Progress through performance

Interim Report 2016

Welcome to Low & Bonar

We are an international business to business performance materials Group. We design and manufacture components which add value to, and improve the performance of, our customers' products by engineering a wide range of polymers using our own technologies to create yarns, fibres, industrial and coated fabrics and composite materials.

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

Visit us online

Our website contains a full investor relations section with news, reports, webcasts, financial calendar and share price information.

Visit **www.lowandbonar.com** and click on Investor centre.

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Highlights

Revenue

£180.6m (2015 (restated): £169.9m)

+6.3% (+2.4% on a constant currency basis)

Earnings per share[2]

2.16p (2015 (restated): 2.19p)

-1.4%

PBTA[2]

£10.6m (2015 (restated): £10.1m)

+5.0% (+1.0% on a constant currency basis)

Operating margin[1]

7.4% (2015 (restated): 7.2%)

+20 basis points

- Executing strategy to re-balance the business and actively manage our portfolio to invest in areas with optimum returns
- Successfully negotiated sale of the cyclical grass yarns business
- Progressing towards resolution of the Bonar Natpet JV
- Strong profit growth and margin progression in Building & Industrial, Civil Engineering and Interior & Transportation
- Performance within Coated Technical Textiles affected by short-term production issues
- Good early performance in our Colback plant in Changzhou, China
- Increase in interim dividend reflecting confidence in long term prospects

	Six months to 31 May				
	2016	2015 (restated)[4]	Actual	Constant Currency[5]	12 months to 30 Nov 2015 (restated)[4]
Continuing operations					
Revenue	**£180.6m**	£169.9m	6.3%	2.4%	£362.1m
Operating margin[1]	**7.4%**	7.2%			8.8%
PBTA[2]	**£10.6m**	£10.1m	5.0%	1.0%	£27.4m
Profit before taxation (statutory)	**£8.3m**	£7.8m	6.4%		£21.4m
Basic EPS[2]	**2.16p**	2.19p	(1.4%)		5.86p
Dividend per share	**1.00p**	0.98p			2.78p
ROCE[3]	**11.3%**	13.0%			12.5%

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

Business Model

Competitive advantage

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

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

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

01 New product development

Gaining competitive advantage through technologies and innovation.

02 Customer insight

Focusing on customers to understand and anticipate their needs.

Leading positions in niche industrial markets

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

Strong customer focus

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

Excellence in innovation

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

03 Applied technology

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

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

Building & Industrial

Civil Engineering

Coated Technical Textiles

Interior & Transportation

Operational capability and efficiency

We operate Group-wide capability and efficiency improvement programmes.

Optimised organisational structure

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

Our Core Capabilities

Review of Operations

Results overview

We are pleased to report that the Group has made a steady start to the year and that we are making significant steps in the execution of our strategy. Profit before tax, amortisation and non-recurring items from continuing operations increased by 5.0% to £10.6m (2015: £10.1m). On a constant currency basis, revenues from continuing operations were 2.4% ahead of last year at £180.6m (2015: £176.4m) and profit before tax, amortisation and non-recurring items was up 1.0% (2015: £10.5m). On a constant currency basis, operating profits increased by 2.3% from £13.0m to £13.3m.

As announced on 4 July 2016, we have successfully negotiated the sale of our artificial grass yarns business, which formed the majority of our Sports & Leisure business unit. The disposal, which reflects our commitment to active portfolio management, is expected to complete before the end of August, after a period of employee consultation. It is estimated that the disposal will reduce Group borrowings by approximately €29m after costs of about €1m and will provide flexibility and headroom for future expansion. Whilst the grass yarns business performed reasonably well during the period, we believe we can achieve better returns by investment in our higher margin businesses.

We are also pleased to report that we have successfully agreed the terms for re-financing the €45m private placement loan note which becomes repayable on 2 September 2016. It will be replaced on maturity with a new loan note for €60m with an 8 year average term at a much lower fixed coupon rate of 2.57%. This is expected to save approximately £1.0m annually in interest costs.

Building & Industrial

Building & Industrial performed very strongly and delivered good profit growth; profits were up 67%, on a constant currency basis, to £4.5m (2015: £2.7m). Sales were 6.4% up on a constant currency basis to £31.8m (2015: £29.9m), driven by strong US sales, particularly within building products, which reflect a major new customer win as well as good demand generally. Profits also benefited from favourable raw material pricing which was in part offset by slower than expected improvements within manufacturing at Lokeren, Belgium.

Civil Engineering

Civil Engineering has made a good start to the year; profits at constant currency recovered to £1.0m (2015: £0.3m). Sales were up 1.3% on a constant currency basis to £39.5m (2015: £39.0m), aided by a particularly strong first quarter although markets currently remain stable but subdued. Actions to increase specification sales, outsource low-end bundled transactional business and extend geographic sales for construction fibres are beginning to deliver results in terms of improving our market proposition and increasing returns.

Coated Technical Textiles

Performance within Coated Technical Textiles was mixed. On a constant currency basis, sales were flat overall at £60.1m (2015: £60.1m). A strong trailer market delivered sales growth of 2.4%, but this was unable to mitigate against a decrease in sales in our higher margin, niche segments of tensile architecture and containers. In addition, we have experienced manufacturing problems which impacted profits by £2.6m. As a consequence, profits were down on a constant currency basis to £3.5m (2015: £7.0m). Actions implemented to resolve production issues are starting to have an effect, with the drag on the second half expected to be much lower, and new appointments to the sales team have significantly strengthened credibility and networks within tensile architecture.

Interior & Transportation

Interior & Transportation delivered very good profit growth; profits were up 30.4% to £7.3m (2015 (restated): £5.6m) on a constant currency basis. Sales were 3.8% ahead on a constant currency basis aided by additional capacity from the new Colback plant in Changzhou, China. Profits also benefited from favourable raw material pricing, albeit pricing in the third quarter has started to increase. The performance in China has been pleasing;

sales of Colback produced in China totalled £4m in the first four months of production, marginally ahead of plan. Following the exit from grass yarns, the residual carpet backing business based in Dundee has now been included within Interior & Transportation and accounts for £0.1m of profit (2015: £0.1m).

Bonar Natpet

Market conditions in the GCC region remain difficult and activity levels are still very low. The joint venture made a loss of £1.2m and we have reported, within discontinued operations, a loss of £0.6m for the first half. We are continuing to work with our partner to find a solution and avoid a further drag on Group profitability.

Amortisation and non-recurring items

The charge for amortisation of acquired intangible assets was £1.9m (2015: £2.1m) in the period. During the period, the Group incurred £0.2m of non-recurring costs in relation to the construction of the new manufacturing factory in Changzhou, China and £0.2m in relation to the UK pension scheme.

Interim dividend

To reflect the solid start to the year and the Board's confidence in the Group's future, we are declaring an interim dividend of 1.00 pence per share, an increase of 2.0% on last year, payable on 22 September 2016 to shareholders registered on 26 August 2016.

Net debt

Net debt, which is seasonally higher at the half year, increased to £139.5m (2015: £102.4m) from £102.1m (2015: £88.0m) at the start of the year. Foreign exchange rate differences account for £4m of the increase since 30 November 2015 and £3m in relation to 31 May 2015. Cash outflow into working capital was £26.0m (2015: £13.0m) in the six months to May 2016. This is higher than normal and reflects the ramp-up in our new facility in Changzhou, stock build in grass yarns and some production and scheduling issues at our Lokeren site. A further £14.3m (2015: £13.7m) was spent on capital expenditure. The sale of the grass yarns business is expected to reduce net debt by circa £22m in the second half. This, together with normal seasonal cashflows, is expected to reduce gearing from 2.7 times (2015: 2.2 times) to circa 1.8 times (2015: 2.2 times) by year-end.

Return on capital

The Group's return on capital on a 12-month trailing basis was 11.3%, compared to 13.0% (restated) in the first half of last year, principally as a result of higher net debt during the first half.

Outlook

The focus in the first half has been the continued execution of our strategy; with the start of production in China, the exit from grass yarns and the work to find a solution for Bonar Natpet. At the same time we are starting to realise the benefits of the reorganised business structure and leadership.

As we look to the second half of the year, we will continue to focus on fully resolving the operational issues and concluding discussions in relation to Bonar Natpet. Taking into account various factors affecting the Group, we remain confident of meeting the Board's expectations for the full year.

Martin Flower
Chairman
6 July 2016

Brett Simpson
Group Chief Executive
6 July 2016

Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including, but not limited to, the terms "believes", "estimates", "anticipates", "expects", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include matters that are not historical facts.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity may differ materially from the impression created by the forward looking statements contained in this announcement. In addition, even if the results of operations, financial condition, and liquidity are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to: changes in the competitive framework in which the Group operates and its ability to retain market share; the Group's ability to generate growth or profitable growth; the Group's ability to generate sufficient cash to service its debt; the Group's ability to control its capital expenditure and other costs; significant changes in exchange rates, interest rates and tax rates; significant technological and market changes; future business combinations or dispositions; and general local and global economic, political, business and market conditions. In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this announcement may not occur.

Other than in accordance with its legal or regulatory obligations, the Group does not undertake any obligation to update or revise publicly any forward looking statement, whether as a result of new information, future events or otherwise.

Condensed Consolidated Income Statement

	Six months ended 31 May 2016 Unaudited			Six months ended 31 May 2015 Unaudited			Year ended 30 November 2015		
	Before amortisation and non-recurring items £m	Amortisation and non-recurring items £m	Total £m	Before amortisation and non-recurring items (restated) £m	Amortisation and non-recurring items £m	Total (restated) £m	Before amortisation and non-recurring items (restated) £m	Amortisation and non-recurring items (restated) £m	Total (restated) £m
Revenue	**180.6**	**–**	**180.6**	169.9	–	169.9	362.1	–	362.1
Operating profit/(loss)	**13.3**	**(2.3)**	**11.0**	12.3	(2.3)	10.0	31.8	(6.0)	25.8
Financial income	**0.1**	**–**	**0.1**	–	–	–	0.1	–	0.1
Financial expense	**(2.8)**	**–**	**(2.8)**	(2.2)	–	(2.2)	(4.5)	–	(4.5)
Net financing costs	**(2.7)**	**–**	**(2.7)**	(2.2)	–	(2.2)	(4.4)	–	(4.4)
Profit/(loss) before taxation	**10.6**	**(2.3)**	**8.3**	10.1	(2.3)	7.8	27.4	(6.0)	21.4
Taxation	**(3.2)**	**0.6**	**(2.6)**	(2.7)	0.5	(2.2)	(7.6)	1.4	(6.2)
Profit/(loss) after taxation	**7.4**	**(1.7)**	**5.7**	7.4	(1.8)	5.6	19.8	(4.6)	15.2
Profit/(loss) for the period from continuing operations	**7.4**	**(1.7)**	**5.7**	7.4	(1.8)	5.6	19.8	(4.6)	15.2
Loss for the period from discontinued operations	**–**	**(2.6)**	**(2.6)**	(0.4)	–	(0.4)	(0.8)	(8.2)	(9.0)
Profit/(loss) for the period	**7.4**	**(4.3)**	**3.1**	7.0	(1.8)	5.2	19.0	(12.8)	6.2
Attributable to									
Equity holders of the Company	**7.1**	**(4.3)**	**2.8**	6.7	(1.8)	4.9	18.5	(12.8)	5.7
Non-controlling interest	**0.3**	**–**	**0.3**	0.3	–	0.3	0.5	–	0.5
	7.4	**(4.3)**	**3.1**	7.0	(1.8)	5.2	19.0	(12.8)	6.2
Earnings per share									
Continuing operations:									
Basic	**2.16p**		**1.63p**	2.19p		1.64p	5.86p		4.47p
Diluted	**2.14p**		**1.61p**	2.17p		1.62p	5.75p		4.39p
Discontinued operations:									
Basic	**–**		**(0.79p)**	(0.15p)		(0.15p)	(0.25p)		(2.74p)
Diluted	**–**		**(0.78p)**	(0.15p)		(0.15p)	(0.24p)		(2.69p)
Total:									
Basic	**2.16p**		**0.84p**	2.04p		1.49p	5.61p		1.73p
Diluted	**2.14p**		**0.83p**	2.02p		1.47p	5.51p		1.70p

Condensed Consolidated Balance Sheet

	31 May 2016 Unaudited £m	31 May 2015 Unaudited (restated) £m	30 November 2015 (restated) £m
Non-current assets			
Goodwill	**75.2**	71.1	69.6
Intangible assets	**21.1**	22.9	20.3
Property, plant and equipment	**134.1**	109.9	123.6
Investment in joint venture	**–**	–	–
Investment in associate	**0.5**	0.5	0.5
Deferred tax assets	**4.6**	3.6	4.4
Post-employment benefits	**–**	1.3	5.2
	235.5	209.3	223.6
Current assets			
Inventories	**86.2**	76.2	70.3
Trade and other receivables	**67.9**	66.1	63.4
Cash and cash equivalents	**21.5**	25.2	33.9
Assets classified as held for sale	**31.3**	36.6	28.4
	206.9	204.1	196.0
Current liabilities			
Interest-bearing loans and borrowings	**34.4**	–	31.5
Current tax liabilities	**4.1**	4.0	5.7
Trade and other payables	**62.3**	69.3	70.0
Provisions	**0.8**	0.2	0.1
Derivative liabilities	**0.1**	0.1	0.1
Liabilities directly associated with assets classified as held for sale	**8.4**	7.6	8.2
	110.1	81.2	115.6
Net current assets	**96.8**	122.9	80.4
Total assets less current liabilities	**332.3**	332.2	304.0
Non-current liabilities			
Interest-bearing loans and borrowings	**126.6**	127.6	104.5
Deferred tax liabilities	**17.5**	19.1	17.2
Post-employment benefits	**14.5**	10.1	9.9
Other payables	**0.2**	0.4	0.4
	158.8	157.2	132.0
Net assets	**173.5**	175.0	172.0
Equity attributable to equity holders of the parent			
Share capital	**47.4**	47.3	47.4
Share premium account	**74.2**	74.0	74.2
Translation reserve	**(47.8)**	(58.8)	(61.0)
Retained earnings	**93.6**	106.6	105.3
Total equity attributable to			
Equity holders of the parent	**167.4**	169.1	165.9
Non-controlling interest	**6.1**	5.9	6.1
Total equity	**173.5**	175.0	172.0

Condensed Consolidated Cash Flow Statement

	Six months ended 31 May 2016 Unaudited £m	Six months ended 31 May 2015 Unaudited (restated) £m	Year ended 30 November 2015 (restated) £m
Profit for the period from continuing operations	**5.7**	5.6	15.2
Loss for the period from discontinued operations	**(2.6)**	(0.4)	(9.0)
Profit for the period	**3.1**	5.2	6.2
Adjustments for:			
Depreciation	**7.6**	6.2	12.4
Amortisation	**2.4**	2.6	5.2
Income tax expense	**2.6**	2.2	6.2
Net financing costs	**2.7**	2.2	4.4
Share of results of joint venture	**–**	0.8	1.8
Loss on disposal of discontinued assets	**2.6**	–	–
Impairment of investment in joint venture	**–**	–	8.2
Increase in working capital	**(26.0)**	(13.0)	(5.9)
Non-cash pension charges	**0.4**	0.5	1.1
Decrease in provisions	**(0.1)**	(0.3)	(0.4)
Loss on disposal of property, plant and equipment	**–**	0.2	–
Equity-settled share-based payment	**0.4**	0.3	0.6
Cash (outflow)/inflow from operations	**(4.3)**	6.9	39.8
Net financing costs paid	**(2.9)**	(2.0)	(4.5)
Tax paid	**(4.8)**	(3.4)	(7.5)
Pension cash contributions	**(0.2)**	(0.3)	(4.5)
Net cash (outflow)/inflow from operating activities	**(12.2)**	1.2	23.3
Acquisition of property, plant and equipment	**(12.9)**	(13.4)	(33.0)
Dividends paid to non-controlling interests	**(0.3)**	(1.0)	(1.0)
Intangible assets purchased	**(1.4)**	(0.3)	(0.7)
Net cash outflow from investing activities	**(14.6)**	(14.7)	(34.7)
Drawdown of borrowings	**19.1**	19.3	28.8
Repayment of borrowings	**–**	–	–
Proceeds of share issues	**–**	–	0.3
Equity dividends paid	**(5.9)**	(5.8)	(9.0)
Net cash inflow from financing activities	**13.2**	13.5	20.1
Net cash (outflow)/inflow	**(13.6)**	–	8.7
Cash and cash equivalents at start of period	**33.9**	25.8	25.8
Foreign exchange differences	**1.2**	(0.6)	(0.6)
Cash and cash equivalents at end of period	**21.5**	25.2	33.9

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 May 2016 Unaudited £m	Six months ended 31 May 2015 Unaudited £m	Year ended 30 November 2015 £m
Profit for the period	**3.1**	5.2	6.2
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of hedging	**13.2**	(15.8)	(17.8)
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension scheme	**(9.0)**	1.5	2.2
Deferred tax on defined benefit pension schemes	**–**	–	–
Total other comprehensive income/(expense) for the period, net of tax	**4.2**	(14.3)	(15.6)
Total comprehensive income/(expense) for the period	**7.3**	(9.1)	(9.4)
Attributable to			
Equity holders of the parent	**7.0**	(9.5)	(10.1)
Minority interest	**0.3**	0.4	0.7
	7.3	(9.1)	(9.4)

Condensed Consolidated Statement of Changes in Equity

	Six months ended 31 May 2016 Unaudited £m	Six months ended 31 May 2015 Unaudited £m	Year ended 30 November 2015 £m
Shareholders' equity at start of period	**165.9**	184.1	184.1
Total comprehensive income/(expense) for the period	**7.0**	(9.5)	(10.1)
Dividends paid to Ordinary Shareholders	**(5.9)**	(5.8)	(9.0)
Shares issued	**–**	–	0.3
Share-based payment	**0.4**	0.3	0.6
Net increase/(decrease) in shareholders' funds	**1.5**	(15.0)	(18.2)
Shareholders' equity at end of period	**167.4**	169.1	165.9

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the Interim Report includes a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Brett Simpson
Group Chief Executive
6 July 2016

By order of the Board

Mike Holt
Chief Financial Officer
6 July 2016

Notes to the Interim Report 2016

1. Segmental information for the six months ended 31 May 2016

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. For the purposes of management reporting to the chief operating decision maker, the Group previously split into five reportable business units: Building & Industrial, Civil Engineering, Coated Technical Textiles, Interior & Transportation, and Sport & Leisure. Due to the planned disposal of the artificial grass yarns business (disclosed as discontinued operations), the remaining continuing interests within the Sport & Leisure segment have now been included within the Interior & Transportation segment due to the similar nature of the products provided. The Groups reportable segments have also been restated to reflect the discontinued operations noted in the period and the change in operating segments. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash and cash equivalents, interest-bearing loans, borrowings, investments in joint ventures and associates, post-employment benefits and corporate assets and expenses. Inter-segment sales are not material.

Segment analysis

Revenue from external customers	**Six months ended 31 May 2016 £m**	Six months ended 31 May 2015 (restated) £m	Year ended 30 November 2015 (restated) £m
Building & Industrial	**31.8**	28.6	61.7
Civil Engineering	**39.5**	37.5	85.4
Coated Technical Textiles	**60.1**	58.2	120.4
Interior & Transportation	**49.2**	45.6	94.6
Revenue for the period	**180.6**	169.9	362.1

	Before amortisation and non-recurring items			**After amortisation and non-recurring items**		
Profit for the period	**Six months ended 31 May 2016 £m**	Six months ended 31 May 2015 (restated) £m	Year ended 30 November 2015 (restated) £m	**Six months ended 31 May 2016 £m**	Six months ended 31 May 2015 (restated) £m	Year ended 30 November 2015 (restated) £m
Building & Industrial	**4.5**	2.6	8.4	**4.3**	2.4	7.8
Civil Engineering	**1.0**	0.3	3.1	**0.7**	(0.2)	2.0
Coated Technical Textiles	**3.5**	6.7	12.8	**2.2**	5.4	10.3
Interior & Transportation	**7.3**	5.3	13.4	**7.0**	5.1	12.1
Unallocated Central	**(3.0)**	(2.6)	(5.9)	**(3.2)**	(2.7)	(6.4)
Operating profit	**13.3**	12.3	31.8	**11.0**	10.0	25.8
Financial income				**0.1**	–	0.1
Financial expense				**(2.8)**	(2.2)	(4.5)
Net financing costs				**(2.7)**	(2.2)	(4.4)
Profit before taxation				**8.3**	7.8	21.4
Taxation				**(2.6)**	(2.2)	(6.2)
Profit for the period – continuing operations				**5.7**	5.6	15.2
Loss for the period – discontinued operations				**(2.6)**	(0.4)	(9.0)
Profit for the period				**3.1**	5.2	6.2

Notes to the Interim Report 2016 continued

1. Segmental information for the six months ended 31 May 2016 continued

Segment assets, liabilities, other information

31 May 2016	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interior & Transportation £m	Unallocated Central £m	Total £m
Reportable segment assets	59.6	81.4	133.2	106.4	–	380.6
Investment in joint venture						–
Investment in associate						0.5
Cash and cash equivalents						21.5
Post-employment benefits						–
Assets related to discontinued operations						31.3
Other unallocated assets						8.5
Total Group assets						**442.4**
Reportable segment liabilities	(13.5)	(15.8)	(16.1)	(16.7)	–	(62.1)
Loans and borrowings						(161.0)
Derivative liabilities						(0.1)
Post-employment benefits						(14.5)
Liabilities related to discontinued operations						(8.4)
Other unallocated liabilities						(22.8)
Total Group liabilities						**(268.9)**
Other information						
Additions to property, plant and equipment	0.7	3.5	0.7	5.5	–	10.4
Additions to intangible assets and goodwill	0.5	0.4	–	0.5	–	1.4
Depreciation	1.2	1.3	1.5	3.6	–	7.6
Amortisation of acquired intangible assets	0.2	0.3	1.3	0.1	–	1.9
Non-recurring items	–	–	–	0.2	0.2	0.4

***Segment assets, liabilities, other information** continued*

31 May 2015	Building & Industrial £m	Civil Engineering (restated) £m	Coated Technical Textiles £m	Interior & Transportation (restated) £m	Unallocated Central £m	Total (restated) £m
Reportable segment assets	58.3	65.4	130.2	91.7	–	345.6
Investment in joint venture						–
Investment in associate						0.5
Cash and cash equivalents						25.2
Post-employment benefits						1.3
Assets related to discontinued operations						36.6
Other unallocated assets						4.2
Total Group assets						413.4
Reportable segment liabilities	(12.7)	(13.2)	(18.1)	(19.3)	–	(63.3)
Loans and borrowings						(127.6)
Derivative liabilities						(0.1)
Post-employment benefits						(10.1)
Liabilities related to discontinued operations						(7.6)
Other unallocated liabilities						(29.7)
Total Group liabilities						(238.4)
Other information						
Additions to property, plant and equipment	0.9	2.0	2.0	6.9	–	11.8
Additions to intangible assets and goodwill	0.1	0.1	–	0.1	–	0.3
Depreciation	1.1	1.0	1.6	2.5	–	6.2
Amortisation of acquired intangible assets	0.2	0.5	1.3	0.1	–	2.1
Non-recurring items	–	–	–	0.1	0.1	0.2

Notes to the Interim Report 2016 continued

1. Segmental information for the six months ended 31 May 2016 continued

Segment assets, liabilities, other information continued

30 November 2015	Building & Industrial £m	Civil Engineering £m	Coated Technical Textiles £m	Interior & Transportation (restated) £m	Unallocated Central £m	Total (restated) £m
Reportable segment assets	53.1	69.1	125.9	97.2	–	345.3
Investment in joint venture						–
Investment in associate						0.5
Cash and cash equivalents						33.9
Post-employment benefits						5.2
Assets related to discontinued operations						28.4
Other unallocated assets						6.3
Total Group assets						419.6
Reportable segment liabilities	(14.1)	(15.9)	(17.5)	(18.2)	–	(65.7)
Loans and borrowings						(136.0)
Derivative liabilities						(0.1)
Post-employment benefits						(9.9)
Liabilities related to discontinued operations						(8.2)
Other unallocated liabilities						(27.7)
Total Group liabilities						(247.6)
Other information						
Additions to property, plant and equipment	2.6	7.5	3.2	19.8	0.1	33.2
Additions to intangible assets and goodwill	0.3	0.1	0.1	0.2	–	0.7
Depreciation	2.2	2.2	3.0	5.0	–	12.4
Amortisation of acquired intangible assets	0.5	0.9	2.5	0.2	–	4.1
Non-recurring items	0.1	0.2	–	1.1	8.7	10.1

Geographical analysis

	External revenue by location of customers			Non-current assets by location of assets*		
	Six months ended 31 May 2016 £m	Six months ended 31 May 2015 (restated) £m	Year ended 30 November 2015 (restated) £m	**31 May 2016 £m**	31 May 2015 (restated) £m	30 November 2015 (restated) £m
Western Europe	**101.2**	93.6	200.7	**163.1**	154.4	150.5
Eastern Europe	**16.0**	15.5	33.6	**15.7**	10.0	13.6
North America	**41.3**	38.7	79.3	**23.1**	23.2	23.0
Middle East	**3.5**	6.4	12.9	**0.1**	0.1	0.1
Asia	**13.5**	9.9	25.9	**28.9**	16.7	26.8
Rest of World	**5.1**	5.8	9.7	**–**	–	–
	180.6	169.9	362.1	**230.9**	204.4	214.0

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

Revenues arising in the UK, which is the parent company's country of domicile, were £9.4m (six months ended 31 May 2015 (restated): £9.6m; year ended 30 November 2015 (restated): £20.0m). The net book value of non-current assets located in the UK at 31 May 2016 was £3.0m (31 May 2015 (restated): £1.1m; 30 November 2015 (restated): £6.1m). More than 10% of the Group's revenues arose in Germany. The net book value of non-current assets located in Germany at 31 May 2016 was £70.4m (31 May 2015: £69.7m; 30 November 2015: £66.6m) and revenues arising in Germany in the period ended 31 May 2016 were £32.1m (six months ended 31 May 2015: £25.9m; year ended 30 November 2015: £55.6m).

Constant currency analyses

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

	Six months ended 31 May 2016 (reported) £m	Six months ended 31 May 2015 (reported) (restated) £m	Period on period change %	Six months ended 31 May 2015 (constant currency) (restated) £m	Period on period change %
Revenue					
Building & Industrial	**31.8**	28.6	11.2%	29.9	6.4%
Civil Engineering	**39.5**	37.5	5.3%	39.0	1.3%
Coated Technical Textiles	**60.1**	58.2	3.3%	60.1	–
Interior & Transportation	**49.2**	45.6	7.9%	47.4	3.8%
Revenue for the period	**180.6**	169.9	6.3%	176.4	2.4%
PBTA					
Building & Industrial	**4.5**	2.6	73.1%	2.7	66.7%
Civil Engineering	**1.0**	0.3	233.3%	0.3	233.3%
Coated Technical Textiles	**3.5**	6.7	(47.8)%	7.0	(50.0)%
Interior & Transportation	**7.3**	5.3	37.7%	5.6	30.4%
Unallocated Central	**(3.0)**	(2.6)	15.4%	(2.6)	15.4%
Operating profit before non-recurring items	**13.3**	12.3	8.1%	13.0	2.3%
Net financing costs	**(2.7)**	(2.2)	22.7%	(2.5)	8.0%
PBTA before non-recurring items and discontinued operations	**10.6**	10.1	5.0%	10.5	1.0%

2. General information

Low & Bonar PLC is a company domiciled and incorporated in Scotland. The interim condensed consolidated financial statements (the "interim financial statements") of the Company as at and for the six months ended 31 May 2016 comprise the Company and its subsidiaries (together the "Group") and the Group's interests in its associates and joint ventures. The consolidated financial statements of the Group as at and for the year ended 30 November 2015 are available on request from the Company's head office or from the Group's website at www.lowandbonar.com.

3. Basis of preparation

The interim financial statements are prepared in accordance with IAS 34, "Interim Financial Reporting", as endorsed and adopted for use in the European Union. This interim condensed consolidated financial information has not been audited or reviewed by the Group's auditors in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 November 2015.

Notes to the Interim Report 2016 continued

3. Basis of preparation continued

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group as at and for the year ended 30 November 2015.

The financial information for the comparative periods has been restated to present the results of our artificial grass yarns business and our joint venture interest in Bonar Natpet LLC within discontinued operations, and to reclassify their associated assets and liabilities as held for sale.

Other information

The comparative figures for the financial year ended 30 November 2015 are not the Company's statutory accounts for that financial year as defined in section 434 of the Companies Act 2006. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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 valuation to fair value of certain financial instruments.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described above, in preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied to the consolidated financial statements as at and for the year ended 30 November 2015.

Included within Net Current Assets is £(0.9)m due to Bonar Natpet LLC, a joint venture (31 May 2015: £5.5m; 30 November 2015: £nil) and £nil (31 May 2015: £6.0m; 30 November 2015: £5.3m) due to National Petrochemical Industry, the Group's joint venture partner in Bonar Natpet LLC. Other than these transactions, there have been no related party transactions or changes in related party transactions described in the latest Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

The Group's business has a seasonal bias towards the second half of the financial year due to higher levels of infrastructure and civil engineering spend in the Northern hemisphere summer period.

This Interim Report was approved by the Board of Directors on 6 July 2016.

4. Taxation

Taxation on profit/(loss) before taxation, amortisation, non-recurring items and share of results of joint ventures has been provided at a rate of 30.4% for the six months ended 31 May 2016 which is the estimated rate of tax for the full year (six months ended 31 May 2015 (restated): 27.5%; year ended 30 November 2015 (restated): 27.8%).

5. Dividend

The Board has declared an interim Ordinary dividend of 1.00p per share payable on 22 September 2016 to Ordinary Shareholders on the register of members at close of business on 26 August 2016. In accordance with IAS 10 "Events after the Balance Sheet Date", this dividend has not been reflected in the interim accounts. During the period a final dividend of 1.80p was paid to Ordinary Shareholders in respect of the financial year ended 30 November 2015.

6. Earnings per share

Basic earnings per share and earnings per share before amortisation and non-recurring items are based on the weighted average number of Ordinary Shares in issue during the half year. The calculation of fully-diluted earnings per share is based on the weighted average number of Ordinary Shares in issue plus the dilutive effect of outstanding share options and the Low & Bonar 2003 Long-Term Incentive Plan (the "2003 LTIP") awards (to the extent to which performance criteria had been achieved at 31 May 2016).

During the period 1,468 Ordinary Shares were issued (six months ended 31 May 2015: 471,471 Ordinary Shares were issued; year ended 30 November 2015: 1,169,736 Ordinary Shares issued).

The weighted average number of Ordinary Shares and diluted weighted average number of Ordinary Shares are set out below.

	31 May 2016 (millions)	31 May 2015 (millions)	30 November 2015 (millions)
Weighted average number of shares	**328.958**	327.971	328.116
Effect of dilutive items	**2.586**	3.396	6.230
Diluted weighted average number of shares	**331.544**	331.367	334.346

The Directors consider that the calculation of earnings per share before amortisation and non-recurring items gives a more meaningful indication of the Group's underlying performance. For the six months ended 31 May 2016, the basic total EPS measure was 2.16p per share (six months ended 31 May 2015: 2.04p; year ended 30 November 2015: 5.61p).

7. Amortisation and non-recurring items

	Six months ended 31 May 2016 £m	Six months ended 31 May 2015 £m	Year ended 30 November 2015 £m
Amounts charged to operating profit			
China factory start-up costs	**0.2**	0.1	1.1
Impairment of investment in joint venture	**–**	–	8.2
Reorganisation costs	**–**	–	0.4
Pension administration costs	**0.1**	0.1	0.2
Pension buy-in costs	**0.1**	–	0.2
Total non-recurring items	**0.4**	0.2	10.1
Amortisation of acquired intangible assets	**1.9**	2.1	4.1
Total charge to operating profit	**2.3**	2.3	14.2
Share of results of joint venture	**–**	–	–
Total charge to profit before tax	**2.3**	2.3	14.2

Current period

During the period initial costs relating to the Group's construction of a new manufacturing location in Changzhou, China, represented £0.2m (six months ended 31 May 2015: £0.1m; year ended 30 November 2015: £1.1m).

The Group also incurred £0.1m (six months ended 31 May 2015: £0.1m; year ended 30 November 2015: £0.2m) of non-recurring pension administration costs relating to its UK defined benefit scheme. A further £0.1m (six months ended 31 May 2015: £nil; year ended 30 November 2015: £0.2m) of professional fees were incurred in respect of the medically-underwritten buy-in of £34m of UK pension scheme liabilities, which completed on 3 December 2015.

Prior period

The Group impaired the carrying value of its investment in, and loan to, its joint venture Bonar Natpet LLC, resulting in a charge of £8.2m in the year ended 30 November 2015.

Reorganisation costs of £0.4m were incurred in the integration of the Group's operations into a single global business in the year ended 30 November 2015.

Notes to the Interim Report 2016 continued

8. Pensions and other post-employment assets and liabilities

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.

The movement in the Group's UK and overseas defined benefit schemes' deficits in the six months ended 31 May 2016 is summarised below.

	UK schemes £m	**Overseas schemes £m**	**Six months ended 31 May 2016 Total £m**	Six months ended 31 May 2015 Total £m	Year ended 30 November 2015 Total £m
Net asset/(liability) at start of period	**5.2**	**(9.9)**	**(4.7)**	(10.8)	(10.8)
Current service cost	**–**	**(0.1)**	**(0.1)**	(0.1)	(0.3)
Interest cost	**0.1**	**–**	**0.1**	(0.1)	(0.3)
Contributions from employers	**–**	**0.2**	**0.2**	0.3	4.5
Administration costs	**(0.3)**	**–**	**(0.3)**	(0.4)	(0.8)
Actuarial (loss)/gain	**(9.0)**	**–**	**(9.0)**	1.5	2.2
Exchange adjustments	**–**	**(0.7)**	**(0.7)**	0.8	0.8
Net liability at end of period	**(4.0)**	**(10.5)**	**(14.5)**	(8.8)	(4.7)

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

	Six months ended 31 May 2016 £m	Six months ended 31 May 2015 £m	Year ended 30 November 2015 £m
Net (decrease)/increase in cash and cash equivalents	**(13.6)**	–	8.7
Net cash flow from movements in debt financing	**(19.1)**	(19.3)	(28.8)
Amortisation of bank arrangement fees	**(0.3)**	(0.2)	(0.2)
Foreign exchange differences	**(4.4)**	5.1	6.2
Movement in net debt in period	**(37.4)**	(14.4)	(14.1)
Net debt at start of period	**(102.1)**	(88.0)	(88.0)
Net debt at end of period	**(139.5)**	(102.4)	(102.1)
Derivative liabilities	**(0.1)**	(0.1)	–
Total net debt and derivative liabilities	**(139.6)**	(102.5)	(102.1)

	31 May 2016 £m	31 May 2015 £m	30 November 2015 £m
Analysis of net debt			
Cash at bank and in hand	**21.5**	25.2	33.9
5.9% €45m Senior Note due September 2016	**(34.4)**	(32.3)	(31.5)
Bank loans and overdrafts falling due after more than one year	**(127.2)**	(96.2)	(105.2)
Prepaid arrangement fees	**1.0**	1.3	1.1
Preference shares	**(0.4)**	(0.4)	(0.4)
Net debt	**(139.5)**	(102.4)	(102.1)

There are two principal covenants within both the private placement financing and the bank loans which relate to interest cover and financial gearing. These are tested biannually on a 12 month trailing basis using average exchange rates on both income statement items and net debt.

10. Discontinued operations

On 4 July, the Board announced the disposal of the Group's artificial grass yarns production business (previously comprising the majority of its Sport & Leisure global business unit). The disposal is expected to complete within 12 months and the operations have therefore been classified as a disposal group held for sale and presented separately in the balance sheet. Prior periods have been restated accordingly.

In addition to this, the board are pursuing the disposal of the Group's interest in the joint venture, Bonar Natpet LLC. Negotiations with interested parties are ongoing and the disposal is expected to complete within 12 months and therefore the Group's interest in the joint venture has been classified as a disposal group held for sale and presented separately in the balance sheet. The interests from the joint venture were previously presented separately on the face of the income statement and balance sheet.

The results of the discontinued operations, which have been included in the condensed consolidated income statement, were as follows:

	Six months ended 31 May 2016 £m	Six months ended 31 May 2015 £m	Year ended 30 November 2015 £m
Revenue	14.0	16.1	33.7
Expenses	(14.3)	(15.7)	(32.7)
(Loss)/Profit before tax	(0.3)	0.4	1.0
Attributable tax expenses	(0.1)	–	–
Loss recognised on the measurement to fair value less costs to sell	(1.6)	–	–
Net (loss)/profit from the disposal of the Grass yarns business	**(2.0)**	**0.4**	**1.0**
Share of results from Bonar Natpet	**(0.6)**	**(0.8)**	**(1.8)**
Net loss attributable to discontinued operations (attributable to owners of the Company)	**(2.6)**	**(0.4)**	**(0.8)**

During the six months ended 31 May 2016, the discontinued businesses contributed (£1.6m) (six months ended 31 May 2015: (£1.3m), year ended 30 November 2015: (£0.5m)) to the Group's net operating cash flows and paid £nil (six months ended 31 May 2015: £0.4m, year ended 30 November 2015: £0.7m) in respect of investing activities.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	31 May 2016 £m
Property, plant and equipment	**7.0**
Inventories	**16.2**
Trade and other receivables	**8.1**
Total assets classified as held for sale	**31.3**
Trade and other payables	**(7.8)**
Provisions	**(0.6)**
Total liabilities associated with assets classified as held for sale	**(8.4)**
Net assets of disposal group	**22.9**

Notes to the Interim Report 2016 continued

11. Fair value of financial instruments

Estimation of fair value
The major methods and assumptions used in estimating the fair values of financial instruments 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 at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

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

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

Forward exchange contracts
The fair value of forward foreign exchange contracts is based on their publicly available market price. If this is not available, forward contracts are marked to market based on the current spot rate.

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

12. Risks and uncertainties
The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The Group has in place processes for identifying, evaluating and managing key risks. The principal risks and uncertainties, together with the approach to their mitigation, are discussed in the Business Review on pages 36 to 39 of the 2015 Annual Report, which is available on the Group's website at www.lowandbonar.com, remain relevant and there are no significant changes. In summary, the Group's principal risks and uncertainties are:

- Global economic activity
- Organic growth/competition
- Cyber security
- Growth strategy
- Business continuity
- Employee
- Raw material pricing
- Treasury
- Funding
- Pension funding
- Laws and regulations
- Health and safety

The Directors have reviewed the Group's medium-term forecasts along with possible changes in trading performance arising from these uncertainties to determine whether the Group's committed banking facilities are sufficient to support its projected liquidity requirements and whether the forecast earnings are sufficient to meet the covenants associated with its facilities. The Company has agreed terms to refinance its €45m private placement note on its maturity in September 2016 with a new €60m note with an average maturity of 8 years. The Directors believe that this, together with the Group's €165m revolving loan facility which matures in July 2019 and RMB150m of revolving and term loan facilities expiring in June 2020 are sufficient to support the current requirements of the Group, and that the Group will continue to operate within the associated covenants.

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the interim financial statements.

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