based on 15% of the proportion of liabilities relating to GMPs accrued after 1990. Under IAS 19, where you are making changes to future benefits of the Scheme, this is classified as a plan amendment and should therefore be accounted for as a past service cost. Past service costs are recognised in the income statement and the £4.0m is presented as a non-underlying item in Note 5.

Significant Accounting Policies continued

(U) Significant judgements and estimates continued

Given the inherent uncertainty surrounding the details and application of the ruling and the complexity of the UK scheme, the amount of the additional liability is calculated based on the information currently available. The key assumption in the calculation is that the additional liability will be 15% of the GMPs accrued after 1990. This is the Group's best estimate at this time although we understand, from discussions with our advisors, that a range of 10-20% might be appropriate as we gain more transparency on the ruling. We will therefore continue to revise the £4m estimate going forward as we gain more clarity and understanding of exactly how this ruling will be applied and how it will impact the scheme.

Provision for custom duties and fees

In previous periods, the Group identified irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office which was closed several years ago. The 2018 non-underlying charge of £1.6m and closing provision of £2.6m represents the Group's best estimate of the liability (both the penalty to be incurred and the professional fees included) and it has been treated as non-underlying due to its nature. In forming a view as to the adequacy of the provision, management have taken account of the findings of the investigation to date which include some assessments and assumptions that could significantly alter the level of costs to be incurred, were they to be incorrect. These assessments and assumptions include the identification of all transactions with irregularities, the value of customs duties impacted and the level of relief for penalties that could be given due to the Group's active management of the issue. The investigation is ongoing and until matters have been resolved with the relevant authorities, the timing of any cash outflows is uncertain. Whilst management believe that the assessments and assumptions used in calculating the required provision are appropriate, it is reasonably possible that, within the next financial year, variations in key assessments and assumptions, particularly the level of relief given for penalties, could lead to a material change to the amount provided.

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

The impairment tests undertaken with respect to goodwill, intangible assets and property, plant and equipment (Notes 11, 12 and 13) use commercial judgement and key assumptions and estimates including the discount rate, the long-term growth rate and the cash flow projections to be used. Estimating a value in use amount requires management to make an estimate of the future expected cash flows from each group of cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(V) Financial guarantee contracts

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

(W) New IFRS not yet applied

On the date on which these financial statements were authorised the following Standards, Interpretations and Amendments had been issued but were not effective for the year ended 30 November 2018 (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

For the Group, transition to IFRS 9 is effective from 1 December 2018. The half year results for the period ended 31 May 2019 will be IFRS 9 compliant with the first Annual Report published in accordance with IFRS 9 being the 30 November 2019 report. The Group has elected not to restate comparatives on initial application of IFRS 9, the opening impact of adoption of IFRS 9 will be recognised in reserves. IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments.

During this reporting period the Group has undertaken an impact assessment of this new standard on its financial statements. The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables and borrowings.

As part of the impact assessment, we identified a difference to trade receivables calculated for our CTT business unit. The impact is to increase the provision against trade receivables by approximately £200,000 resulting from an estimate of lifetime expected credit losses being applied to all receivables, even those not past due. In accordance with IFRS 9, this adjustment will be reflected as an opening retained earnings adjustment in the Annual Report for the year ended 30 November 2019.

We identified a further adjustment to the accounting treatment of non-substantial debt modifications under IFRS 9 of approximately £140,000. This adjustment will also be reflected as an opening retained earnings adjustment in the Annual Report for the year ended 30 November 2019.

(W) New IFRS not yet applied continued

IFRS 15 Revenue from Contracts with Customers

For the Group, transition to IFRS 15 is effective from 1 December 2018. The half year results for the period ended 31 May 2019 will be IFRS 15 compliant with the first Annual Report published in accordance with IFRS 15 being the 30 November 2019 report. The Group has elected to apply the new standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. As such, comparatives for the year ended 30 November 2019 will not be restated.

IFRS 15 replaces existing revenue guidance including IAS 18 "Revenue", and sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a stand-alone selling price basis, based on a five-step model.

During the year ending 30 November 2018, the Group performed a detailed assessment of the impact of IFRS 15, involving an initial top-down risk assessment, and then a detailed validation exercise conducted with each business unit. This exercise concluded that, as our performance obligations are mainly limited to the delivery of goods, there is no significant change required to the accounting currently carried out in accordance with IAS 18.

The net impact to the opening balance sheet and balance sheet as at 30 November 2018 is immaterial.

Apart from additional disclosure requirements, the adoption of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

For the Group, transition to IFRS 16 will take effect from 1 December 2019. The half year results for the period ending 31 May 2020 will be IFRS 16 compliant with the first Annual Report published in accordance with IFRS 16 being for the year ending 30 November 2020.

IFRS 16 provides a single on-balance sheet accounting model for lessees which recognises a right of use asset, representing its right to use the underlying asset, and lease liability, representing its obligations to make payment in respect of the use of the underlying asset. The distinction between finance and operating leases for lessees is removed. In addition, the profile of expenses related to leasing arrangements will change. Straight line operating lease expenses will be replaced by the recognition of depreciation of the right-of-use asset and interest charges on lease liabilities.

The Group expects to apply the exemptions available in respect of leases which are less than 12 months long and those which have been classified as leases of low-value items. In addition, the Group expects to apply the practical expedient to all contracts, previously assessed as containing a lease under IAS 17, without reassessing whether such contracts meet the definition of a lease under IFRS 16. The Group expects to apply a modified approach to transition.

The Group is currently assessing the financial impact of the new standard. The most significant impact will be that the Group's property plant and equipment leases will be brought onto the balance sheet resulting in an increase in right of use assets and lease liabilities, and depreciation and interest expense in the income statement rather than the current lease expense included in operating expenses. The actual impact of applying IFRS 16 is dependent on future economic conditions including: movements in the Group's borrowing rate at 30 November 2019, the composition of the Group's lease portfolio at transition date, the Group's view on whether renewal options will be exercised, and the Group's final decisions regarding the use of recognition exemptions and practical expedients for transition.

Other new standards, interpretations and amendments which are not expected to have a material impact on the Group's financial results

- Amendments to IFRS 2: Classification and measurement of Share-based Payment Transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements to IFRSs – 2014-2016 Cycle
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance consideration
- Amendments to IAS 40 Investment Property
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28 Investments in Associates and Joint Ventures – not yet endorsed by the EU
- IFRS 17 Insurance Contracts – not yet endorsed by the EU
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) – not yet endorsed by the EU
- Annual Improvements to IFRSs 2015-2017 Cycle – not yet endorsed by the EU
- Amendments to References to Conceptual Framework in IFRS Standards – not yet endorsed by the EU
- Definition of a Business (Amendments to IFRS 3) – not yet endorsed by the EU
- Definition of Material (Amendments to IAS 1 and IAS 8) – not yet endorsed by the EU
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – not yet endorsed by the EU
- IFRS 14 Regulatory Deferral Accounts – not yet endorsed by the EU

(X) Alternative performance measures

The Group uses certain alternative performance measures to enhance the understanding of underlying business performance, and to be consistent with its communication with investors. These are detailed in Note 38, together with reconciliations to the statutory figures contained in these financial statements.

Notes to the Accounts

1. Segmental information

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. For the purposes of management reporting to the chief operating decision maker, the Group is split into four reportable business units: Building & Industrial, Civil Engineering, Coated Technical Textiles and Interiors & Transportation. 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.

From December 2018, Building & Industrial and Interiors & Transportation will be reorganised into a regional structure being Europe, North America and APAC.

Revenue from external customers

	2018 £m	2017* £m
Building & Industrial	**89.8**	108.2
Civil Engineering	**77.6**	79.7
Coated Technical Textiles	**138.8**	138.3
Interiors & Transportation	**125.7**	120.3
Revenue for the year	**431.9**	446.5

Operating profit/(loss)

	Underlying		Non-underlying		Total	
	2018 £m	2017* £m	2018 £m	2017* £m	2018 £m	2017* £m
Building & Industrial	**6.9**	13.0	**(2.3)**	(13.7)	**4.6**	(0.7)
Civil Engineering	**0.1**	(0.5)	**(3.9)**	(31.6)	**(3.8)**	(32.1)
Coated Technical Textiles	**2.5**	9.3	**(42.9)**	(3.0)	**(40.4)**	6.3
Interiors & Transportation	**18.5**	19.1	**(1.1)**	–	**17.4**	19.1
Unallocated central	**(5.8)**	(5.4)	**(8.4)**	(2.1)	**(14.2)**	(7.5)
Total	**22.2**	35.5	**(58.6)**	(50.4)	**(36.4)**	(14.9)

Return on sales/operating margin**

	2018	2017*
Building & Industrial	**7.7%**	12.0%
Civil Engineering	**0.1%**	(0.6)%
Coated Technical Textiles	**1.8%**	6.7%
Interiors & Transportation	**14.7%**	15.9%
Total	**5.1%**	8.0%

* Restated for transfer of Enka business from Civil Engineering to Building & Industrial as set out in Note 36.

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

1. Segmental information continued

Adjusted constant currency analyses

Adjusted 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. For the year ended 30 November 2017, the results of the Agro-textile business disposed of in October 2017 have been removed to present the figures on a consistent basis as the current period results (Note 38).

	2018 £m	2017* (restated) £m	Year on year change* %	2017 (constant currency)* £m	Year on year change* %
Revenue					
Building & Industrial	**89.8**	108.2	(17.0)%	89.0	+0.9%
Civil Engineering	**77.6**	79.7	(2.6)%	80.6	(3.7)%
Coated Technical Textiles	**138.8**	138.3	+0.4%	137.7	+0.8%
Interiors & Transportation	**125.7**	120.3	+4.5%	118.1	+6.4%
Revenue for the year	**431.9**	446.5	(3.3)%	425.4	+1.5%
Underlying profit before tax from continuing operations					
Building & Industrial	**6.9**	13.0	(46.9)%	11.6	(40.5)%
Civil Engineering	**0.1**	(0.5)	120.0%	(0.5)	120.0%
Coated Technical Textiles	**2.5**	9.3	(73.1)%	9.4	(73.4)%
Interiors & Transportation	**18.5**	19.1	(3.1)%	18.7	(1.1)%
Unallocated Central	**(5.8)**	(5.4)	+7.4%	(5.4)	+7.4%
Underlying operating profit	**22.2**	35.5	(37.5)%	33.8	(34.3)%
Net financing costs	**(5.5)**	(4.8)	+14.6%	(4.8)	+14.6%
Total	**16.7**	30.7	(45.6)%	29.0	(42.4)%

* Restated for transfer of Enka business from Civil Engineering to Building & Industrial as set out in Note 36.

Segment assets, liabilities, other information

2018	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interiors & Transportation £m	Unallocated Central £m	Total £m
Reportable segment assets	**61.7**	**41.4**	**105.0**	**149.7**	**2.5**	**360.3**
Investment in associates						**0.8**
Cash and cash equivalents						**47.8**
Post-employment benefits						**11.4**
Assets classified as held for sale						**2.7**
Other unallocated assets						**8.6**
Total Group assets						**431.6**
Reportable segment liabilities	**(13.2)**	**(22.3)**	**(28.0)**	**(28.7)**	**–**	**(92.2)**
Loans and borrowings						**(176.3)**
Post-employment benefits						**(11.1)**
Liabilities directly associated with assets classified as held for sale						**(2.2)**
Other unallocated liabilities						**(22.3)**
Total Group liabilities						**(304.1)**
Other information						
Additions to property, plant and equipment	**1.7**	**1.3**	**2.8**	**9.4**	**–**	**15.2**
Additions to intangible assets and goodwill	**1.0**	**0.1**	**0.3**	**1.6**	**0.4**	**3.4**
Depreciation	**(3.0)**	**(1.1)**	**(3.8)**	**(7.8)**	**(0.2)**	**(15.9)**
Amortisation of acquired intangible assets	**(0.6)**	**–**	**(2.2)**	**–**	**–**	**(2.8)**
Non-underlying items – continuing operations	**(1.7)**	**(3.9)**	**(40.7)**	**(1.1)**	**(8.4)**	**(55.8)**

Notes to the Accounts continued

1. **Segmental information** continued

2017*	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interiors & Transportation £m	Unallocated Central £m	Total £m
Reportable segment assets	81.1	39.0	154.0	145.5	0.8	420.4
Investment in associates						0.7
Cash and cash equivalents						38.2
Post-employment benefits						10.0
Other unallocated assets						10.1
Total Group assets						479.4
Reportable segment liabilities	(19.0)	(13.8)	(26.1)	(30.1)	–	(89.0)
Loans and borrowings						(176.6)
Post-employment benefits						(12.2)
Liabilities directly associated with assets classified as held for sale						(1.4)
Other unallocated liabilities						(19.9)
Total Group liabilities						(299.1)
Other information						
Additions to property, plant and equipment	3.4	2.2	3.0	20.7	–	29.3
Additions to intangible assets and goodwill	6.8	0.1	0.1	1.6	0.8	9.4
Depreciation	(3.8)	(2.8)	(3.6)	(8.2)	(0.1)	(18.5)
Amortisation of acquired intangible assets	(0.6)	(0.1)	(3.0)	–	–	(3.7)
Non-underlying items – continuing operations	(13.1)	(31.5)	–	–	(2.1)	(46.7)

* Restated for transfer of Enka business from Civil Engineering to Building & Industrial as set out in Note 36.

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	
	2018 £m	**2018 %**	2017 £m	2017 %	**2018 £m**	2017 £m
Europe	**273.4**	**63.3**	281.3	63.0	**133.4**	183.9
North America	**95.3**	**22.1**	98.5	22.1	**26.0**	26.3
Middle East	**12.3**	**2.8**	14.9	3.3	**–**	–
Asia	**37.1**	**8.6**	37.0	8.3	**50.0**	46.8
Rest of the World	**13.8**	**3.2**	14.8	3.3	**–**	–
Total	**431.9**	**100.0**	446.5	100.0	**209.4**	257.0

Revenues arising in the UK, which is the parent Company's country of domicile, were £17.9m (2017: £21.7m). The net book value of non-current assets located in the UK at 30 November 2018 was £13.3m (2017: £12.4m). 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 2018 was £35.9m (2017: £78.0m) and revenues in the year to 30 November 2018 were £74.9m (2017: £72.6m).

2. Profit/(loss) before taxation

	2018 £m	2017 £m
Total operating costs (including non-underlying items)	**468.3**	461.4
Comprises:		
Cost of sales	**324.3**	320.4
Distribution costs	**40.2**	41.9
Administrative and other costs	**41.0**	42.8
Other operating costs	**1.6**	3.4
Research and development expenditure recognised as an expense	**5.4**	6.2
Non-underlying items (Note 5)	**55.8**	46.7
Total operating costs (including non-underlying items) above include:		
Staff costs (Note 3)	**97.3**	104.6
Inventories		
Cost of inventories recognised as an expense	**146.0**	186.1
Write down of inventories recognised as an expense	**0.5**	0.6
Change in provisions held against inventories	**(0.2)**	1.1
Depreciation of property, plant and equipment	**15.9**	18.5
Amortisation of intangible assets	**4.1**	4.8
Exchange differences recognised as a gain	**0.1**	1.3
(Gain)/loss on disposal of non-current assets	**(0.2)**	0.2
Amounts payable under operating leases:		
Property	**3.3**	3.6
Plant and equipment	**2.0**	1.9

The balance of operating costs relates to other external charges.

The non-underlying items, which are outlined in detail in Note 5, exclude amortisation of acquired intangible assets of £2.8m (2017: £3.7m) which have been charged to 'Administrative and other costs'.

Auditor's remuneration

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

	2018 £m	2017 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	**0.2**	0.1
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	**0.4**	0.4
Non-audit services:		
Corporate tax compliance	**–**	–
Corporate tax consultancy	**–**	–
Other non-audit services	**–**	–

The total amount paid to the auditor was £0.6m (2017: £0.5m).

Subsequent to the period end and prior to the approval of these financial statements, the auditor provided non-audit services related to corporate finance transactions.

3. Staff numbers and costs

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

	Group	
	2018	2017
Production	**1,402**	1,565
Sales	**286**	289
Administrative	**293**	313
Total	**1,981**	2,167

The average number of people employed by the Company during the year was 22 (2017: 19).

The aggregate staff costs were:

	Group	
	2018 £m	2017 £m
Wages and salaries	**78.8**	85.3
Social security costs	**14.7**	16.5
Pension costs	**3.8**	2.8
Total	**97.3**	104.6

	Company	
	2018 £m	2017 £m
Wages and salaries	**3.0**	3.4
Social security costs	**0.4**	0.4
Pension costs	**0.7**	0.2
Total	**4.1**	4.0

The Directors of the Company are listed on pages 60 and 61.

The decrease in aggregate staff costs is due to the prior year sale of Lokeren, the current year closure of the Ivanka plant plus the Group-wide transformation programme.

Notes to the Accounts continued

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 the schemes are held separately from those of the Group.

(a) Defined contribution schemes

Various defined contribution pension schemes exist around the Group. These are accounted for on a contribution payable basis. The total cost charged to income in respect of defined contribution pension schemes was £3.6m (2017: £2.7m).

(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 14 years.

The net income statement charge for the year ended 30 November 2018 for the UK pension scheme was £3.9m (2017: £0.7m). Within this, there is a £4.0m charge relating to the additional liability which has arisen following the GMP ruling, this is presented in non-underlying items (Note 5). The remaining £0.1m credit comprises £0.3m interest income offset by £0.2m pension administration costs paid through the scheme.

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

There is a risk that the Group may be required to increase its contributions into its defined benefit pension schemes to cover funding shortfalls. The funding may be affected by poor investment performance of pension fund investments, changes in the discount rate applied and longer life expectancy of members. This risk is mitigated by the main Group scheme being closed to new members and by actions taken to reduce investment risk, including the purchase of a buy-in policy. Regular dialogue also takes place with the scheme Trustee, and the Board regularly discusses pension fund strategy.

The UK scheme was independently valued by a qualified actuary at 31 March 2017 using the projected unit method. The main assumption in carrying out the valuation was for investment returns of 2.00% per annum above gilts in respect of investments in higher risk assets and 0.25% above gilts in respect of lower risk assets. At 31 March 2017, the total market value of assets in the UK scheme was £196.1m. The overall level of funding was 92.9%. The scheme is held by the Company and all of the UK disclosures relate to the Company and the Group.

Following the 2017 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 £4.1m by 30 June 2017 and then £3.0m per annum by no later than 30 June each year until 2020 and a final payment of £2.4m by 30 June 2021. 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 £3.5m. In addition, the scheme's administration expenses are paid directly by the Company (or reimbursed to the scheme) up to a maximum of £0.5m per annum over the period from 30 June 2018 to 30 June 2021. Administration expenses over the £0.5m per annum threshold are met by the Trustees.

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

The UK pension scheme provides guaranteed minimum pensions ("GMPs") in lieu of benefits under the State Earnings Related Pension Scheme ("SERPS") in respect of contracted-out service up to 5 April 1997. GMPs (broadly in line with the State pension benefits that were provided within SERPS) are required to be paid to men and women at different retirement ages, 65 and 60 respectively. As a result of the ruling on 26 October 2018 relating to Lloyds Bank's pension schemes, Article 141 of the EC Treaty (and the Barber decision as enacted in the Pensions Act 1995) requires our scheme (or any UK pension scheme providing GMPs) to adjust benefits to remove inequalities introduced by GMPs, including those caused by the different retirement ages. In conjunction with the Group's pension advisors, we have made an initial assessment of the additional liability this ruling would give rise to and at 30 November 2018 estimate the additional liability to be £4m. This estimation is based on 15% of the proportion of liabilities relating to GMPs accrued after 1990. Under IAS 19, where you are making changes to future benefits of the scheme, this is classified as a plan amendment and should therefore be accounted for as a past service cost. Past service costs are recognised in the income statement and the £4.0m is presented as a non-underlying item in Note 5.

Given the inherent uncertainty surrounding the details and application of the ruling and the complexity of the UK scheme, the amount of the additional liability is calculated based on the information currently available. The key assumption in the calculation is that the additional liability will be 15% of the GMPs accrued after 1990. This is the Group's best estimate at this time although we understand, from discussions with our advisors, that a range of 10-20% might be appropriate as we gain more transparency on the ruling. We will therefore continue to revise the £4m estimate going forward as we gain more clarity and understanding of exactly how this ruling will be applied and how it will impact the scheme.

4. Post-employment benefits continued

(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	
			Weighted average assumptions	
	2018 %	2017 %	**2018 %**	2017 %
Discount rate	**2.90**	2.50	**3.25**	2.75
Future salary increases	**–**	–	**2.25**	2.25
Future pension increases	**3.20**	3.10	**1.80**	1.80
Inflation increase (Consumer Price Index)	**2.20**	2.10	**2.00**	2.00
Health care cost trend – immediate	**–**	–	**6.00**	6.60
Health care cost trend – ultimate	**–**	–	**4.50**	4.50

In assessing the Group's post-employment liabilities, management monitor mortality assumptions and use up-to-date mortality tables. Allowance is made for expected future increases in life expectancy. The figures assume that a UK scheme male member, currently aged 65, will survive a further 21.6 years and a female member for a further 23.6 years (2017: male – 21.6 years, female – 23.5 years). They also assume that a UK scheme male member currently aged 45, will survive a further 43.1 years and a female member for a further 45.1 years (2017: male – 43.0 years, female – 45.0 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	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Fair value of scheme assets	**187.0**	193.4	**11.0**	10.9	**198.0**	204.3
Present value of defined benefit obligations	**(176.0)**	(183.4)	**(21.7)**	(23.1)	**(197.7)**	(206.5)
Net asset/(liability) recognised in the balance sheet	**11.0**	10.0	**(10.7)**	(12.2)	**0.3**	(2.2)

The non-UK schemes net liability includes an asset of £0.4m (2017: £nil) in respect of the Belgian scheme which has been included within non-current assets.

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	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Current service cost	**–**	–	**0.3**	0.4	**0.3**	0.4
Net interest (income)/cost	**(0.3)**	–	**0.2**	0.2	**(0.1)**	0.2
Administration costs	**0.2**	0.7	**–**	–	**0.2**	0.7
Past service costs	**4.0**	–	**–**	–	**4.0**	–
Total	**3.9**	0.7	**0.5**	0.6	**4.4**	1.3

Notes to the Accounts continued

4. Post-employment benefits continued

From 1 July 2018, the scheme's administration expenses will be paid directly by the Company up to a cap of £0.5m, therefore the £0.2m above reflects the expenses from 1 November 2017 to 30 June 2018 which were borne by the scheme. The pension administration expenses paid directly by the Company amounted to £0.3m (2017: £0.7m).

Amounts recognised in Other Comprehensive Income are as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Net actuarial gain in the year due to:	**3.5**	9.8	**1.9**	8.9
– Changes in financial assumptions	**6.8**	(3.9)	**7.0**	(4.6)
– Changes in demographic assumptions	**1.4**	2.2	**–**	2.1
– Experience adjustments on benefit obligations	**(0.9)**	4.9	**(0.8)**	4.7
Actual return on scheme assets less interest on scheme assets	**(3.8)**	6.6	**(4.3)**	6.7
Associated deferred tax	**(1.4)**	(3.2)	**(0.6)**	(3.1)

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

	UK schemes		Non-UK schemes		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening balance sheet asset/(liability)	**10.0**	(2.2)	**(12.2)**	(12.8)	**(2.2)**	(15.0)
Amount recognised in income statement	**(3.9)**	(0.7)	**(0.5)**	(0.6)	**(4.4)**	(1.3)
Amount recognised in Other Comprehensive Income	**1.9**	8.9	**1.6**	0.9	**3.5**	9.8
Contributions paid	**3.0**	4.0	**0.4**	0.4	**3.4**	4.4
Exchange loss	**–**	–	**–**	(0.1)	**–**	(0.1)
Closing balance sheet asset/(liability)	**11.0**	10.0	**(10.7)**	(12.2)	**0.3**	(2.2)

The non-UK schemes net liability includes an asset of £0.4m (2017: £nil) in respect of the Belgian scheme which has been included within non-current assets.

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

	UK schemes		Non-UK schemes		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening defined benefit obligation	**183.4**	190.4	**23.1**	24.6	**206.5**	215.0
Current service cost	**–**	–	**0.3**	0.4	**0.3**	0.4
Interest cost	**4.4**	5.2	**0.6**	0.6	**5.0**	5.8
Actuarial gain due to:	**(6.2)**	(2.2)	**(1.1)**	(0.7)	**(7.3)**	(2.9)
– Changes in financial assumptions	**(7.0)**	4.6	**0.2**	(0.4)	**(6.8)**	4.2
– Changes in demographic assumptions	**–**	(2.1)	**(1.4)**	(0.1)	**(1.4)**	(2.2)
– Experience adjustments on obligations	**0.8**	(4.7)	**0.1**	(0.2)	**0.9**	(4.9)
Benefits paid	**(9.6)**	(10.0)	**(1.6)**	(1.3)	**(11.2)**	(11.3)
Past service costs	**4.0**	–	**–**	–	**4.0**	–
Exchange adjustments	**–**	–	**0.4**	(0.5)	**0.4**	(0.5)
Closing defined benefit obligation	**176.0**	183.4	**21.7**	23.1	**197.7**	206.5

4. Post-employment benefits continued

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

	UK schemes		Non-UK schemes		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Opening fair value of scheme assets	**193.4**	188.2	**10.9**	11.8	**204.3**	200.0
Interest on scheme assets	**4.7**	5.1	**0.4**	0.4	**5.1**	5.5
Actual return on scheme assets less interest on scheme assets	**(4.3)**	6.7	**0.5**	0.2	**(3.8)**	6.9
Administration costs	**(0.2)**	(0.7)	**–**	–	**(0.2)**	(0.7)
Contributions by employers	**3.0**	4.1	**0.4**	0.3	**3.4**	4.4
Benefits paid	**(9.6)**	(10.0)	**(1.6)**	(1.3)	**(11.2)**	(11.3)
Exchange adjustments	**–**	–	**0.4**	(0.5)	**0.4**	(0.5)
Closing fair value of scheme assets	**187.0**	193.4	**11.0**	10.9	**198.0**	204.3

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

	2018 £m	**2018 %**	2017 £m	2017 %
Equity securities	**10.4**	**6**	26.2	14
Debt securities	**7.9**	**4**	8.0	4
Diversified growth funds	**29.3**	**16**	45.5	24
LDI funds	**38.5**	**20**	34.6	18
Property	**24.6**	**13**	22.8	12
Insurance policy	**33.3**	**18**	35.2	18
Private credit	**15.7**	**8**	–	–
Cash and other	**27.3**	**15**	21.1	10
Total	**187.0**	**100**	193.4	100

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

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

	2018 £m	**2018 %**	2017 £m	2017 %
Equity securities	**5.2**	**47**	4.8	44
Debt securities	**4.9**	**45**	5.4	49
Property	**0.1**	**1**	–	–
Insurance policy	**0.6**	**5**	0.6	6
Cash and other	**0.2**	**2**	0.1	1
Total	**11.0**	**100**	10.9	100

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

	Decrease/(increase) in obligation (£m)			
	2018		2017	
Change in assumptions	**-0.5%pa**	**+0.5%pa**	-0.5%pa	+0.5%pa
Discount rate	**(10.2)**	**9.1**	(11.5)	10.2
Inflation and pension increases	**5.8**	**(5.9)**	6.5	(6.7)
	-1 year	**+1 year**	-1 year	+1 year
Life expectancy	**6.0**	**(6.0)**	5.8	(6.5)

Consistent with the previous year's figures, these sensitivities have been calculated to show the movement in the net liability 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.

Notes to the Accounts continued

5. Non-underlying items

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

		2018 £m	2017 £m
Amounts charged/(credited) to operating profit			
Restructuring costs – *(All segments)*	(a)	**4.2**	–
Coated Technical Textiles impairment – *(Coated Technical Textiles segment)*	(b)	**39.0**	–
Civil Engineering impairment – *(Civil Engineering segment)*	(c)	**–**	26.9
Impairment of Hungary plant and equipment – *(Civil Engineering segment)*	(d)	**2.3**	–
Impairment of the ERP system – *(Unallocated segment)*	(e)	**1.5**	–
Closure of Ivanka plant – *(Civil Engineering segment)*	(f)	**0.5**	4.7
Impairment of R&D costs – *(Civil Engineering segment)*	(g)	**0.2**	–
Provision for custom duties & fees – *(Unallocated segment)*	(h)	**1.6**	1.7
Acquisition and disposal related costs – *(Civil Engineering and Interiors & Transportation segments)*	(i)	**0.6**	0.5
Amortisation of acquired intangible assets – *(Building & Industrial and Coated Technical Textiles segments)*	(j)	**2.8**	3.7
Loss on the disposal of land and buildings – *(Coated Technical Textiles segment)*	(k)	**0.1**	–
Disposal of the agro-textile business – *(Building & Industrial segment)*	(l)	**1.2**	12.7
Costs associated with the fire in Lomnice – *(Coated Technical Textiles segment)*	(m)	**0.6**	–
Pension administration costs – *(Unallocated segment)*	(n)	**–**	0.2
GMP equalisation additional liability – *(Unallocated segment)*	(o)	**4.0**	–
Total charge to operating profit		**58.6**	50.4
Write-off of arrangement fees – *(Unallocated segment)*	(p)	**0.3**	–
Total charge to profit before tax		**58.9**	50.4
Tax credit in the year	(q)	**(0.9)**	(11.0)
Total charge to profit – continuing operations		**58.0**	39.4
Total charge to discontinued operations	(r)	**0.7**	1.0
Total charge to profit for the period		**58.7**	40.4

a) £4.2m of costs have been incurred in the year in the major Group-wide transformation programme to right-size the organisation and to optimise the organisational structure. Costs include the non-underlying costs of headcount reduction, plus certain costs associated with reviewing and optimising the Group's warehouse footprint and other non-underlying consulting costs.

b) Following the annual goodwill impairment review of CTT in 2018, the goodwill was fully impaired from £39.0m in 2017 to £nil at 30 November 2018 (Note 11).

c) The prior year impairment review of the Civil Engineering CGU resulted in a full impairment of the £19.4m goodwill balance, with further impairments of property, plant and equipment (PP&E) and certain intangible assets totaling £6.6m and £0.9m respectively.

d) In the current year Low & Bonar Hungary Kft incurred significant operating losses. An impairment review was conducted which resulted in an impairment of plant and equipment totaling £2.3m (Note 12).

e) In the current year, a review was made of the benefits expected to be derived from the implementation of the Group-wide ERP system following the change in organisational structure. Based on this review, a total impairment of £1.5m has been recorded, £0.7m relates to Computer software (Note 12) and £0.8m relating to assets in the course of construction (Note 13).

f) In 2017, as part of the first stage review of Civil Engineering, it was decided to exit from the loss-making weaving plant in Ivanka, Slovakia. As a consequence, the assets were written down to the proceeds expected to be realised from the exit, resulting in a charge of £4.7m. This charge comprised of a write-down of PP&E totaling £3.4m, a write down of intangible assets totaling £0.3m, and a write off of inventory of £1.0m. In 2018, the non-underlying items relate to the ongoing site costs of running the site until the remaining assets are disposed of, redundancy costs, a gain on the disposal of the remaining plant and machinery along with a loss on the disposal of the remaining inventory.

g) As a result of the proposed sale of the Civil Engineering business, a review of the recoverability of the capitalised R&D costs in the CGU was completed. This resulted in a write off of £0.2m relating to assets which were not deemed to be recoverable.

h) In previous periods, the Group identified irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office which was closed several years ago. The 2018 non-underlying charge of £1.6m and closing provision of £2.6m represents the Group's best estimate of the liability (both the penalty to be incurred and the legal fees included) and it has been treated as non-underlying due to its nature . A thorough investigation is being undertaken and the Group is confident that this is a contained matter.

i) In the year the Group incurred acquisition and disposal costs of £0.6m (2017: £0.5m), £0.4m of which relates to the proposed sale of the Civil Engineering business. In the prior year, the £0.5m related to the acquisition of Walflor Industries Inc.

j) The amortisation of acquired intangibles of £2.8m (2017: £3.7m) is excluded from underlying business profit in accordance with Group's accounting policies.

5. Non-underlying items continued

k) In the period a loss of £0.1m was recorded relating to the disposal of unused land and buildings at the Group's manufacturing site in Lomnice, Czech Republic.

l) In October 2017, the Group completed the disposal of the Lokeren-based agro-textile business. The proceeds totalled £6.1m (€7.0m), of which £5.8m was received in the year and £0.3m in December 2017. The disposal generated a loss before tax of £12.7m (£8.4m after tax). £0.6m of the cost in 2018 represents the fair value of an unfavourable contract to purchase woven products from the purchasers of the agro-textile business, this contract was entered into at the time of the sale. During the period the Group also incurred additional costs relating to the disposal amounting to £0.6m.

m) In the second half of 2018, there was a fire in Lomnice (the CTT plant in Czech Republic). Due to the fire, production was severely disrupted and the £0.6m represents the operating loss incurred in the period due to the temporary closure of the plant. Insurance recoveries of these costs, when they are received, will also be treated as a non-underlying item.

n) The Group incurred £nil (2017: £0.2m) of pension administration costs relating to its UK defined benefit scheme.

o) A £4.0m additional liability has been recognised in the UK pension scheme following the recent court case to equalise all GMP benefits (Note 4).

p) During 2018, the Group's Revolving Credit Facility was re-financed. As this was deemed to be a substantial modification of the previous financing agreement, the arrangement fees for the previous agreement were immediately written off to the income statement.

q) The non-underlying tax credit of £0.9m (2017: £11.0m) includes:

	2018 £m	2017 £m
Tax credits on non-underlying expenses	**1.8**	0.3
Deferred tax on non-underlying pension movements	**0.3**	–
Civil Engineering impairment	**(0.7)**	2.2
Impairment of Hungary plant and equipment	**0.2**	–
Revaluation of deferred tax assets and liabilities arising from changes in tax rates	**2.0**	–
De-recognition of previously recognised net deferred tax assets	**(3.5)**	–
Recognition of previously unrecognised deferred tax assets	**–**	3.1
Disposal of agro-textile business	**–**	4.3
Amortisation of acquired intangible assets	**0.8**	1.1
Total	**0.9**	11.0

r) The Group recorded a loss of £0.7m, net of tax, in respect of discontinued operations. This relates to the increase in the expected costs we will be required to pay to exit the joint venture with Bonar Natpet (Note 30).

6. Financial income and financial expense

	Underlying	
	2018 £m	2017 £m
Financial income		
Interest income	**0.1**	0.1
Net interest on pension scheme net liabilities	**0.1**	–
	0.2	0.1
Financial expense		
Interest on bank overdrafts and loans	**(5.8)**	(4.5)
Amortisation of bank arrangement fees	**(0.3)**	(0.4)
Net interest on pension scheme net liabilities	**–**	(0.2)
Capitalised interest	**0.1**	0.2
	(6.0)	(4.9)
Net financial expense	**(5.8)**	(4.8)

Included in interest on bank overdrafts and loans is £0.3m for the write off of unamortised loan fees (Note 5 (p)).

7. Taxation

Recognised in the income statement

	2018 £m	2017 £m
Current tax		
UK corporation tax		
– current year	**–**	–
– prior year	**–**	–
Overseas tax		
– current year	**4.9**	8.4
– prior year	**(0.7)**	(0.1)
Total current tax	**4.2**	8.3
Deferred tax	**(0.7)**	(10.4)
Total charge/(credit) in the income statement from continuing operations	**3.5**	(2.1)
Tax from discontinued operations (Note 30)	**(0.1)**	–
Tax on disposal of grass yarns business (Note 30)	**–**	(0.2)
Total tax charge/(credit) in the income statement	**3.4**	(2.3)

The amount of deferred tax income relating to changes in tax rates is £2.0m (2017: £0.2m).

Notes to the Accounts continued

7. Taxation continued

Reconciliation of effective tax rate

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 19.00% (2017: 19.33%) to the profit before tax are as follows:

	Underlying		Non-underlying		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Profit/(loss) before tax from continuing operations	**16.7**	30.7	**(58.9)**	(50.4)	**(42.2)**	(19.7)
Profit/(loss) before tax from discontinued operations	**–**	–	**(0.8)**	(1.2)	**(0.8)**	(1.2)
Profit/(loss) before tax from total operations	**16.7**	30.7	**(59.7)**	(51.6)	**(43.0)**	(20.9)
Tax charge/(credit) at 19.00% (2017: 19.33%)	**3.2**	6.0	**(11.4)**	(10.0)	**(8.2)**	(4.0)
Expenses not deductible	**0.1**	1.4	**9.0**	4.2	**9.1**	5.6
Income not taxable	**(0.3)**	(2.2)	**–**	–	**(0.3)**	(2.2)
Higher tax rates on overseas earnings	**1.0**	2.3	**0.3**	(1.2)	**1.3**	1.1
Current tax losses not utilised	**1.4**	–	**–**	–	**1.4**	–
Tax losses utilised	**–**	(0.1)	**–**	–	**–**	(0.1)
Other differences	**(0.3)**	1.6	**(0.4)**	(0.9)	**(0.7)**	0.7
Adjustments to current tax charged in prior periods	**(0.7)**	(0.1)	**–**	–	**(0.7)**	(0.1)
Adjustments to deferred tax charges due to changes in tax rates	**–**	–	**(2.0)**	(0.2)	**(2.0)**	(0.2)
Adjustments to deferred tax charged in prior period	**–**	–	**3.5**	(3.1)	**3.5**	(3.1)
Total tax charge/(credit) for the year	**4.4**	8.9	**(1.0)**	(11.2)	**3.4**	(2.3)

The non-underlying tax credit of £1.0m in 2018 includes £0.1m relating to discontinued operations (2017: credit of £11.2m includes £0.2m) (Note 30).

Deferred tax recognised directly in Other Comprehensive Income

	2018 £m	2017 £m
Actuarial gains and losses relating to post-employment benefit obligations	**(1.4)**	(3.2)
Total of items that will not be reclassified subsequently to profit or loss	**(1.4)**	(3.2)

A 1% reduction in the main rate of UK corporation tax from 20% to 19% took effect from 1 April 2017. A further reduction from 19% to 17% will take effect from 1 April 2020. Given that the Group does not expect to pay corporation tax in the UK in the foreseeable future, this change is not considered to have any material impact on the Group. The reduction in the US federal tax rate from 35% to 21% which was enacted on 22 December 2017 and which took effect from 1 January 2018 generated a one-off benefit of £2.1m on the revaluation of deferred tax liabilities in 2018.

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 loss after tax was £7.6m (2017: profit amounting to £20.1m).

9. Dividends

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

	2018 £m	2017 £m
Final dividend for the year ended 30 November 2017 – 2.00 pence per share (2016: 2.00 pence per share)	**6.6**	6.6
Interim dividend for the year ended 30 November 2018 – 1.05 pence per share (2017: 1.05 pence per share)	**3.5**	3.4
	10.1	10.0

9. Dividends continued

The Directors have proposed a final dividend in respect of the financial year ended 30 November 2018 of 0.37 pence per share which will absorb an estimated £1.2m 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 Group to be held on 5 April 2019, it will be paid on 10 April 2019 to Ordinary Shareholders who are on the register at 15 February 2019. The dividend will not be paid on the new shares issued in the anticipated equity raise.

During the year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2017 of 2.00 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 19 April 2018.

The Directors declared an interim dividend on Ordinary Shares in relation to the year ended 30 November 2018 of 1.05 pence per share, which was paid to Ordinary Shareholders on the register of members at close of business on 21 September 2018.

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:

	2018			2017		
	Earnings £m	**Weighted average number of shares (millions)**	**Per share amount Pence**	Earnings £m	Weighted average number of shares (millions)	Per share amount Pence
Statutory – continuing operations						
Basic earnings per share	**(46.2)**	**329.918**	**(14.04)**	(18.2)	329.425	(5.56)
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	**–**	**3.883**	**–**	–	5.556	–
Diluted earnings per share	**(46.2)**	**333.801**	**(14.04)**	(18.2)	334.981	(5.56)
Statutory – discontinued operations						
Basic earnings per share	**(0.7)**	**329.918**	**(0.21)**	(1.0)	329.425	(0.30)
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	**–**	**3.883**	**–**	–	5.556	–
Diluted earnings per share	**(0.7)**	**333.801**	**(0.21)**	(1.0)	334.981	(0.30)
Statutory – total operations						
Basic earnings per share	**(46.9)**	**329.918**	**(14.25)**	(19.2)	329.425	(5.86)
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	**–**	**3.883**	**–**	–	5.556	–
Diluted earnings per share	**(46.9)**	**333.801**	**(14.25)**	(19.2)	334.981	(5.86)
Before non-underlying items – continuing operations						
Basic earnings per share	**11.8**	**329.918**	**3.56**	21.2	329.425	6.42
Earnings attributable to Ordinary Shareholders						
Effect of dilutive items						
Share-based payment	**–**	**3.883**	**–**	–	5.556	–
Diluted earnings per share	**11.8**	**333.801**	**3.52**	21.2	334.981	6.32

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

Notes to the Accounts continued

11. Goodwill

	Group	
	2018 £m	2017 £m
Cost		
At 1 December	**86.3**	82.6
Acquisition of Walflor Industries Inc.	**–**	0.9
Exchange adjustments	**0.5**	2.8
At 30 November	**86.8**	86.3
Accumulated impairment losses		
At 1 December	**19.4**	–
Impairment loss recognised	**39.0**	19.4
Exchange adjustments	**0.2**	–
At 30 November	**58.6**	19.4
Net book value at 30 November	**28.2**	66.9

Cash generating units

Goodwill is allocated to the grouping of cash generating units ('CGUs') which have been identified according to the principal markets in which each business operates, being the operating segments.

A summary of the net book value of goodwill presented at CGU level is shown below:

	Group	
	2018 £m	2017 £m
Cash generating unit groups		
Building & Industrial	**12.4**	12.2
Civil Engineering	**–**	–
Coated Technical Textiles	**–**	39.0
Interiors & Transportation	**15.8**	15.7
At 30 November	**28.2**	66.9

The Group tests goodwill values annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined using value in use calculations (as these have been assessed to be higher than the estimate of fair value less costs to sell) for each CGU group based on projected cash flows, discounted to calculate the net present value.

The approach to what is considered to be the key assumptions within the impairment reviews is outlined below:

Cash flow projections

Cash flow projections for each CGU group are derived from the most recent annual budgets approved by the Board (being the 2019 budget plan with 2020-2023 extrapolated from the 2019 budget), which take into account current market conditions and the long-term average and projected growth rates for each of the key markets served by the CGUs, along with forecast changes to selling prices and direct costs and CGU-specific forecast risks and potential cash volatilities. These cash flow projections are based on management's expectations of future changes in markets informed by various external sources of information.

Long-term growth rates

The value in use calculations assume terminal growth rates of 2.0%.-2.5% (2017: 2.0%) beyond year five which is consistent with rates disclosed by the OECD.

Discount rate

Forecast pre-tax cash flows for each CGU group are discounted to net present value using the Group's discount rate, calculated based on external advice. Pre-tax discount rates were calculated separately for each CGU group and were 13.0% to 14.4% (2017: 11.1% to 11.3%). These were used to calculate the value in use for each CGU group, reflecting management's views of the individual risks and rewards associated with each CGU group.

Impairment of Coated Technical Textiles ("CTT") goodwill

As at 31 May 2018, management reviewed the poor financial performance of CTT and determined it appropriate to recognise a non-cash partial impairment of the goodwill allocated to CTT of £13.3m which was reported as a non-underlying item.

As part of the annual goodwill impairment test, triggered by the continuing downturn in the GBU's performance, management have again reduced their forecasts for the future performance of the CTT GBU. These reduced forecasts have been used to project the value in use of the CTT CGU grouping using the macro assumptions listed above resulting in an estimate of recoverable amount of the CTT CGU grouping of £33.0m.

The analysis resulted in an estimate of recoverable amount of the CTT CGU grouping below the carrying value of the net assets. Accordingly the full carrying value of the goodwill of £39.0m has been impaired by an additional £25.7m.

Prior year impairment of Civil Engineering goodwill

In the prior year, following a review of the Civil Engineering market, triggered by the downturn in the GBU's performance, management reduced their forecasts for the future performance of the Civil Engineering GBU. These reduced forecasts were used to project the value in use of the Civil Engineering CGU grouping and the analysis resulted in an estimate of recoverable amount of the Civil Engineering CGU grouping of £33.8m. Accordingly the full carrying value of the goodwill of £19.4m was impaired. In addition, the value in use estimate resulted in an impairment of Civil Engineering's intangible assets totalling £0.9m (Note 12) and property, plant and equipment totalling £6.6m (Note 13).

Sensitivity

Building & Industrial and Interiors & Transportation

At 30 November 2018, there was sufficient headroom on the impairment assessments performed for the Building & Industrial and Interiors & Transportation CGUs such that reasonably possible changes in key assumptions would not lead to an impairment.

CTT

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.

11. Goodwill continued

In addition, a sensitivity analysis has been performed using a downside scenario which takes into account risks identified during the viability statement review, including lower than projected sales growth, slower than anticipated recovery, the impact of foreign exchange fluctuations following the UKs withdrawal from the EU, and/or significant raw material price increases above those assumed in the budget combined with an ability to pass the price increases on to customers.

The table below outlines the impairment against intangible assets and property, plant and equipment that would be recorded if certain key assumptions were reduced:

	CTT £m
5% reduction in cash flows	**1.7**
1% increase in discount rate	**7.0**
1% reduction in long-term growth rate	**5.1**
Downside scenarios	**16.3**

12. Intangible assets

Group	Computer software £m	Research and development £m	Order backlog £m	Customer relationships £m	Marketing related £m	Technology based £m	Non-compete agreements £m	Total £m
Cost								
At 30 November 2016	7.1	6.5	0.4	33.3	14.9	19.6	0.6	82.4
Exchange adjustment	–	0.3	–	0.8	0.6	0.7	–	2.4
Additions	5.0	0.7	–	–	–	–	–	5.7
Acquisition of Walflor Industries Inc.	–	–	–	2.5	–	0.1	0.2	2.8
Disposal of the agro-textile business	(0.5)	(0.8)	–	–	–	–	–	(1.3)
At 30 November 2017	11.6	6.7	0.4	36.6	15.5	20.4	0.8	92.0
Exchange adjustment	**0.1**	**0.2**	**–**	**0.3**	**0.1**	**0.1**	**–**	**0.8**
Additions	**2.5**	**0.9**	**–**	**–**	**–**	**–**	**–**	**3.4**
At 30 November 2018	**14.2**	**7.8**	**0.4**	**36.9**	**15.6**	**20.5**	**0.8**	**96.2**
Aggregate amortisation								
At 30 November 2016	3.6	3.9	0.3	24.0	10.1	17.7	0.6	60.2
Exchange adjustment	–	0.1	–	0.9	0.4	0.5	–	1.9
Charge for the year	0.3	0.8	–	1.7	0.9	1.1	–	4.8
Disposal of the agro-textile business	(0.4)	(0.5)	–	–	–	–	–	(0.9)
Impairment	0.7	0.2	–	0.3	–	–	–	1.2
At 30 November 2017	4.2	4.5	0.3	26.9	11.4	19.3	0.6	67.2
Exchange adjustment	**0.1**	**–**	**–**	**0.1**	**0.2**	**0.1**	**0.1**	**0.6**
Charge for the year	**0.6**	**0.7**	**–**	**1.8**	**0.8**	**0.2**	**–**	**4.1**
Impairment	**0.7**	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.9**
At 30 November 2018	**5.6**	**5.4**	**0.3**	**28.8**	**12.4**	**19.6**	**0.7**	**72.8**
Net book value								
At 30 November 2018	**8.6**	**2.4**	**0.1**	**8.1**	**3.2**	**0.9**	**0.1**	**23.4**
At 30 November 2017	7.4	2.2	0.1	9.7	4.1	1.1	0.2	24.8
At 30 November 2016	3.5	2.6	0.1	9.3	4.8	1.9	–	22.2

Notes

(i) Research and development assets relate to expenditure incurred in the course of research where findings may be applied to a plan or design for the production of new or substantially improved products and processes.

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

(iii) Marketing-related intangible assets are assets that are primarily used in the marketing or promotion of products or services. Such assets include trademarks, trade names, service marks and internet domain names.

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

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

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

(vii) In the current year, a review was made of the benefits expected to be derived from the implementation of the Group-wide ERP system following the change in organisational structure. Based on this review, a total impairment of £1.5m has been recorded, £0.7m relates to Computer software and £0.8m relating to assets in the course of construction (Note 13).

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

The Company intangible assets of £1.1m (2017: £0.8m) represents capitalised software costs.

Notes to the Accounts continued

13. Property, plant and equipment

	Group				Company
	Property £m	Plant and equipment £m	Assets under construction £m	Total £m	Property £m
Cost					
At 30 November 2016	67.2	271.6	10.6	349.4	0.8
Exchange adjustment	1.0	3.4	(0.3)	4.1	–
Additions	2.9	7.2	19.2	29.3	–
Acquisition of Walflor Industries Inc.	–	0.5	–	0.5	–
Reclassifications	0.3	1.9	(2.2)	–	–
Disposals	–	(3.8)	–	(3.8)	–
Disposal of the agro-textile business	(5.2)	(21.5)	–	(26.7)	–
At 30 November 2017	66.2	259.3	27.3	352.8	0.8
Exchange adjustment	**0.7**	**3.9**	**0.3**	**4.9**	**–**
Additions	**4.1**	**3.4**	**7.7**	**15.2**	**–**
Assets classified as held for sale	**(2.7)**	**–**	**–**	**(2.7)**	**–**
Reclassifications	**1.4**	**19.6**	**(21.0)**	**–**	**–**
Disposals	**(5.1)**	**(8.8)**	**(1.5)**	**(15.4)**	**–**
At 30 November 2018	**64.6**	**277.4**	**12.8**	**354.8**	**0.8**
Accumulated depreciation					
At 30 November 2016	23.3	175.8	–	199.1	0.2
Exchange adjustment	0.6	3.6	–	4.2	–
Charge for the year	5.0	13.5	–	18.5	0.1
Reclassifications	–	–	–	–	–
Disposals	–	(3.0)	–	(3.0)	–
Disposal of the agro-textile business	(2.7)	(17.8)	–	(20.5)	–
Impairments	2.1	7.9	–	10.0	–
At 30 November 2017	28.3	180.0	–	208.3	0.3
Exchange adjustment	**0.2**	**2.4**	**–**	**2.6**	**–**
Charge for the year	**1.9**	**14.0**	**–**	**15.9**	**0.2**
Reclassifications	**(3.3)**	**3.3**	**–**	**–**	**–**
Disposals	**(0.9)**	**(12.0)**	**–**	**(12.9)**	**–**
Impairments	**0.3**	**2.8**	**0.8**	**3.9**	**–**
At 30 November 2018	**26.5**	**190.5**	**0.8**	**217.8**	**0.5**
Net book value					
At 30 November 2018	**38.1**	**86.9**	**12.0**	**137.0**	**0.3**
At 30 November 2017	37.9	79.3	27.3	144.5	0.5
At 30 November 2016	43.9	95.8	10.6	150.3	0.6

The carrying value of freehold land not depreciated at 30 November 2018 was £2.8m (2017: £2.9m). Committed capital expenditure at 30 November 2018 was £2.0m (2017: £3.4m).

Current year impairments

The £3.9m impairment charge is comprised of £2.3m relating to impairment of plant and equipment in Hungary (Note 5), £0.8m relating the partial write-off of the Group ERP system (Note 12), £0.3m relating to the write down of an old roof following its replacement and £0.5m relating to the write off of project costs for the Group's warehouse footprint project.

Sensitivity analysis has been performed on the recoverable value of the assets in Hungary of £4.3m to understand how variations in key assumptions could affect the recoverable amounts. The assumptions used in determining the recoverable amounts are consistent with those used in the Goodwill impairment assessments, as detailed in Note 11.

The table below outlines the additional impairment against plant and equipment that would be recorded if certain key assumptions were reduced:

	Hungary £m
1 year delay in medium-term growth assumptions	**0.6**
1% increase in discount rate	**0.7**
1% reduction in long-term growth rate	**0.6**

13. Property, plant and equipment continued

In addition, we have looked at what the key assumptions would have to be for the value of the assets to be written down to zero. For this to occur the assumptions would have to be the following (keeping the other assumptions the same):

- Pre-tax discount rate of 26.0%
- an 82% reduction in medium-term forecasts plus a reduction in the long-term growth rate to 1.0%

Reasonably possible changes in key assumptions would not lead to an impairment in any of the other Civil Engineering CGUs.

Prior year impairments

Following a review of the profitability of the Ivanka site (part of the Civil Engineering GBU) in 2017, and the subsequent decision to close the site, the property, plant and equipment were written down to management's internally-generated estimate of the expected sales proceeds net of expected costs to sell. This resulted in a property impairment charge of £2.1m and an impairment of plant and equipment totalling £1.3m which were included within non-underlying items. The property, plant and equipment was written down to its estimated recoverable amount of £4.7m (including £1.0m value of inventory).

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

14. Investment in subsidiaries

	Company	
	2018 £m	2017 £m
Cost at 1 December	**191.6**	103.5
Equity investment in subsidiary undertaking	**–**	88.1
Disposal of subsidiaries	**(8.2)**	–
Cost at 30 November	**183.4**	191.6
Provision for impairment at 1 December	**(10.3)**	(10.3)
Impairment of subsidiary undertaking	**(6.2)**	–
Disposal of subsidiaries	**7.9**	–
Provision at 30 November	**(8.6)**	(10.3)
Net book value at 30 November	**174.8**	181.3

The carrying value of investments in the Parent Company have been tested for impairment given the current and prior year impairments recorded in the Civil Engineering and CTT CGUs. The recoverable amounts of the investments are determined using value in use calculations (as these have been assessed to be higher than the estimate of fair value less costs to sell) for each investment based on projected cash flows, discounted to calculate the net present value.

The cashflows and key assumptions used in the value in use calculation are consistent with those considered in the goodwill impairment assessments as detailed in Note 11.

As disclosed in Note 11, the B&I and I&T CGUs (and therefore the companies which they comprise) have sufficient headroom on the impairment assessments such that reasonably possible changes in key assumptions would not lead to an impairment. This headroom is supporting the recoverable value of the investments held by the Parent Company.

During the year, £6.2m (2017: £nil) was provided in respect of shares held in a subsidiary entity.

During the year, a net amount of £0.3m (2017: £nil) was written off following the striking off of a number of dormant companies (see Note 37 for further details of which companies were struck off).

During the prior year, a 100% wholly owned subsidiary, Low & Bonar Euro Holdings Limited, was incorporated. The subsidiary undertakings are shown within Note 37.

15. Investment in joint venture

	Group	
	2018 £m	2017 £m
Cost		
At 1 December & 30 November	**3.0**	3.0
Impairment provision		
At 1 December & 30 November	**(3.0)**	(3.0)
Net book value at 30 November	**–**	–

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

	2018 £m	2017 £m
Total assets	**40.8**	38.4
Total liabilities	**(37.5)**	(35.4)
Net assets	**3.3**	3.0
Group share of net assets	**1.7**	1.5
Total revenue	**20.6**	17.6
Total loss for the year	**(3.6)**	(3.6)
Group share of loss for the year	**–**	–

In prior periods, the losses from the joint venture resulted in a substantial decline in the cost of our investment. As a result, when the cost of investment reached zero no further losses have been recognised.

In January 2018, the Board agreed to exit from the Bonar Natpet joint venture. The expected costs to exit the joint venture of £2.2m are classified as Liabilities directly associated with assets classified as held for sale (Note 30).

Notes to the Accounts continued

16. Investment in associates

	Group	
	2018 £m	2017 £m
Cost and net book value		
At 1 December	**0.7**	0.5
Share of retained profit	**0.1**	0.2
At 30 November	**0.8**	0.7

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

	2018 £m	2017 £m
Total assets	**1.9**	1.7
Total liabilities	**(0.2)**	(0.3)
Net assets	**1.7**	1.4
Group share of net assets	**0.6**	0.6
Total revenue	**3.0**	3.0
Total profit for the year	**0.3**	0.4
Group share of profit for the year	**0.1**	0.2

The associates are shown within Note 37.

17. Inventories

	Group	
	2018 £m	2017 £m
Raw materials and consumables	**23.8**	21.9
Work in progress	**21.8**	19.3
Finished goods	**48.3**	56.1
Total	**93.9**	97.3

Inventories are presented in the Balance Sheet net of provision for impairment of obsolete and slow-moving items. The provision required is estimated by management based upon prior experience and their assessment of the current and future economic environment. The write-down of inventories is included in cost of sales (Note 2).

18. Trade and other receivables

	Group	
	2018 £m	2017 £m
Current		
Trade receivables	**66.4**	73.6
Provision for impairment of receivables	**(1.5)**	(1.3)
Net trade receivables	**64.9**	72.3
Other receivables	**8.8**	11.0
Prepayments	**4.1**	3.6
Total	**77.8**	86.9

	Company	
	2018 £m	2017 £m
Non-current		
Amounts owed by subsidiaries	**42.4**	47.2
Current		
Amounts owed by subsidiaries	**157.6**	171.5
Other receivables	**0.3**	0.7
Prepayments	**0.8**	0.7
Total	**158.7**	172.9

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.

At 30 November 2018, the Group held a trade receivable of £0.1m (2017: £nil) due from Bonar Natpet LLC, a joint venture and an amount of £0.3m (2017: £0.1m) owed by the Low & Bonar Group Retirement Benefit Scheme.

Impairment losses

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

	Group	
	2018 £m	2017 £m
Not past due	**56.1**	63.3
0–30 days past due	**4.2**	4.6
31–120 days past due	**3.3**	2.5
More than 120 days past due	**2.8**	3.2
Total	**66.4**	73.6

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

	Group	
	2018 £m	2017 £m
Balance at 1 December	**(1.3)**	(1.5)
Increased during the year	**(0.6)**	(0.2)
Released during the year	**0.2**	0.3
Utilised during the year	**0.2**	0.1
Exchange adjustments	**–**	–
Total	**(1.5)**	(1.3)

18. Trade and other receivables continued

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

	Group	
	2018 £m	2017 £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)**	(1.2)
Total	**(1.5)**	(1.3)

Provisions for impairment of receivables are estimated by management based on prior experience and their assessment of the current economic environment. Management believe that this provision is adequate to cover the risk of bad debts and exposure to credit risk. At 30 November 2018, 79.4% (2017: 70.7%) of trade receivables were insured.

19. Trade and other payables

	Group	
	2018 £m	2017 £m
Current		
Trade payables	**68.7**	64.2
Other taxes and social security	**2.1**	2.5
Other payables	**3.8**	2.6
Accruals	**17.8**	17.4
Total	**92.4**	86.7

	Company	
	2018 £m	2017 £m
Current		
Amounts owed to subsidiaries	**9.5**	102.8
Other taxes and social security	**0.2**	0.2
Other payables	**1.1**	1.9
Accruals	**0.9**	0.7
Total	**11.7**	105.6

The amounts owed to subsidiaries has reduced from 2017 as a loan of £88.7m with Low & Bonar Euro Holdings Limited has now been classified as a non-current liability (Note 24).

At 30 November 2018, the Group held a trade payable of £1.6m (2017: £0.1m) due from Bonar Natpet LLC, a joint venture.

Notes to the Accounts continued

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

The objectives of the Group's treasury policies are to ensure sufficient liquidity to meet the Group's operational and strategic needs and the management of financial risk at optimal cost. The main financial risks to which the Group is exposed are foreign currency risk, credit risk and interest rate risk. Group treasury policies are set by the Board and permit the use of conventional financial instruments and certain derivative instruments to manage and mitigate these risks. There were no changes to this policy in the year ended 30 November 2018.

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.

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 2018 £m	**Book value 2018 £m**	Fair value 2017 £m	Book value 2017 £m	**Fair value 2018 £m**	**Book value 2018 £m**	Fair value 2017 £m	Book value 2017 £m
Loans and receivables								
Cash and cash equivalents	**47.8**	**47.8**	38.2	38.2	**0.4**	**0.4**	0.1	0.1
Trade and other receivables	**73.7**	**73.7**	83.3	83.3	**200.3**	**200.3**	219.4	219.4
Financial liabilities at amortised cost								
Trade and other payables	**(93.9)**	**(93.9)**	(89.7)	(89.7)	**(100.4)**	**(100.4)**	(105.6)	(105.6)
Bank overdrafts	**(0.4)**	**(0.4)**	(2.7)	(2.7)	**(2.5)**	**(2.5)**	(2.0)	(2.0)
Preference shares	**(0.4)**	**(0.4)**	(0.4)	(0.4)	**(0.4)**	**(0.4)**	(0.4)	(0.4)
Prepaid arrangement fees	**1.5**	**1.5**	0.8	0.8	**1.2**	**1.2**	0.5	0.5
Floating rate borrowings	**(123.8)**	**(123.8)**	(121.4)	(121.4)	**(65.9)**	**(65.9)**	(71.6)	(71.6)
Fixed rate borrowings	**(53.8)**	**(53.2)**	(53.5)	(52.9)	**–**	**–**	–	–
Total	**(149.3)**	**(148.7)**	(145.4)	(144.8)	**32.7**	**32.7**	40.4	40.4

Estimation of fair value

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

Cash and cash equivalents

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

Trade and other receivables/payables

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

Interest-bearing financial assets and liabilities

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

Funding and liquidity

During 2018, the Group's €165m unsecured multi-currency revolving credit facility was re-financed and an amendment made to the €60m loan note raised by private placement in relation to covenant levels.

The Group's borrowing facilities at 30 November 2018 totalled £216.5m (2017: £215m), comprising:

- a new €165m unsecured multi-currency revolving credit facility with a syndicate of five of its key relationship banks, committed until May 2023, which bears interest at between 0.95% to 2.45% above LIBOR depending on the ratio of the Group's net debt to adjusted EBITDA at each of its half-year and year-end reporting dates;
- an amended €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.

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

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes changes in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's capital structure is as follows:

	Group	
	2018 £m	2017 £m
Net debt	**128.5**	138.4
Total equity	**127.5**	180.3
Total	**256.0**	318.7

Analysis of cash and cash equivalents

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Sterling	**–**	2.5	**0.4**	–
Euro	**26.9**	19.9	**–**	0.1
US Dollar	**10.0**	10.9	**–**	–
Chinese Yuan	**7.6**	4.4	**–**	–
Other	**3.3**	0.5	**–**	–
Total	**47.8**	38.2	**0.4**	0.1

Analysis of interest-bearing borrowings

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Borrowings falling due within one year or on demand				
Bank overdrafts	**0.4**	2.7	**2.5**	2.0
Interest bearing loans	**4.6**	–	**–**	–
Total	**5.0**	2.7	**2.5**	2.0
Borrowings falling due after more than one year				
Interest bearing loans and overdrafts	**117.7**	120.6	**64.7**	71.1
2.57% €60m Senior Note due 2022-2026	**53.2**	52.9	**–**	–
Other borrowings				
– Preference shares	**0.4**	0.4	**0.4**	0.4
Total	**171.3**	173.9	**65.1**	71.5

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

Notes to the Accounts continued

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

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

	Group 2018						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	**2.4**	**(14.5)**	**(15.0)**	**(0.3)**	**(14.7)**	**–**	**–**
– Euro	**1.6**	**(84.0)**	**(86.1)**	**(1.2)**	**(84.9)**	**–**	**–**
– US Dollar	**3.7**	**(11.8)**	**(12.5)**	**(0.4)**	**(12.1)**	**–**	**–**
2.57% €60m Senior Note due 2022-2026	**2.6**	**(53.2)**	**(63.4)**	**(1.4)**	**(1.4)**	**(4.1)**	**(56.5)**
RMB150m facility	**5.2**	**(13.5)**	**(15.3)**	**(2.4)**	**(12.9)**	**–**	**–**
Bank overdrafts							
– Sterling	**2.5**	**(0.4)**	**(0.4)**	**(0.4)**	**–**	**–**	**–**
Preference shares	**5.8**	**(0.4)**	**(0.4)**	**–**	**–**	**–**	**(0.4)**
Prepaid arrangement fees		**1.5**	**–**	**–**	**–**	**–**	**–**
		(176.3)	**(193.1)**	**(6.1)**	**(126.0)**	**(4.1)**	**(56.9)**
Trade and other payables		**(93.9)**	**(93.9)**	**(93.1)**	**(0.8)**	**–**	**–**
Total		**(270.2)**	**(287.0)**	**(99.2)**	**(126.8)**	**(4.1)**	**(56.9)**

	Group 2017						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	1.9	(13.8)	(14.3)	(0.3)	(14.0)	–	–
– Euro	1.3	(73.8)	(75.2)	(0.8)	(74.4)	–	–
– US Dollar	2.5	(20.2)	(21.0)	(0.5)	(20.5)	–	–
2.57% €60m Senior Note due 2022-2026	2.6	(52.9)	(63.1)	(1.4)	(1.4)	(4.1)	(56.2)
RMB150m facility	5.2	(13.6)	(16.1)	(0.7)	(0.7)	(14.7)	–
Bank overdrafts							
– Sterling	2.5	(1.7)	(1.7)	(1.7)	–	–	–
– Euro	2.5	(1.0)	(1.0)	(1.0)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees	–	0.8	–	–	–	–	–
		(176.6)	(192.8)	(6.4)	(111.0)	(18.8)	(56.6)
Trade and other payables		(89.7)	(89.7)	(88.9)	(0.8)	–	–
Total		(266.3)	(282.5)	(95.3)	(111.8)	(18.8)	(56.6)

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

	Company 2018						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	2.4	(14.2)	(15.1)	(0.3)	(14.8)	–	–
– Euro	1.6	(39.9)	(41.6)	(0.6)	(41.0)	–	–
– US Dollar	3.7	(11.8)	(12.9)	(0.4)	(12.5)	–	–
Bank overdrafts							
– Euro	2.5	(1.9)	(1.9)	(1.9)	–	–	–
– USD	2.5	(0.6)	(0.6)	(0.6)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.2	–	–	–	–	–
		(67.6)	(72.5)	(3.8)	(68.3)	–	(0.4)
Trade and other payables		(100.4)	(100.4)	(11.7)	–	(88.7)	–
Total		(168.0)	(172.9)	(15.5)	(68.3)	(88.7)	(0.4)

	Company 2017						
	Effective rate %	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2–5 years £m	>5 years £m
Non-derivative financial liabilities:							
Multicurrency revolving facility							
– Sterling	1.9	(14.6)	(15.4)	(0.3)	(15.1)	–	–
– Euro	1.3	(36.8)	(38.1)	(0.5)	(37.6)	–	–
– US Dollar	2.5	(20.2)	(21.6)	(0.5)	(21.1)	–	–
Bank overdrafts							
– Sterling	2.5	(1.7)	(1.7)	(1.7)	–	–	–
– Euro	2.5	(0.3)	(0.3)	(0.3)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees	–	0.5	–	–	–	–	–
		(73.5)	(77.5)	(3.3)	(73.8)	–	(0.4)
Trade and other payables		(105.6)	(105.6)	(105.6)	–	–	–
Total		(179.1)	(183.1)	(108.9)	(73.8)	–	(0.4)

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 to mitigate the risk associated with fluctuations in foreign currency rates. The Group's borrowing under its RMB150m facilities acts as a natural balance sheet hedge against the Group's investments in China. The Group recognised an amount of £nil in the income statement as a result of ineffectiveness arising from those hedges of net investments in foreign operations. Underlying profit before tax for the year ended 30 November 2017 retranslated using 2018 average exchange rates would have been £0.5m lower.

(b) Transactional

The Company and Group have limited transactional currency exposures, arising on sales and purchases made in currencies other than the functional currency of the entity making the sale or purchase. Significant exposures which are deemed at least highly probable are matched where possible, and the remaining transactional risk may be mitigated using forward foreign exchange contracts, all of which mature within one year of the balance sheet date.

For the year ended 30 November 2018 and 30 November 2017 no derivative instruments were used to manage the transactional currency exposures.

Notes to the Accounts continued

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

The following significant exchange rates applied during the year:

	Average rate 2018	Average rate 2017	Year end rate 2018	Year end rate 2017
Sterling/Euro	**1.13**	1.15	**1.13**	1.14
Sterling/US Dollar	**1.34**	1.28	**1.28**	1.35
Sterling/Czech Crown	**29.03**	30.26	**29.26**	28.98
Sterling/Hungarian Forint	**360.32**	354.05	**364.54**	355.33
Sterling/Chinese Yuan	**8.83**	8.70	**8.87**	8.95

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:

	2018		2017	
	Profit £m	Equity £m	Profit £m	Equity £m
Euro	**0.1**	**(3.2)**	(0.1)	(6.3)
US Dollar	**(0.4)**	**(2.6)**	(0.8)	(1.6)
Czech Crown	**(0.1)**	**(1.0)**	(0.1)	(1.1)
Chinese Yuan	**(0.4)**	**(4.8)**	(0.3)	(4.5)

A 10% weakening of Sterling against the above currencies as at 30 November 2018 and 2017 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 risk of loss in relation to a financial asset due to non-payment by the customer or counterparty. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of financial assets. The Group's principal financial assets are cash and receivables which represent the Group's maximum exposure to credit risk in relation to financial assets.

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

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

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

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

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

Exposure to credit risk

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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade and other receivables	**73.7**	83.3	**200.3**	219.4
Cash and cash equivalents	**47.8**	38.2	**0.4**	0.1
Total	**121.5**	121.5	**200.7**	219.5

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 2018 and 2017 were on a floating rate basis, apart from preference debt with an average coupon rate of 5.75% and the €60m Senior Note due 2022-2026 which bears interest at 2.57%.

Floating rate financial assets and liabilities comprise borrowings under the Group's syndicated multi-currency revolving credit facility, which bear interest at LIBOR (or, in the case of borrowings in Euro, EURIBOR), or the lender's base rate for the currency concerned, plus a margin of between 0.95% to 2.45% above LIBOR, 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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Fixed rate				
Total fixed rate	**(53.6)**	(53.3)	**(0.4)**	(0.4)
Floating rate				
Total floating rate	**(74.9)**	(85.1)	**(66.8)**	(73.0)
Total	**(128.5)**	(138.4)	**(67.2)**	(73.4)

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 £0.8m (2017: £0.7m). The impact on the profit or loss for the period would have been to increase or decrease profit by £1.0m (2017: £0.9m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

21. Assets held for sale

During the year, as an outcome of the first phase of the Board's review of the Civil Engineering Global Business Unit, a decision was taken to close the loss-making weaving plant in Ivanka, Slovakia. The assets are being actively marketed and are expected to be sold in the next 12 months. The non-current assets comprising land and buildings of £2.7m have therefore been presented as assets held for sale within current assets.

Notes to the Accounts continued

22. Deferred taxation

Group

Recognised deferred tax assets and liabilities:

	2018			2017		
	Assets £m	**Liabilities £m**	**Net assets/ (liabilities) £m**	Assets £m	Liabilities £m	Net assets/ (liabilities) £m
Intangible assets	**–**	**(3.2)**	**(3.2)**	–	(4.2)	(4.2)
Retirement benefit liabilities	**2.4**	**–**	**2.4**	2.6	–	2.6
Retirement benefit assets	**–**	**(3.9)**	**(3.9)**	–	(3.5)	(3.5)
Accelerated tax depreciation	**0.8**	**(8.4)**	**(7.6)**	–	(9.2)	(9.2)
Tax losses	**3.9**	**–**	**3.9**	7.3	–	7.3
Other	**1.5**	**(1.3)**	**0.2**	0.2	(0.6)	(0.4)
Net tax assets/(liabilities)	**8.6**	**(16.8)**	**(8.2)**	10.1	(17.5)	(7.4)

Unrecognised deferred tax assets:

	2018 £m	2017 £m
Tax losses	**24.9**	21.0
Employee share schemes	**1.4**	1.4
Accelerated tax depreciation	**0.9**	0.9
Total	**27.2**	23.3

Unrecognised tax losses include an amount of £6.5m (2017: £6.5m) in respect of capital losses. The tax losses have no expiry date.

Movement in deferred tax during the year ended 30 November 2018:

	Balance 1 Dec 2017 £m	**Recognised in Other Comprehensive Income £m**	**Recognised in income £m**	**Arising on acquisition £m**	**Exchange adjustments £m**	**Balance 30 Nov 2018 £m**
Intangible assets	**(4.2)**	**–**	**1.0**	**–**	**–**	**(3.2)**
Retirement benefit liabilities	**2.6**	**(0.7)**	**0.5**	**–**	**–**	**2.4**
Retirement benefit assets	**(3.5)**	**(0.7)**	**0.3**	**–**	**–**	**(3.9)**
Accelerated tax depreciation	**(9.2)**	**–**	**1.7**	**–**	**(0.1)**	**(7.6)**
Tax losses	**7.3**	**–**	**(3.4)**	**–**	**–**	**3.9**
Other	**(0.4)**	**–**	**0.6**	**–**	**–**	**0.2**
Total	**(7.4)**	**(1.4)**	**0.7**	**–**	**(0.1)**	**(8.2)**

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

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

22. Deferred taxation continued

The Group has recognised deferred tax assets of £8.6m (2017: £10.1m) as the Directors believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

The Group has not recognised deferred tax assets of £27.2m (2017: £23.3m) as the Directors do not believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

The Group has not recognised deferred tax liabilities totalling £0.7m (2017: £0.7m) in respect of potential withholding tax due on the remittance of undistributed profits from subsidiaries as the Group is able to control the timing of the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Company

The Company has no recognised deferred tax assets (2017: £3.5m) as the Directors do not believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years mainly attributable to tax losses.

The Company has deferred tax liabilities of £3.9m (2017: £3.5m) related to the pension surplus.

Unrecognised deferred tax assets:

	2018 £m	2017 £m
Tax losses	**12.1**	8.7
Employee share schemes	**1.4**	1.5
Total	**13.5**	10.2

The Company has not recognised deferred tax assets of £13.5m (2017: £10.2m) as the Directors do not believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

Tax losses include an amount of £4.4m (2017: £4.4m) in respect of capital losses. The tax losses have no expiry date.

23. Provisions

	Custom duties and fees £m	Restructuring £m	Other £m	**Group £m**
Current				
At 30 November 2016	–	–	–	**–**
Created in the year	1.7	–	–	**1.7**
Utilised in the year	–	–	–	**–**
At 30 November 2017	1.7	–	–	**1.7**
Created in the year	1.6	4.2	0.6	**6.4**
Utilised in the year	(0.7)	(3.3)	(0.3)	**(4.3)**
At 30 November 2018	**2.6**	**0.9**	**0.3**	**3.8**

£2.6m of the provision relates to irregularities in relation to customs duties that were identified in previous periods. In the year ended 30 November 2018, the Group recognised a charge of £1.6m in respect of these irregularities (Note 5). This charge has been treated as a non-underlying item, and the resulting provision of £2.6m represents the Group's best estimate of the remaining costs to settle this issue. In forming a view as to the adequacy of the provision, management have taken account of the findings of the investigation to date which include some assessments and assumptions that could significantly alter the level of costs to be incurred, were they to be incorrect. These assessments and assumptions include the identification of all transactions with irregularities, the value of customs duties impacted and the level of relief for penalties that could be given due to the Group's active management of the issue. The investigation is ongoing and the timing of any cash outflows is uncertain.

£0.9m of the provision relates to costs relating to the transformation programme that are yet to be settled. The Group recognised a charge of £4.2m in respect of this programme (Note 5) and have utilised £3.3m of the provision. The programme is still ongoing and the final costs may be subject to change.

The Other provision amounting to £0.3m relates to the fair value of a contract entered into by the Group with the purchasers of the agro-textile business to purchase woven products at an above market price. The contract was entered into at the time of disposal.

Notes to the Accounts continued

24. Other payables

	Group	
	2018 £m	2017 £m
Non-current		
Other payables	**0.8**	0.8

	Company	
	2018 £m	2017 £m
Non-current		
Amounts owed to subsidiaries	**88.7**	–

The amounts owed to subsidiaries has increased from 2017 as a loan of £88.7m with Low & Bonar Euro Holdings Limited was previously classified as a current liability.

25. Share capital

	Group and Company 2018		Group and Company 2017	
	Ordinary Shares £m	**Deferred Shares £m**	Ordinary Shares £m	Deferred Shares £m
Allotted, called up and fully paid				
At 1 December				
329,706,034 (2017: 329,298,026) Ordinary Shares at 5 pence each	**16.5**	**–**	16.5	–
154,571,152 Deferred Shares at 20 pence each	**–**	**30.9**	–	30.9
400,554 Ordinary Shares (2017: 408,008) issued under share option plans and long-term incentive plan	**–**	**–**	–	–
At 30 November				
330,106,588 (2017: 329,706,034) 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.

25. Share capital continued

Ordinary Share Capital

At a general meeting of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, shall have one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution shall have one vote. No member shall, unless the Directors otherwise determine, be entitled to be present or to be counted in a quorum or to vote either personally or by proxy or otherwise at any general meeting of the Company or at any separate general meeting of the holders of any class of the shares of the Company or upon a poll or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of shares in the Company of which he is the holder (whether alone or jointly with any other person), together with interest, costs, charges and expenses (if any), remains unpaid. If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) in respect of: the shares comprising the shareholding account in the Register of Members which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the default shares, which expression shall include any further shares which are issued in respect of such shares); and any other shares held by the member, the member shall (for so long as the default continues) not nor shall any transferee to which any of such shares are transferred other than pursuant to an approved transfer or pursuant to the Articles be entitled to be present or to vote either personally or by proxy at a general meeting of the Company or a meeting of the holders of any class of shares of the Company or to exercise any other right conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company. The profits which the Company may determine to distribute in respect of any financial year or other period for which its accounts are made up shall be applied, in the first place, in paying to the holders of the first cumulative preference stock a fixed cumulative preferential dividend at the rate of 6 per cent. Per annum: in the second place, in paying to the holders of the second cumulative preference stock a fixed cumulative preferential dividend at the rate of 6 per cent. Per annum: and, in the third place, in paying to the holders of the third cumulative preference stock a fixed cumulative preferential dividend at the rate of 5½ per cent. Per annum, and, subject to any special rights which may be attached to any shares hereafter created or issued, the balance of the said profits shall be distributed among the holders of the ordinary shares. On a return of assets on liquidation or otherwise, the assets of the Company available for distribution among the members shall be applied, in the first place, in repaying to the holders of the first cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital): in the second place, in repaying to the holders of the second cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital): and, in the third place, in repaying to the holders of the third cumulative preference stock the sum of £1 for each £1 of such stock held (together with a sum equal to any arrears or deficiency of the fixed dividend thereon to be calculated down to the date of the return of capital), and, subject to any special rights which may be attached to any shares hereafter created or issued, the balance shall belong to and be distributed among the holders of the ordinary shares. A Deferred Share entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of (i) the amounts entitled to be paid to holders of the preference stock, and (ii) the capital paid up on each ordinary share of five pence in the share capital of the Company and the further payment of £10,000,000 on each such ordinary share. The full rights and obligations attaching to ownership of shares in the Company are contained in its Articles of Association.

The Company operates an employee benefit trust to hold shares in relation to satisfying awards made under certain employee share schemes. At 30 November 2018, the trust held 26,752 Ordinary Shares (2017: 26,752 Ordinary Shares).

Shares issued during the year

During the year ended 30 November 2018, 400,544 shares (2017: 408,008 shares) were issued to employees who exercised share options. The nominal value was 5.00p per share and the aggregate consideration was £0.2m (2017: £0.2m). No shares (2017: nil) were issued pursuant to awards made under the LTIP granted in 2013.

Notes to the Accounts continued

25. Share capital continued

Preference Shares

	Group and Company	
	2018 £m	2017 £m
Allotted, called up and fully paid		
100,000 (2017: 100,000) 6% first cumulative preference stock of £1.00 each	**0.1**	0.1
100,000 (2017: 100,000) 6% second cumulative preference stock of £1.00 each	**0.1**	0.1
200,000 (2017: 200,000) 5.5% third cumulative preference stock of £1.00 each	**0.2**	0.2
Total	**0.4**	0.4

Preference Shares are included within borrowings. Preference Shares have priority over Ordinary Shares on a winding-up of the Company. Provided that preference dividends remain paid in accordance with the Company's Articles of Association, Preference Shares do not carry voting rights.

Potential issues of Ordinary Shares

An element of senior executive remuneration is provided in the form of share options and long-term incentive plan awards. More details of these options and awards can be found in the Directors' Remuneration Report on pages 77 to 91. 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 1.8 million Ordinary Shares outstanding at 30 November 2018 (2017: 2.9 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 1.0 million (2017: 0.6 million).

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

				Ordinary Shares of 5p each				
Year of grant	Average fair value in pence	Exercise price in pence	Exercise period	1 Dec 2017	Granted	Exercised	Forfeited	**30 Nov 2018**
Share options								
2013	18.55	58.80	2016 to 2018	6,122	–	–	(6,122)	**–**
2013	20.29	58.80	2016 to 2018	163,602	–	–	(163,602)	**–**
2014	22.37	68.80	2017 to 2019	41,509	–	–	(10,987)	**30,522**
2014	21.89	68.80	2017 to 2019	97,241	–	–	(23,351)	**73,890**
2015	14.20	48.80	2018 to 2020	573,798	–	(225,853)	(341,799)	**6,146**
2015	13.47	48.80	2018 to 2020	629,592	–	(78,400)	(551,192)	**–**
2016	12.59	49.00	2019 to 2021	290,553	–	(20,203)	(134,443)	**135,907**
2016	11.84	49.00	2019 to 2021	513,298	–	(21,282)	(231,349)	**260,667**
2017	15.92	55.20	2020 to 2022	244,982	–	(5,434)	(122,819)	**116,729**
2017	15.98	55.20	2020 to 2022	340,736	–	–	(160,277)	**180,459**
2018	11.70	44.96	2021	–	1,076,022	–	(103,217)	**972,805**
Total				2,901,433	1,076,022	(351,172)	(1,849,158)	**1,777,125**

The weighted average exercise price of share options outstanding at 30 November 2018 was 48.99p (2017: 51.69p). The weighted average exercise prices of share options granted, exercised and forfeited in the year to 30 November 2018 were 44.96p, 48.92p and 50.89p, respectively (2017: 55.2p, 63.14p and 58.29p, respectively). No share options were exercisable at 30 November 2018 (2017: nil).

The fair values of share options granted in the year to 30 November 2018 was 11.70p (2017: 15.87p to 16.55p) and were derived using the Black-Scholes model. The assumed future volatility was 35.3% (2017: 31.22% to 32.20%), the dividend yield was 5.55% (2017: 4.23%), the expected term ranged was 3.31 years (2017: 3.4 years to 5.4 years) and the risk-free rate was 0.89% (2017: 0.12% to 0.42%).

The average share price in the year ended 30 November 2018 was 49.10p (2017: 74.90p).

25. Share capital continued

Long-term incentive plan awards

Under the provisions of the long-term incentive plans there were awards for a total of 5.9 million Ordinary Shares outstanding at 30 November 2018 (2017: 9.6 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 2.8 million (2017: 3.3 million).

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

				Ordinary Shares of 5p each				
Year of grant	Average fair value in pence	Award price in pence	Vesting period	1 Dec 2017	Awarded	Exercised	Forfeited	30 Nov 2018
2015	48.27	57.25	2015 to 2018	2,937,728	–	–	(2,937,728)	**–**
2015	50.62	59.50	2015 to 2018	75,177	–	–	(75,177)	**–**
2015	62.24	71.00	2015 to 2018	270,383	–	–	(270,383)	**–**
2016	54.36	63.50	2016 to 2018	138,848	–	–	(138,848)	**–**
2016	51.54	63.50	2016 to 2019	2,873,689	–	–	(1,479,829)	**1,393,860**
2017	62.24	70.00	2017 to 2020	2,581,650	–	–	(1,465,246)	**1,116,404**
2017	63.31	77.00	2017 to 2020	142,857	–	–	(142,857)	**–**
2017	53.33	69.50	2017 to 2020	553,572	–	–	–	**553,572**
2018	50.15	59.40	2018 to 2021	–	3,369,500	–	(553,352)	**2,816,148**
Total	52.15	63.34		9,573,904	3,369,500	–	(7,063,420)	**5,879,984**

None of the instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2018 (2017: nil). The fair values of awards made in the year to 30 November 2018 ranged from 40.90p to 59.40p (2017: 37.15p to 77.00p) and were derived using the Black-Scholes or Stochastic models. The assumed future volatility was based on historical trends and was 35.06% (2017: 25.11% to 31.38%), the dividend yield was 0% (2017: 0%), the expected term was 3 years (2017: 2 to 3 years) and the risk-free rate was 0.94% (2017: 0.17% to 0.42%).

The total amount credited/charged to the Consolidated Income Statement in respect of share-based payments was a credit of £0.2m (2017: £0.7m charge). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2018 or 30 November 2017.

26. Share premium account

	Group and Company	
	2018 £m	2017 £m
At 1 December	**74.6**	74.4
Premium on Ordinary Shares issued during the year	**0.2**	0.2
At 30 November	**74.8**	74.6

27. Translation reserve

	Group	
	2018 £m	2017 £m
At 1 December	**(26.4)**	(26.0)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	**1.5**	(0.4)
At 30 November	**(24.9)**	(26.4)

28. Non-controlling interest

	Group	
	2018 £m	2017 £m
At 1 December	**6.4**	6.4
Share of profit after taxation	**0.5**	0.6
Dividends	**–**	(1.0)
Exchange adjustment	**0.1**	0.4
At 30 November	**7.0**	6.4

Non-controlling interest represents the minority shareholder's 40% interest in Yihua Bonar Yarns & Fabrics Co. Ltd. ('YBF'). Total net assets for YBF at 30 November 2018 were £17.4m (2017: £16.0m) and total profit after taxation for the year ended 30 November 2018 was £1.3m (2017: £1.6m).

Notes to the Accounts continued

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

	Group	
	2018 £m	2017 £m
For the year ended 30 November		
Net cash inflow	**11.0**	9.8
Foreign exchange differences	**0.9**	(0.6)
Net increase in cash and cash equivalents	**11.9**	9.2
Amortisation of bank arrangement fees	**(0.6)**	(0.4)
Loan fees paid	**1.6**	–
Repayment of borrowings	**127.9**	–
Drawdown of borrowings	**(129.0)**	(33.7)
Foreign exchange differences	**(1.9)**	(2.5)
Net movement in interest bearing loans and borrowings	**(2.0)**	(36.6)
Movement in net debt in the year	**9.9**	(27.4)
Net debt at 1 December	**(138.4)**	(111.0)
Net debt at 30 November	**(128.5)**	(138.4)

	Company	
	2018 £m	2017 £m
For the year ended 30 November		
Net decrease in cash and cash equivalents	**(0.2)**	(2.0)
Amortisation of bank arrangement fees	**(0.6)**	(0.3)
Loan fees repaid	**1.4**	–
Repayment of borrowings	**77.1**	(23.1)
Drawdown of borrowings	**(71.5)**	–
Foreign exchange differences	**–**	0.3
Net movement in interest bearing loans and borrowings	**6.4**	(23.1)
Movement in net debt in the year	**6.2**	(25.1)
Net debt at 1 December	**(73.4)**	(48.3)
Net debt at 30 November	**(67.2)**	(73.4)

The only non-cash changes are amortisation of bank arrangement fees.

30. Discontinued operations

During 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 £0.9m loss for 2017 primarily represented the true-up of the final settlement of the deferred purchased consideration receivable outstanding at 30 November 2016.

In January 2018, the Board agreed to exit from the Bonar Natpet joint venture. Efforts to sell the business had commenced in 2016 and the investment was treated as a discontinued operation in the November 2016 accounts. The expected costs to exit, which primarily include a contribution to Bonar Natpet of 50% of all trade debts older than six months, total £2.2m (2017: £1.4m) and the movement from 2017 is disclosed below. The exit cost provision is classified as Liabilities directly associated with assets classified as held for sale.

The results of the discontinued operations, which have been included in the Consolidated Income Statement, were as follows:

	Group	
	2018 £m	2017 £m
Revenue	**–**	–
Expenses	**–**	–
Profit/(loss) before tax	**–**	–
Loss on disposal of grass yarns business	**–**	(0.9)
Tax on loss on disposal of grass yarns business	**–**	0.2
Net profit/(loss) from disposals	**–**	(0.7)
Movement in exit cost provision for Bonar Natpet	**(0.8)**	(0.3)
Tax on movement in exit cost provision for Bonar Natpet	**0.1**	–
Net loss attributable to discontinued operations (attributable to owners of the Company)	**(0.7)**	(1.0)

During the year ended 30 November 2018, the discontinued businesses contributed £nil (2017: £nil) outflow to the Group's net operating cash flows and paid £nil (2017: £nil) in respect of investing activities and financing activities.

31. Business combinations – prior year

During the year ended 30 November 2017, Low & Bonar acquired 100% of the share capital of Walflor Industries Inc., a company registered in Washington State, USA, on a debt-free, cash-free basis for a total consideration of £2.9m and a contingent consideration of up to £0.7m in cash based on the commercial performance of the business in the 12 months following acquisition. The contingent consideration was fair-valued upon acquisition at £0.3m. The company produce rain screens and acoustic mats and the acquisition significantly strengthens our customer relationships in the US building products market and provides a West Coast platform for further growth. Acquisition costs of £0.5m were charged to non-underlying items.

Results of the acquired business are included with the results of the Building & Industrial global business unit.

The acquired business contributed £1.1m to the Group's consolidated revenue for the prior year and increased the Group's consolidated underlying profit before interest and tax for the prior year by £0.4m. Had the business been owned by the Group for the entire prior year, the contribution to the Group's consolidated revenue and consolidated underlying profit before interest and tax would have been £1.3m and £0.5m respectively.

Details of the purchase consideration, the provisional fair values of net assets acquired and provisional goodwill arising on the acquisition of Walflor Industries Inc. are as follows:

	Book value at acquisition £m	Fair value adjustments £m	Provisional fair value £m
Intangible assets			
Customer related	–	2.5	2.5
Technology related	–	0.1	0.1
Non-compete agreement related	–	0.2	0.2
Property, plant and equipment	0.2	0.3	0.5
Inventories	0.1	–	0.1
Deferred tax liabilities	(0.1)	(1.0)	(1.1)
Net assets acquired	**0.2**	**2.1**	**2.3**
Cash consideration			2.9
Contingent consideration			0.3
Fair value of consideration			**3.2**
Goodwill arising on acquisition			**0.9**

Goodwill of £0.9m arising from the acquisition is attributable to revenue synergies expected to be generated from new cross-selling opportunities across the enlarged US building products market. It also includes expected benefits from the existing workforce and expertise as a result of being part of the enlarged Buildings & Industrial GBU.

32. Operating lease commitments

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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Plant and equipment				
Lease payments within one year	**1.4**	1.8	**–**	–
Lease payments between one and two years	**0.9**	1.3	**–**	–
Lease payments between two and five years	**0.7**	1.1	**–**	–
Lease payments beyond five years	**0.1**	0.1	**–**	–
Total	**3.1**	4.3	**–**	–
Property				
Lease payments within one year	**4.2**	4.6	**0.3**	0.4
Lease payments between one and two years	**3.6**	4.2	**0.3**	0.4
Lease payments between two and five years	**6.7**	11.0	**0.1**	0.5
Lease payments beyond five years	**0.9**	2.5	**–**	–
Total	**15.4**	22.3	**0.7**	1.3

Notes to the Accounts continued

33. Contingent liabilities

At the time of disposing of the Group's North American packaging operations in March 2000, the Company entered into an Environmental Agreement with the purchasers of the business. The Environmental Agreement contains provisions regarding the remediation of known environmental contamination in the vicinity of one of the facilities which was sold in Burlington, Ontario. The Environmental Agreement expired in September 2006 and the Group has an ongoing liability only in respect of outstanding claims notified prior to this date. At 30 November 2018, an accrual of £nil (2017: £nil) remains in the Group's balance sheet for the ongoing remediation costs as the Directors now believe that all costs have been incurred.

The Company from time to time guarantees certain obligations of its subsidiaries arising in the normal course of trade. At 30 November 2018, £13.7m of guarantees were outstanding (2017: £13.6m). In addition, the Company has issued a joint and several liability undertaking, as defined in Article 403 of Book 2 of the Civil Code in the Netherlands, for its subsidiary undertaking Low & Bonar Technical Textiles Holding BV.

At 30 November 2018, the Group had guaranteed SAR 33.3m (£7.1m) (2017: SAR 33.3m (£6.6m)) of debt obligations of its joint venture Bonar Natpet LLC. The Group expects to be released from its guarantee during 2019, under agreement to exit the joint venture.

34. Related party transactions

At 30 November 2018, the Group held a trade receivable of £0.1m (2017: £nil) and a trade payable of £1.6m (2017: £0.1m) due from/to Bonar Natpet LLC, a joint venture.

At 30 November 2018, the Group was owed £0.3m (2017: £0.1m) by the Low & Bonar Group Retirement Benefit Scheme.

The Company provides debt finance to various operating subsidiaries. A total of £200.0m was outstanding at 30 November 2018 (2017: £218.7m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2018, the total amount payable to subsidiaries was £98.1m (2017: £14.7m). The Company received income in respect of management services provided to its subsidiaries totalling £6.7m (2017: £8.7m). The Company received interest income from related parties totalling £5.7m (2017: £5.0m) and accrued interest payable to related parties of £2.0m (2017: £0.1m). The Company received dividend income from its subsidiaries of £12.8m (2017: £11.8m).

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

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

	2018 £m	2017 £m
Short-term benefits	**2.2**	2.3
Post-employment benefits	**0.2**	0.4
Share-based payments	**–**	–
Termination benefits	**0.6**	–
Total	**3.0**	2.7

Key personnel comprise four Executive Directors (2017: two) and ten other members of the Executive Leadership Team (2017: nine).

The aggregate amount of Directors' remuneration was £0.8m (2017: £0.7m) and the aggregate gain made by the Directors on the exercise of share options was £nil (2017: £nil). The cash paid into defined contribution schemes was £0.1m (2017: £0.1m) and three Directors were members of defined contribution schemes during the year (2017: three). Full details of Directors' emoluments, pension benefits and interests in the shares of the Company are set out in the Directors' Remuneration Report on pages 80 to 87.

35. Post balance sheet event

The Company has today launched an equity raise to raise gross proceeds totaling £54m (£50m net of fees).

The equity raise, which is fully underwritten by Peel Hunt LLP, will be subject to shareholders' approval. The general meeting to approve the equity raise is scheduled for 19 February 2019.

36. Segmental restatement

As indicated in the 2017 Annual Report, the Group took the decision, effective 1 December 2017, to transfer the profitable Enka business (erosion control and drainage applications) from the Civil Engineering GBU into the B&I GBU. This transfer was part of the strategy review of Civil Engineering, and the Directors believe that the Enka business, a portion of which was already part of B&I, would perform better under single leadership within B&I.

The tables below show the impact of this restatement on the segment information previously provided:

	Year ended 30 November 2017		
	Reported £m	Enka reclassification £m	Restated £m
Revenue			
Building & Industrial	85.9	22.3	108.2
Civil Engineering	102.0	(22.3)	79.7
Coated Technical Textiles	138.3	–	138.3
Interiors & Transportation	120.3	–	120.3
Total	**446.5**	**–**	**446.5**
Underlying profit before tax from continuing operations			
Building & Industrial	12.4	0.6	13.0
Civil Engineering	0.1	(0.6)	(0.5)
Coated Technical Textiles	9.3	–	9.3
Interiors & Transportation	19.1	–	19.1
Unallocated Central	(5.4)	–	(5.4)
Total	**35.5**	**–**	**35.5**
Return on sales			
Building & Industrial	14.4%	(2.4)%	12.0%
Civil Engineering	0.1%	(0.7)%	(0.6)%
Coated Technical Textiles	6.7%	–	6.7%
Interiors & Transportation	15.9%	–	15.9%
Total	**8.0%**	**–**	**8.0%**
Reportable segment assets			
Building & Industrial	67.3	13.8	81.1
Civil Engineering	52.8	(13.8)	39.0
Coated Technical Textiles	154.0	–	154.0
Interiors & Transportation	145.5	–	145.5
Unallocated Central	0.8	–	0.8
Total	**420.4**	**–**	**420.4**
Reportable segment liabilities			
Building & Industrial	(15.4)	(3.6)	(19.0)
Civil Engineering	(17.4)	3.6	(13.8)
Coated Technical Textiles	(26.1)	–	(26.1)
Interiors & Transportation	(30.1)	–	(30.1)
Total	**(89.0)**	**–**	**(89.0)**

Notes to the Accounts continued

36. Segmental restatement continued

The impact of the Segmental restatement on the Other segment information disclosed is set out below:

	Restated					
£m Year ended 30 November 2017	B&I	Civil Engineering	CTT	I&T	Unallocated central	Total
Additions to property, plant and equipment	3.4	2.2	3.0	20.7	–	**29.3**
Additions to intangible assets and goodwill	6.8	0.1	0.1	1.6	0.8	**9.4**
Depreciation	(3.8)	(2.8)	(3.6)	(8.2)	(0.1)	**(18.5)**
Amortisation of acquired intangible assets	(0.6)	(0.1)	(3.0)	–	–	**(3.7)**
Non-underlying items – continuing operations	(13.1)	(31.5)	–	–	(2.1)	**(46.7)**

	As reported					
£m Year ended 30 November 2017	B&I	Civil Engineering	CTT	I&T	Unallocated central	Total
Additions to property, plant and equipment	3.0	2.6	3.0	20.7	–	**29.3**
Additions to intangible assets and goodwill	5.3	1.6	0.1	1.6	0.8	**9.4**
Depreciation	(3.6)	(3.0)	(3.6)	(8.2)	(0.1)	**(18.5)**
Amortisation of acquired intangible assets	(0.6)	(0.1)	(3.0)	–	–	**(3.7)**
Non-underlying items – continuing operations	(13.1)	(31.5)	–	–	(2.1)	**(46.7)**

37. Group companies

Subsidiary undertakings	Principal product areas	Registered address	%
Building & Industrial/Civil Engineering/Interiors & Transportation			
Low & Bonar NV	Woven and non-woven fabrics and construction fibres	Industriestraat 39, 9240 Zele, Belgium	100.0
Yihua Bonar Yarns & Fabrics Co. Ltd	Woven fabrics	No.6 Yangtze West Road, Yizheng, Yangzhou, People's Republic of China	60.0
Low & Bonar Hull Limited	Construction fibres	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Low & Bonar Hungary Kft	Non-woven fabrics	3580 Tiszaújváros, Huszár Andor street 5., Hungary	100.0
Low & Bonar BV	Polymeric mats and composites	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Production GmbH	Polymeric mats and composites	Rheinstraße 11, 41836 Hückelhoven, Germany	100.0
Low & Bonar Germany GmbH and Co. KG	Polymeric mats and composites, and holding company	Glanzstoffstr. 1, 63906 Erlenbach, Germany	100.0
Low & Bonar Paris SARL	Polymeric mats and composites	12 Rue de la Renaissance 92160 Antony, France	100.0
Low & Bonar Inc	Polymeric mats and composites	National Registered Agents, Inc,.160 Greentree Dr. Ste 101, Dover, Kent, DE 19904, USA	100.0
Bonar Xeroflor GmbH	Green roofs	Glanzstoffstraße 1, 63906 Erlenbach a. Main, Germany	100.0
XF Technologies BV	Intellectual property	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Slovakia a.s	Woven and non-woven fabrics	Novozamocka 207, 951 12 Ivanka pri Nitre, Slovakia	100.0
Low & Bonar (Shanghai) Trading Company Limited	Woven fabrics	Unit 1581, 15F L'Avenue Shanghai, No.99 Xian Xia Road, Changing, Shanghai 200051, People's Republic of China	100.0
Bonar High Performance Materials (Changzhou) Co. Ltd	Polymeric mats	No. 9 Xingtang Road, Xinbei District, Changzhou, 213034 People's Republic of China	100.0
Low & Bonar Dundee Limited	Specialist yarns	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100.0*

37. Group companies continued

Subsidiary undertakings	Principal product areas	Registered address	%
Bonar Xirion NV	Specialist yarns	Industriestraat 39, 9240 Zele, Belgium	100.0
Bonar Technical Yarns Inc	Specialist yarns	160 Mine Lake Ct Ste 200, Raleigh, North Carolina, 27615, USA	100.0
Bonar Yarns BV	Specialist yarns	Eerste Bokslootweg 17, 7821 AT Emmen, The Netherlands	100.0
Walflor Industries Inc	Rain screen and sound control	4820 Whitney Street, Bellingham, WA 98229, United States	100.0
Coated Technical Textiles			
Low & Bonar Logistics GmbH	Technical coated fabrics	Edelzeller Str. 44, 36043 Fulda, Germany	100.0
Low & Bonar GmbH	Technical coated fabrics	Rheinstraße 11, 41836 Hückelhoven, Germany	100.0
Low & Bonar Romania S.R.L.	Technical coated fabrics	Stefanestii de Jos, no.2 Linia de Centura Street C1/C1B, Ilfov, Romania	100.0
Low & Bonar Oldham Ltd	Technical coated fabrics	One Connaught Place, London, W2 2ET, England	100.0
Low & Bonar Italy S.r.l.	Technical coated fabrics	Via Enrico Fermi 52/A, Settimo Milanese Milano 20019, Italy	100.0
Low & Bonar Lyon SARL	Technical coated fabrics	Mehler Texnologies Batiment A1, 3 Chemin De Cysises, 69340 Franchevile France	100.0
Low & Bonar Martinsville Inc	Technical coated fabrics	220 B. Cabell Street, Martinsville, Virginia 24112 USA	100.0
Low & Bonar Czech s.r.o.	Technical coated fabrics	Slechtova 860, 51251 Lomnice nad Popelkou, Czech Republic	100.0
Low & Bonar Poland Sp. Z o.o.	Technical coated fabrics	Sosnowiec 41-200, ul. Mikołajczyka 31 a, Poland	100.0
Low & Bonar Turkey Teknik Tekstil Ticaret Limited Sirketi	Technical coated fabrics	Basaksehir San. sit. A Blok No: 22, 34490 Basaksehir, Istanbul, Turkey	100.0
Low & Bonar Latvia s.i.a.	Technical coated fabrics	Liepajas iela 3 d, LV-1002, Riga, Latvia	100.0
Low & Bonar Middle East Trading LLC	Technical coated fabrics	Office 1007, Sidra Tower, Sheikh Zayed Road, Dubai, United Arab Emirates	100.0
Low & Bonar Technical Textiles OOO	Technical coated fabrics	115035, Sadovnicheskaya embankment, 79, Moscow, Russia	100.0
Low & Bonar India Private Limited	Technical coated fabrics	205 CA Chambers, 18/12, W.E.A., Karol Bagh, New Delhi – 110005, Delhi, India	100.0
Low & Bonar Brasil Têxtil E Participações Ltda	Technical coated fabrics	Avenida Paulista 1079, Suite 81 Condomínio Edifício Torre João Salém Cerqueira César 01311-2007 Brazil	100.0
Group companies			
Bonar International Holdings Limited	Holding company	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Bonar International Sarl	Holding company	8-10 Avenue de la Gare, 1610, Luxembourg	100.0
LCM Construction Products Ltd	Holding company	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Low & Bonar Euro Holdings Limited	Finance company	One Connaught Place, London, W2 2ET, England	100.0
Low & Bonar Technical Textiles Holding BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Colbond Holding BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Verwaltungs GmbH	Holding company	Glanzstoffstr. 1, 63906 Erlenbach am Main, Germany	100.0
Colbond (Nederland) BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0

Notes to the Accounts continued

37. Group companies continued

Subsidiary undertakings	Principal product areas	Registered address	%
Dormant companies			
Low & Bonar UK Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Bonar Offshore Canada Inc	Dormant	333 Bay Street, Suite 2400, Toronto ON M5H 2T6, Canada	100.0
Bonar Rotaform Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Silver Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Goldtide Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Lobex Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Lobo Nominees Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0
Low & Bonar Pension Scheme (1986) Trustee Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Low & Bonar Pension Trustees Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Platinum Prestige Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Rotaform Plastics Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Waddington Cartons Ltd	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Joint venture			
Bonar Natpet LLC	Geotextiles	Unit M01, Mezzanine Floor, Future Business Centre, Coast Guard Street, Jeddah 21533, Kingdom of Saudi Arabia	50.0
Associated undertakings			
CPW GmbH	Intellectual property	Kasinostr. 19-21, 42103 Wuppertal, Germany	33.3
Enka Water Control Corporation	Dormant	1301 Sand Hill Road, Enka, Bucombe County, North Carolina 28728-1057, USA	33.3

1 Unless otherwise stated, shares held are ordinary, common or unclassified.

2 The percentage of the nominal value of issued shares held is shown following the name of each company.

3 An asterisk* indicates that the percentage of share capital shown is held directly by the Company.

4 The companies listed were incorporated in the country shown against each of them and, with the exception of Bonar International Sarl which operates primarily in England, that country is also the principal country of operation.

5 The results, cash flows and balance sheets of all subsidiaries are consolidated in the Group financial statements. The results of the joint venture and associates are accounted for in accordance which the policy set out in Note 1.

6 All the companies listed have November year ends, except the entities registered in China which have December year ends and the entity registered in India which has a May year end.

37. Group companies continued

Companies struck off in the year

Subsidiary undertakings	Principal product areas	Registered address	%
A.G. Scott Textiles Limited	Dormant	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100.0
Bamber Carpets Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Nuway Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Pack Centre Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Plastics Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Bonar Systems Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Bonar Ventures Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0
Bryanston 955 Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0
Cole Group PLC	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Cupa Engineering Co Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Gaskell Carpet Tiles Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Leisurewear Africa Limited	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ, Scotland	100.0*
Modulus Flooring Systems Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*
Nuway Manufacturing Co. Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
Placell Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0
R.H.Cole Investments Limited	Dormant	Squire Patton Boggs UK LLP Rutland House, 148 Edmund Street, Birmingham, B3 2JR, England	100.0*

Notes to the Accounts continued

38. Alternative performance measures

The Group uses alternative performance measures as it believes they allow a better understanding of underlying business performance, are consistent with its communication with investors, and facilitates better comparison with peer companies.

These alternative performance measures are:

- Underlying operating profit, underlying profit before tax, and basic underlying EPS. These numbers are available on the face of the income statement
- Underlying segment operating profit is set out in Note 1
- Underlying operating margin/return on sales is set out in Note 1
- Adjusted earnings before interest, tax, depreciation, amortisation, IFRS 2 charge and pension administration costs ("adjusted EBITDA")
- Net debt
- Return on capital employed
- Adjusted constant currency is calculated by retranslating comparative period results at current period exchange rates. For the period ended 30 November 2017, the results of the agro-textile business disposed of in October 2017 have been removed to present the figures on a consistent basis with the current period results.
- Constant currency which translates prior results at the current period's rates of exchange

Adjusted EBITDA

Adjusted EBITDA is used in determining the Group's gearing, and is calculated based on the definition set out in the Group's banking covenants. A reconciliation is as follows:

	2018 £m	2017 £m
Underlying operating profit	**22.2**	35.5
Add backs: Depreciation (Note 2)	**15.9**	18.5
Amortisation of intangibles (Note 2)	**4.1**	4.8
Less: amortisation included as a non-underlying item (Note 5)	**(2.8)**	(3.7)
IFRS 2 (credit)/charge (Note 25)	**(0.2)**	0.7
Pension administration costs (Note 4)	**0.5**	0.7
Less: amount included as a non-underlying item (Note 5)	**–**	(0.2)
Annualisation of impact of acquisitions and disposals during the period	**–**	0.1
Other	**0.3**	–
Adjusted EBITDA	**40.0**	56.4

Net debt

Net debt is calculated as follows:

	2018 £m	2017 £m
Interest-bearing loans and borrowings	**176.3**	176.6
Less: Cash and cash equivalents	**(47.8)**	(38.2)
Net debt[1]	**128.5**	138.4

1 Net debt for covenant compliance purposes is retranslated at the average exchange rates for the year, to match the rates used to translate adjusted EBITDA. The resulting figure was £127.9 (2017: £137.9m).

Return on capital employed (ROCE)

ROCE is one of the Group's key measures for assessing its performance. It is calculated as follows:

	2018 £m	2017 £m
Underlying operating profit	**22.2**	35.5
Divided by capital employed	**256.0**	318.7
ROCE	**8.7%**	11.1%

	2018 £m	2017 £m
Net debt	**128.5**	138.4
Net assets	**127.5**	180.3
Capital employed	**256.0**	318.7

38. Alternative performance measures continued

Adjusted constant currency analyses – agro-textile business

For the year ended 30 November 2017 the results of the agro-textile business disposed of in October 2017 have been removed to present the figures on a consistent basis as the current period results.

The tables below show the impact of the removal of the agro-textile business on the 2017 figures, after the restatement for the transfer of the Enka business (Note 36):

	Year ended 30 November 2017			
	Restated £m	Agro-textile adjustment £m	Adjusted £m	Adjsuted Constant currency £m
Revenue				
Building & Industrial	108.2	(18.3)	89.9	89.0
Civil Engineering	79.7	–	79.7	80.6
Coated Technical Textiles	138.3	–	138.3	137.7
Interiors & Transportation	120.3	–	120.3	118.1
Total	446.5	(18.3)	428.2	425.4
Underlying profit before tax from continuing operations				
Building & Industrial	13.0	(1.1)	11.9	11.6
Civil Engineering	(0.5)	–	(0.5)	(0.5)
Coated Technical Textiles	9.3	–	9.3	9.4
Interiors & Transportation	19.1	–	19.1	18.7
Unallocated central	(5.4)	–	(5.4)	(5.4)
Total	35.5	(1.1)	34.4	33.8

Five Year History

	2018 £m	2017 £m	2016 £m	2015 (restated) £m	2014 £m
Revenue					
Continuing operations	**431.9**	446.5	400.0	362.1	410.6
Discontinued operations	**–**	–	22.3	33.7	–
Total (including discontinued operations)	**431.9**	446.5	422.3	395.8	410.6
Underlying operating profit					
Continuing operations	**22.2**	35.5	34.7	31.8	31.7
Discontinued operations	**–**	–	1.8	1.0	–
Total (including discontinued operations)	**22.2**	35.5	36.5	32.8	31.7
Operating (loss)/profit					
Continuing operations	**(36.4)**	(14.9)	31.4	25.8	23.2
Discontinued operations	**–**	–	(0.6)	(7.2)	–
Total (including discontinued operations)	**(36.4)**	(14.9)	30.8	18.6	23.2
Underlying profit before tax					
Continuing operations	**16.7**	30.7	29.2	27.4	25.2
Discontinued operations	**–**	–	0.5	(0.8)	–
Total (including discontinued operations)	**16.7**	30.7	29.7	26.6	25.2
(Loss)/profit before tax					
Continuing operations	**(42.2)**	(19.7)	25.9	21.4	16.7
Discontinued operations	**–**	–	(4.1)	(9.0)	–
Total (including discontinued operations)	**(42.2)**	(19.7)	21.8	12.4	16.7
Reconciliation to statutory measures					
Continuing operations					
Underlying operating profit	**22.2**	35.5	34.7	31.8	31.7
Non-underlying items	**(58.6)**	(50.4)	(3.3)	(6.0)	(8.5)
Operating (loss)/profit (statutory)	**(36.4)**	(14.9)	31.4	25.8	23.2
Underlying profit before tax	**16.7**	30.7	29.2	27.4	25.2
Non-underlying items	**(58.9)**	(50.4)	(3.3)	(6.0)	(8.5)
(Loss)/profit before tax (statutory)	**(42.2)**	(19.7)	25.9	21.4	16.7
Capital Structure					
Net debt	**128.5**	138.4	111.0	102.1	88.0
Total equity	**127.5**	180.3	202.4	172.0	148.7
Total	**256.0**	318.7	313.4	274.1	236.7
Per Ordinary Share					
Basic earnings per share (including discontinued operations) (pence)	**(14.25)**	(5.86p)	4.22	1.73	3.76
Dividends declared per share (pence)	**1.4**	3.1	3.0	2.8	2.7

2015 results were restated for the disposal of the grass yarns business. Earlier years' results have not been restated.

Company information and advisors

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Solicitors
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Squire Patton Boggs LLP

Principal bankers
HSBC

ING Bank NV

Citibank

Bank of Ireland

Comerica Bank

Corporate finance advisors
NM Rothschild & Sons Limited

Brokers
Peel Hunt LLP

Financial calendar

Annual General Meeting 5 April 2019

Announcements for results for the year ending 30 November 2019

Half year	July 2019
Full year	January 2020

Final dividend payment for the year ended 30 November 2018

Ordinary Shares	10 April 2019
First, second and third cumulative preference stock	1 March 2019 and 1 September 2019

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