LOW & BONAR
ANNUAL REPORT AND ACCOUNTS 2019

Low& Bonar

Progress through performance

Low & Bonar ("Low & Bonar" or "the Group") is an international technical textiles business, with strong positions in attractive niche markets underpinned by leading process technologies.

Our aim is to build sustainable growth through innovation, and deliver reliable returns that reflect our differentiated product and service offering, seeking to create value for all our internal and external stakeholders.

Our vision

Our vision as a business is to become a highly efficient, sustainable, profitable and innovative organisation, which creates, makes and sells technical textile products in such a way that we contribute to a better world.

We will be strong and competitive. We will build a powerful and clear reputation for service excellence and product innovation. We will be a great business to work for and to do business with.

Our culture

Low & Bonar's culture is informed by our vision. Our culture and our values will help us to attract and retain talented people who want to be part of a great place to work and who will in turn thrive in our business.

Offer from FV Beteiligungs-GmbH ("FVB")

FVB is a wholly-owned subsidiary of Freudenberg SE, which is a private German technology group and competitor in some parts of our business. The recommended cash acquisition of the Group by FVB, to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006 ("the Offer"), was announced on 20 September 2019 and approved by shareholders on 5 November 2019.

Competition approval from the European Commission ("EC") in Phase 1 is the key outstanding condition to the completion of the Offer as at the time of publishing this Annual Report. On 10 March 2020 the formal application for approval was submitted to the EC by FVB. According to the EC's own guidelines, a formal decision on the Phase 1 review should be provided by 17 April 2020. The EC will provide feedback to the parties on its preliminary assessment of the application ahead of that date, which may include a preliminary view as to the likelihood of Phase 1 clearance. It should be noted that there can be no certainty at this stage as to the outcome of the Phase 1 review process. We will continue to update shareholders on the Offer as and when we able to do so.

A copy of the Scheme of Arrangement circular is available on the Group's website **www.lowandbonar.com**.

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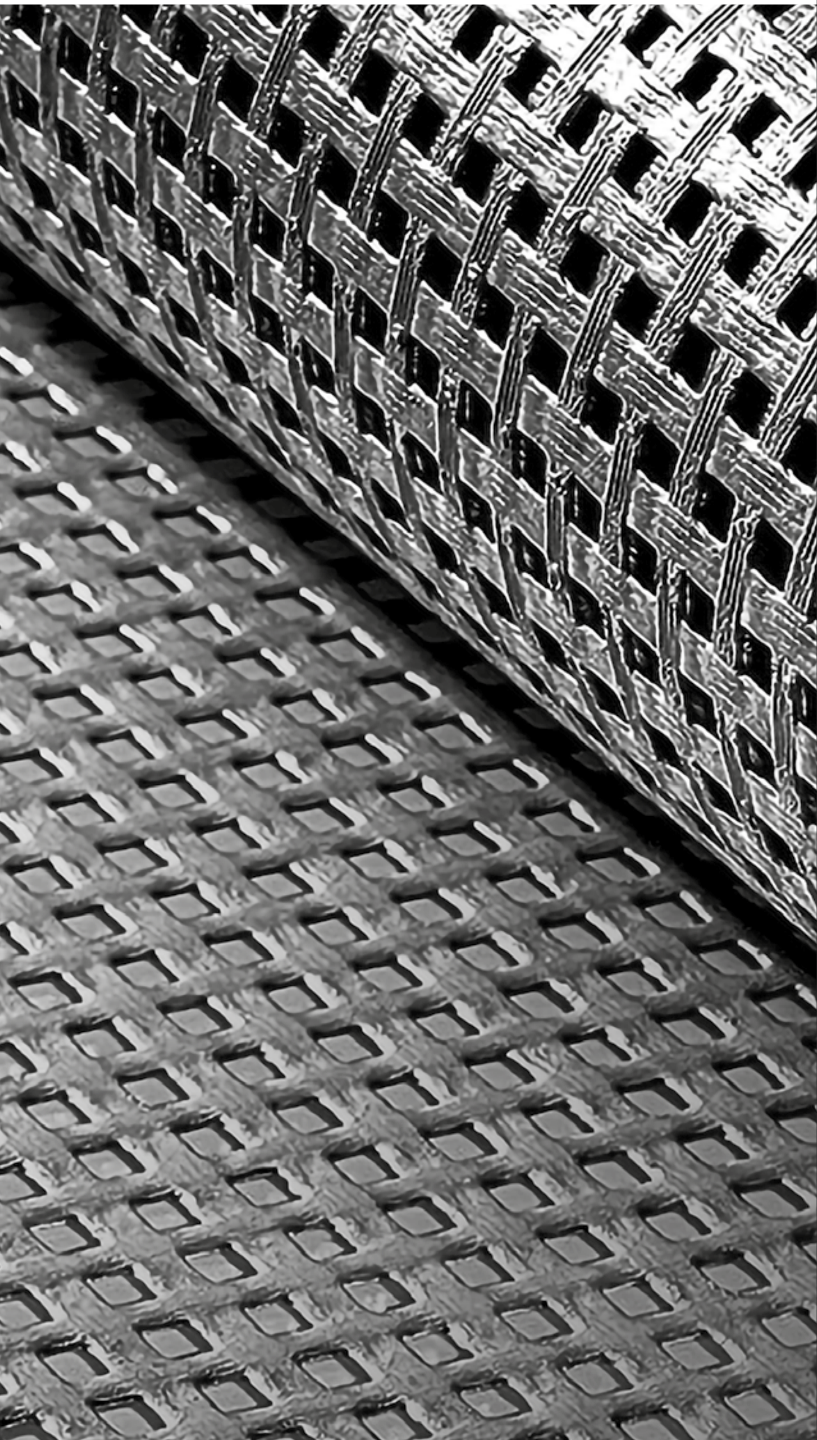
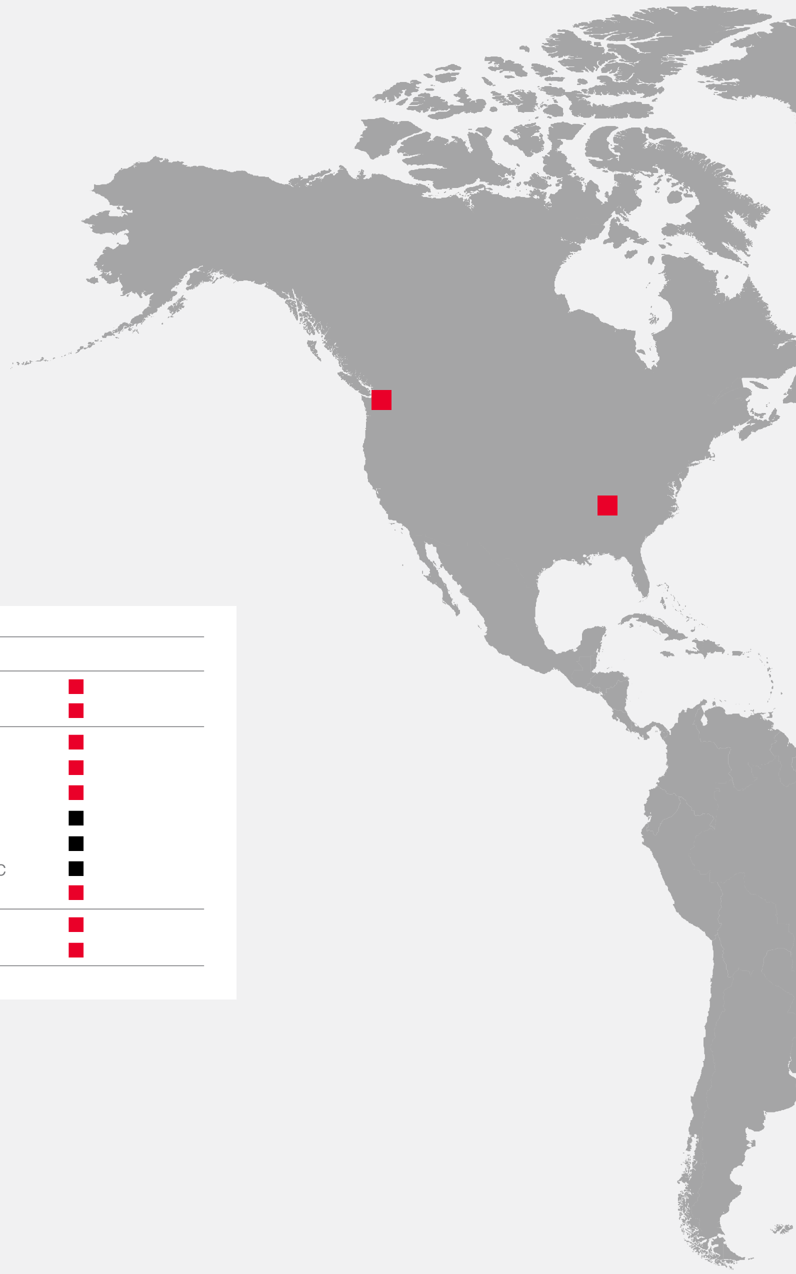


WE ARE A GLOBAL BUSINESS

🟥 Colbond manufacturing facilities

⬛ Coated Technical Textiles (“CTT”) manufacturing facilities



	Manufacturing locations	Country	
North America	Asheville, North Carolina	USA	🟥
	Burlington, Washington	USA	🟥
Europe	Arnhem	Netherlands	🟥
	Dundee	UK	🟥
	Emmen	Netherlands	🟥
	Fulda	Germany	⬛
	Hückelhoven	Germany	⬛
	Lomnice	Czech Republic	⬛
	Obernburg	Germany	🟥
APAC	Changzhou	China	🟥
	Yizheng	China	🟥

18 **countries worldwide**

We operate in 18 countries across all global regions

c1,600 **employees**

A skilled, resourceful, diverse and passionate workforce

11 **manufacturing facilities**

Bringing our manufacturing and expertise closer to customers

A difficult year with further progress made towards securing a prosperous future for the Group

Overview

Having become Chairman in September 2018, it was clear that Low & Bonar required a fundamental transformation to improve the Group's financial, commercial and operational performance. This transformation project was initiated towards the end of 2018, as described in my Chairman's report at that time, and included the requirement for additional equity to be raised to secure sufficient time to successfully transform the Group. Consequently, a £54m placing and open offer was undertaken in February 2019.

However, the increasing depth of the issues facing the Group during the first half of the year and the impact of deteriorating market conditions on the Board's ability to progress the transformation plan effectively, led it to two key decisions:

1. The need to change CEO to accelerate the transformation programme further; and
2. The desire to give shareholders the option to realise the value of the Group through exploring the sale of the Group via a competitive process.

I took up the role of Executive Chairman on 2 July 2019, combining the roles of Chairman of the Board and Chief Executive for a limited period. Immediately, the Board initiated a process, with the assistance of external corporate finance advisors, to explore with third parties the value that might be realised from a sale of the Group. This process was intense over the summer months and culminated in an agreed offer from FVB, a private German technology group and competitor in some parts of our business. This offer, announced on 20 September 2019, has been described in detail in other documents made available to shareholders and on the public record. The current status of the Offer is that we are progressing the required EU competition clearance, closely supporting FVB, and we currently expect a final decision during April 2020.

In parallel with the sale process for the Group, the sale of the Group's civil engineering businesses was completed successfully over the summer, enabling a reduction in debt and simplification of the portfolio promised last year. Furthermore, investment programmes crucial to improving the competitive position of the Group's businesses have been progressed as rapidly as resources have allowed. Specifically, major improvements have been made, with further projects underway, at the Group's Colbond facility near Asheville in the USA. This has led to improvements in output, efficiency and quality in the production of both Colback and Enka fabrics from this facility, with significant additional progress expected during the remainder of 2020. At the Group's CTT division, a major project to improve emissions control was undertaken at the end of 2019, in addition to a number of smaller projects focused on resolving long-standing quality issues at the business's major facilities at Hückelhoven and Fulda, both in Germany. A large project to automate the visual inspection of finished products has also been initiated at Hückelhoven and is expected to begin contributing to lower costs and higher quality by the end of 2020.

Trading conditions proved very tough all year, with a combination of factors contributing to a significant decline in important markets for the Group, resulting in a year-over-year decline in sales of 12.3%. These factors included the much-publicised decline in automotive production, especially in Europe, the impact of the US/China trade conflict, a slowdown in building in many geographies, and uncertainty related to Brexit impacting the UK, Europe's single largest carpet tile market. However, the Group's poor financial performance was exacerbated by poor manufacturing performance in the USA, prior to the improvement projects mentioned earlier, and by the loss in late 2018 of a small number of significant contracts in construction materials, impacting Enka sales in the USA and Colback sales in Europe. Long-standing quality and supply issues in the CTT business had also eroded customer confidence and, despite quality improvements evident during 2019, regaining confidence and business has proved more lengthy and difficult than previously expected.

As the Board considered the Group's declining financial performance during the year and the need for urgent investment, together with the reducing headroom under the covenants associated with the Group's debt, it became clear that further amendments of our debt agreements were required, as well as a strategic decision as to the future options facing the Group. After much discussion, the Board resolved to explore the sale of the Group, believing this to be the most viable route to a satisfactory outcome for all relevant stakeholders. I am pleased with the further agreement reached with the Group's lenders on 27 March 2020, which demonstrates their continuing support of the Group.

I believe that the Board has worked well together, with the addition of a representative of the Group's largest shareholder as a Non-Independent Director, as this difficult situation was faced. It has been a period of intense work and consultation and I am pleased that the Board was able to recommend the offer from FVB in September 2019.

The priorities for the Board in 2020 are to:

- successfully complete the sale of the Group to FVB;
- ensure that the necessary investment programmes are well-defined and implemented to the extent possible;
- ensure that the Group's businesses are as well-prepared as possible for the transition; and
- in the event that the sale to FVB does not receive EU competition clearance, execute contingency plans to maximise value for all stakeholders.

2019 proved to be most challenging for Low & Bonar, demanding further rapid restructuring and management change, as well as the decision to seek to realise the value inherent in the Group through a sale process.

My priorities for 2020 as Executive Chairman are to:

- Seek to complete the sale of the Group to FVB
- Develop a practical contingency plan in case the FVB deal lapses, that best meets the interests of all relevant stakeholders
- Ensure that the Low & Bonar Board fully discharges its responsibilities with the benefit of necessary expert advice

Dividend

No new dividends are declared or recommended for 2019. Following a significant impairment of investments and inter-company receivables in the year arising from the deterioration in results during the year, the Parent Company of the Group currently has no distributable reserves with which to pay a dividend. Along with the pressure on the Group's balance sheet, restrictions arising from the revisions to banking covenants agreed with the lenders and announced in July 2019, as well as the need to finance crucial investment and restructuring, this situation is very unlikely to change in 2020. The final dividend relating to the 2018 financial year was paid as planned in February 2019.

Our people

Low & Bonar is its people. Without their commitment, talents and drive, the Group will not succeed. I am pleased that despite the significant uncertainty created by the events of 2019, the teams within Low & Bonar have delivered and demonstrated great commitment to our customers and businesses. The Board sought to take employee interests into account as part of assessing the FVB offer for the Group. Furthermore, as we have tackled the health and safety issues arising from the COVID-19 outbreak, I have been very pleased with the flexible response of Low & Bonar employees as we have changed patterns of working, sought to minimise infection risk within our facilities and responded to rapidly-changing regulations and guidance around the world. I would like to thank everyone involved for their efforts to continue serving customers and supporting our businesses at this very difficult time.

Sustainability

Ensuring that Low & Bonar takes a responsible and leading stance across all the facets of sustainability is one of the Group's priorities. Today, sustainability is not only the right thing to do, but a necessity. The Group's products help create better sustainability outcomes, being lighter and using fewer natural resources than those of many competitors and play crucial roles in minimising the impact of the built environment. We remain committed to minimising waste and energy usage and we strive to meet all our social and regulatory commitments.

Development of the Board

There was further change on the Board during the year to 30 November 2019. As noted at the time and in last year's Annual Report, Ian Ashton joined the Board as Group Chief Financial Officer on 10 December 2018, replacing Simon Webb, who left on 25 February 2019. Philip de Klerk left the Board on 1 July 2019. Giulia Nobili joined the Board from 10 July to 7 November 2019 as a representative of Sterling Strategic Value Fund S.A., SICAV-RAIF ("Sterling"), the Group's largest shareholder. Kevin Matthews stepped down from the Board on 7 November 2019, following his appointment as Executive Chairman of Scott Bader.

COVID-19 outbreak

Fortunately none of our employees, nor their immediate family members, have been infected by COVID-19 as far as we are aware, but our operations in China were affected at the start of the outbreak. Our operations closed for the Chinese New Year as usual, but the closure period was extended as directed by the Chinese authorities. The Colback operations in Changzhou restarted with a one-week delay on 10 February, though with some restriction, as not all operators were able to return to Changzhou immediately after the holidays due to quarantine and travel restrictions. While there have been difficulties sourcing raw materials and transport services, these issues have not significantly delayed production. Export sales have continued as planned, but domestic sales have been badly impacted by weak domestic demand and because many of our Chinese customers have also suffered extended shutdowns and poor short-term market conditions. Our Yihua Bonar operation in Yizheng was less affected as a greater proportion of its employees are local and had not travelled away for the New Year holidays. Yihua Bonar has also been adversely impacted by weak domestic demand following customer disruption, but, again, export shipments have been made as planned.

We are very mindful that the further spread of COVID-19 now being seen will certainly have an effect on demand levels in our other markets, and as such is very likely to adversely affect trading across the rest of the Group. The potential impact of this is, inevitably, hard to predict at this point, but it is likely to be significant in at least the short term.

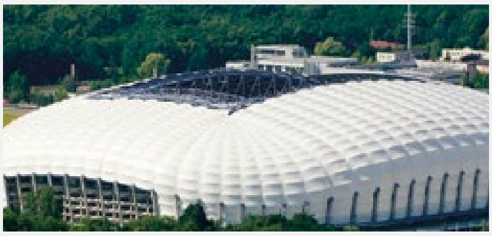
In the remainder of the Group outside China, two of our small manufacturing sites, Burlington in the USA and Dundee in the UK, have recently temporarily closed following government guidance. The remainder of the sites currently remain fully operational. We have not yet experienced any significant disruptions to production, nor any material supply problems, but the likelihood of substantial problems in the short-term is high. We have restricted travel by personnel, primarily salespeople, to affected regions and are doing what we can to support government actions to contain the spread of the infection. The impact on demand, however, remains very uncertain.

Low & Bonar businesses have all implemented infection control procedures as recommended by local government and health regulations and the health and safety of our employees continues to be our primary concern during this period.

Daniel Dayan
Executive Chairman

27 March 2020

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

	Colbond	CTT
Technologies	COLBACK, ENKA	COATED FABRICS
Overview	We produce and supply: ■ high-quality non-wovens, woven and three-dimensional polymeric mats and composites for niche applications in the building, roofing, drainage, erosion-control, air and filtration markets ■ unique non-woven technical fleece fabric for use in flooring, automotive, decorative and recreation applications READ MORE ON PAGE 07	We produce and supply a range of technical coated fabrics providing aesthetics and design and performance and protection in products such as tensile architectural structures, awnings, marquees, advertising banners, tarpaulins and vehicle side curtains READ MORE ON PAGE 08
Brands	BonarBuilt, BonarPure, Colback, Bonar Yarns, Xeroflor, EnkaSolutions	Valmex, Polymar, Airtex, Plastel, Corotex
Markets	 Building, roofing, industrial applications (e.g. air and water filtration), carpet tiles, transportation, decoration	 Building products (e.g. architecture and tent applications), sport & leisure, transport and industrial applications
Manufacturing locations	Netherlands, USA, Germany, China, UK	Germany, Czech Republic plus distribution companies in 11 countries
Revenue	62% of Group revenue	38% of Group revenue

COLBOND

Revenue
£196.9m
2018 (restated): £219.3m[1]

Underlying operating profit[2]
£10.9m
2018 (restated): £25.7m[1,3]

Underlying operating margin[2]
5.5%
2018 (restated): 11.7%[1,3]

Statutory operating (loss)/profit
(£9.2m)
2018 (restated): £21.9m[1,3]

Statutory operating margin
(4.7%)
2018 (restated): 10.0%[1,3]

1 Restated for changes in operating segments following the reorganisation (Note 38)
2 Underlying operating profit and underlying operating margin are disclosed in Note 1
3 Restated for prior year adjustments (Note 39)

It was a challenging year for the Colbond division.

2019 started with the reorganisation of the Building & Industrial and Interiors & Transportation global business units into the new Colbond division. With a simplified and accountable regional structure our aim was to enable and improve customer focus and agility. This has been successful as the customer has been placed back at the centre of our activities and performance focus has improved significantly, supported by customer feedback and a reduction in customer complaints, particularly in our North American operations.

However, the competitive landscape that the division has navigated throughout the year has been challenging. Revenue has fallen 10.2% from the prior year with reductions seen in most of the major markets including flooring, roofing, transportation and building applications:

- As reported last year, our North American business faced a drop in sales in 2019 to a major customer in the building market, and whilst our relationship with the customer is still positive and sales are still being made to them, this significantly impacted revenue. We also lost a key tender in the roofing market in EMEA, and together these issues have led to a decrease of 16% in our building product sales from last year.
- The transportation market has been weak in all regions driven by the ongoing slowdown in the wider automotive market. This has driven a 5% reduction in sales versus prior year in our automotive markets.
- The market environment in the flooring market has been increasingly competitive throughout the year, particularly in EMEA and APAC, with pricing having to be renegotiated to maintain volumes. This, along with disappointing sales in the decoration market in APAC, has led to sales in our flooring and decoration markets being 11% lower than prior year.
- We have also been impacted by the ongoing US/China tariff issues which have impacted market confidence and led to weaker than expected demand in both North American and APAC markets, as well as restricting the expected supply chain from China to the USA.

Given the current and anticipated future performance of Yihua Bonar and Bonar Changzhou (together our operations in China) and Colbond Americas, the Board has determined it appropriate to recognise a non-cash impairment of the goodwill and property, plant and equipment allocated to Yihua Bonar of £7.5m, a non-cash impairment of the intangible assets and property, plant and equipment of Bonar Changzhou of £6.7m and a £1.8m non-cash impairment of goodwill of Colbond Americas. These have been reported as non-underlying items.

Underlying operating profit for the year was £10.9m, 57.6% lower than prior year with underlying operating margin reduced from 11.7% to 5.5%. Lower volumes in all parts of the business reduced profitability with margin being impacted by price concessions, lower levels of fixed cost coverage from reduced production, along with some mix impact.

Operationally, we have experienced problems in our North American Enka business, with production efficiency and output being inconsistent throughout the year. We have taken further steps to resolve these issues through the reorganisation of our planning and production team, investment to improve production reliability and a new efficiency measurement and management system.

We believe that the market environment will remain challenging in 2020 with the US/China tariffs leading to continued uncertainty, and it is unlikely that the competitive position in the flooring market or the slowdown in the transportation market will significantly improve. We also expect 2020 to be significantly impacted by COVID-19 although the impact of this cannot yet be quantified, as discussed in greater detail on page 5.

However, despite the disappointing year and ongoing market challenges, we believe that the Colbond business remains fundamentally strong and has many opportunities. We have undertaken a further Group-wide transformation programme to right-size the organisation which will bring cost benefits going forward, and have taken significant steps to stabilise the supply and planning processes to minimise production inefficiencies and coverage losses.

COATED TECHNICAL TEXTILES

Revenue

£120.4m

2018: £138.8m

Underlying operating (loss)/profit[1]

(£0.4m)

2018 (restated): £2.3m[2]

Underlying operating margin[1]

(0.3%)

2018 (restated): 1.7%[2]

Statutory operating loss

(£36.6m)

2018 (restated): (£40.6m)[2]

Statutory operating margin

(30.4%)

2018 (restated): (29.3%)[2]

1 Underlying operating profit and underlying operating margin are disclosed in Note 1

2 Restated for changes in operating segments following the reorganisation (Note 38)

It was a very disappointing year for the CTT division. Sales were 13.3% lower than prior year with an underlying operating loss of £0.4m, £2.7m below 2018.

The slowdown of the truck/trailer original equipment manufacturer (OEM) market in Germany has played a large part in the deterioration of our results, with tarpaulin and industrial sales in Germany and Eastern Europe being significantly lower than prior year. We have also faced increasing competitive pressures in some of our key geographies, including APAC and the USA.

As reported in last year's Annual Report, a fire occurred in the Lomnice coating plant in November 2018. This led to the temporary closure of the site, with production only starting again successfully in January 2019. Following the fire we completed reviews of all thermal oil systems throughout the Group and are implementing the resulting risk-reduction actions.

Whilst we have made good progress in largely resolving the production consistency problems which have been prevalent in the division over previous years, the division is still experiencing the knock-on impact of these quality issues as customer confidence remains low and it is taking longer to regain trust than previously anticipated.

Operationally we have worked hard to right-size the organisation and to adjust to lower levels of production and demand. We have taken advantage of reduced working time initiatives offered by the German government to optimise flexibility and efficiency. However, we have not been able to reduce fixed costs fast enough to offset volume losses, which inevitably impacted the margin. We have also faced some technical challenges with key machinery in our Fulda plant which impacted profitability in the last quarter of the year. We now have capital investment plans in place to resolve the underinvestment of recent years and are expecting to see improvements from the first half of 2020.

The markets in which we operate are still expected to deliver long-term growth and we therefore still see growth potential for our products. In 2020 we need to re-focus on our service to customers, in terms of both the quality and availability of our products, and we will continue our ongoing initiatives to reduce our cost base.

As in the Colbond division, we also expect 2020 to be significantly impacted by COVID-19 although we cannot yet quantify the impact. This is discussed in greater detail on page 5.

Given the current and future anticipated performance of CTT, the Board has determined it appropriate to recognise a non-cash impairment of the intangible assets and property, plant and equipment in CTT of £33.4m. This has been reported as a non-underlying item.

CIVIL ENGINEERING

Revenue to date of disposal

£49.3m

2018 (restated): £70.3m[1]

Underlying operating profit to date of disposal[2]

£2.0m

2018 (restated): £0.2m[1]

Underlying operating margin[2]

4.1%

2018 (restated): 0.3%[1]

Statutory operating loss to date of disposal

(£3.6m)

2018 (restated): (£7.0m)[1, 3]

Statutory operating margin

(7.3%)

2018 (restated): (10.0%)[1, 3]

1 Restated for changes in operating segments following the reorganisation (Note 38)

2 Underlying operating profit and underlying operating margin are disclosed in Note 32

3 Restated for prior year adjustments (Note 39)

The civil engineering division was fully disposed of in 2019, with the Construction Fibres ("CF") disposal completing on 1 July 2019 and the Needle-punched Non-woven ("NPNW") disposal completing on 2 September 2019.

The results of the division for the period until disposal have been presented as discontinued operations, with 2018 numbers also restated as discontinued operations.

Civil engineering's sales for the period before disposal were £49.3m while underlying profits were £2.0m, £1.8m higher than prior year. The reorganisation of the previous organisational structure in 2018 led to quicker commercial execution and reduced complexity. This, coupled with cost-saving actions initiated in 2018 being realised in 2019, led to the increase in profits of £1.8m.

Our inputs

Our technology

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

Our brands

We have leading brands that help our customers perform to their highest ambitions.

Our people

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

Our international manufacturing

We have direct supply capabilities in major regions, with 11 manufacturing facilities and local technical service support.

What we do

We produce advanced, high-performance materials from polymer-based yarns and fibres. The proprietary technologies we use to weave and create them lead to products with exceptional strength and versatility. They bring unique solutions to a wide range of markets, in applications that touch all our lives.

We help our customers deliver their own products and projects faster, more easily, more economically and with greater durability, while building a better and more sustainable world.

Enabling performance against our strategy:

- CUSTOMERS
- PERFORMANCE
- INNOVATION
- FOCUS

UNDERPINNED BY OUR CULTURE AND VALUES

WE ARE CUSTOMER CENTRIC
WE INNOVATE AND IMPROVE
WE ARE ACCOUNTABLE
WE COLLABORATE

Our technologies, brands, people and global manufacturing capabilities drive what we do and allow us to deliver competitive advantage and differentiate ourselves in the market. Our aim is to create sustainable long-term value for our stakeholders, ensuring that we deliver benefits to our customers, our people, our shareholders and our communities.

What makes us different

Leading positions in niche markets

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

Customer-differentiated solutions

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

Relevant product innovation

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

Our culture

Informed by our values: we are customer centric; we are accountable; we act with integrity and respect; we innovate and improve; we collaborate; and we empower to perform.

Operational excellence and efficiency

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

Global scale

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

WE ACT WITH INTEGRITY AND RESPECT
WE EMPOWER TO PERFORM

Our outputs

Our customers

We have invested in bringing our manufacturing, products, expertise and industry insights to our customers' doorsteps so we can work alongside them to understand their problems.

Our people

Our people are central to our success. We aim to engage, motivate, reward and develop our employees so that they feel fulfilled and enjoy what they do, leading to a productive and focused workforce.

Our stakeholders

By executing our strategy our ambition is to maximise value for all our stakeholders.

Our communities

Our local communities are important to us. They can provide much of our workforce, our customers and our service suppliers and we therefore ensure we interact and engage with them in a sustainable and responsible way.

Our strategy

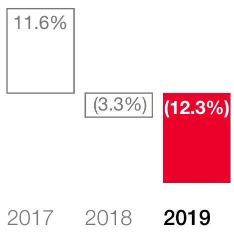
Strategic pillars	Progress in 2019	Associated risks
CUSTOMERS Our customers are at the heart of what we do and they drive our passion for innovation and performance	The reorganisation into regional teams within the Colbond division has gone some way to rebuild and strengthen our partnerships with customers. We are closer to our customers' needs and better understand their challenges and demands. We have not however progressed as far as we would have liked with ongoing supply and production issues in our CTT and North American Enka businesses leading to, in some cases, lower than required levels of service, product quality and delivery fulfilment.	■ Global activity ■ Organic growth/competition READ MORE ON PAGES 36 TO 39
PERFORMANCE We continuously strive to improve performance at every level; focused on quality, reducing our environmental impact and cost per unit, and improving product performance	Good progress has been made in resolving the legacy quality issues in CTT and we continue to focus on reducing our environmental impact across our entire manufacturing footprint. Further cost reduction plans have been implemented in the year (following on from the plan announced in January 2018) leading to significant annualised savings. Our manufacturing performance in some parts of the business, particularly CTT and the North American Enka business, however, remained below expectations with product inefficiency, machine breakdowns and poor planning impacting product performance and margins.	■ Raw material pricing ■ Operations ■ Business continuity ■ Growth strategy ■ Organic growth/competition ■ Health and safety ■ COVID-19 READ MORE ON PAGES 36 TO 39
INNOVATION Using our unrivalled application knowledge, versatile technologies and thorough collaboration, we will deliver sustainable solutions that add value to our customers	In 2019 we continued our strategy of customer cooperation and investment in our technologies, bringing value by tailoring our products to our customers' specific requirements. Through optimisation of our manufacturing process we were able to improve the characteristics of our Colback primary backing materials, allowing our flooring customers to benefit from a lower weight finished product. In CTT our research and development team has been primarily focused on resolving quality issues from previous periods.	■ Growth strategy ■ Employees READ MORE ON PAGES 36 TO 39
FOCUS We are focused on operating our business in a disciplined and strategic manner, delivering what we promise as a trusted partner	Much of our year has been spent working on the strategic options for the future of Low & Bonar and we have taken steps to secure the future of the Group's businesses through the recommendation of the acquisition of the Group by FVB. We are hopeful the acquisition will complete successfully, as it will provide much needed financial stability, allowing the business to redefine its focus and deliver on its promises to our customers.	■ Treasury ■ Laws and regulations ■ Health and safety ■ Cyber security ■ Funding ■ Employees ■ Business continuity READ MORE ON PAGES 36 TO 39

Targets for 2020

KPIs

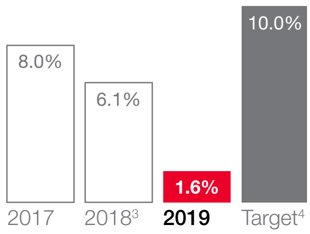
- Improve customer service levels and delivery fulfilment
- Volume growth
- Standardised 'on time, in full' metric ("OTIF")

Sales growth[1]

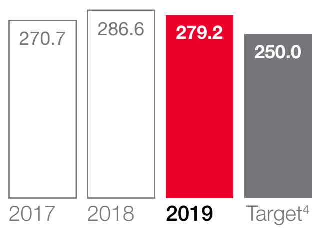


- Ensure the impact from the cost reduction strategy is fully maximised
- Resolve performance issues in CTT and North American Enka business

Return on sales[2]



Greenhouse Gas intensity ratio

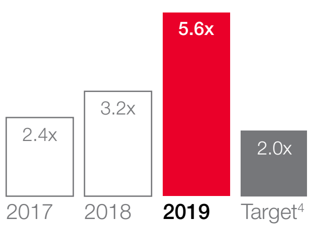


- Focus on customer collaboration

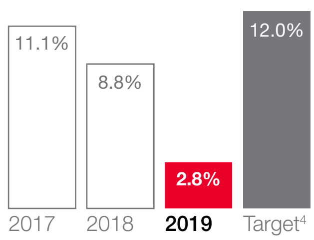
The focus of the innovation team in 2019 has been on customer collaboration and resolving quality issues. Therefore the KPI used in our previous Annual Report "Sales from products launched in the last three years" is not deemed to be appropriate for this year.

- Facilitate the acquisition of the Group by FVB and support a smooth and controlled integration into the wider FVB Group
- Working capital improvement

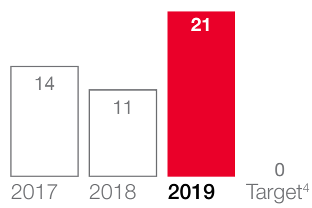
Gearing[5]



Return on capital employed[5]



Lost-Time Accident statistics



1 On a reported basis
2 Defined as underlying operating profit as a percentage of sales (see note 1)
3 Restated as disclosed in Note 38
4 This is the long-term target for the Group.
5 Defined in Note 41

Building a strong dialogue

	Customers	Employees
		
Why it's important to engage	Our customers have varied and unique challenges that need bespoke and innovative solutions. We need to listen to and engage with our customers on a regular basis to ensure that we are understanding their needs and providing solutions that address them.	Our people are at the heart of our business. Effective employee engagement leads to a happier, healthier workforce who are invested in the success of the Group and who are all pulling in the same direction. Engagement with our employees starts from the top and is driven effectively throughout the Group.
How we engage	■ Customer satisfaction surveys to understand our customers' perception of us and how we can improve ■ Continual review of feedback and complaints to rectify unsatisfactory service or products	■ Leadership conference, where many of our key employees discussed and committed to key Group initiatives, which were then communicated throughout the Group ■ Regular communication from the Executive Chairman, face-to-face or via video and written communication, to the whole Group on business performance and strategic developments ■ Ongoing discussions with the European Works Council and local works councils
Outcomes of engagement in 2019	■ Improvement in OTIF deliveries, customer complaint responses and corrective actions in the North American operations ■ Customers have been placed back at the heart of what we do and our performance focus has significantly improved as evidenced by customer feedback	■ An employee engagement survey was undertaken in 2019 following employee feedback in 2018. This led to an engagement score of 68%, only 3% away from the average score for industrial companies. As a result of the survey we have formed working groups on each site to address the issues raised in their local surveys

We are accountable to our stakeholders; by engaging with them effectively we can build trust, create partnerships and drive the business forward.

Financial stakeholders

We maintain and value regular dialogue with our financial stakeholders throughout the year and place great importance on our relationship with them. We aim to provide high levels of transparency and clarity about our results and strategy and to build trust in our future plans.

- Our AGM allows shareholders to directly engage with our Board and to understand the performance of the Group
- Regular trading updates and investor meetings provide up-to-date information on performance and forecasts
- All reports and presentations are available on our website to ensure transparency and understanding

- Trading updates given to the market
- Investor roadshows
- Regular updates with our banks
- Regular updates with the UK pension scheme trustees

Communities

We are close to our local communities, and our relationship with them is very important to us. They provide much of our workforce, are our customers and service providers and they are our neighbours.

- Two-way communication with local businesses and community groups
- Economic contributions in terms of donations and sponsorship

- Donations to local charities

Partners and suppliers

We have a number of key partners and suppliers with whom we have built strong relationships with and with whom we strongly value. We need effective engagement to ensure our relationships remain collaborative and forward-focused, and to foster relationships of mutual trust and loyalty.

- Regular face-to-face meetings with our suppliers
- We have improved relationships with our suppliers by enhancing our policy on payment terms. This builds mutual trust and creates room for closer partnerships with our key suppliers

- We continued to execute a dual-sourcing strategy for the main raw materials we use, enhancing security of supply and building closer supplier relationships. Security of supply is key to supporting the development of our business and the businesses of our customers

At a glance

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

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

Our culture

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

READ MORE ON PAGE 0

Our people

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

READ MORE ON PAGES 18 AND 19

Our health and safety

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

READ MORE ON PAGES 20 TO 25

Our environment

We aim to reduce energy usage and waste generation.

READ MORE ON PAGES 20 TO 25

Our communities

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

READ MORE ON PAGE 19

NON-FINANCIAL INFORMATION

Our non-financial information covers the non-financial aspects of our performance, including environmental, social, employee and ethical matters. The information referred to below, in addition to the principal risks set out on pages 36 to 39, provides an understanding of the impact of these matters on the Group's performance together with how we manage any adverse or negative impacts arising from these risks.

We are committed to improving our management and reporting of corporate responsibility matters and are continuously working to improve our KPIs and other indicators.

Environment

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

FURTHER INFORMATION CAN BE FOUND ON PAGES 20 TO 25

Employees

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

FURTHER INFORMATION CAN BE FOUND ON PAGES 18 AND 19

Social and community

Our local communities provide much of our workforce, are frequently end users of our products, are suppliers of services to us and are our neighbours. We are committed to engaging with the local communities in a sustainable and responsible manner.

FURTHER INFORMATION CAN BE FOUND ON PAGE 19

Human rights

We are fully mindful of and have mitigation strategies in place to prevent human rights violations and other risks within our own business and supply chain. We are committed to acting ethically and with integrity in all our business dealings and we are committed to ensuring that there is transparency in our business.

OUR MODERN SLAVERY POLICY CAN BE FOUND IN FULL ONLINE AT WWW.LOWANDBONAR.COM

Anti-bribery and corruption

The Group values its reputation for ethical behaviour and for financial integrity and is committed to carrying out business fairly, honestly and openly. We will not tolerate bribery in our dealings.

OUR ANTI-BRIBERY POLICY CAN BE FOUND IN FULL ONLINE AT WWW.LOWANDBONAR.COM

Our people

Our objective is to provide a safe place of work and to maintain and promote a highly engaged workforce. We recognise that it is the skills and efforts of our people that make us successful.

We employ around 1,600 people across the world, active in sales and marketing, innovation, manufacturing, logistics and other support functions. We have a professional culture that recognises and promotes diversity, and offers career development opportunities based on performance and potential. We endeavour to improve our diversity, recognising that increased business performance comes from a diverse and inclusive workforce.

Our culture

Our values drive us to be customer centric, accountable for our actions, to act with integrity and respect, to innovate and improve, to collaborate and to empower to perform. We expect all of our people to bring these values to life in their day-to-day work through their interaction with our stakeholders, both internally and externally.

Diversity

The Board recognises the importance of diversity and inclusion, however we have not set specific targets for the number of female Directors on the Board and will continue to appoint the best candidate available to us for any role. We will demand where possible gender-balanced shortlists for all senior positions including Board Directors. Our Board Diversity Policy can be found at **www.lowandbonar.com**.

The table below sets out the position, as at 30 November 2019, of the Group on a gender basis:

	Number of men	%	Number of women	%
Directors	4	80%	1	20%
Key management personnel[1]	4	80%	1	20%
Employees[2]	1,268	78%	362	22%

1 Excluding the Executive Directors.

2 Employees of its consolidated subsidiaries.

Talent management

We conduct an annual talent management review of all staff positions within the organisation. This review is based on both the performance and the potential of our people. As a result of the review, development plans and performance improvement plans are agreed with employees. We provide training as necessary to develop employees with potential.

Equal opportunities and human rights

We are committed to offering equality of opportunity to all our people.

We are committed to acting ethically and with integrity in all our business dealings and to ensuring that there is transparency in our business. We are fully mindful of, and have policies and strategies to, prevent human rights violations and other risks within our own business and supply chain including labour risks, unsafe workplace conditions, environmental degradation and bribery and corruption.

For further information on our Modern Slavery Act statement and Anti-Bribery Policy, see our website at **www.lowandbonar.com**.

Employee engagement

We recognise that engaged employees are happier at work and more productive. We conducted an employee engagement survey in 2019 to assess and benchmark our employee engagement and to assess our performance against our own stated values. The participation rate of 60% was below norms, but reflected the fact that this was the first such survey. The engagement score of 68% was a positive result in a first survey of this sort, and is only 3% away from the average score for industrial companies. As a result of the survey we have formed working groups on each site to address the issues raised in their local surveys. These plans are reviewed at the Group level to ensure we are listening to and acting on what our employees are telling us.

Our communities

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

The Group and its Directors also engaged with our employees in a number of other ways in the year including:

- regular newsletters, townhalls and communications directly from the Executive Chairman and Divisional Managing Directors to update all employees on key business developments and strategic decisions in the Group;
- a management conference in May where the senior management of all the divisions gathered to discuss the business strategy and plans;
- engagement with the European Works Council, local Works Councils and Unions where we recognise them; and
- the hosting of a roadshow at all the Group's main sites whereby the Executive Chairman, Group Chief Financial Officer and Group Human Resources Director briefed employees on the offer to acquire the Company by FVB.

Priorities for 2020

We are committed to improving workforce engagement and will continue our initiatives in 2020.

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

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

We do not give any political donations.

Priority for 2020

Going forward we will continue to support our local communities through environmental and social initiatives, plus donations of our time and our money.

How we support our local communities

- In China we have donated an education fee to the Changzhou Xinbei District Education Foundation
- In Germany, we have made donations to a number of small local charities

Our health, safety, environment and sustainability ("HSE") strategy

We have made good progress in executing our HSE strategy. Our aim is for HSE to be at the forefront of our people's minds.

Our strategy is designed to enable us to make informed HSE decisions, to drive the attitude that it is everyone's responsibility to make Low & Bonar a safe place to work, and to ensure that our environmental and sustainability responsibilities are managed appropriately. We are seeing more requests from our customers for product and Group-wide sustainability information and environmental performance. Our five strategic pillars have therefore been developed to allow our actions and priorities to be aligned with our customer needs, our stakeholders' priorities, our people's ambition, and have been developed with the following challenges in mind:

- **Our people:** we have a duty to our people to provide them the safest workplace possible.
- **Our environment:** our assets and production processes are creating an environmental impact that we need to understand, manage and improve.
- **Our assets:** greater pressure on existing assets has created the need for increased outputs and lower costs.
- **Our customers:** our products help to enhance the sustainability performance of our customers.

Our five strategic HSE pillars are as follows:

LEADERSHIP AND CULTURE

LINK TO STRATEGIC GROUP PILLAR:
FOCUS

Low & Bonar is committed to ensuring that our leadership operates with HSE as the top priority and that the strength of our HSE culture and the quality of our protection systems deliver operations where all Low & Bonar employees and visitors feel, and are, absolutely safe.

RISK MANAGEMENT

LINK TO STRATEGIC GROUP PILLAR:
PERFORMANCE

Leading and lagging indicators, together with Low & Bonar HSE standards and directives, enable our organisation to manage and mitigate risks effectively.

LICENCE TO OPERATE

LINK TO STRATEGIC GROUP PILLAR:
FOCUS

We understand our obligations, are in compliance with local regulations and have a control mechanism in place to validate our compliance situation and respond to changing legislation.

LEARNING AND COMPETENCE

LINK TO STRATEGIC GROUP PILLAR:
FOCUS

In a global organisation we can only grow and improve our HSE performance when we are able to share our learnings and continuously develop our staff.

TRANSPARENCY

LINK TO STRATEGIC GROUP PILLAR:
PERFORMANCE

We challenge ourselves to improve our sustainability performance. We are transparent and report on our performance and challenges.

1. LEADERSHIP AND CULTURE

Progress in 2019

To embed the appropriate safety culture in the Group, we have continued to roll out and refresh our Safety Leadership Programme, continuing with the development of the leadership teams at our key sites and also with key supervisors and engineers.

To ensure that our HSE culture is instilled throughout the Group, safety and environmental KPIs are reviewed every month in all leadership team meetings, with each of those meetings now starting with a "safety moment" – a sharing of a relevant insight into safety that helps focus our minds on HSE issues.

Our sustainability KPIs have started to be developed and have focused initially on Greenhouse Gas emissions ("GHG") and waste for our Colback manufacturing sites. We will continue to develop additional KPIs.

Each year we have an HSE week which highlights the HSE risks to the Group along with the work being undertaken by the teams. The focus of the 2019 HSE week was slips and trips both at work and at home. Additionally we held a focused HSE event at our Asheville site covering a wide range of items. We ensured we engaged with every person on site, as well as reviewing a number of machine risk assessments and safety actions and ideas from our employees and contractors. This was well received and allowed us to develop our safety initiatives further. Smaller events were also held at the Hückelhoven and Fulda facilities.

2. RISK MANAGEMENT

Progress in 2019

The Board exercises its responsibility for HSE via the Risk Management Committee who are responsible for risks in the areas of health, safety and the environment. Further risk limitation is achieved through procedures, policies and standards set internally and regular updates by the HSE team to the Executive Chairman, based on frequent risk assessments. HSE KPIs are also reported to the Board at every Board meeting and at regional meetings.

The HSE management team met eight times during 2019. This team is an integral part of our approach to risk management. Every second meeting the team visits one of our manufacturing sites. This allows the team to obtain a better understanding of the practical reality of some of our HSE concerns, as well as introducing local site colleagues to the work of the team, undertaking benchmark comparisons and completing local audits using our internal expertise.

Supporting our people with effective data and tools is also key to understanding our risks and performance. We are using online tools to report our incidents, to perform our incident investigations, to analyse our trends and to communicate our progress.

As our sites are using thermal oil to heat and warm our processes and equipment, one of our largest risks is the risk of fires. In 2019, as a result of the investigation into the 2018 fire at Lomnice, we completed a full review of all our thermal oil systems and actioned all critical points. We also developed a five-year investment plan to allow the maintenance/replacement of key assets.

Small fires are always investigated to make sure that we don't miss any possibilities to improve our systems and reduce risks. In 2019, we had some very small extruder heater fires and spread the learnings from these across all our sites, making small modifications to reduce our risks.

Our health, safety, environment and sustainability ("HSE") strategy continued

3. LICENCE TO OPERATE

Progress in 2019

To execute the Board's aim and requirement to comply with legislation, and to address further risks identified, the Group maintains HSE procedures, policies and standards. Additionally the Group has the objective to certify according to public standards where relevant. The Group has control mechanisms in place to ensure compliance with these objectives and we rolled out an internal environmental compliance assessment programme in 2019 to manage environmental risks including our regulated permit systems and our thermal oil systems.

A number of our sites are ISO14001:2015 certified. Other sites are either evaluating the possibility of certification or are planning on certification next year. For 2020 we will continue to work with the sites to assess their readiness for certification including validation and verification through an internal audit programme. All our sites maintain ISO 9001:2015 certification to support our overall management systems.

We are aware of our reporting requirements on energy reduction and carbon emissions and our report on GHG can be seen on page 25. With respect to ESOS (Energy Saving Opportunity Scheme) and EED (European Energy Directive), we have successfully completed our required energy audits and Governmental submissions. Reduced energy schemes have been implemented across our sites, including compressor replacement and LED lighting. Also, our German sites have maintained ISO50001:2011, and have implemented several energy-saving measures.

Our key environmental risks include potential non-compliance with environmental regulations and the risk of soil pollution from our operating activities. We continue to focus significantly on our compliance responsibilities and in 2019 we reviewed compliance for our CTT businesses where we have our largest emissions control systems and chemical usage. These reviews have allowed us to develop long-term asset replacement plans. In 2019 we also replaced one of our emissions systems at Fulda which has now successfully passed the testing phase.

4. LEARNING AND COMPETENCE

Progress in 2019

In a global organisation, we can only grow and improve our HSE performance when we are able to share our learnings and continuously develop our staff. We therefore pay special attention to sharing best practices and learnings from incidents.

All significant incidents are shared with relevant personnel through our monthly HSE report. Incident investigation reports are also shared and discussed during HSE meetings at each of our sites.

As an example, in the year we encountered some issues with our extruder heaters, where the relays and measurement systems caused failures. We investigated these issues and shared the learnings with all sites. A regular check by our maintenance staff of the systems used has been implemented at all sites based on these learnings.

The Low & Bonar specific Environmental Masterclasses on various environmental topics such as energy reduction, waste reduction, storage of chemicals, green transportation etc. have been rolled out to all sites and are now part of regular training and development.

5. TRANSPARENCY

Progress in 2019

We want to create an open and transparent culture, where all employees feel free to report near-misses or opportunities to improve.

We have successfully maintained a high level of near-miss reporting for the third year running and are now able to use this as a more efficient tool to develop our HSE improvements including the focus of our HSE week events and also our site-specific HSE work. At Asheville this improved culture allowed us to get a large number of ideas and improvements from our employees during the focused HSE event held in September.

This approach has allowed us to be more targeted with our actions and to make a real difference to our employees' wellbeing.

2020 PRIORITIES

Our 2020 priorities for HSE include:

1. Continue to enhance our behavioural safety developments across all sites
2. Complete the actions from the thermal oil systems reviews and implement the risk reduction plans
3. Continue to develop our focused safety events for key sites
4. Review and develop the Environmental Masterclasses

Driving sustainability in our products

In our ambition to contribute to a more sustainable world, Low & Bonar has developed, with our Xeroflor product, green roof products that are antimony-free and have received the Cradle-to-Cradle certificate as well as the Material Health certificate.

We have also developed a patent pending storm water control composite for roof applications. This storm water management product contains 88% recycled polymeric materials, diverting them from landfill.

Our health, safety, environment and sustainability results

Optimising product ranges

A number of programmes have been completed to optimise our products and to reduce waste and shipping costs to both ourselves and our customers. We have also worked together with several customers to improve the yield in their processing of our products.

Our results for 2019

HSE metrics

The number of Lost Time Accidents ("LTAs") has risen this year from 11 to 21. After a number of years of falling LTAs it is very disappointing, but as a Group we have used the opportunity to drive campaigns and to focus on the hearts and minds of our cultural safety development. The LTAs receive the highest level of attention from all levels of the business, along with the lessons learned from each event.

The near-miss reporting has remained at a constant level in total numbers despite a reduction in the number of sites and employees. Our first aid incident rate has however fallen, and we continue to analyse the events that occurred so that specific actions can be developed to mitigate major incidents going forward.

We have halved the number of minor fires this year and have used a concentrated campaign of assessment and improvement of the thermal oil systems across our sites to reduce the fire risk overall. This has also allowed us to reduce the safety risks from working with these systems as well as giving combined efficiency benefits.

Energy

As mentioned previously, our sites in Germany have re-certified for ISO50001:2011 in 2019 and our other sites are continuously focusing on energy reduction. As part of the EED regulations we have completed a number of energy audits and continued with the programme of installing lower energy equipment, focusing this year on compressors, main power systems and area lighting. In Emmen the implementation of the new LED lighting system in our large warehouse was finalised in early 2019. Also, in Dundee, fluorescent lights are gradually being replaced by LED lights.

Water

Water usage is not a significant environmental impact for the Group due to the nature of our manufacturing operations. However, water usage is tracked and monitored, with water management regularly reviewed.

Minimising waste

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

If we cannot eliminate waste then we seek to recycle it. Recycling and reuse of plastics within most of our facilities continued to increase.

Our CTT Hückelhoven plant is trialling edge waste recycling, which is proving successful.

In our Asheville plant, we have continued to develop our waste management systems and the discharge systems overall, improving the infrastructure and receiving an improved permit from the authorities to recognise our work.

Environmental

We had two environmental incidents in 2019 (2018: three):

- a complaint by a neighbour of fibres on cars adjacent to our facility at Zele, although it is not known if this was our material or another neighbour's; and
- an oil leak due to a pump failure which led to oil soaking into the concrete surface at our Asheville site. This was however contained within the factory and restored.

Following these incidents, and as a matter of routine for all significant events, a full root cause analysis was undertaken to ensure learnings were shared across our sites.

Reducing energy consumption and spend

Our fork lift truck fleet is gradually being converted to gas and we are removing the majority of our diesel equipment as well as optimising our shipping arrangements for long-distance transits.

GHG

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

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

For our UK operations, we have used IEA emissions factors for electricity use and the UK Government's 2019 DEFRA/Ecoinvent conversion factors for non-electricity use such as vehicle travel and natural gas consumption. For non-UK operations we have used relevant government data where it is available. Where no local government data was available to us, we have used the best available source.

There have been a number of significant changes to the corporate structure of the Group in the year, with the disposal of the civil engineering division in July and September, and the exit of the Bonar Natpet JV in January. This has driven the 17.0% reduction in total emissions. There has also been a 2.2% improvement in the intensity ratio in the year driven by efficiency measures implemented and the significant reduction in purchased energy.

The disclosures required by law relating to the Group's GHG are set out below. Data is given for each year to 30 November:

	tCO_2e		
Emission type	**2019**	2018	% change
Scope 1:			
Fuel	**35,808**	33,779	6.0%
Process and fugitive emissions	**2**	143	(98.6%)
Vehicle use	**1,437**	986	45.7%
Total Scope 1 emissions	**37,247**	34,908	6.7%
Scope 2: Purchased energy	**65,484**	88,866	(26.3%)
Total emissions	**102,731**	123,774	(17.0%)

GHG intensity ratio

	2019	2018	Year-on-year variance
Total footprint (Scope 1 and Scope 2) – CO_2e	**102,731**	123,774	(17.0%)
Turnover (£m)[1]	**366.6**	431.9	(15.1%)
Intensity ratio[2] – Scope 2 location based method (tCO_2e/£100,000)	**280.2**	286.6	(2.2%)

1 Total continuing and discontinued turnover has been used to calculate the intensity ratio to reflect the fact that emissions from all manufacturing locations are included in the results up to their date of disposal.

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

Overview

Continuing operations	2019	2018 (restated)[1]	Actual	Constant currency[2]
Revenue	**£317.3m**	£361.6m	(12.3%)	(13.2%)
Underlying profit before tax	**£0.9m**	£16.7m	(94.6%)	(94.8%)
Statutory loss before tax	**(£61.2m)**	(£39.2m)	(56.1%)	(58.5%)

1 2018 restated for discontinued operations (Note 38) and prior year adjustments (Note 39)

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

Revenue

On a statutory basis, revenue decreased by 12.3% due to a combination of macro-economic factors, which adversely affected several of our end markets, as well as the ongoing effects of historical underinvestment, notably in CTT and the Colbond Americas businesses.

Profit before tax (all figures are on a continuing, underlying basis except where stated)

Profit before tax decreased by 94.6% to £0.9m (2018 (restated): £16.7m). Statutory loss before tax was £61.2m (2018 (restated): loss of £39.2m), after a net non-underlying charge of £62.1m (2018 (restated): £55.9m).

Operating margins reduced to 1.6% against 6.1% (restated) last year. The fall in margins was due to lower sales, with resulting lower leverage of the fixed cost base, and was despite continued cost reduction throughout the year and the impact of a small favourable movement in raw material prices.

As we present results in Sterling, the Group's reported results are sensitive to the strength of Sterling against the Euro, US Dollar, and Chinese Yuan. In 2019, the impact of foreign exchange rate changes reduced reported profits by £0.5m.

Disposal of the civil engineering businesses

As part of a simplification of the Group's business, the decision was taken in 2018 to exit the civil engineering activities. Following the closure of the Ivanka site and the transfer of the Enka business into Colbond in 2018, the Group announced during 2018 its intention to divest the remaining civil engineering businesses in 2019. As a result, two separate divestment processes were initiated in the first half of the year with the CF business being sold on 1 July 2019 and the sale of the NPNW business completing on 2 September 2019.

The CF business was sold for net proceeds of £6.6m, leading to a profit on disposal of £1.5m. The NPNW business was sold for net proceeds of £14.0m, leading to a loss on disposal of £7.7m.

Equity raise

Early in the year, the Group raised net proceeds of £49.9m via a placing and open offer (consisting of £53.9m of gross proceeds less expenses of £4.0m). This strengthened the balance sheet and enabled the Group to withstand a very challenging year, whilst also commencing the much-needed investments in the Asheville facility in the USA and both CTT plants in Germany.

Non-underlying items

There was a net non-underlying charge before tax of £62.1m (2018 (restated): £55.9m) in relation to continuing operations and £5.6m (2018 (restated): £6.6m) in relation to discontinued operations. The key items within this are listed below:

The Group made good progress in strengthening the balance sheet and reducing debt, but weaker than expected trading has caused continued pressure on banking covenants.

Continuing operations

Restructuring costs
(2019: £3.2m; 2018 (restated): £3.7m)

£3.2m of costs were incurred in the year in the major Group-wide transformation programme to right-size the organisation and optimise the organisational structure. This included the disentangling of the previous matrix structure across the Group, and the move to a clearer regional structure within Colbond. 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. Costs in 2018 related to the first stage of the transformation programme.

Coated Technical Textiles impairment
(2019: £33.4m; 2018: £39.0m)

The results of the CTT cash-generating unit ("CGU") were significantly below expectations in the period to 31 May 2019 and as such a full impairment review was carried out. This resulted in the impairment of the full value of the intangible assets and property, plant and equipment ("PPE") in the CGU. The impairment charge to intangible assets was £8.8m with an impairment of £22.5m impacting PPE. In the period to 30 November 2019 profitability in the CTT CGU declined further and as such all assets capitalised in the second half of the year have also been impaired, resulting in an additional charge of £2.1m.

In the prior year, the full goodwill balance attributed to CTT was impaired resulting in a total impairment charge of £39.0m.

Yihua Bonar impairment
(2019: £7.5m; 2018: £nil)

The results of the Yihua Bonar CGU, our woven operation in China, were significantly below expectations in the period to 31 May 2019, and as such a full impairment review was completed at 31 May 2019. This resulted in the impairment of the full value of the goodwill and PPE in the CGU. The impairment charge to goodwill was £0.3m with an impairment of £7.2m impacting PPE.

Bonar Changzhou impairment
(2019: £6.7m; 2018: £nil)

The results of Bonar Changzhou, our Colbond business in China, were disappointing in 2019 due to lower domestic demand and an adverse impact from the changes to US/China tariffs, and as such a full impairment review was completed. This resulted in an impairment of £6.7m, £0.1m impacting intangible assets and £6.6m impacting PPE.

Colbond Americas impairment
(2019: £1.8m; 2018: £nil)

Due to the results of Colbond Americas in 2019, a full impairment review was completed. This resulted in an impairment of £1.8m to goodwill.

Closure of the Ivanka plant
(2019: £0.4m; 2018: £0.5m)

In 2017, as part of the first stage of the strategic review of civil engineering, it was decided to exit from the loss-making weaving plant in Ivanka, Slovakia. The £0.4m in 2019 relates to the ongoing costs of running the site until the remaining assets (the land and buildings) are disposed of, plus the catch up depreciation charge as the property is no longer classified as an asset held for sale.

Provision for customs duties and fees
(2019: (£0.1m); 2018: £1.6m)

In previous periods, the Group identified some limited irregularities in relation to customs duties in the UAE. These related to sales arranged through 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 represented the Group's best estimate of the liability. There has been no further significant progress on the claim in the current year and there is no substantial change in our view of the duty and penalties to be paid. The £0.1m credit in the period primarily relates to foreign exchange movements on the provision.

Impairment of the Dundee site (2019: £0.2m; 2018 (restated): £0.1m)
In 2019, the results of the Dundee CGU deteriorated against budget and as such indicators of impairment were present. Based on the subsequent impairment review at 30 November 2019, the recoverable assets of the Dundee CGU were found to be significantly below the carrying value of the assets and therefore the full value of the non-current assets needed to be impaired. Having reviewed the results of the CGU over previous years, it was determined that the impairment should have been recognised in previous periods and therefore we have recorded a £1.3m prior year adjustment against the opening 2018 PPE balance (Note 14).

The £0.2m charge in 2019 and £0.1m charge in 2018 represents the impairment of additions that have been capitalised in the current and prior year.

Acquisition and disposal costs (2019: £2.2m; 2018: £0.3m)
£2.2m of costs have been incurred in the year in relation to the potential acquisition of the Group by FVB. £1.9m relates to professional fees with £0.3m relating to employee retention plans.

Amortisation of acquired intangible assets (2019: £1.7m; 2018: £2.8m)
The amortisation of acquired intangible assets of £1.7m is excluded from underlying profit in accordance with the Group's accounting policies.

GMP equalisation additional liability (2019: £nil; 2018: £4.0m)
A £4.0m liability was recorded in 2018 in respect of the UK pension scheme, relating to a court ruling to equalise all GMP benefits. There have been no significant updates to this ruling or its application to our scheme and therefore a liability of £4.0m is still deemed to be appropriate at 30 November 2019.

Customer settlement agreement (2019: £0.8m; 2018: £nil)
In 2019, a settlement was entered into with a customer of CTT relating to products sold prior to 2017. This settlement extended the Group's warranty obligations to the end of 2020, which is beyond contractual warranty obligations.

Amendments to the Senior Loan Note debt (2019: £2.7m; 2018: £nil)
In the year, a £0.6m make-whole payment and a £2.1m fair value adjustment were recorded following modifications to the Senior Loan Note debt.

The remaining £1.6m of non-underlying charges before tax primarily includes £0.2m relating to the operating losses incurred following the temporary closure of the Lomnice site, £0.9m impairment of R&D costs following the cancellation of a significant development project, and £0.4m of additional impairments relating to intangible assets which are no longer supportable.

Discontinued operations
Restructuring costs (2019: £nil; 2018 (restated): £0.5m)
Costs in 2018 relate to the impact of the Group-wide transformation programme as it related to the civil engineering entities.

Impairment of Hungary plant and equipment (2019: £nil; 2018 (restated): £5.0m)
In the prior year, Low & Bonar Hungary Kft incurred significant operating losses. An impairment review was conducted which resulted in an impairment of plant and equipment totalling £2.3m. Following a review of the impairment in the current year, an error in the mechanics of our impairment model was noted. Correcting for this in the model at 30 November 2018 would have led to an additional £2.7m impairment on the value of Hungary's assets and therefore a total charge of £5.0m was recorded. This business was sold as part of the civil engineering disposal.

Profit on disposal of the CF disposal group (2019: (£1.9m); 2018 £nil)
The Group disposed of the CF business on 1 July 2019. On disposal of these assets a profit of £1.9m was recorded, excluding selling costs.

Loss on disposal of the NPNW disposal group (2019: £5.9m; 2018 £nil)
The Group disposed of the NPNW business on 2 September 2019. On disposal of these assets, a loss of £5.9m was recorded, excluding selling costs.

Acquisition and disposal related costs (2019: £2.2m; 2018: £0.3m)

Costs relate to the disposal of the civil engineering business in the year and primarily relate to external consultancy costs and professional fees.

Costs to exit the Bonar Natpet joint venture (2019: £0.2m; 2018: £0.8m)

This charge relates to additional costs incurred following the Group's exit from the JV in January 2019. The provision at 30 November 2018 was £2.2m (presented as a liability directly associated with assets held for sale) and has now been extinguished following the exit.

Impairment of investments and inter-company receivables in the Parent Company (the "Company")

In the year, an impairment charge of £100.8m has been recorded in the Company against the cost of investments in its subsidiary undertakings. In addition to this an impairment charge of £12.4m has been recorded against inter-company receivables with an opening IFRS 9 transition adjustment of £29.6m also being recorded. The net result of these impairments is that the net assets of the Company are now recorded at £106.9m which is reflective of the open offer from FVB for the Group. Following these impairments, the Company currently does not have distributable reserves from which to issue dividends.

Taxation

The overall tax credit on continuing profit before tax was £2.4m (2018 (restated): charge of £2.6m), a tax rate of 3.6%. The underlying tax charge from continuing operations was £1.3m (2018 (restated): £3.9m) an underlying effective tax rate of 181.6% (2018 (restated): 23.8%). The increase in the effective rate relates primarily to losses arising in Germany for which no tax credit has been recognised.

Net debt

As at 30 November 2019, net debt (as defined in Note 41) was £97.4m (2018: £128.5m). The biggest factor in this reduction was the equity raise of £49.9m in the early part of the year. In addition to this, the Group received net proceeds of approximately £21.0m from the sale of the civil engineering division. Cash outflow from operations was £10.4m (2018: inflow of £51.3m), affected by an expected reduction in trade creditors as we normalised our timing of half-year and year-end payments to suppliers.

During the year, the Group spent £12.2m (2018: £15.2m) on PPE and £1.6m (2018: £3.4m) on intangible assets. Of this the majority was invested in the Colbond business, notably in starting the improvement programme in Asheville. We also commenced the investment plan in CTT, with the initial focus on the quality improvement plans.

Trade working capital as a percentage of revenue at year end increased to 30% (2018: 21%), reflecting the increase in trade working capital to £94.7m (2018: £90.1m) and the significant reduction in revenue over the year.

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

	2019	2018
Cash and cash equivalents	**£29.8m**	£47.8m
Total interest-bearing loans and borrowings	**(£129.7m)**	(£176.3m)
Less: Net fair value adjustment on the amendment of Senior Loan Note debt	**£2.5m**	–
Net debt	**(£97.4m)**	(£128.5m)

The Group's available debt facilities total £130.9m (2018: £216.5m) and comprise the revolving credit facility ("RCF") maturing in May 2023, Senior Loan Note debt scheduled for repayment between September 2022 and September 2026 in equal tranches, and RMB loan facilities available through to June 2020.

The Group renegotiated its debt facilities during the year. In July 2019 we negotiated an initial relaxing of covenant tests as at November 2019. Under the terms of these amendments, rather than reverting to 3.0x at 30 November 2019, the leverage covenant would remain at its existing level of 3.5x, before reducing to 3.0x at May 2020. In addition, the interest cover covenant would be reduced to 2.5x at November 2019, before returning to 3.0x at May 2020. Under these revised financing terms, the Group agreed that, amongst certain other undertakings, dividends will only be paid where doing so would not cause leverage to increase above 2.5x and only then once the Group has achieved a leverage ratio of <2.5x for two successive covenant testing periods.

In September 2019 the Group engaged with its lenders and agreed that the financial covenants which were due to be tested as at 30 November 2019 would be waived, in order to assist the Group in progressing both its turnaround plan and the proposed transaction with FVB. As part of these waivers, it was agreed that any further drawings under the RCF would require majority lender consent and that, in the event that the Offer were to lapse before 31 May 2020, financial covenants would be tested within 14 days of such lapse with respect to the financial position as at the previous month-end. Whether the Offer were to have lapsed or not, the scheduled covenant test as at 31 May 2020 was to occur.

In the light of the risk that the Offer may not complete, and the fact that, if covenants were to be tested under the prior arrangements, they would be breached, the Group reached an agreement with its lenders on 27 March 2020 under which the lenders will assist in providing a stable platform to allow the Group time, if the Offer does not complete, to execute alternative plans. Under the terms of this agreement, the lenders have agreed to extend the existing covenant waivers until 30 November 2020, irrespective of the status of the Offer. The agreement also requires the Group to report on certain milestones associated with the Offer and, as appropriate, the delivery of the alternative plans. The lenders have also agreed to make available additional facilities of £12m, the majority of which are under the RCF, with draw down requests on these facilities to be reviewed on a case by case basis. Under the agreement, the lenders will have the right to reinstate a stop on drawings if the Group's forecast liquidity, covering the forward thirteen weeks, looks likely to fall below certain levels. The Group will provide certain additional conventional security and guarantees to the lenders in connection with these further drawings. In addition, a fixed asset loan agreement in China, under which repayment of the outstanding RMB 70m balance was due on 30 June 2020, has been extended, with repayment now due on 30 December 2020, and the Group will provide enhanced security to the lender. At the time of signing this report, the amendments to the lender agreements have been approved by each of the lenders' credit committees and signed by all parties. Certain elements of the terms around the further drawings remain subject to full documentation, including certain conditions precedent, notably around agreement and execution of full documentation for the associated security. These are expected to follow a customary format and the Group does not envisage any scenario whereby these conditions will not be met. For clarity, certain of the terms of the agreements will only come in to effect if the FVB offer lapses.

The Group's leverage ratio increased from 3.2x at 30 November 2018 to 5.6x at 30 November 2019.

Covenants are calculated with debt and adjusted EBITDA translated into Sterling at average exchange rates to reduce the impact of exchange rate volatility. At 30 November 2019, 47% (2018: 41%) of the Group's net debt was held on a fixed interest rate basis; and the Group keeps this under regular review to maintain a reasonable average cost of borrowing while protecting against medium-term exposure to interest rate changes.

Return on capital employed

Return on capital employed reduced to 2.8% from 8.8% (restated) in 2018, the reduction driven principally by the decrease in profitability in the year.

Earnings per share

Basic underlying earnings per share was 0.11p, a decrease of 3.30p from 3.41p (restated) in 2018. On a statutory basis, basic earnings per share from continuing operations decreased from a loss per share of 12.06p (restated) in 2018 to a loss per share of 9.13p in 2019.

Dividends

In determining the level of dividend, the Board considers a number of factors, including:

- the level of distributable reserves held by the Company, and the availability of dividends from subsidiary companies from which the Company derives its distributable reserves;
- projections of future cash flows, including the impact of dividends on compliance with our loan covenants; and
- the risks to future cash flows and distributable reserves, which are set out in the principal risks and uncertainties section on pages 36 to 39.

The Board also considers the Group's stated dividend policy, under which the Group intends to pay 40% of underlying profit before tax on average over the medium and long term. However, following the significant impairment of investments and inter-company receivables in the year arising from the deterioration in results during the year, the Company currently does not have distributable reserves from which to pay a dividend. Therefore, no dividend will be paid for the current financial year (2018: final dividend of 0.37 pence per share). In addition, and as noted on page 30, as part of the renegotiation of its banking facilities in July 2019, the Group will only pay dividends where doing so would not cause leverage to increase above 2.5x and only then once the Group has achieved a leverage ratio of <2.5x for two successive covenant testing periods. The Group does not meet these conditions at the present time.

Pensions

The Group has a number of defined benefit schemes in place, both in the UK and overseas. In April 2019, the Group supported the UK scheme in its decision to enter into a buy-in of £82.1m of the UK scheme's liabilities to reduce the scheme's exposure to investment, inflation and mortality risk and to protect the long-term financial security of members' benefits.

At 30 November 2019, the UK scheme showed a surplus of £4.2m (2018: surplus of £11.0m). The reduction in the surplus was driven by two factors:

1) an actuarial loss of £6m due to the price paid for the insurance policy purchased in the buy-in being slightly higher than the accounting liability in respect of the members insured; and
2) a reduction in the discount rate from 2.9% at 30 November 2018 to 1.9% at 30 November 2019.

The net deficit in the Group's overseas schemes in Germany and the USA increased to £13.6m (2018: £10.7m) mainly as a result of unfavourable changes to financial assumptions. In the year, the Belgian scheme was disposed of as part of the NPNW disposal.

At 30 November 2018, an allowance of £4.0m was included within defined benefit obligations for the potential impact of the GMP equalisation ruling. Since the prior year, there has been little movement on this ruling and there have been no trigger points in the year to suggest that our initial estimate is not reasonable. Additionally the Trustees have not yet formed a view as to the impact of the ruling on the scheme and as such we do not propose to adjust our initial estimate of £4.0m at 30 November 2019.

Going concern

At the time of signing these financial statements, there remain several material uncertainties related to events or conditions that may cast 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.

The material uncertainties are:

1. Whether the Offer from FVB completes or lapses. For the avoidance of doubt there is a risk that it lapses.
2. Whether, in the event that the Offer lapses, the remaining conditions are met to enable the Group to access the new funds.
3. Whether, in the event that the Offer lapses, the Group implements the alternative plans within the timetable agreed with the lenders.
4. Whether, in the event that the Offer lapses, the Group maintains certain levels of liquidity and hence access to the new funds available at the levels required prior to implementing the alternative plans.
5. Whether, in the event that the Group does not achieve 3 or 4 above, the lenders continue to support the Group in order to allow the Group to complete the execution of the alternative plans, including potentially providing a further waiver with respect to the 30 November 2020 covenant tests.
6. Market conditions over coming months in light of the continuing spread of the COVID-19 virus and the measures being adopted in much of the world to address it, which could lead to lower than expected cash flows, at levels which may cause the Group's liquidity to fall below the minimum levels required under the new banking arrangements referenced above and so leave the group unable to access the funds.

However, the Directors have an expectation, which they believe is reasonable, that either the Offer will complete successfully, or, in the event that the Offer lapses, that either an alternative source of funding would be found by 30 November 2020, or that lenders and other stakeholders would continue to support the Group beyond 30 November 2020 for a sufficient period of time to allow alternative plans to be executed. Accordingly, but recognising the high degree of uncertainty in respect of the dynamic situation unfolding with COVID-19, and the likely impact of this on the global economy, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made, if they were prepared on a basis other than the going concern basis.

Please refer to the basis of preparation on pages 96 to 97 for further details.

Brexit

We continue to monitor the potential impact of the UK's decision to leave the European Union. The UK represents a small percentage of the Group's direct sales (around 5%, 50% of which originate from UK-based entities), and we have one relatively small UK manufacturing facility. Additionally, the fluctuations in exchange rates arising from the uncertainty caused by Brexit may have an impact on the Group's Sterling results. The sensitivity of the Group's profit to changes in exchange rates can be seen in Note 21.

Ian Ashton
Group Chief Financial Officer

27 March 2020

Effective risk management

RISK MANAGEMENT STRUCTURE

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

Risk management

The Group's principal risks and uncertainties, as set out on pages 36 to 39, are evaluated by the Board of Directors, Audit Committee and Risk Management Committee (formerly Risk Oversight Committee). Principal risks are allocated to the relevant Board or Committee based on the probability of the risk occurring and the impact it would have on the Group.

The risks managed by the Risk Management Committee are reported by the Audit Committee to the Board, in addition to the work undertaken by the Board.

Delegation of risks

Group risks are delegated as follows:

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

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

Risk Management Committee
The Risk Management Committee is responsible for risks in the areas of cyber security, major physical or operational incidents, raw materials, product failure, new product development, competition, customers, employees and global supply and demand issues.

Following a management reorganisation during the year, the Health, Safety and Environment Committee was disbanded and its responsibilities folded into those of the Risk Management Committee. Accordingly, the Risk Management Committee is also responsible for risks in the areas of health, safety and the environment.

Internal audit function

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

Internal financial control framework

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

1. **Financial reporting:** a comprehensive budgeting system with an annual budget approved by the Board. Monthly actual results are reported against budget and prior year, together with revised forecasts for the year; and

2. **Controls for operating divisions:** financial controls and procedures including information system controls are detailed in our Group policies. All divisional MDs are invited to the Risk Management Committee meetings to offer insights into their area of the business and to contribute their views on the wider Group risk register.

Risk identification

Risk registers are held by each division (including each manufacturing site) and also for the Group. The divisional risk registers are assessed, discussed and updated by each division. The registers document existing and emerging risks and assess their potential significance and likelihood of occurrence. The Group risk register collates the risks identified in the divisions and the manufacturing sites, together with certain strategic risks which are managed at Group level. The Group risk register is reviewed by the Board annually.

Risk mitigation

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

- the probability and impact of the risk identified, pre and post mitigation;
- the Group's risk mitigation strategy;
- who is accountable for the mitigation;
- which Committee or Board will monitor the ongoing mitigation step(s); and
- the frequency of review of the mitigating steps.

Legal risk compliance

The Group values its reputation for ethical behaviour and for financial integrity and commits to carrying out business fairly, honestly and openly. We do not tolerate bribery in our dealings; it is illegal and harmful for business. Any involvement with improper inducements in order to secure business or gain any advantage for a Group company or our employees reflects adversely on our image and reputation, and undermines the confidence our customers and other business partners have in us.

Anti-bribery compliance

We seek to eliminate bribery in our business dealings by:

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

Competition compliance

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

The role of the Risk Management Committee

The Committee's roles and responsibilities are set out in its terms of reference, which are reviewed annually and approved by the Audit Committee.

Membership and attendees at meetings

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

The Group Chief Financial Officer is the Committee Chairman and members include the Executive Chairman, the divisional MDs and the Group HR Director. Other senior managers are invited to present at meetings as and when appropriate.

Reporting to the Board

The work of the Committee is reviewed and discussed by the Audit Committee. The Audit Committee Chairman then updates the Board on the work of the Audit and Risk Management Committees as appropriate.

Effectiveness of the Committee

The effectiveness of the Committee is monitored and assessed annually. This review includes an assessment of its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. Any changes it considers necessary are recommended to the Audit Committee for approval.

VIABILITY STATEMENT

As set out in the going concern statement on pages 78 to 79, the viability of the Group is dependent entirely on actions that are being and will be taken over the course of 2020-21 and therefore the Directors have considered a viability period of 12 months rather than the period of three years used historically. These actions will be directed at achieving either the sale of the Group (in whole or in its constituent parts), or a significant injection of debt or equity, or a combination of both, at a level that will reasonably ensure the longer-term viability of the operations of the Group. Accordingly, the Directors have assessed that the 12 month period to 27 March 2021 is the appropriate timeframe within which to assess the viability of the Group and is aligned to the same period used for the going concern assessment.

For the avoidance of doubt, the viability of the Group is dependent on whether the sale of the Group, announced on 20 Sept 2019, to FV Beteiligungs-GmbH obtains EU competition approval by the European Commission ('EC') or, if the offer were to lapse or were EC clearance to be delayed beyond 31 May 2020, dependent firstly on implementing alternative plans, and secondly on the impact of COVID-19 on the Group's liquidity. As a result the Directors are not able to assess any longer term viability of the business beyond the 12 month period.

In concluding on the viability of the Group, the Directors have concluded that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment. They consider the going concern assumptions, material uncertainties and conclusion set out on pages 78 to 79 to be relevant. The conclusion reads *"the Directors have an expectation, which they believe is reasonable, that either the Offer will complete successfully, or, in the event that the Offer lapses, that either an alternative source of funding would be found by 30 November 2020, or that lenders and other stakeholders would continue to support the Group beyond 30 November 2020 for a sufficient period of time to allow alternative plans to be executed. Accordingly, but recognising the high degree of uncertainty in respect of the dynamic situation unfolding with COVID-19, and the likely impact of this on the global economy, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis."*

Our principal risks and uncertainties

	Risk	Risk change	Mitigating strategy	Strategic pillars
Financial	**Funding** The Group, like many other companies, is dependent on its ability both to service its existing debts and to access sufficient funding to refinance its liabilities when they fall due and provide sufficient capital to finance its growth strategy.	^	*The Group manages its capital to maximise its ability to continue as a going concern, to provide sufficient liquidity to support its operations and the Board's strategic plans and to optimise its capital structure. The Group's borrowing requirements are regularly reforecast with the objective to ensure adequate funding is in place to support its operations and growth plans. Compliance with the covenants associated with these facilities is very closely monitored.* *Please refer to pages 96 to 97 which details the Going Concern basis of preparation of the Group in the current year and how it is planning to manage funding risk in 2020.* *In light of recent trading, and the increased risk of covenant breaches, the Board has had an increased focus on this risk mitigation during 2019.*	
Operational	**COVID-19** The Group, like many others, is being affected by the impact that the COVID-19 outbreak is having on the world's economy, through employees being restricted in their travel and having to work from home; through reduced customer demand; and potential supply chain issues. The spread of the virus may have an effect on demand levels in our markets and could adversely affect trading across the Group. The potential impact of COVID-19 is hard to predict at the time of publishing this Annual Report.	^	*The health and safety of our employees continues to be our primary concern during this period.* *As far as possible, we will continue to operate as normal, however we will follow local and national guidelines and instructions issued by the authorities in our markets to minimise the spread and impact of COVID-19. We will review what support is being provided by the Governments in each of the countries in which we operate to ascertain whether we can utilise that support during the period of the outbreak.*	
Financial	**Treasury** Foreign exchange is the most significant treasury risk for the Group. The reported value of profits earned by the Group's overseas entities is sensitive to the strength of Sterling, particularly against the Euro and the US Dollar. The Group is also exposed, to a lesser extent, to other treasury risks such as interest rate risk and counterparty credit risk.	–	*The Group enjoys a natural currency hedge within much of its activity, as it largely, though not exclusively, sells products in the same regions that they are manufactured. Group policy in relation to residual risk ensures treasury activities are focused on the management of risk with high-quality counterparties; no speculative transactions are undertaken.*	

Impact on strategy

Customers · Performance · Innovation · Focus

Risk key

Increase · No change

	Risk	Risk change	Mitigating strategy	Strategic pillars
Strategic	**Global activity** The Group may be adversely affected by global economic conditions, particularly in its principal markets in mainland Europe, North America and China. The volatility of international markets could result in reduced levels of demand for the Group's products, a greater risk of customers defaulting on payment terms, supply chain risk and a higher risk of inventory obsolescence. Changes in international trade regulations or tariffs could potentially disrupt the Group's supply chains. While the UK represents only a small percentage of the Group's direct sales, Brexit may also impact the Group through the creation of uncertainty whilst the detailed terms of the UK's departure from the EU are finalised. Volatile exchange rates could also have an impact on the translation of the Group's reported results.	Increase	*Divisions monitor their own markets and are empowered to respond to changing conditions. Production costs may be flexed to balance production with demand, including the use of short-time working arrangements where available. Further actions, such as reducing the Group's cost base and cancelling or delaying capital investment plans, are available to facilitate profitability and cash generation in the face of a sustained reduction in volumes.* *The Group also has a broad base of customers. Group policies endeavour to ensure that customers are given an appropriate level of credit based on their trading history and financial status, and a prudent approach is adopted towards credit control. Credit insurance is used where available and considered appropriate.* *Procurement managers endeavour to mitigate supply chain risk by identifying and qualifying alternative sources of key raw materials.* *Potential changes to international trade regulations are monitored to try to anticipate and mitigate their impact.* *We are working with customers and suppliers to minimise any potential disruption to our own supply chain and to that of our customers in light of the UK's withdrawal from the EU.*	Customers
Strategic	**Organic growth/competition** The markets in which the Group operates are competitive with respect to price, geographic distinction, functionality, brand recognition, marketing and customer service. Some of the markets are subject to structural headwinds due to fashion, competitors innovation and increasing requirements for more sustainable solutions.	Increase	*The Group has chosen to operate in niche markets within the technical textile industry, using proprietary technology to manufacture products which are important determinants of the performance and/or efficiency of our customers' final products or processes.* *Significant resources are dedicated to developing and maintaining strong relationships with our customers, and to developing new and innovative products which meet their precise needs.* *Innovation pipelines are division-led and managed through a stage-gate process.*	Customers, Performance
Strategic	**Cyber security** Disruption to or penetration of our information technology platforms could have a significant adverse effect on the Group.	No change	*The Group's information technology resources are continuously monitored and maintained, and safeguards are in place to provide security for our networks and data. Training programmes are also in place and undertaken by relevant members of staff.* *The Group's IT Code of Conduct and Information Security Policy endeavour to ensure that employees are aware of any threats and the processes in place to mitigate these risks.*	Focus

Impact on strategy

Customers · Performance · Innovation · Focus

Risk key

Increase · No change

	Risk	Risk change	Mitigating strategy	Strategic pillars
Strategic	**Growth strategy** The Board believes that organic growth is an important consideration for the Group. The Board reviews growth opportunities as they arise. The Board's acquisition strategy is based on appropriate acquisition targets being available, however, acquisitions are not currently part of the Board's overall strategy. When an acquisition does take place, however, it is intended that any company is integrated as quickly as possible.	Increase	*When considering growth, the Board is focused on profitable, cash-generative organic growth, supplemented by acquisitions where appropriate. Enhanced market segmentation combined with innovation supports our organic growth ambition.* *Acquisitions are considered based on clearly defined criteria in existing or adjacent segments where products and technologies are understood. Acquisitions are only considered following full pre-acquisition due diligence checks.*	Performance, Innovation
Operational	**Business continuity** The occurrence of major operational problems could have a material adverse effect on the Group. These could include risks of fire or major environmental damage such as hurricanes. Equally, poor financial forecasting and financial control could have a detrimental impact on the Group's business continuity.	No change	*The Group has process controls and maintenance programmes designed to mitigate the risk of problems arising. These are supported by regular site audits. Crisis response procedures are in place to minimise the impact of any disruption to operations. Where appropriate, we insure against any financial risk impact.* *The Group addresses the risk of poor financial forecasting and control through reviews of monthly management accounts, quarterly forecasts and the annual budget. In addition, we engage PwC as our internal audit function to review and assess the key financial controls at our main finance functions.*	Performance, Focus
Operational	**Employees** The Group is reliant on its ability to attract, develop and retain talented leaders, professionals and specialists throughout the organisation. Changes in our ways of working and initiatives, or change of ownership, could potentially cause disruption/confusion to employees leading to loss of key staff.	Increase	*Employees are recruited and regularly appraised through a performance management system. This is directly linked to both rewards and developmental outcomes. HR policies are in place covering aspects of employment across the Group. We are committed to effective communication and regularly engage with employees.* *The Group has a communication process in place whereby changes to ways of working or initiatives are cascaded down the organisation in a timely way.* *Retention plans have been put in place with key staff to ensure continuity during the potential change in ownership of the Group.*	Innovation, Focus

The Strategic Report was approved on behalf of the Board.

Daniel Dayan
Executive Chairman

27 March 2020

	Risk	Risk change	Mitigating strategy	Strategic pillars
Operational	**Operations** The Group, like many other companies, can be affected by actual, possible or perceived defects, failures or quality issues associated with its products; these could lead to product litigation, including product liability claims, or negative publicity. In addition, poor planning processes and co-ordination can also lead to operational inefficiencies that could negatively impact production and in turn, the output of the Group.	–	*The Group manages its risk by insuring, where possible, its exposure to product liability claims.* *The Group also attempts to reduce the risk of exposure by its planning, design and quality control processes and through its terms and conditions of business.*	
Operational	**Raw material pricing** The Group's profitability can be affected by the purchase price of its key raw materials and its ability to reflect any changes through its selling prices. The Group's main raw materials are polypropylene, polyester, nylon, polyethylene and PVC. The prices of these raw materials are volatile and they are influenced ultimately by oil prices, as well as the balance of supply and demand for each polymer.	–	*The Group has procurement specialists with expertise in polymer purchasing and who seek to use a number of suppliers where possible, to ensure a balance between competitive pricing and continuity of supply.* *The Group's focus on operating efficiencies and the strength of its product propositions enables some of the effect of raw material cost fluctuations to be successfully managed.* *Innovation, technology differentiation and customer focus will partially offset increased price competition in certain markets.*	
Compliance	**Laws and regulations** The Group's operations are subject to a wide range of laws and regulations, including tax, employment, environmental and health and safety legislation, along with product liability and contractual terms. Non-compliance with these laws and regulations could result in compromising our ability to conduct business in certain jurisdictions and exposing the Group to potential reputational damage and financial penalties.	–	*The Group's policies endeavour to ensure that all applicable legal and regulatory requirements are met or exceeded in all territories in which it operates, and ongoing programmes and systems monitor compliance and provide training for relevant employees.* *Our legal team manages our legal and regulatory compliance.* *Product liability risks are managed through quality control procedures covering a review of goods on receipt and prior to dispatch as well as our manufacturing processes. Insurance cover, judged appropriate for the nature of the Group's business and its size, is maintained. The Group also seeks to minimise risks through its terms and conditions of trading.*	
Compliance	**Health and safety** The nature of the Group's operations presents risks to the health and safety of employees, contractors and visitors. Furthermore, inadequate health and safety practices could lead to business disruption, financial penalties or loss of reputation.	–	*The Group's health and safety strategy aims to embed a strong and proactive health and safety culture across all aspects of our business. Health and safety matters are discussed by the Board of Directors and at Risk Management Committee meetings. They are also discussed by the businesses and executive management at monthly review meetings.*	

Applicable corporate governance rules and reporting regulations

The financial year that the Company is reporting under in this Annual Report is 1 December 2018 to 30 November 2019. As such, a number of the new corporate governance rules and reporting regulations that apply to premium listed companies whose financial years start on 1 January 2019 do not apply to Low & Bonar for the purpose of this Annual Report. We will consider those new rules and regulations in our 2020 Annual Report unless stated otherwise.

Given the financial position of the Company, the focus of the Board this year has very much been on complying with its duties to all stakeholders of the business and particularly in ensuring that each Director complies with their obligations when reviewing the Company's going concern status on an ongoing basis, and when also dealing with takeover approaches and negotiations.

It has been especially challenging with the changes to the Board that took place during the year. Philip de Klerk stood down as Group Chief Executive Officer on 1 July 2019 and I became Executive Chairman on 2 July 2019, having been appointed Non-Executive Chairman in September 2018. The Board decided that I should be appointed as Executive Chairman given my expertise and knowledge from working in the industry.

Giulia Nobili was appointed a Non-Executive Director on 10 July 2019 at the request of Sterling. Giulia stood down from the Board on 7 November 2019, together with Kevin Matthews who stood down on the same day. I would like to recognise Kevin's contributions to the Company over his four-and-a-half-year tenure and to especially thank him for his work in his role as Chair of the Remuneration Committee. He has provided valuable insight and expertise to the Board and our Committees. I would also like to thank Giulia for her time and commitment to the Company during its strategic discussions on the Company's future.

Non-compliance with the 2016 UK Corporate Governance Code ("the Code")

The appointment of me as Executive Chairman, and the appointment of Giulia as a Non-Executive Director at the behest of a major shareholder, did mean that the Company was not in compliance with the Code and advice was taken from the Company's corporate lawyers, Freshfields Bruckhaus Deringer LLP, to ensure that the Company's corporate governance guidelines were sufficiently robust to cope with this. The terms of reference for each Board Committee, and the Board, were updated to reflect the position of an Executive Chairman. A Governance & Confidentiality Agreement was put in place between the Company and Sterling to ensure that any confidential information that may have found its way to Sterling was treated as such and that it limited Sterling's ability to trade in the Company during Giulia's term of appointment.

Specifically, the Company did not comply with the following two provisions:

A.2.1 – as Executive Chairman, the roles of Chief Executive and Chairman have been combined and held by myself;

B.6.1 – given all of the changes to the Board and the Board's focus on financial matters during the year, no evaluations of the Board or the Committees were undertaken during the year.

D.2.2 – up until my appointment as Executive Chairman, my remuneration as Non-Executive Chairman was determined by the Board as a whole, based on a recommendation from the Remuneration Committee. This aided transparency as the views of the Executive Directors could be taken into account as well. However, following my appointment as Executive Chairman, the Remuneration Committee is now responsible for setting my remuneration, as with all Executive Directors.

We have otherwise complied with all of the other provisions within the 2016 Code, a copy of which can be found on the Financial Reporting Council's website at **www.frc.org.uk**.

Statement following the 2019 AGM

At the AGM of the Company held on 5 April 2019, there was a significant vote, by a small number of shareholders, against the shortening of the notice period for calling general meetings to 14 days. The resolution was consistent with the latest investor guidelines and with those approved in previous years.

The Company has conducted a shareholder consultation to understand any concerns on this matter. Following this, the Company notes that certain of its shareholders typically vote against shortening a general meeting notice period as a matter of policy.

The Company continues to maintain that having the flexibility to call general meetings on short notice is, in certain circumstances, of benefit to shareholders. Accordingly, we will present this resolution again at the AGM to be held on 22 May 2020 and we will continue to consult with those small number of shareholders voting against to see if we can persuade them otherwise.

Objectives for the year ahead

We are committed to maintaining high standards of corporate governance and we have had a number of effective communications with our shareholders, lenders, employees and other stakeholders throughout the year. We welcome their active engagement and details of our approach to stakeholder engagement can be found on page 14. We will continue this active engagement in 2020.

COVID-19 outbreak

Further to the section included on page 5, the Board is actively monitoring the COVID-19 outbreak and the potential impact that this could have on the Group, with regular updates being provided by the Executive Directors and senior management.

The health and safety of our employees continues to be our primary concern during this period. The Board will ensure that the Group follows local and national guidelines and instructions issued by the authorities in our markets to minimise the spread and impact of COVID-19.

The Group's IT systems are geared to facilitating office-based employees working remotely. Where possible, all face-to-face meetings have been cancelled and replaced by video conference calls. Those employees whose roles can be undertaken from home have been instructed to remain at home and work from there. The Board, as well as senior management, has regular video conferences and telephone calls, and all meetings will be held in this manner until restrictions on movement within countries have been lifted.

For those employees who work in the manufacturing sites, policies are in place to ensure stringent hygiene in accordance with guidelines, such as regularly washing hands and social distancing. Should any employee become infected by the virus, policies are in place to handle this and to ensure the site where the employee is based is deep cleaned. For those who need to be home based to look after dependents, arrangements have been made to facilitate this.

The Board is monitoring the potential impact on the business closely, but at this stage it is too early to fully understand and quantify its impact on trading and what the wider impact may be on the Group. The Board has implemented contingency plans should plants be forced to close due to COVID-19 associated restrictions. The Board is also reviewing what business support is being provided by governments in each of the countries in which we operate to ascertain whether we can utilise that support.

Daniel Dayan
Executive Chairman

27 March 2020

A breadth of experience and perspectives

Daniel Dayan
Executive Chairman

N

Appointed to the Board: September 2018; appointed as Executive Chairman July 2019

Experience: Group Chief Executive Officer of Klöckner Pentaplast Group ("KP") until December 2018 and Chairman and CEO of LINPAC Packaging from 2015 until its acquisition by KP in June 2017. Non-executive director and Chairman of the Remuneration Committee of Chemring plc 2016-2018, Non-executive Chairman of the Nonwovens Innovation and Research Institute Ltd from 2014-2016 and from 2005-2013 was CEO of global non-woven fibre producer Fiberweb PLC. Daniel holds a degree in mechanical engineering from Cambridge University.

Board contribution: Daniel has held board positions for over 10 years and brings international experience in strategy, operations and streamlining. As Executive Chairman, Daniel is responsible for leading the Company during the transformation programme initiated in late 2018. He is also responsible for: leading the Board as it explores opportunities to maximise shareholder value in the short-term; ensuring the Board operates in an effective manner; promoting constructive relations with shareholders; and leading the executive management of the Group. As Chairman of the Nomination Committee, he is responsible for reviewing and making recommendations on the Group's leadership needs.

External appointments: Trustee of the Wimbledon Synagogue Ark Project

Ian Ashton
Group Chief Financial Officer

Appointed to the Board: December 2018

Experience: Chief Financial Officer of Labviva LLC, a US-based technology company, until December 2018. Ian worked for 20 years at Smith & Nephew plc until December 2017, undertaking various financial roles of increasing seniority in the UK, USA and China. His last role was Chief Financial Officer, Global Operations and prior to that Ian served as Chief Financial Officer of the Advanced Surgical Devices division. Ian is qualified as a chartered accountant and began his career at Ernst & Young.

Board contribution: Ian is responsible, together with the Board, for overseeing the financial operations of the Group and setting its financial strategy.

External appointments: None

Trudy Schoolenberg
Senior Independent Director

A N R

Appointed to the Board: May 2013

Experience: Director of Integrated Supply Chain and RD&I for AKZO Nobel's Paints Division until 2016. Former Vice-president of Global Research and Development at Wärtsilä Oy, having previously worked for 21 years for Royal Dutch Shell plc in roles in strategy, operations and R&D, mostly in its downstream and chemicals businesses.

Board contribution: Trudy has over 25 years' experience in strategic and operations positions. She has been a Non-Executive Director for various manufacturing companies over the past 7 years. As Senior Independent Director, a position Trudy has held since November 2017, her contribution is fundamental to the successful operation of the Board.

External appointments: Senior Independent Director at both Accsys Technologies PLC and Spirax-Sarco Engineering Plc. Non-Executive Director of COVA, the Netherlands Petroleum Stockpiling Agency.

The Board members have a wide range of skills, experience and expertise enabling them to constructively challenge our businesses and executive team.

Peter Bertram

Independent
Non-Executive Director

R A N

Appointed to the Board:
February 2018

Experience: Former Senior Independent Director and Chairman of the Audit Committee at Microgen plc and Non-Executive Chairman of Phoenix IT Group plc having previously worked in a variety of Non-Executive Director, CEO and senior finance roles. Peter is a former member of the Advisory Committee of Sterling. In line with an agreement with Low & Bonar, Peter was not involved in any decisions at Sterling concerning the Company. Peter is a Fellow of the Institute of Chartered Accountants in England and Wales.

Board contribution: Peter brings more than 30 years' experience in PLC director roles in multinational companies, predominantly in the IT and technology, media and financial sectors.

External appointments: Non-Executive Chairman of Manolete Partners PLC and Hobs Group Limited.

Mike Powell

Independent
Non-Executive Director

A N R

Appointed to the Board:
December 2016

Experience: Former Group Finance Director of BBA Aviation plc, Chief Financial Officer of AZ Electronic Materials plc and Group Finance Director of Nippon Sheet Glass Co. Limited, having previously worked for 15 years in a variety of senior finance roles for Pilkington plc. Mike is a member of the Chartered Institute of Management Accountants.

Board contribution: Mike has significant experience from working in various senior finance roles, predominantly in the buildings, aviation, chemicals and manufacturing sectors. As Chairman of the Audit Committee he is responsible for leading the Committee to ensure effective internal controls and risk management systems are in place.

External appointments: Group Chief Financial Officer of Ferguson plc.

Key to Committees

- A Audit
- N Nomination
- R Remuneration
- Committee Chair

Governance structure

Board of Directors

Executive Chairman

Leads the Board and senior leadership team, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors

Ensures effective communication with shareholders

Senior Independent Director

Provides a sounding board for the Executive Chairman and appraises his performance

Acts as an intermediary for other Directors if needed

Available to respond to shareholder concerns when contact through the normal channels is inappropriate

Non-Executive Directors

Contribute to developing strategy

Review financial position of the Company

Scrutinise any takeover offer made for the Company

Scrutinise and constructively challenge the performance of management in the execution of our strategy

Group Chief Financial Officer

Responsible for the preparation and integrity of financial reporting

Market Disclosure Committee

Role: Disclosure of information procedures required by UK accounting, statutory or listing requirements.

MORE DETAILS ON PAGE 45

Defence Committee

Role: To initially assess any takeover offers made for the Company by a third party.

MORE DETAILS ON PAGE 45

Board committees

Audit Committee

Role: Integrity of financial reporting and audit process; maintenance of internal controls and risk systems.

MORE DETAILS ON PAGES 50 TO 55

Nomination Committee

Role: Board composition; succession; Director and senior executive appointments.

MORE DETAILS ON PAGES 48 AND 49

Remuneration Committee

Role: Executive Directors' Remuneration Policy; oversight of senior executive remuneration.

MORE DETAILS ON PAGES 57 TO 75

Risk Management Committee

Role: Group risk management strategy and policies and risk management of health, safety and environmental matters.

MORE DETAILS ON PAGES 33 AND 34

FOR BOARD BIOGRAPHIES SEE PAGES 42 AND 43

FOR MATTERS RESERVED FOR THE BOARD AND OUR COMMITTEE TERMS OF REFERENCE SEE OUR WEBSITE WWW.LOWANDBONAR.COM

The Group's governance structure supports our culture, values and 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 to 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 **www.lowandbonar.com** 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 **www.lowandbonar.com** and reports from each of the Committees for 2019 are included in this Annual Report.

The Board has also established:

(1) 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; and

(2) a Defence Committee, a sub-committee of the Board, to undertake the initial evaluation of takeover offers for the Company from third parties and to ensure compliance with the UK Takeover Code and any related disclosure of information.

Management committees

As part of the management reorganisation undertaken in July 2019, the Executive Leadership Team and Investment Board committees were disbanded, with all of the divisional MDs reporting directly to the Executive Chairman. The divisional MDs meet regularly with the Executive Chairman and Group Chief Financial Officer to discuss strategy, the allocation of capital, and trading.

The HSE Committee was also disbanded at that time and its responsibilities for health, safety and environmental matters folded into those of the Risk Management Committee (formerly the Risk Oversight Committee). The Risk Management Committee reports to the Audit Committee and supports and drives the Group's risk management strategy and policies. Further details on risk management can be found on pages 33 to 34.

GOVERNANCE IN ACTION

Attendance at Board meetings and calls

The Board held 15 scheduled meetings and calls and a further 10 ad hoc meetings and calls during the year and attendance was as follows:

Director	Meetings attended*
Current Directors	
Daniel Dayan	25/25
Ian Ashton	25/25
Trudy Schoolenberg	24/25
Peter Bertram	24/25
Mike Powell	24/25
Past Directors	
Philip de Klerk	12/12
Kevin Matthews	24/25
Giulia Nobili	9/11
Simon Webb	1/1

* Director attendance at scheduled Board meetings was dependent on their appointment date and the date of stepping down from the Board. Due to the number of ad hoc meetings and calls that were added during the year, often at very short notice, not all Directors could attend due to conflicts with their diaries or for logistical reasons as they were travelling at the time of the call/meeting. All Directors received Board papers in advance of the meetings for review and those who could not attend provided their feedback to the Executive Chairman so that their views could be considered in the meetings.

2019 Board activities

Area of focus	Activity
Finance	■ Equity raise in February 2019 ■ Regular reviews of working capital, loan covenants, viability and going concern
Corporate	■ Sale of civil engineering division ■ Review and approval of takeover offer
Leadership	■ Visit to the Asheville, North Carolina, manufacturing site ■ Review of senior leadership team
People and culture	■ At every Board meeting receive the health and safety report ■ Endorse organisational structure changes, with changes to Executive Directors and the senior management team.

Strategy and performance	■ Presentations from the divisional MDs for:
	  ■ CTT
	  ■ Colbond Americas
	■ At every Board meeting receive the Executive Chairman's and Group Chief Financial Officer's reports
	■ Agree the Group's annual budget and five year strategic plan presented by the senior leadership team

Governance	■ Annual review of Directors' and Officers' Insurance ■ Discuss the Group's approach to the General Data Protection Regulations ■ Review and approve updated delegation of authority policy ■ Approve updated governance procedures following the appointment of an Executive Chairman ■ Consider the Directors' duties to the Company's stakeholders ■ At every Board meeting receive a company secretarial and governance update ■ Full and half-year preliminary results approvals
Risk and regulatory	■ Group risk register ■ Update on the Group's principal risks
Investor relations	■ Review shareholder engagement ■ Regularly engage with major shareholders on equity raise and takeover offer ■ 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 42 and 43.

Daniel Dayan, who was appointed Non-Executive Chairman in September 2018, became Executive Chairman on 2 July 2019. The Board reviewed the Company's governance procedures to ensure that sufficient checks and balances are in place for the Board to review matters and give final approval when appropriate.

Giulia Nobili was appointed a Non-Executive Director for a short period of time during the year. As previously advised, her appointment was at the behest of Sterling, a major shareholder in the Company. Giulia was deemed not to be independent and the Board ensured that a Governance & Confidentiality Agreement was in place between the Company and Sterling to govern the sharing of information and restrict Sterling's ability to trade in the Company's shares during the period.

Board evaluation, induction and training

Given all of the changes to the Board and the Board's focus on financial matters during the year, no evaluations of the Board or its Committees were undertaken during the year.

The Board is aware of the benefits of having its performance evaluated, either by an external agent or by an internal team. However, 2019 was a unique year with a number of extenuating circumstances and the Board's focus was on key financial matters. During the audit process, the auditor did confirm that the corporate governance processes in place were good and that the Company has complied with the 2016 UK Corporate Governance Code, apart from those items stated on page 40. The Board will ensure that its performance, and those of its Committees, is evaluated during 2020.

The Board undertook training on Directors' duties and considerations, the UK Takeover Code and the Market Abuse Regulation from its advisors to ensure that the Directors' are aware of their responsibilities and duties during a takeover offer period and whilst in financial distress.

All Directors, on joining the Board, receive a tailored induction covering their duties and responsibilities as Directors. During the year Giulia Nobili received such an induction, receiving 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	4/4
Peter Bertram	4/4
Mike Powell	4/4
Trudy Schoolenberg	4/4
Philip de Klerk[1]	1/1
Kevin Matthews[2]	2/4

1 Director attendance at scheduled Committee meetings was dependent on appointment and resignation dates.

2 Kevin Matthews was unable to attend two meetings due to scheduling conflicts.

A total of four meetings were held during the year – three scheduled and one additional.

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 **www.lowandbonar.com**.

Membership and meetings

All members have the experience and expertise necessary to discharge the Committee's responsibilities and all but the Executive Chairman are independent Non-Executive Directors. When the Committee considers matters relating to the Executive 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 Chairman.

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.

During the year, Philip de Klerk stepped down from the Board on 1 July 2019 and remained an employee until 31 December 2019. Daniel Dayan was appointed as Executive Chairman on 2 July 2019.

Giulia Nobili was appointed a Non-Executive Director at the request of Sterling, the Company's largest shareholder, on 10 July 2019 and stepped down from the Board on 7 November 2019. Kevin Matthews stood down from the Board on 7 November 2019.

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 Committee 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 **www.lowandbonar.com**.

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. When appointing a new Director, external agents are usually appointed to assist in the process. However, given the nature of the changes made to the Board during the year, external assistance was not required and all were managed internally.

Development and succession planning

The Committee is responsible for the succession planning for both the Board and senior executives across the Group. During the year, the Committee reviewed the senior management team and the succession plan in place for the team.

The Board receives 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 receive briefings organised by our advisors. During the year, the Board received an update briefing on the Market Abuse Regulation from our brokers, Peel Hunt, and received training on Directors' duties and considerations from our lawyers, Freshfields. The Board was also briefed on members' individual responsibilities as Directors whilst raising equity and on the Takeover Rules by our corporate adviser, Rothschild & Co.

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

27 March 2020

Audit Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended
Mike Powell, Committee Chairman	5/5
Peter Bertram[1]	4/4
Trudy Schoolenberg	5/5
Kevin Matthews[2]	5/5

The Committee met five times during the year.

1 Appointed to the Committee on 17 January 2019.

2 Ceased to be a member of the Committee on 7 November 2019 when he stood down from the Board.

2019 has been equally as challenging as 2018. Leverage has increased, profits have decreased, and the level of risk in respect of going concern and liquidity has increased markedly.

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.

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 2019 are set out in the table. Peter Bertram joined the Committee on 17 January 2019 and Kevin Matthews stood down as a member from the Committee on 7 November 2019. I would like to welcome Peter to the Committee and to thank Kevin for his contributions and thoughtful insights into discussions and matters that the Committee has been involved in during his time as a member.

Collectively, the Committee members have a wide range of financial and commercial skills and experience to help them discharge their duties. 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 Executive Chairman, 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. As advised earlier in this Annual Report, we did not undertake an external evaluation of the Committee during the year.

We will undertake an evaluation of the Committee's work during 2020.

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 its 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 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 53. The outcome of these assessments is shown in the going concern statement on pages 78 to 79 and the Group's viability statement on page 35.

Audit Committee report continued

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:

- as previously advised in the 2018 Annual Report, progressing with the alignment of the control environment with the revised organisational structure and continuing to oversee the implementation of internal control improvements. This work is progressing slower than hoped due to competing priorities in the Group and the Offer; and
- increasing the resource provided to the finance team in Asheville to ensure that they had sufficient resource to undertake their work in a timely manner.

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

External auditor

Following approval at the 2019 Annual General Meeting, Ernst & Young LLP ("EY") has been appointed as the Company's external auditor for the 2019 financial year onwards. EY shadowed KPMG on the 2018 audit and the transition between auditors was well managed and controlled by all parties concerned.

I would like to thank the team at KPMG for their work over the years and I welcome EY to the audit role and look forward to continuing working with them going forward.

Given that EY has only been involved in the audit of the Company for less than one year, no formal evaluation of their work has been undertaken as yet. However, a good working relationship has been established between EY and management. A formal evaluation will take place during the year and will be reported upon in the 2020 Annual Report.

Matters considered during the year

The Committee met five times during 2019 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 2019 Annual Report and financial statements and half-year results statement and associated announcements; ■ considered the key issues and judgements made in relation to the 2019 financial statements; ■ received reports from the external auditor on its audit of the 2019 financial statements; ■ reviewed the write-off of inter-company loans within the Group; ■ reviewed the Company's level of distributable reserves; ■ reviewed the Group's loan facilities and their refinancing; ■ monitored the Group's ongoing viability; and ■ monitored the Group's going concern statement.
Internal control and 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 Management Committee on the key risks facing the Group and the processes in place to avoid or mitigate them; and ■ received reports from the provider of the Group's confidential whistleblowing service.
Internal audit	■ reviewed the performance of internal audit and approved the 2019 work plan; ■ received internal audit reports and reviewed the implementation status of audit recommendations; and ■ reviewed the preliminary 2020 internal audit plan.
External audit	■ reviewed the auditor's plan for the 2019 audit, including areas of extended scope work, key risks and confirmations of auditor independence; and ■ reviewed and approved the 2019 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 depends on either the sale of the Group (in whole or in its constituent parts), or a significant injection of debt or equity, or a combination of both, at a level that will reasonably ensure the longer-term viability of the Group. The viability statement time period has therefore reduced from three years to 12 months to reflect the fact that the viability of the Group is dependent entirely on actions that are being and will be taken over the course of 2020-21. The Directors have concluded that they have a reasonable expectation that either the offer from FVB will complete successfully, or, in the event that the Offer lapses, that either an alternative source of funding would be found by 30 November 2020, or that lenders and other stakeholders would continue to support the Group beyond 30 November 2020 for a sufficient period of time to allow alternative plans to be executed. Accordingly, but recognising the high degree of uncertainty in respect of COVID-19, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The process to assess the appropriateness of the going concern assumption, and the viability statement, are set out on page 35 and pages 78 to 79.	The Committee assessed and challenged the forecasts prepared by the Group, which included a range of reasonable downside sensitivities, and reviewed and understood the implications these forecasts would have on the Group's ability to meet debt covenants in 2020. The Committee reviewed the latest documentation surrounding the Offer and the agreement made with lenders on 27 March 2020 (details of which are set out on page 78) to assist in providing a stable platform to allow the Group time, if the Offer does not complete, to execute alternative plans. The Committee reviewed and challenged the time period over which the assessment of viability is made and the assumptions made in the preparation of the viability statement along with the several material uncertainties within the going concern basis of assumption. The Committee concluded that the forecasts prepared were sufficiently severe but plausible, that the actions needed for the Group to continue as a going concern, being either a sale of the Group or a significant injection of debt and/or equity, have been appropriately considered in the going concern assessment and that the 12 month time period of the viability statement was therefore appropriate given the timescale of the actions required. The Committee was also satisfied that the disclosures in the basis of preparation note and the viability statement, relating to the going concern assessment of the Group, were appropriately clear and transparent. In particular that the several material uncertainties prevalent in the going concern basis of preparation are disclosed in a fair, balanced and understandable manner.
Impairment of goodwill, intangible assets and PPE The Group has £25.0m of goodwill, and £98.6m of PPE and intangible assets allocated across its CGUs. The valuation of these balances and potential level of impairment is always an area of focus given the inherent subjectivity in impairment testing. The most significant judgements include setting the assumptions for the value in use calculations of the Group's 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's financial statements on pages 119 to 121. Impairment charges of £38.4m have been recorded to PPE in the year alongside impairment charges of £10.3m against intangible assets and a £2.1m charge against goodwill. These have impacted the CTT, Bonar Changzhou, Colbond Americas, Yihua Bonar and Dundee CGUs.	As disclosed in Note 11, there were indicators of impairment in all CGUs in the Group. These indicators were present at May 2019 (half-year) and continued to be present at November 2019. They included: slower than expected progress in recovering customers in the CTT business, China/US tariffs, ongoing slowdown of the global automotive market, significant price competition from competitors and production issues in the USA and CTT. As part of our impairment testing at the half-year (May 2019), management determined the following impairment charges to our CTT and Yihua Bonar CGUs: ■ The CTT analysis indicated an estimated recoverable value of £27.2m, based on a value in use calculation, for the CGU and resulted in a full impairment to the carrying value of the non-current assets (intangible assets and PPE) of £31.3m, with £8.8m relating to intangible assets and the remainder relating to PPE. At 30 November 2019, results had declined further in the second-half and, as such, all non-current assets capitalised in the second-half have been fully impaired. A further £2.1m impairment charge has been recorded at 30 November 2019 relating to PPE. ■ The Yihua Bonar analysis indicated an estimated recoverable value of the CGU of £3.4m, based on a fair value less costs to sell calculation. This resulted in a full impairment to the carrying value of the non-current assets (goodwill and PPE) of £7.5m, with £0.3m relating to goodwill and the remainder relating to PPE. The significant impairment was reflective of significant reduction in demand for our products, particularly from domestic customers driven by a general slow-down in the Chinese economy and uncertainty around tariffs being imposed by the US. Results have remained stable during the second-half of the year and, as such, there is no indication that the impairment made at 31 May should be reversed. No material assets have been capitalised in the second-half of the year which require consideration for impairment.

Audit Committee report continued

Area of judgement	Response of the Audit Committee
Impairment of goodwill, intangible assets and PPE (continued)	As part of the impairment testing at 30 November 2019, management also determined that the Bonar Changzhou CGU, Colbond Americas CGU and the Dundee CGU should also be impaired: - The Bonar Changzhou impairment analysis indicated an estimated recoverable value of £38.5m, based on a value in use calculation, for the CGU and resulted in a £6.7m impairment to non-current assets. £0.1m of intangible assets have been impaired with £6.6m of PPE being impaired. This partial impairment was reflective of the challenging market conditions that the CGU has faced in 2019, particularly in its key markets of flooring and decoration where price competition has been intense. The ongoing US/China tariffs have also impacted performance with lower market confidence and demand in the APAC markets alongside a restricted supply chain from China to the US. - The Dundee analysis indicated an estimated recoverable value significantly below its carrying value, based on a value in use calculation, and therefore resulted in a full impairment to the carrying value of the non-current assets (intangible assets and PPE). By reviewing the results of the CGU in previous years, it was determined that the impairment related to periods pre-2018 and therefore an impairment of £1.3m (relating to PPE) has been posted as a prior year adjustment impacting the 2018 opening PPE balances. Further impairments have been made in 2019 and 2018 to reflect the impairment of assets capitalised in those periods. In addition to the impairment of the non-current assets, a £0.3m prior year impairment has been recorded in relation to Dundee's allocation of the Group-wide ERP system. This is also determined to have been effective pre-2018 and therefore a £0.3m impairment (relating to computer software) has been noted as a prior year adjustment impacting the 2018 opening intangible assets balance. - The Colbond Americas impairment analysis indicated an estimated recoverable value of £55.9m, based on a value in use calculation, for the CGU and led to a £1.8m impairment to goodwill. This partial impairment was reflective of the operational problems the CGU faced in 2019 along with challenging automotive and building markets. The Committee challenged and discussed the assumptions underlying the cash flow projections with both management and EY, 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 119 to 121.
Impairment of the Company's investments in subsidiaries and loans receivable The net assets of the Company's balance sheet have been written down to £106.9m in line with the Offer from FVB and as such, the Company has recognised a significant impairment of its investment in subsidiaries and intercompany receivables.	The value of the Company's balance sheet has been written down so that the net assets of the Company are in line with the FVB Offer of £106.9m, reflecting what could be realised for the Group. The valuation is predicated on the sale of the Group to FVB. There is a risk that if the deal does not complete, there would be a need to reconsider the valuation of the Company's net assets which could lead to further significant impairments. An impairment of £100.8m has been recorded against the value of the investments in the Company. This is to ensure that the net assets value of the Company is in line with the Offer from FVB. In addition to the impairment of investments, following the adoption of IFRS 9 during the year, an impairment of £39.9m was recorded in respect of an intercompany loan between the Company and Low & Bonar Germany GmbH and Co. KG (the parent company of our Germany trading entities). £29.6m was recorded as an IFRS 9 transition adjustment with £10.3m being recorded in 2019. A further impairment of £2.1m was also recorded against other inter-company receivables in the year. The Committee reviewed the detailed working papers completed by management in this area and discussed and challenged the assumptions used. Following discussions with both management and EY, the Committee is satisfied as to the assessment and the disclosures made in the financial statements on page 124.

Other areas of judgement

The previous table covers the significant areas of judgement within 2019. The Committee notes that on pages 103 to 104 of the financial statements, taxation, non-underlying items, retirement benefit schemes and provisions for customs duties and fees 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, whether the presentation of non-underlying items are appropriate, the key assumptions used in the valuation of the UK defined benefit scheme and those used in the calculation of the additional liability relating to the GMP equalisation ruling and the appropriateness of the assumption used in calculating the provision for the customs duties and fees. 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 safeguard their independence and objectivity, which prohibits certain activities from being undertaken by the external auditor and places pre-approved limits on the provision of audit related services, above which specific approval by the Committee is required. No non-audit fees were incurred by EY during 2019.

Performance against 2019 objectives

Objective	Response of the Audit Committee
Assisting with the induction of the new Group Chief Financial Officer and improving the quality and depth of resources across the finance team.	The induction of the new Group Chief Financial Officer went well. The finance team in the USA has had additional resource added over the year. Following the organisational restructure, opportunities were created within the finance teams which provided for internal promotions and development of finance colleagues.
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.	The control environment is evolving with the revised organisational structure although there is more work to do. Implementation of internal control improvements is progressing slowly due to competing priorities within the Group. Good initial progress was made on the new consolidation tool but this project was postponed given the various competing priorities and the sale process.
Overseeing the relationship with the new external auditors, EY, as we go through the transition of the audit from KPMG and into the 2019 audit.	The transition has gone well. A good working relationship was quickly established between management and EY and the transition of the audit was well managed and controlled by all parties concerned. The 2019 audit was challenging, however clear plans were in place to ensure key judgements and issues were concluded upon in a timely manner and there was open and clear communication from both sides.

Key objectives for next year

The Committee's key objectives for next year are:

- to maintain the Committee's scrutiny of the Company's going concern and viability;
- to manage the requirements of the 2018 UK Corporate Governance Code;
- to ascertain how the changes in the financial regulator will affect audit committees as a whole and Low & Bonar's specifically; and
- to build on the relationship with EY.

Mike Powell
Chairman, Audit Committee

27 March 2020

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, has a team of people to answer shareholder queries in relation to technical aspects of 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 Executive Chairman and Group Chief Financial Officer together with other senior leaders as appropriate. In 2019, the Executive Chairman met, or had telephone calls, regularly with significant shareholders.

Annual General Meeting ("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 Executive Chairman prior to him dealing 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 contact 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 councils

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

In addition, in order to comply with Provision 5 of the 2018 UK Corporate Governance Code, concerning workforce engagement, the Board has also decided to appoint a designated Non-Executive Director to represent the workforce at Board meetings. Further information on this will be provided in the 2020 Annual Report, which will be the first time that the Company has to report under the 2018 Code.

Feedback from the Board

The Executive Chairman updates employees on key decisions of the Board through an all-employee email which is also translated and made available on site noticeboards and through our employee intranet. The Executive Chairman 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 18 and 19.

Customers

The Executive Chairman gives updates to the Board on customer relationships and customer service together with a summary of discussions following face-to-face meetings with customers.

Suppliers

The Board receives updates, as and when required, on suppliers and relationship management through the Executive Chairman's report to the Board.

Remuneration Committee report

COMMITTEE MEMBERSHIP AND ATTENDANCE

Member	Meetings attended*
Peter Bertram, Committee Chairman[1]	6/6
Daniel Dayan[2]	1/1
Kevin Matthews[3]	7/7
Trudy Schoolenberg	7/7
Mike Powell[4]	6/7

1 Peter Bertram was appointed to the Committee on 17 January 2019 and as Committee Chairman with effect from 7 November 2019.

2 Daniel Dayan stood down as a member of the Committee upon his appointment as Executive Chairman on 2 July 2019.

3 Kevin Matthews stood down as a Director and as Committee Chairman on 7 November 2019.

4 Mike Powell was unable to attend one of the additional meetings due to a previous engagement.

* A total of seven meetings were held during the year. Four scheduled and three additional. The additional meetings were often added at very short notice and not all Committee members could attend due to conflicts with their diaries. All Committee members received their papers in advance of the meetings and those who could not attend provided their feedback to the Committee Chairman so that their views could be considered in the meetings.

ANNUAL REPORT ON REMUNERATION SEE PAGES 59 TO 66.
PROPOSED REMUNERATION POLICY SEE PAGES 67 TO 75.

Annual statement by the Chairman

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 30 November 2019.

Remuneration policy

This is due for renewal and the proposed policy will be put to shareholders at the AGM to be held on 22 May 2020. The proposed policy is set out on pages 67 to 75. The differences between the current and proposed policies are summarised on page 67.

The Annual Report on Remuneration (set out on pages 59 to 66), describes how the current policy has been implemented in 2019. The current 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.

2019 overview

Trading conditions proved very tough all year, with a combination of factors contributing to a significant decline in important markets for the Group, resulting in a year-over-year decline in sales of 12.3%. Further details of the Group's trading during the year can be found in the Executive Chairman's statement on page 4 and in the Business Review on pages 7 to 9.

2019 saw more changes to the Executive Directors. Philip de Klerk stood down as Group Chief Executive Officer with effect from 1 July 2019. Information in relation to the impact on his remuneration arrangements is set out on page 61. Currently, no new Group Chief Executive Officer has been appointed to replace him.

Daniel Dayan, having been appointed as Non-Executive Chairman in September 2018, was appointed Executive Chairman with effect from 2 July 2019. As previously advised, Ian Ashton was appointed as Group Chief Financial Officer on 10 December 2018.

Details of their respective packages in full can be found on pages 58 and 59.

Remuneration Committee report continued

In summary, the main elements of Daniel Dayan's remuneration package as Executive Chairman are:

Service agreement	Six month notice period for both parties
Salary	£560,000*
Pension	n/a
Bonus	Up to 100% of salary
LTIP	n/a

* Of this, £400,000 is deferred for payment until 1 January 2021 and, unless the Remuneration Committee determines otherwise, is subject to Daniel remaining with the business and not having given notice as at that date. Should the Company not be under offer, the base salary will revert to £320,000 of which £160,000 will be deferred for payment until 1 January 2021. An award under the 2013 Long-term Incentive Plan will also be made, equivalent to two times base salary. Should the acquisition by FVB complete before 1 January 2021, the deferred element of Daniel's pay, pro-rated for time served, will be paid in advance of the Company delisting from the London Stock Exchange.

In summary, the main elements of Ian Ashton's remuneration package are:

Service agreement	12 month notice period from the Company, six month notice period from the Director
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 resided 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 details of this are included within the single figure remuneration table on page 59.
Bonus	Up to 100% of salary
LTIP	Up to 125% of salary

2019 bonus
The Group target underpin was not achieved and, therefore, no bonus is payable to the Executive Directors for 2019.

2016 LTIP
It was confirmed in the Company's 2018 Annual Report that the EPS performance conditions were not met for the 2016 LTIP grant. Following the end of the TSR performance period on 3 February 2019, the TSR performance condition was assessed. As the minimum level of performance was not achieved, no shares vested in respect of those awards.

2017 LTIP
No current Executive Director holds LTIP awards granted in 2017; however Philip de Klerk did receive an award in 2017. It is confirmed that the awards were subject to targets based on EPS, over the three-year period ended 30 November 2019, and relative TSR, over the three-year period ending 23 March 2020. The threshold level of EPS growth was not achieved, and no shares will vest in respect of that portion of the award. The vesting of the TSR portion of the award will be assessed following the end of the TSR performance period; however initial calculations show that the TSR performance condition will also not be met.

Implementation of policy in 2020
For 2020, Ian Ashton will be entitled to a 2.0% salary increase consistent with the average UK employee increase within the Group.

Daniel Dayan and Ian Ashton will be eligible for a bonus in 2020 with the maximum remaining at 100% of salary. The specific targets relating to the 2020 bonus are considered to be commercially sensitive and will therefore not be disclosed in advance. They will be disclosed in next year's Annual Report.

As part of the cooperation agreement with FVB, while the offer by FVB is in place, no new awards under the Long-term Incentive Plan can be made. Should the Offer not complete, the cooperation agreement falls away and the Company is free again to make awards under the plan. Accordingly, no new awards are currently planned for 2020.

The Committee looks forward to your continuing support at the 2020 AGM.

Peter Bertram
Chairman, Remuneration Committee

27 March 2020

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 2019. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming AGM on 22 May 2020. 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 current and past Executive Directors for the year ended 30 November 2019 and the comparative figures for the year ended 30 November 2018.

	Salary		Taxable benefits[1]		Annual bonus[2]		LTIP awards		SAYE awards		Pension[3]		Total	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Current Directors														
Daniel Dayan[A]	**153**	33	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**154**	33
Ian Ashton[B]	**294**	–	**186**	–	**–**	–	**–**	–	**–**	–	**45**	–	**525**	–
Past Directors														
Philip de Klerk[C]	**239**	377	**13**	24	**–**	–	**–**	–	**–**	–	**36**	57	**288**	458
Simon Webb[D]	**13**	176	**–**	4	**–**	–	**–**	–	**–**	–	**2**	26	**15**	206
Total	**699**	586	**200**	28	**–**	–	**–**	–	**–**	–	**83**	83	**982**	697

A Daniel Dayan was appointed as Non-Executive Chairman on 11 September 2018 and was then appointed Executive Chairman on 2 July 2019. He receives a fee for his services, and is eligible for a bonus of 100% of salary. Daniel is not entitled to any benefits or pension from the Company, nor is he eligible to participate in the Company's Save-As-You-Earn scheme. All of his remuneration for 2019 and 2018 is included in this table notwithstanding that he was Non-Executive Chairman for the period of his service in 2018 and for part of 2019. The figure shown here does not include the deferred element of his pay.

B Ian Ashton was appointed as Group Chief Financial Officer on 10 December 2018. As reported in the 2018 Directors' Remuneration Report, a one-off relocation package of £60,000 was provided to Ian in connection with his relocation to London from the USA to take up the role of Group Chief Financial Officer.

C Philip de Klerk stood down as Group Chief Executive Officer on 1 July 2019 and remained an employee until 31 December 2019. The figure shown here is his salary received while he was on the Board. Details of payments made to him in connection with his leaving the business are set out on page 61.

D Simon Webb was appointed Group Chief Financial Officer on 30 April 2018 and stood down from the Board on 17 December 2018 and remained an employee until 25 February 2019. The figure shown here is his salary received while he was on the Board. Details of payments made to him in connection with his leaving the business are set out on page 61.

1 Taxable Benefits – Executive Directors receive a car allowance, private health insurance and death-in-service cover (excluding Daniel Dayan) and, where appropriate, travel and subsistence payments which are reported here at their grossed up for tax amounts.

2 Annual bonus – The Executive Directors' annual bonus opportunity for 2019 was based on Group EBITA (50%) and working capital (30%) as a percentage of sales. The threshold levels were not achieved, and as a result no bonuses were earned for these elements. Personal objectives were set at 20% of bonus, however given the poor financial performance of the Group, the Committee exercised its discretion and did not pay any bonus for that element either.

3 Pension – In addition to their salaries, Executive Directors (excluding Daniel Dayan) 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 15% of base salary for each of Simon Webb, Philip de Klerk and Ian Ashton.

Annual report on remuneration continued

Long-term Incentive Plan – Awards granted during 2019*

Awards of nil-cost options were made to each of Philip de Klerk and Ian Ashton on 8 April 2019 on the following basis:

	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[1]	125% of salary	16.91p	3,030,751	£512,500	20%
Ian Ashton	125% of salary	16.91p	2,217,623	£375,000	20%

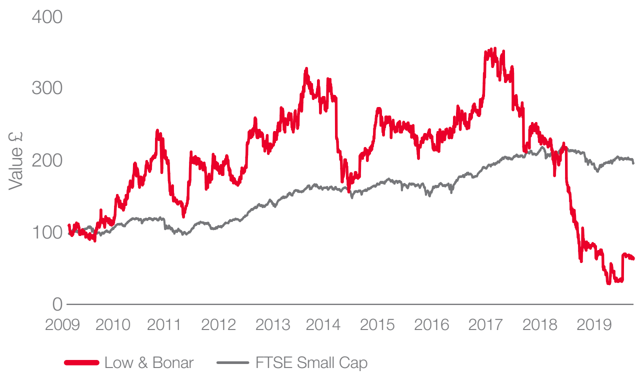
1 Philip de Klerk's award will continue until its normal vesting date and, subject to the extent that the performance conditions are met at that date, will be pro-rated to reflect the proportion of the vesting period for which he was in employment.

2 The share price used was calculated using the average closing market price for the period 30 January to 5 April 2019.

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

The graph shows Low & Bonar PLC's total shareholder return (TSR) for the ten years to 30 November 2019, which assumes that £100 was invested in Low & Bonar PLC on 30 November 2009. The Company chose the FTSE Small Cap Index as an appropriate comparator for this graph.

Share price graph – total shareholder return



SAYE plan – Awards granted during 2019*

Executive Directors (excluding Daniel Dayan) 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 63.

Payments to past Directors and for loss of office*

Philip de Klerk

Philip de Klerk stood down as Group Chief Executive Officer on 1 July 2019 but remained an employee until 31 December 2019. Under his original settlement agreement, he was due to remain an employee until May 2020 however, this could be mitigated should he find alternative employment before that date, which he did. As such, his termination date was amended to 31 December 2019.

- In the period 1 July 2019 to 31 December 2019, he received salary, benefits and cash allowance in lieu of pension contributions of £249,774 in aggregate.
- Subject to their respective performance conditions being met, as a good leaver his LTIP awards granted in 2017, 2018 and 2019 will continue until their normal vesting dates and will be pro-rated to reflect the proportion of the vesting period for which he was in employment. Initial indications suggest that the performance conditions relating to these awards will not be met and therefore the awards will lapse in their entirety.
- His SAYE options granted in 2018 lapsed in April 2019.
- His SAYE options granted in 2019 were pro-rated for time served and were eligible for him to exercise at a grant price of 12.36p per share.
- He did not receive a bonus in respect of the financial year ended 30 November 2019.

Simon Webb and Martin Flower

Payments made to Simon Webb and Martin Flower after they stood down as Directors were set out on page 82 in the 2018 Directors' Remuneration Report.

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.

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

Financial year ending 30 November of each year	2019[1]	2019[2]	2018[3]	2018[4]	2018[5]	2017	2016
Executive Chairman /Group Chief Executive Officer	Daniel Dayan	Philip de Klerk	Philip de Klerk	Trudy Schoolenberg	Brett Simpson	Brett Simpson	Brett Simpson
Total remuneration (single figure) (£)	**65,615**	**288,137**	457,917	82,156	41,549	515,729	465,654
Annual bonus (%)	**0%**	**0%**	0%	n/a	0%	0%	0%
LTIP vesting (%)[8]	**n/a**	**0%**	0%	n/a	0%	0%	0%

Financial year ending 30 November of each year	2015	2014[6]	2014[7]	2013	2012	2011	2010
Executive Chairman /Group Chief Executive Officer	Brett Simpson	Brett Simpson	Steve Good	Steve Good	Steve Good	Steve Good	Steve Good
Total remuneration (single figure) (£)	668,727	120,220	503,366	1,064,510	1,308,727	803,309	710,067
Annual bonus (%)	60%	0%	0%	0%	79.3%	81%	100%
LTIP vesting (%)[8]	0%	0%	40%	72%	98.7%	50%	0%

1 From 2 July 2019 (the date on which he was appointed Executive Chairman). The figure shown here does not include the deferred element of his pay.

2 From 1 December 2018 to 1 July 2019 (the date on which he ceased to be a Director).

3 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.

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

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

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

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

8 The LTIP award for 2019 is stated as 0% reflecting the lapse of the 50% of the 2017 award based on EPS over the three-year period ended 30 November 2019; the vesting of the TSR portion of the award will be assessed following the end of the TSR performance period, but initial calculations show that the performance conditions are unlikely to be met.

Annual report on remuneration continued

Change in the remuneration of the Executive Chairman/Group Chief Executive Officer

The table to the right shows the percentage change in the Executive Chairman's/Group Chief Executive Officer's salaries in full for the roles, benefits and annual bonus between 2018 and 2019, 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 Executive Chairman/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.

	2019	2018[1]	% change[2]
Executive Chairman (2019)/ Group Chief Executive Officer (2018)			
– salary	**560,000**	400,000	40.0%
– benefits	**295**	23,947	(98.8)%
– bonus	–	–	–
Average per employee (£)			
– salary	**50,212**	47,162	6.5%
– benefits	**1,056**	999	5.6%
– bonus	**675**	–	–

1 The 2018 figures have been restated following the sale of the civil engineering businesses which resulted in a reduction of UK based employees.

2 The percentage change in the Executive Chairman/Group Chief Executive Officer salary reflects that: (a) the Executive Chairman's salary was set taking into account that he did not receive an LTIP award; and (b) the full salary is included notwithstanding the deferral of part of it.

Relative importance of spend on pay

£m	2019	2018	% change
Overall expenditure on pay	**83.5**	86.2	(3.13)%
Dividends declared in respect of the year	**–**	10.1	(100)%

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

Executive Directors' shareholdings and share interests*

Executive Directors (excluding Daniel Dayan) 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 2019 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 2019. There have been no changes to these interests between 1 December 2019 and 27 March 2020.

	Shares held		Unvested share scheme awards[2]			
	30 November 2019[1]	30 November 2018	Unvested LTIP awards	Unexercised SAYE options	Shareholding requirement (% of base salary)	Actual beneficial share ownership (% of base salary)
Current Executive Directors						
Daniel Dayan	**732,560**	368,000	n/a	n/a	n/a	n/a
Ian Ashton	**–**	n/a	2,217,623	–	100%	–
Past Executive Directors						
Philip de Klerk[3]	**400,000**	100,000	991,546	145,631	100%	13.5
Simon Webb[3]	**16,198**	16,198	–	–	100%	1.24

1 Or at the date of stepping down from the Board if earlier.

2 For the unvested share scheme awards, these are shown as at 30 November 2019 for all participants, including past Directors

3 Philip de Klerk stepped down from the Board on 1 July 2019 and Simon Webb stepped down from the Board on 17 December 2018.

Executive Directors' LTIP and SAYE interests*

The table below sets out the Executive Directors' interests in these plans. The LTIP awards are subject to performance conditions, details of which are set out 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.

There were no changes to the interests listed below between 1 December 2019 and 27 March 2020.

	Award date	Awards held at 1 December 2018	Granted during year	Exercised/ vested during year	Lapsed/ forfeited during year	Awards held at 30 November 2019	Exercise price (pence)	Normal vesting/ exercise date
Current Executive Directors								
Daniel Dayan								
LTIP	–	–	–	–	–	–	–	–
Ian Ashton								
LTIP	08/04/2019	–	2,217,623	–	–	2,217,623	–	07/04/2022
Past Executive Directors								
Philip de Klerk								
LTIP	19/10/2017	553,571	–	–	(135,362)	418,209	–	24/03/2020
LTIP	22/03/2018	803,859	–	–	(462,806)	341,053	–	21/03/2021
LTIP	08/04/2019	–	3,030,751	–	(2,798,467)	232,284	–	07/04/2022
SAYE	11/05/2018	40,035	3,730[1]	–	(43,765)[2]	–	41.128[1]	01/06/2021
SAYE	14/05/2019	–	145,631	–	–	145,631	12.36	01/06/2022
Simon Webb								
LTIP[3]	16/05/2018	602,894	–	–	(602,894)	–	–	16/05/2021
SAYE[3]	11/05/2018	40,035	3,730[1]	–	(43,765)	–	41.128[1]	01/06/2021

1 Following the rights issue of shares in February 2019, the number of SAYE options was increased by a factor of 1.09317492273, which resulted in the original award increasing in number by 3,730 shares. The grant price reduced from 44.93p by a factor of 0.91476668482, which resulted in a new grant price of 41.128p.

2 Philip de Klerk cancelled his 2018 SAYE scheme in April 2019, so the SAYE options for that year lapsed.

3 These awards lapsed on termination of his employment on 25 February 2019.

For the awards made in 2017 and 2018, 50% of the LTIP shares are subject to an EPS growth target and 50% to a relative TSR target measured against the constituents of the FTSE Small Cap Index. Under the TSR target, 20% of shares vest for median performance, rising on a straight-line basis to full vesting for upper-quartile performance. Under the EPS target, 20% of shares vest at the minimum target with full vesting at the maximum target and the percentage of shares vesting for performance between the minimum and maximum target rising on a straight-line basis.

For the awards made in 2019, 70% of the LTIP shares are subject to an EPS growth target and 30% 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.

Annual report on remuneration continued

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
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
08/04/2019	30/11/2021	2.34p/3.44p	07/04/2022	Median/Upper quartile

The closing share price of a share on 29 November 2019 (30th November was not a business day) was 13.5 pence and the range during the year to 30 November 2019 was 6.00 pence to 22.87 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 2019 and the comparative figure for the year ended 30 November 2018. 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[2] £'000	
	Additional responsibilities	Committee membership[1]	**2019**	2018	**2019**	2018
Current Non-Executive Directors						
Trudy Schoolenberg[3,4]	Senior Independent Director	A, R, N	49.5	104.0	4.5	11.0
Peter Bertram[3]	Chairman of the Remuneration Committee	A, R, N	42.8	34.6	0.6	0.4
Mike Powell[3]	Chairman of the Audit Committee	A, R, N	49.5	48.3	0.1	1.3
Past Non-Executive Directors						
Martin Flower[5]	Past Chairman, Chairman of the Nomination Committee	R, N	37.1	136.0	0.4	1.3
Kevin Matthews[3]	Past Chairman of the Remuneration Committee	A, R, N	46.1	48.3	2.1	1.4
Giulia Nobili[6]	n/a	n/a	–	n/a	–	n/a

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

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

3 Trudy Schoolenberg, Mike Powell, Peter Bertram and Kevin Matthews all received an additional fee of £7,000 per annum (pro-rated for time served where applicable) for their roles as Senior Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee (which is included in the numbers in the table).

4 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 included for 2018 in this table. Trudy also held a supply chain consulting role following the end of her Interim Group Chief Executive Officer role at an additional fee of £30,000 per month and this too has been included in this table.

5 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 expired on 9 March 2019. His fees for 2018 are stated to 11 September 2018.

6 Giulia Nobili was appointed to the Board on 10 July 2019 at the request of Sterling, the largest investor in the Company at that time. She stood down from the Board on 7 November 2019. As part of the agreement with Sterling, Giulia did not receive any fee for acting as a Non-Executive Director during this period.

Base fees payable to Non-Executive Directors in 2019 and 2020

The annual base fees payable to the Non-Executive Directors for 2019 and 2020 are shown below. These figures have not been pro-rated for time in role.

	2019 £'000	2020 £'000
Non-Executive Director fee	**42.5**	42.5
Senior Independent Director	**7.0**	7.0
Chairman of the Audit Committee	**7.0**	7.0
Chairman of the Remuneration Committee	**7.0**	7.0

Non-Executive Directors' shareholdings*

The table below sets out the current shareholdings of the Non-Executive Directors (including beneficial interests) as at 30 November 2019 (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 2019[1]	Number of shares held outright as at 30 November 2018
Current Non-Executive Directors		
Trudy Schoolenberg	**144,247**	72,462
Peter Bertram	**149,597**	75,150
Mike Powell	**77,635**	39,000
Past Non-Executive Directors		
Kevin Matthews[2]	**68,751**	34,537
Giulia Nobili[2]	**–**	n/a

1 There have been no changes in beneficial interests of the Non-Executive Directors between 1 December 2019 and 27 March 2020.

2 Shareholding is as at date of stepping down from the Board.

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 **www.lowandbonar.com** 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 Executive 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 Chairman of the Board; and
- reviewing its own performance, constitution and terms of reference.

Annual report on remuneration continued

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 57. All of the Committee members are considered by the Board to be independent. The attendance of each Committee member at meetings during the year is shown on page 57. The Executive Chairman and the Group HR Director were regular attendees at Committee meetings held during the year. No individual was present when their own remuneration or benefits were discussed.

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 2019 were £18,900. In the year Deloitte also advised the Company on share plans and Directors' Remuneration Report disclosure requirements.

Freshfields Bruckhaus Deringer LLP ("Freshfields")

Freshfields provides advice to the Committee in respect of matters of legal compliance and also provides 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 £40,000.

Voting at previous AGMs

At the AGM on 5 April 2019, the Annual Report on Remuneration was put to an advisory vote. 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	548,860,004 (96.45%)	20,194,661 (3.55%)	82.50%	102,391
Directors' Remuneration Policy	211,979,056 (99.14%)	1,840,017 (0.86%)	64.84%	142,559

Peter Bertram
Chairman, Remuneration Committee

27 March 2020

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the Company's Directors' Remuneration Policy.

This revised Remuneration Policy will be put to the shareholders for approval in a binding vote at the AGM on 22 May 2020, which will be the effective date of the revised Remuneration Policy if approved. The Committee's current intention is that the revised Remuneration Policy will operate for the three-year period to the AGM in 2023.

Overview of the Remuneration Policy

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

How the views of employees are taken into account

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

How the views of shareholders are taken into account

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

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

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

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

The policies relating to each of the constituent parts of these main components of the Executive Directors' remuneration packages are summarised in the table on page 68.

Changes to Remuneration Policy

As a result of the expiry of the current Remuneration Policy, which was approved by shareholders at the 2017 AGM, the Committee has undertaken a review of the Remuneration Policy taking account of the Group's strategy, market developments and developments in the best practice expectations of institutional investors. The Committee concluded that the overarching structure of the Remuneration Policy continues to be fit for purpose but that some simple amendments could be incorporated in order to strengthen the alignment between executives and shareholders, and to provide the Committee with more flexibility to ensure performance metrics can be changed over the Remuneration Policy period in light of the evolution of the strategy.

The proposed key changes to Remuneration Policy are as follows.

- **Pension and workforce alignment:** The overall maximum pension contribution has been reduced from 25% of salary to 15% of salary, and that 15% contribution applies to the current Group Chief Financial Officer. For future appointments, pension contribution will be aligned with pension provision for the wider workforce.
- **Shareholder alignment:** In line with best practice, we have increased the shareholding guideline during employment from 100% of salary to 200% of salary, and clarified our approach to post-cessation shareholding requirements.
- **Governance and best practice:** To reflect the updated UK Corporate Governance Code, we have extended the malus and clawback provisions to permit the application of these provisions in the event of corporate failure and serious reputational damage, and have included an ability to override formulaic outturns on both the annual bonus and LTIP.

Directors' Remuneration Policy continued

- **Annual bonus:** To ensure that the Remuneration Policy contains appropriate flexibility, we have increased the maximum bonus opportunity from 100% of salary to 125% of salary. However, to ensure alignment with shareholders' interests any bonus earned in excess of 100% of salary will ordinarily be deferred into shares for two years.
- **Flexibility:** To ensure the Remuneration Policy remains appropriate for its intended three-year life, we have added flexibility in relation to the approach to performance conditions for the annual bonus and LTIP.
- **Operational:** We have made other minor amendments to aid administration and to take account of changes in practice since the previous policy was approved.

Salary

Purpose and link to strategy	Core element of fixed remuneration reflecting the individual's experience, duties and geographical location.
Operation	Ordinarily reviewed annually, with changes typically effective 1 December. Individual pay levels determined by reference to a range of factors, which may include 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. Salary increases for Executive Directors will normally be 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 awarded to the wider workforce (in percentage of salary terms) may be awarded in appropriate 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 or if the salary is no longer market-competitive.
Framework used to assess performance and for the recovery of sums paid	Although performance conditions do not apply, the individual's performance is taken into account in determining the level of any increase.

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). Additional benefits may be provided where the Committee considers it appropriate, including where Executive Directors are based outside the UK and benefits more tailored to their geographical location may be provided, and where additional benefits are offered to employees more generally, in which case those benefits may be offered to Executive Directors. 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 benefits is not necessarily pre-determined and may vary from year-to-year based on the overall cost to the Company (particularly as regards 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 (or a combination thereof).
Maximum opportunity	Company contributions/cash supplement (or combination of those two elements) of up to: ■ in the case of any Executive Director in service at the date on which the Remuneration Policy comes into effect, 15% of salary; and ■ in the case of any Executive Director appointed after the date on which the Remuneration Policy comes into effect, a percentage of salary not exceeding the percentage applicable to the majority of the Group's workforce worldwide (or such sub-set of that workforce as the Committee determines) from time to time.
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 a performance measure or measures related to the Company's strategy. 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. Bonuses of up to 100% of salary are paid in cash. Any bonus earned in excess of 100% of salary (subject to a de minimise limit of £5,000) is deferred into shares for two years. Vesting of deferred bonus awards is not subject to further performance conditions. Deferred bonus awards may incorporate the right to receive additional shares calculated by reference to the value of dividends which would have been paid on the shares up to the time of vesting; this amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis. The Committee has the discretion to override the formulaic outturn of the bonus, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year.
Maximum opportunity	Maximum (% salary): 125%
Framework used to assess performance and for the recovery of sums paid	The annual bonus is determined based on performance against one or more measures linked to the Company's strategy and paid following the approval of the Group's audited results for the year by the Board. The majority of the bonus will be based on a financial measure or measures. Any non-financial measure or measures will account for a minority of the bonus. *Vesting in respect of financial measures* Subject to the Committee's discretion to override formulaic outcomes, no more than 30% of the bonus opportunity linked to a financial measure or measures will be earned at the threshold performance levels, with a graduated scale operating thereafter through to the full opportunity in respect of the relevant measure being earned for outperformance of the Company's targets for the year. *Vesting in respect of non-financial measures* Subject to the Committee's discretion to override formulaic outcomes, bonuses will be earned in respect of any non-financial measure between 0% and 100% based on the Committee's assessment of the extent to which the measure has been met. 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, if an error is made in assessing the extent to which any target and/or condition was satisfied, serious reputational damage, or corporate failure.

Directors' Remuneration Policy continued

Long-term incentive plan awards

Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention and align the interests of Executive Directors with shareholders.
Operation	An award of free shares (i.e. either conditional shares or nil-cost options) is normally granted annually which vests following the end of a three-year performance period subject to continued service (save in "good leaver" circumstances) and the achievement of challenging performance conditions. A two-year holding period applies. The holding period may be operated on the basis that the Executive Director is required to retain the after tax value of shares for 24 months from the vesting date, or that the award will only be "released", so that the Executive Director is entitled to acquire vested shares, at the end of that period. A dividend equivalent provision operates enabling dividends to be paid on shares that vest; this amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis. The Committee has the discretion to override the formulaic outturn applying to any LTIP award, including where it believes the outcome is not reflective of underlying performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant.
Maximum 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 targets based on a financial measure or measures (which may include, for example, adjusted EPS and/or total shareholder return) tested over three years. Up to 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, if an error is made in assessing the extent to which any target and/or condition was satisfied, serious reputational damage, or corporate failure.

Share ownership

During employment, Executive Directors are required to retain 50% of the after-tax number of vested shares delivered under long-term incentive and deferred bonus awards until they hold shares with a value of at least 200% of salary. Shares subject to deferred bonus award and shares subject to LTIP holding periods count towards the guideline, on a net of assumed tax basis where relevant.

The Committee's policy on post-cessation shareholding requirements is to apply the existing leaver provisions in incentive plan rules, such that ordinarily awards will not be released to former Executive Directors until the end of the originally anticipated holding period or deferral period.

Incentive plans

The Committee will operate the annual bonus plan, the deferred bonus plan, the LTIP and SAYE plan according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of 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 ability to vary any performance condition for the annual bonus plan and/or LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

LTIP awards and deferred bonus awards may be settled (in whole or in part) in cash although the Committee would do so only where the particular circumstances make it appropriate – for example, where there is a regulatory restriction on the delivery of shares.

An executive Director's annual bonus and LTIP opportunity may be calculated on their full annual base salary, even if the Executive Director agrees to the waiver or deferral of part of that salary.

Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and LTIP awards are determined by the Committee taking into account the Group's strategy. The Committee has flexibility to change the performance metrics from year to year to facilitate an appropriate evolution of measurement in line with strategy. 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 outperformance of the challenging plans approved at the start of each year.

Annual bonus

In the first year of the Remuneration 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

The current intention is that LTIP awards granted in the first year of the Remuneration Policy will vest subject to (i) challenging EPS growth targets that are aligned with the long-term levels of earnings growth targeted by the Company and/or (ii) relative TSR targets and/or share price targets, which provide clear alignment of interests between shareholders and executives.

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

Differences in remuneration policy for Executive Directors compared to other employees

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

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

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

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

Directors' Remuneration Policy continued

Reward scenarios

The Remuneration Policy results in a significant proportion of remuneration being linked to the Company's performance. The following charts illustrate how the Executive Directors' total pay package varies under four different performance scenarios:

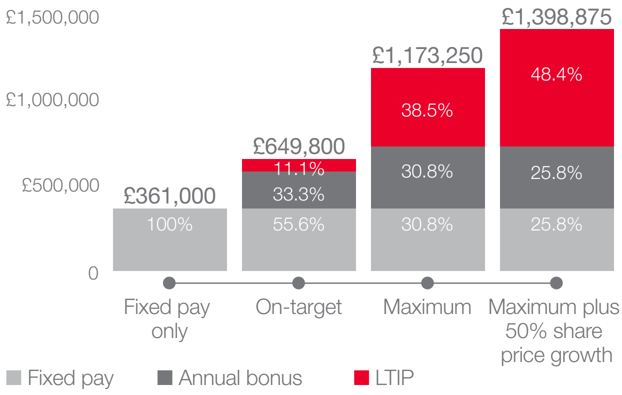
1. Fixed pay only
2. On-target performance
3. Maximum performance
4. Maximum performance with 50% share price growth

Under scenarios 1, 2 and 3 no share price growth is applied. Dividends are excluded under all scenarios.

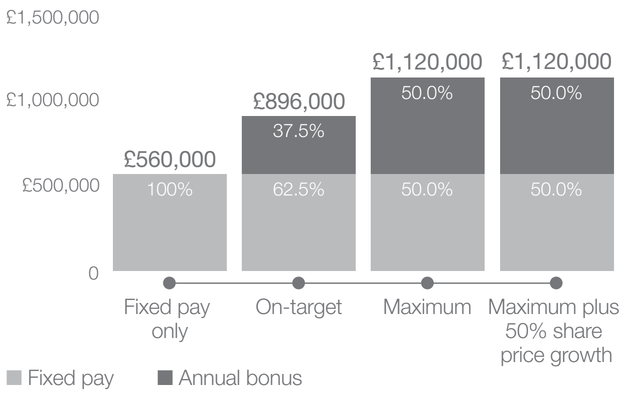
All assumptions made under these scenarios are noted below:

	Fixed pay only	On-target	Maximum	Maximum plus 50% share price growth
Salary	2019 salary	2019 salary	2019 salary	2019 salary
Benefits	Estimated value of ongoing benefits	Estimated value of ongoing benefits	Estimated value of ongoing benefits	Estimated value of ongoing benefits
Pension	15% of salary	15% of salary	15% of salary	15% of salary
Annual bonus	–	60% of salary (performance in line with budget)	100% payout of maximum opportunity (100% of base salary)	100% payout of maximum opportunity (100% of base salary)
LTIP (other than the Executive Chairman)	–	20% of maximum award (25% of salary)	100% of maximum award (125% of salary)	100% of maximum award (125% of salary)
Share price growth applied to LTIP award	–	0%	0%	50%

Group Chief Financial Officer



Executive Chairman



Salary levels (on which other elements of the package are calculated) are based on those applying on 1 December 2019. The value of benefits are as disclosed on page 59, except for Ian Ashton whose relocation package of £60,000 has been excluded as this was a one-off benefit for the financial year ended 2019.

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

Amounts have been rounded to the nearest £1,000.

Recruitment and Promotion Policy

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

Remuneration element	Policy
Base salary	Salary for a new hire (or on promotion to Executive Director) would be set at a level sufficient to attract the best candidate available to fill the role, taking into account the Group's position, strategy and the country in which the new hire will live and work. For example, it may set the salary of a new hire at a premium to those paid to the predecessor if this was necessary to attract a candidate with experience in a business of the size which the Group aspires to become or, conversely, could be set at a discount to that which is offered in companies of a similar size, geographical reach and complexity initially, with a series of planned increases over subsequent years, in order to bring the salary to the desired level, subject to individual performance.
Benefits	Benefits will be set in accordance with the Company's Remuneration Policy. In addition, where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment and flexibility is retained to pay legal fees and other costs incurred by the individual in relation to their appointment. Consideration may need to be given to particular elements of benefit packages if a new Director was recruited outside the UK.
Pension	A defined contribution or cash supplement (or combination thereof) not exceeding the level at which such benefit is provided to the Group's workforce worldwide (or such sub-set of that workforce as the Committee determines).
Annual bonus	The annual bonus will operate as outlined for current Executive Directors, with the respective maximum opportunity, albeit usually pro-rated for the period of employment and with discretion on the part of the Committee to vary the deferral arrangements. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially. The maximum ongoing incentive opportunity under the Company's policy is 125% of salary.
Long-term incentives	LTIP awards will be granted in line with the policy outlined for the current Executive Directors. An award may (and would usually) be made upon appointment (subject to the Company not being prohibited from doing so). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant and further awards may also be considered. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially and/or to vary the performance period and holding period. The maximum ongoing annual award level is 125% of salary but an award, in exceptional circumstances (as determined by the Committee), may be granted up to 200% of salary under the rules of the LTIP.
Buy-out awards	In the case of an external hire, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to facilitate the buy-out of value forfeited on joining the Company. This includes the use of awards made under Rule 9.4.2 of the Listing Rules. Such payments would take account of remuneration relinquished when leaving a former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. Shareholders will be informed of any such payments at the time of appointment.
Other	Other elements of remuneration may be provided where appropriate, for example: ■ if an interim appointment is made on a short-term basis; ■ if exceptional circumstances require that the chairman or a Non-Executive Director takes on an executive function on a short-term basis; ■ if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance, in which case, subject to the overall limit on variable remuneration set out below, the quantum in respect of months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis. The discretion to offer other elements of remuneration is not uncapped and is subject to the limits and principles in this Recruitment and Promotion Policy. The Committee will not offer non-performance related incentives (for example a "guaranteed sign-on bonus") and the maximum variable remuneration that may be granted (excluding buy-out awards) is 325% of salary.

Directors' Remuneration Policy continued

Directors' service contracts and letters of appointment

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

The Committee's policy is to set notice periods of up to 12 months for the Company to dismiss an Executive Director. Should notice be served by either party, the executive will be able to continue to receive basic salary and benefits (including pension) for the duration of their notice period, during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Committee retains discretion to make a payment in lieu of notice, consisting of salary and benefits (including pension).

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

Name	Commencement date of service contract/ letter of appointment	Unexpired term remaining as at 30 November 2019
Daniel Dayan	3 July 2019	Ongoing, six months' notice from either party to terminate
Ian Ashton	10 December 2018	Ongoing – 12 months' notice from the Company, six months' notice from the Director to terminate
Peter Bertram	1 February 2018	14 months
Mike Powell	1 December 2016	Reappointed for a second term of three years commencing 1 December 2019
Trudy Schoolenberg	1 May 2019	29 months

Copies of the Directors' service contracts and letters of appointment can be inspected at the Company's head office.

Payments for loss of office

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

Any payment in respect of bonus for the year of cessation will be determined by the Committee taking into account the circumstances of the termination. Any payment will, ordinarily, be pro-rated to reflect the proportion of the bonus year worked and be subject to performance achieved. Payments will ordinarily be made at the usual time, although the Committee retains discretion to make them earlier in appropriate circumstances. Where bonus deferral would apply for the year of departure or the preceding year, the Committee retains discretion to pay the whole of the bonus in cash, but will do so only where the cessation is in compassionate circumstances.

The treatment for share-based incentives previously granted to an Executive Director will be determined based on the relevant plan rules.

Deferred bonus

Deferred bonus awards will ordinarily continue in the event of termination of employment and will vest at the usual time. However, they will lapse in the event of termination by the Company for misconduct. Where awards do not lapse, the Committee retains discretion to vest them early, for example in compassionate circumstances.

LTIP – leavers before vesting

The default treatment will be for outstanding awards to lapse on cessation of employment. However, in relation to awards granted under the 2013 LTIP, in certain prescribed circumstances, such as, injury or disability, transfer or sale of the employing company, redundancy or retirement (in the case of awards granted before this Remuneration Policy came into effect) or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time), "good leaver" status may be applied. If treated as a good leaver, awards will remain subject to performance conditions, which will be measured over the ordinary performance period. The award will ordinarily be released at the end of the holding period, but, in exceptional circumstances, the Committee may allow the award to be released early (either at cessation or at some other time before the ordinary release date) and if that is before the end of the performance period, to assess performance accordingly. Whether the award is released at the ordinary release date or early, it will be reduced pro-rata to reflect the proportion of the performance period actually served (although the Committee can decide not to pro-rate if it considers it inappropriate to do so).

LTIP – leavers in the holding period

If an Executive Director leaves employment during the holding period applying to an LTIP award, the default position will be for the holding period to continue and for the award to be released at the originally anticipated release date to the extent it vested by reference to the performance conditions, although the Committee may permit the award to be released early. If the holding period is operated on the basis that the Executive Director is only entitled to acquire vested shares at the end of the holding period, the award will lapse if the Executive Director is summarily dismissed.

Options held under the SAYE plan generally lapse when employment ceases, subject again to certain "good leaver" provisions. In relation to a termination, the Committee may make payments in relation to any statutory entitlements or payments to settle compromise claims as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred and to meet any outplacement costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

External appointments

The Committee recognises that Executive Directors may be invited to become non-executive directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company.

It is the Company's policy that Board approval is required before any external appointment may be accepted by an Executive Director. The Executive Director is permitted to retain any fees paid for such services.

Non-Executive Director' Fees and Benefits

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 they 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 additional duties and/or time commitment such 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) and may provide other benefits related to the performance of duties.
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.

Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office (including exercising any discretion available to it in respect of any such payment) outside this Remuneration Policy:

- where the terms of the payment were agreed before this Remuneration Policy came into effect, provided in the case of any payment whose terms were agreed after 25 March 2014 and before this Remuneration Policy became effective, the remuneration payment or payment for loss of office was permitted under the Company's relevant former Directors' Remuneration Policy; or
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

For these purposes, "payment" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed no later than the time the award is granted.

Directors' Report

The Directors of the Company present their report together with the audited consolidated financial statements for the year ended 30 November 2019.

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

Strategic Report

The Strategic Report is set out on pages 4 to 39 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 27 March 2020.

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 50 to 55.

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 33 to 39 and Note 21 to the Group financial statements on pages 126 to 132.

Greenhouse gas reporting

The disclosures concerning greenhouse gas emissions are included in the Corporate responsibility section on page 25.

Dividends

For details on the Company's current dividend policy for the Ordinary Shares in issue, please see page 30.

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 2019 comprised 689,756,295 Ordinary Shares of 5 pence each, 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, 359,649,707 Ordinary Shares in the Company were issued as a result of the equity raise in February 2019 at a price of 15 pence per share, on the basis of 106 new shares for every 107 existing Ordinary Shares. Details of the movements in the Company's issued share capital can be found on page 136 in Note 26 to the financial statements.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 137 (Note 26).

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 136 to 137 (Note 26).

Directors and their share interests

Details of the Directors of the Company as at 30 November 2019 are shown on pages 42 and 43.

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 57 to 66.

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 AGM. All Non-Executive Directors are subject to automatic termination if a Director is not elected or re-elected by shareholders at the AGM. Details of the Directors' dates of appointment and length of tenure can be found on page 74.

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 26 March 2020, 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 S.A., SICIV-RAIF	157,285,018	22.80
Aberforth Partners LLP	112,184,541	16.26
Luxempart SA	55,708,870	8.08
AXA Investment Managers Ltd	47,794,449	6.93
J O Hambro Capital Management	37,416,557	5.42
ODDO BHF Asset Management	34,400,000	4.99
Chelverton Asset Management Ltd	27,199,706	3.94
Ruffer LLP	26,760,647	3.88

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 26 March 2020, the Group had 52 subsidiaries, joint ventures and associated undertakings. A list of these can be found on pages 149 to 150 (Note 40) to the Company's financial statements.

Long-term viability statement

For details of the Company's long-term viability statement, please see page 35.

Going concern

The Group closely monitors and manages its funding position throughout the year, including monitoring forecast compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. Forecasts are produced regularly and these, along with related sensitivity analyses, allow management to proactively manage liquidity or covenant compliance risks in a timely manner.

During 2019, the Directors took action to strengthen the Group's balance sheet. These actions included raising £50m of equity, completing the sale of the Civil Engineering businesses, and heavily restricting dividend payments. Given weaker than expected trading, management also took action to implement certain cost saving programmes, to reduce planned operational expenditure and general and administrative spend, and to better control working capital. As announced in May 2019, the Board also began at that point to explore other opportunities to maximise stakeholder value, and, as announced on 20 September 2019, the boards of directors of the Group and of FV Beteiligungs-GmbH (a wholly owned subsidiary of Freudenberg SE, hereafter referred to as "FVB") reached agreement on a recommended acquisition of Low & Bonar PLC and its subsidiaries ("the Offer") by FVB. The Offer was approved by the Group's shareholders on 5 November 2019 and remains subject to European Union competition approval by the European Commission ("EC").

As a consequence of the continued weaker than expected trading performance announced at various points during the year, as well as a deterioration in outlook, and also in light of the Group having less flexibility in managing supplier credit terms than had been the case historically, the Group engaged with its lenders and agreed that the financial covenants which were due to be tested as at 30 November 2019 would be waived, in order to assist the Group in progressing both its turnaround plan and the Offer. As part of these waivers, it was agreed that any further drawings under the Group's Revolving Credit Facility (the "RCF") would require majority lender consent and that, in the event that the Offer were to lapse before 31 May 2020, financial covenants would be tested within 14 days of such lapse with respect to the financial position as at the previous month-end. Whether the Offer were to have lapsed or not, the scheduled covenant test as at 31 May 2020 was to occur. Were the financial covenants to have been tested under the waiver terms as referenced above, then they would have been breached.

At the time of publication of this report, and according to the EC's own guidelines, a formal decision on the Phase 1 review of the competition approval should be provided by 17 April 2020. The EC will provide feedback to the parties on its preliminary assessment of the application ahead of that date, which may include a preliminary view as to the likelihood of Phase 1 clearance. The Directors have a reasonable basis to believe that, under this timetable, if the EC unconditionally approves the Offer during Phase 1, the acquisition is expected to complete before 30 April 2020 or shortly thereafter. In this scenario, the Directors have good reason to believe that FVB has sufficient resources, and the intention, to enable the Group to meet its debts as and when they fall due, including, as may be required, the repayment of the RCF and the Private Placement Notes.

There remains a risk that the EC will not approve the acquisition either (i) unconditionally during the initial phase of the antitrust process, which could cause the offer to lapse, or (ii) before the longstop date of 30 June 2020. Were the Offer to lapse, the Board would seek to execute alternative plans to realise or preserve stakeholder value. This could, amongst other things, include a sale of the Group as a whole or of its constituent parts, raising additional capital, or a refinancing of its debt (the "alternative plans").

In the light of the risk that the Offer may not complete, and the fact that, if covenants were to be tested under the prior arrangements, they would be breached, the Group reached an agreement with its lenders on 27 March 2020 under which the lenders will assist in providing a stable platform to allow the Group time, if the Offer does not complete, to execute alternative plans. Under the terms of this agreement, the lenders have agreed to extend the existing covenant waivers until 30 November 2020, irrespective of the status of the Offer. The agreement also requires the Group to report on certain milestones associated with the Offer and, as appropriate, the delivery of the alternative plans. The lenders have also agreed to make available additional facilities of £12m, the majority of which are under the RCF, with draw down requests on these facilities to be reviewed on a case by case basis. Under the agreement, the lenders will have the right to reinstate a stop on drawings if the Group's forecast liquidity, covering the forward thirteen weeks, looks likely to fall below certain levels. The Group will provide certain additional conventional security and guarantees to the lenders in connection with these further drawings. In addition, a fixed asset loan agreement in China, under which repayment of the outstanding RMB 70m balance was due on 30 June 2020, has been extended, with repayment now due on 30 December 2020, and the Group will provide enhanced security to the lender. At the time of signing this report, the amendments to the lender agreements have been approved by each of the lenders' credit committees and signed by all parties. Certain elements of the terms around the further drawings remain subject to full documentation, including certain conditions precedent, notably around agreement and execution of full documentation for the associated security. These are expected to follow a customary format and the Group does not envisage any scenario whereby these conditions will not be met. For clarity, certain of the terms of the agreements will only come in to effect if the FVB offer lapses.

Accordingly, if the Offer were to lapse, the Group's ability to remain a going concern will be dependent on implementing the alternative plans.

In the absence of a significant new transaction or significant injection of debt and/or equity within such timeframe as is set out in the recently updated agreements, forecasts indicate that covenants would be breached when tested at 30 November 2020, and therefore if further waivers were not agreed the lenders could demand accelerated repayment of their debt. In the event of such a demand, the Group would not expect to have the funds to make these repayments in full.

The COVID-19 virus will clearly have an effect on the Group as it will on virtually all businesses in most geographies over the coming weeks and months. The Board is monitoring this closely, but at this stage it is too early to fully understand and quantify its impact on trading and what the wider impact may be on the Group. Given the Group's financial position, the impact on liquidity is potentially material. Significant reduction in revenue could lead to lower than expected cash flows, at levels which may cause the Group's liquidity to fall below the minimum levels required under the new banking arrangements referenced above and so leave it unable to access the funds it had been expecting to be able to draw on as outlined above.

Accordingly, at the time of signing these financial statements, there remain several material uncertainties related to events or conditions that may cast 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.

For further clarity, the material uncertainties are:

1. Whether the Offer from FVB completes or lapses. For the avoidance of doubt there is a risk that it lapses.
2. Whether, in the event that the Offer lapses, the remaining conditions are met to enable the Group to access the new funds.
3. Whether, in the event that the Offer lapses, the Group implements the alternative plans within the timetable agreed with the lenders.
4. Whether, in the event that the Offer lapses, the Group maintains certain levels of liquidity and hence access to the new funds available at the levels required prior to implementing the alternative plans.
5. Whether, in the event that the Group does not achieve 3 or 4 above, the lenders continue to support the Group in order to allow the Group to complete the execution of the alternative plans, including potentially providing a further waiver with respect to the 30 November 2020 covenant tests.
6. Market conditions over coming months in light of the continuing spread of the COVID-19 virus and the measures being adopted in much of the world to address it, which could lead to lower than expected cash flows, at levels which may cause the Group's liquidity to fall below the minimum levels required under the new banking arrangements referenced above and so leave the group unable to access the funds.

However, the Directors have an expectation, which they believe is reasonable, that either the Offer will complete successfully, or, in the event that the Offer lapses, that either an alternative source of funding would be found by 30 November 2020, or that lenders and other stakeholders would continue to support the Group beyond 30 November 2020 for a sufficient period of time to allow alternative plans to be executed. Accordingly, but recognising the high degree of uncertainty in respect of the dynamic situation unfolding with COVID-19, and the likely impact of this on the global economy, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made, if they were prepared on a basis other than the going concern basis.

Auditor

Resolutions to reappoint 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 the Directors' Report was approved confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that they have each taken all steps that they ought to have taken as a Director to make them 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 40 to 41.

Annual General Meeting (AGM)

The 2020 AGM will be held at the Company's head office, One Connaught Place, London, W2 2ET on Friday 22 May 2020, commencing at 11.00 a.m. The Notice of Meeting 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. Alternatively, it can be found on the Company's website **www.lowandbonar.com**.

Approved by the Board and signed on its behalf by

Matthew Jones
Company Secretary

27 March 2020

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 Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and 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 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 Company and of their profit or loss for that period. In preparing each of the Group and 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 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 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

Daniel Dayan
Executive Chairman

27 March 2020

Ian Ashton
Group Chief Financial Officer

27 March 2020

Independent Auditor's report

to the members of Low & Bonar PLC

Opinion

In our opinion:

- Low & Bonar PLC's Group financial statements and Parent Company financial statements (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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

We have audited the financial statements of Low & Bonar PLC which comprise:

Group	Parent Company
Consolidated income statement for the year ended 30 November 2019	Company balance sheet as at 30 November 2019
Consolidated statement of comprehensive income for the year ended 30 November 2019	Company cash flow statement for the year ended 30 November 2019
Consolidated balance sheet as at 30 November 2019	Company statement of changes in equity for the year ended 30 November 2019
Consolidated cash flow statement for the year ended 30 November 2019	Related notes 1 to 41 to the financial statements, including a summary of significant accounting policies
Consolidated statement of changes in equity for the year ended 30 November 2019	
Related notes 1 to 41 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Significant Accounting Policies note A in the financial statements, which indicates that the ability of the Group and Company to continue as a going concern is subject to a number of material uncertainties.

On 20 September 2019 the Group announced the recommended cash offer ('Offer') to sell the Group to FV Beteiligungs-GmbH (a wholly owned subsidiary of Freudenberg SE, hereafter referred to as "FVB") however this is subject to EU competition approval by the European Commission ('EC'). If the Offer were to lapse, the Group's ability to remain a going concern will be dependent on implementing the alternative plans as required under the amended lender agreements. This has given rise to the following material uncertainties:

1. Whether the Offer from FVB completes or lapses. For the avoidance of doubt there is a risk that it lapses.
2. Whether, in the event that the Offer lapses, the remaining conditions are met to enable the Group to access the new funds.
3. Whether, in the event that the Offer lapses, the Group implements the alternative plans within the timetable agreed with the lenders.
4. Whether, in the event that the Offer lapses, the Group maintains certain levels of liquidity and hence access to the new funds available at the levels required prior to implementing the alternative plans.
5. Whether, in the event that the Group does not achieve 3 or 4 above, the lenders continue to support the Group in order to allow the Group to complete the execution of the alternative plans, including potentially providing a further waiver with respect to the 30 November 2020 covenant tests.
6. Market conditions over coming months in light of the continuing spread of the COVID-19 virus and the measures being adopted in much of the world to address it, which could lead to lower than expected cash flows, at levels which may cause the Group's liquidity to fall below the minimum levels required under the new banking arrangements referenced above and so leave the group unable to access the funds.

Our opinion is not modified in respect of these matters.

We describe below how our audit responded to the risk relating to going concern:

- The audit engagement partner and the primary team partner increased their time directing and supervising the audit procedures on going concern and utilised corporate finance specialists to assist in assessing the going concern model and assumptions;
- We obtained evidence of the RCF and the Loan Notes financing facilities and associated amendment agreements, including the nature of facilities, repayment terms, covenants and attached conditions;
- We inspected the latest signed Amendment Agreement for the Revolving Credit Facility, the Waiver and Amendment Letter relating to the Loan Notes and the appended Term Sheet relating to the additional facilities of £12m all dated 27 March 2020;
- We obtained the cash flow and covenant forecasts and sensitivities prepared by management and tested for arithmetical accuracy of the models;
- We challenged the appropriateness of management's forecasts by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis including Management's scenario to reflect its expectation of the impact of COVID-19 and applying further sensitivities to understand the impact on liquidity and covenant compliance;
- We held discussions with the Company's legal advisor and reviewed their advice to the Company in relation to the status of the Freudenberg Offer and the discussions with the Company's lenders;
- We discussed the likely success and risk factors of the Group's alternative plans with its Corporate Finance Advisor;
- We discussed the status of the FVB deal and the Group's alternative plans with the Audit Committee; and
- We assessed the disclosures in the Annual Report & Accounts relating to going concern, including the material uncertainties, to ensure they were fair, balanced and understandable and in compliance with IAS1.

We draw attention to the viability statement in the Annual Report on page 35, which indicates that an assumption to the statement of viability is that either the Freudenberg Offer completes successfully, or, in the event that the Offer lapses, that either an alternative source of funding would be found by 30 November 2020, or that lenders and other stakeholders would continue to support the Group beyond 30 November 2020 for a sufficient period of time to allow alternative plans to be executed. The Directors consider that the material uncertainties referred to in respect of going concern may cast significant doubt over the future viability of the Group and Company should these events not complete. Our opinion is not modified in respect of this matter.

Conclusions relating to principal risks, going concern and viability statement

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report (set out on pages 36-39) that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation (set out on page 76) in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the directors' statement in relation to going concern and their assessment of the prospects of the Company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation (set out on page 35) in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity 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.

Overview of our audit approach

Key audit matters	■ Impairment of Goodwill, Intangible assets and Property, Plant and Equipment ■ Parent Company – Valuation of investment in subsidiaries in Low & Bonar PLC
Audit scope	■ We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further two components. ■ The components where we performed full or specific audit procedures accounted for 84% of Underlying EBITDA, 81% of Revenue and 88% of Total assets. ■ We also performed specified procedures on Revenue at a further eight components accounting for a further 15% of Revenue.
Materiality	■ Overall Group materiality of £380k which represents 2.3% of the Underlying EBITDA.

Independent Auditor's report continued

Key audit matters

In addition to the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of Goodwill, Intangible assets and Property, Plant and Equipment ('PPE') *Refer to the Audit Committee Report (page 53); Accounting policies (page 103); and Notes 11-14 of the Consolidated Financial Statements (pages 119-123)* The Group's Balance Sheet includes goodwill, intangible assets and PPE totalling £123.6m at 30 November 2019 (2018 restated: £184.0m). Management has recorded impairments in the year on Coated Technical Textiles of £33.4m (2018: £39.0m), Yihua Bonar of £7.5m (2018: £nil), Bonar Changzhou of £6.7m (2018: £nil), Colbond USA of £1.8m (2018: £nil) and the Dundee site of £0.2m (2018 restated: £0.1m and the prior year restatement to the opening balance sheet of 2018 of £1.6m). In line with the requirements of IAS 36: "Impairment of Assets", Management tests goodwill balances annually for impairment, and also tests intangible assets and PPE where there are indicators of impairment. There is significant management judgement in performing the impairment review of Cash Generating Units ('CGUs'). The conclusions reached with regards to intangible and tangible assets are heavily reliant on future budgets, forecasts and plans for each CGU. As a result of management's re-assessment of the impairment model, central costs were incorporated into the value-in-use model in line with the requirements of IAS 36. This change necessitated a prior year adjustment as described in note 39. Given the level of impairment recorded through the year and the judgement inherent in this area, we considered this to be a significant risk.	We obtained and understood the method applied by management in performing its impairment test for each of the relevant Cash Generating Units ('CGUs') and identified key controls. We verified the clerical accuracy of management's impairment model. We challenged the key assumptions used in the impairment models, including: ▪ Evaluated the identification of CGUs against the requirements of IAS 36; ▪ Assessed management's forecasting accuracy based on previous periods; ▪ Worked with our business valuation specialists to challenge the assumptions used to generate the discount rate, long term growth rate and other key assumptions and performed sensitivity testing; ▪ Assessed the allocation of central overheads as required by IAS 36 to the CGUs; ▪ Compared the Value in Use to the fair value less costs of disposal and assessed whether CGUs were impaired in line with IAS 36; and ▪ Verified that the prior year adjustment as discussed in Note 39 to the financial statements was appropriately calculated and recorded in the financial statements. We assessed the disclosures in the Annual Report and Accounts against the requirements of IAS 36 Impairment of Assets, in particular the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. We performed the above audit procedures over this risk area at a Group level covering 100% of the risk amount.	We challenged management on the initial impairment models and requested a number of adjustments be made to reflect latest trading patterns and appropriate sensitivities. We agreed with management's final conclusion that the impairments taken in the year are reasonably stated, and we confirmed the accounting for the prior year restatements relating to central cost allocation is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Parent Company – Valuation of investment in subsidiaries in Low & Bonar PLC *Refer to the Audit Committee Report (page 54); Significant Accounting Policies (page 103); and Note 15 of the Consolidated Financial Statements (page 124).* The Company investments have been impaired by £100.8m resulting in a carrying value of £74.0m (2018: £174.8m). The impairment has been calculated on a fair value less cost to sell basis under IAS 36. The fair value has been aligned to the Freudenberg cash Offer of 15.5p per share (£106.9m). As described in the Significant Accounting Policies note A, if this Offer were to lapse, there is a significant risk that further impairments would be required.	We identified, documented and confirmed our understanding of the controls operated by the Company surrounding the investment impairment review. We ensured that management had appropriately applied the requirements of IAS 36 in assessing the recoverable amount of the investments with reference to the fair value less costs of disposal. We evidenced the Freudenberg Offer price of 15.5p per share (£106.9m) to the Scheme Document dated 11 October 2019 and agreed Management's calculation to recognise the difference as an impairment against cost of investment. We challenged management as to whether the impairment all arose from events in the year or whether any should be reflected as a prior year adjustment. Management appropriately demonstrated that the investment impairment arose from events in the year. We ensured the appropriate disclosures and sensitivities were included with the Annual Report & Accounts. Parent Company investments were subject to full scope audit procedures.	We agreed with management's conclusion on the calculation of the impairment recognised in the year and that this impairment arose fully within the current year given the evidence presented and the evidence and plans in place at the 2018 year-end.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 41 reporting components of the Group, we selected nine components covering entities within six principal countries which the Group operates, which represent the principal business units within the Group.

Of the nine components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 84% of the Group's Underlying EBITDA, 81% of the Group's Revenue and 88% of the Group's Total assets. For the current year, the full scope components contributed 86% of the Group's Underlying EBITDA, 79% of the Group's Revenue and 84% of the Group's Total assets. The specific scope component contributed negative 2% of the Group's Underlying EBITDA, 2% of the Group's Revenue and 4% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed eight components to perform specified procedures over certain aspects of revenue and accounts receivables balance which covered 0% of the Group's Underlying EBITDA, 15% of the Group's Revenue and 9% of the Group's Total assets.

Independent Auditor's report continued

Of the remaining 24 components that together represent 16% of the Group's Underlying EBITDA, none are individually greater than 3% of the Group's Underlying EBITDA. For these components, we performed other procedures, including analytical review, testing of consolidation journals and inter-company eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

	Number	% of Group Underlying EBITDA	% of Group Revenue	% of Group Total assets
Full scope	7	86%	79%	84%
Specific scope	2	(2%)	2%	4%
Full and specific scope coverage	**9**	**84%**	**81%**	**88%**
Specified procedures	8	0%	15%	9%
Review scope	24	16%	4%	3%
Total reporting components	**41**	**100%**	**100%**	**100%**

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on seven of these directly by the component audit teams in the UK, Germany, Netherlands, Czech Republic and China. For the two specific scope components, where the work was performed by component auditors in the UK, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

At the start of the audit, a Group wide Team Planning Event was held with representatives from all full and specific scope component teams in attendance. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the Germany, Netherlands, USA and Czech Republic. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending closing meetings, reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

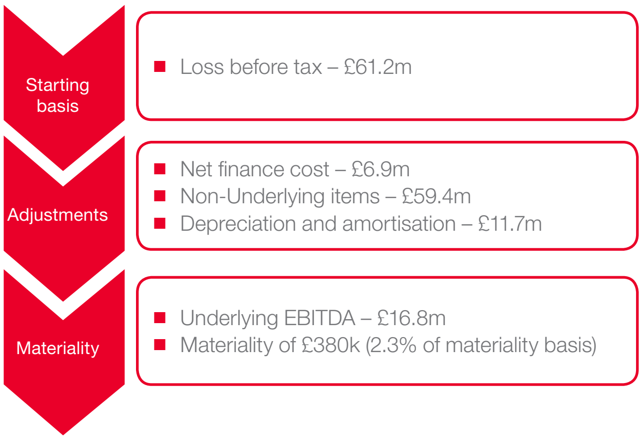
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £380k, which is 2.3% of Underlying EBITDA from continuing operations. We believe that Underlying EBITDA from continuing operations, provides us with an appropriate basis for materiality as there is significant focus from the users on the financial statements on this metric and the impact this has on debt covenant compliance. We acknowledge that whilst lenders will be focused on Adjusted EBITDA with add backs such as IFRS 2 charge, pension administrative costs and profit/(loss) and dividend on joint venture, that this may not be appropriate for other stakeholders and therefore we have assessed materiality before these additional adjustments.

When using an earnings-related measure to determine overall materiality, the norm is to apply a benchmark percentage of 5% of the pre-tax measure, however as the Group is loss making, we use Underlying EBITDA from continuing operations.



We determined materiality for the Parent Company to be £380k, which is 0.4% of Equity, capped at the materiality of the Group.

During the course of our audit, we reassessed initial materiality and amended the basis from Adjusted EBITDA from continuing operations to Underlying EBITDA from continuing operations basis for the reason stated above.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £190k. We have set performance materiality at this percentage due to this being an initial audit and the outcome of our risk assessment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £38k to £126k.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £19k, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 81, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 81)** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on pages 50-55)** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 41)** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 81), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report continued

Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in each of the six principal countries of operation.
- We understood how Low & Bonar PLC is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals, and journals indicating large or unusual transactions based on our understanding of the business; enquiries of Legal Counsel, Group management, Internal Audit, subsidiary Management at all full and specific scope components; and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the Company on 16 July 2019 to audit the financial statements for the year ending 30 November 2019 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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.

Colin Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London

27 March 2020

Notes:

1. The maintenance and integrity of the Low & Bonar PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

for the year ended 30 November

	Note	2019 Underlying £m	2019 Non-underlying (Note 5) £m	2019 Total £m	2018 Underlying £m (restated – Note 39)	2018 Non-underlying (Note 5) £m (restated – Note 39)	2018 Total £m (restated – Note 39)
Revenue	1	**317.3**	**–**	**317.3**	361.6	–	361.6
Operating profit/(loss)	1	**5.1**	**(59.4)**	**(54.3)**	22.2	(55.6)	(33.4)
Financial income	6	**0.2**	**–**	**0.2**	0.2	–	0.2
Financial expense	6	**(4.4)**	**(2.7)**	**(7.1)**	(5.7)	(0.3)	(6.0)
Net financing costs		**(4.2)**	**(2.7)**	**(6.9)**	(5.5)	(0.3)	(5.8)
Profit/(loss) before taxation	2	**0.9**	**(62.1)**	**(61.2)**	16.7	(55.9)	(39.2)
Taxation	7	**(1.3)**	**3.7**	**2.4**	(3.9)	1.3	(2.6)
(Loss)/profit after taxation		**(0.4)**	**(58.4)**	**(58.8)**	12.8	(54.6)	(41.8)
(Loss)/profit for the year from continuing operations		**(0.4)**	**(58.4)**	**(58.8)**	12.8	(54.6)	(41.8)
Profit/(loss) for the year from discontinued operations	32	**1.2**	**(4.8)**	**(3.6)**	(0.3)	(6.7)	(7.0)
Profit/(loss) for the year		**0.8**	**(63.2)**	**(62.4)**	12.5	(61.3)	(48.8)
Attributable to:							
Equity holders of the Company		**0.7**	**(60.4)**	**(59.7)**	12.0	(61.3)	(49.3)
Non-controlling interest	29	**0.1**	**(2.8)**	**(2.7)**	0.5	–	0.5
		0.8	**(63.2)**	**(62.4)**	12.5	(61.3)	(48.8)
Earnings per share	10						
Continuing operations:							
Basic		**(0.09p)**		**(9.13p)**	3.50p		(12.06p)
Diluted		**(0.09p)**		**(9.13p)**	3.46p		(12.06p)
Discontinued operations:							
Basic		**0.20p**		**(0.59p)**	(0.09p)		(1.99p)
Diluted		**0.20p**		**(0.59p)**	(0.08p)		(1.99p)
Total:							
Basic		**0.11p**		**(9.72p)**	3.41p		(14.05p)
Diluted		**0.11p**		**(9.72p)**	3.38p		(14.05p)

Consolidated Statement of Comprehensive Income

for the year ended 30 November

	Note	2019 £m	2018 £m (restated)
Loss for the year		**(62.4)**	(48.8)
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	4	**(13.7)**	3.5
Deferred tax on defined benefit pension schemes	4	**3.8**	(1.4)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1.6)**	1.6
Total other comprehensive (loss)/income for the year, net of tax		**(11.5)**	3.7
Total comprehensive loss for the year		**(73.9)**	(45.1)
Attributable to:			
Equity holders of the Company		**(71.1)**	(45.7)
Non-controlling interest	29	**(2.8)**	0.6
Total		**(73.9)**	(45.1)

Balance Sheets
as at 30 November

	Note	Group 2019 £m	Group 2018 £m (restated – Note 39)	Company 2019 £m	Company 2018 £m (restated – Note 39)
Non-current assets					
Goodwill	12	**25.0**	28.2	**–**	–
Intangible assets	13	**10.7**	22.7	**0.1**	1.1
Property, plant and equipment	14	**87.9**	133.1	**0.2**	0.3
Investment in subsidiaries	15	**–**	–	**74.0**	174.8
Investment in joint venture	16	**0.6**	–	**–**	–
Investment in associates	17	**–**	0.8	**–**	–
Deferred tax assets	23	**0.8**	4.7	**–**	–
Other receivables	19	**–**	–	**–**	42.4
Post-employment benefits	4	**4.2**	11.4	**4.2**	11.0
		129.2	200.9	**78.5**	229.6
Current assets					
Inventories	18	**78.2**	93.9	**–**	–
Trade and other receivables	19	**48.8**	77.7	**131.7**	153.9
Cash and cash equivalents	21	**29.8**	47.8	**3.4**	0.4
Current tax receivables		**2.2**	–	**0.1**	–
Assets classified as held for sale	22	**–**	2.7	**–**	–
		159.0	222.1	**135.2**	154.3
Current liabilities					
Interest-bearing loans and borrowings	21	**9.7**	5.0	**–**	2.5
Current tax liabilities		**0.6**	0.7	**–**	–
Trade and other payables	20	**46.8**	92.7	**4.6**	11.7
Provisions	24	**4.7**	3.8	**0.1**	–
Liabilities directly associated with assets classified as held for sale	32	**–**	2.2	**–**	–
		61.8	104.4	**4.7**	14.2
Net current assets		**97.2**	117.7	**130.5**	140.1
Total assets less current liabilities		**226.4**	318.6	**209.0**	369.7
Non-current liabilities					
Interest-bearing loans and borrowings	21	**120.0**	171.3	**10.2**	65.1
Deferred tax liabilities	23	**4.7**	12.7	**1.4**	3.9
Post-employment benefits	4	**13.6**	11.1	**–**	–
Provisions	24	**0.5**	–	**–**	–
Other payables	25	**0.1**	0.8	**90.5**	88.7
		138.9	195.9	**102.1**	157.7
Net assets		**87.5**	122.7	**106.9**	212.0
Equity attributable to equity holders of the Company					
Share capital	26	**65.4**	47.4	**65.4**	47.4
Share premium account	27	**74.8**	74.8	**74.8**	74.8
Other reserve	30	**31.9**	–	**31.9**	–
Translation reserve	28	**(35.7)**	(24.9)	**–**	–
Retained earnings		**(52.3)**	18.8	**(65.2)**	89.8
Total equity attributable to:					
Equity holders of the Company		**84.1**	116.1	**106.9**	212.0
Non-controlling interest	29	**3.4**	6.6	**–**	–
Total equity		**87.5**	122.7	**106.9**	212.0

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss after tax was £117.8m (2018: loss amounting to £7.6m).

The consolidated financial statements on pages 89 to 152 were approved by the Board on 27 March 2020 and signed on its behalf by:

Daniel Dayan
27 March 2020

Ian Ashton
27 March 2020

Registered number: SC008349

Consolidated Cash Flow Statement

for the year ended 30 November

	Note	2019 £m	2018 £m (restated)
Loss for the year from continuing operations		**(58.8)**	(41.8)
Loss for the year from discontinued operations		**(3.6)**	(7.0)
Loss for the year		**(62.4)**	(48.8)
Adjustments for:			
Depreciation	14	**10.6**	15.8
Amortisation	13	**3.2**	4.1
Income tax (credit)/expense	7	**(2.4)**	3.3
Net financing costs	6	**6.9**	5.8
Share of profit from joint venture	16	**(0.1)**	(0.1)
Profit on disposal of the Construction fibres ("CF") business (net of FX recycling)	33	**(1.5)**	–
Loss on disposal of the Needle-punched non-woven ("NPNW") business (net of FX recycling)	33	**9.5**	–
FX recycling on Bonar Natpet exit	32	**(0.8)**	–
Civil engineering impairment charge		**–**	5.0
CTT impairment charge	11	**33.4**	39.0
Dundee impairment charge	11	**0.2**	0.1
Yihua Bonar impairment charge	11	**7.5**	–
Bonar Changzhou impairment charge	11	**6.7**	–
Colbond Americas impairment charge	11	**1.8**	–
ERP impairment charge		**–**	1.5
Other impairment charges		**1.1**	1.0
Non-cash pension charges		**0.3**	4.5
Other non-cash income		**0.6**	(0.2)
Decrease in inventories		**1.4**	4.4
Decrease in trade and other receivables		**7.8**	9.5
(Decrease)/increase in trade and other payables		**(35.9)**	4.0
Increase in provision for disposal of Bonar Natpet (liabilities held for sale)	32	**0.2**	0.7
Increase in other provisions		**0.5**	2.1
Loss/(gain) on disposal of PPE and intangible assets		**0.9**	(0.2)
Equity-settled share-based payment		**0.1**	(0.2)
Cash (outflow)/inflow from operations		**(10.4)**	51.3
Interest received		**0.1**	0.1
Interest paid		**(5.4)**	(5.2)
Tax paid		**(3.0)**	(5.4)
Pension cash contributions		**(3.6)**	(3.4)
Net cash (outflow)/inflow from operating activities		**(22.3)**	37.4
Net proceeds from the disposal of the CF business	33	**6.6**	–
Net proceeds from the disposal of the NPNW business	33	**12.2**	–
Proceeds from the disposal of fixed assets		**0.1**	2.6
Payment on exit of Bonar Natpet	32	**(2.4)**	–
Dividend from joint venture	16	**0.4**	–
Acquisition of property, plant and equipment		**(12.2)**	(15.2)
Intangible assets purchased		**(1.6)**	(3.4)
Net cash inflow/(outflow) from investing activities		**3.1**	(16.0)
Drawdown of borrowings		**24.7**	129.0
Repayment of borrowings		**(70.3)**	(127.9)
Loan fees repaid		**(0.7)**	(1.6)
Proceeds of share issues to employees		**–**	0.2
Proceeds from equity raise	30	**53.9**	–
Costs associated with equity raise	30	**(4.0)**	–
Unclaimed dividends		**0.2**	–
Equity dividends paid		**(1.2)**	(10.1)
Dividends paid to non-controlling interests		**(0.4)**	–
Net cash inflow/(outflow) from financing activities		**2.2**	(10.4)
Net cash (outflow)/inflow	31	**(17.0)**	11.0
Cash and cash equivalents at start of year		**47.4**	35.5
Foreign exchange differences		**(0.8)**	0.9
Cash and cash equivalents at end of year		**29.6**	47.4
Cash at bank		**29.8**	47.8
Bank overdrafts		**(0.2)**	(0.4)
Cash and cash equivalents at end of year		**29.6**	47.4

Company Cash Flow Statement

for the year ended 30 November

	Note	2019 £m	2018 £m
Loss for the year	8	**(117.8)**	(7.6)
Adjustments for:			
Depreciation and amortisation		**0.2**	0.2
Income tax charge		**1.0**	2.9
Provision for impairment of investments in subsidiaries		**100.8**	6.2
Provision for amount due from subsidiary undertaking		**12.4**	5.3
Impairment of intangible assets		**0.7**	–
Loss on disposal of investments		**–**	0.3
Loss on disposal of intangible assets		**0.1**	–
Net financing income		**(4.0)**	(1.6)
Non-cash pension charges		**–**	4.2
Other non-cash income		**–**	(0.1)
Decrease in receivables		**23.1**	13.7
Decrease in payables		**(19.8)**	(5.3)
Equity-settled share-based payment		**0.1**	(0.2)
Cash inflow from operations		**(3.2)**	18.0
Interest received		**6.3**	5.7
Interest paid		**(2.6)**	(3.7)
Pension cash contributions		**(3.1)**	(3.0)
Net cash inflow from operating activities		**(2.6)**	17.0
Acquisition of intangible assets		**–**	(0.3)
Net cash outflow from investing activities		**–**	(0.3)
Proceeds of share issues to employees		**–**	0.2
Proceeds from equity raise	30	**53.9**	–
Costs associated with equity raise	30	**(4.0)**	–
Loan fees repaid		**–**	(1.4)
Drawdown of borrowings		**20.4**	71.5
Repayment of borrowings		**(61.2)**	(77.1)
Unclaimed dividends		**0.2**	–
Equity dividends paid		**(1.2)**	(10.1)
Net cash outflow from financing activities		**8.1**	(16.9)
Net cash inflow/(outflow)	31	**5.5**	(0.2)
Cash and cash equivalents at start of year		**(2.1)**	(1.9)
Cash and cash equivalents at end of year		**3.4**	(2.1)
Cash at bank		**3.4**	0.4
Bank overdrafts		**–**	(2.5)
Cash and cash equivalents at end of year		**3.4**	(2.1)

Consolidated Statement of Changes in Equity

for the year ended 30 November

	Share capital £m	Share premium £m	Other reserve £m	Translation reserve £m	Retained earnings £m	Equity attributable to equity holders of the Company £m	Non-controlling interest £m	Total equity £m
At 30 November 2017 (as previously reported)	47.4	74.6	–	(26.4)	78.3	173.9	6.4	180.3
Prior year adjustments (Note 39)	–	–	–	–	(2.0)	(2.0)	–	(2.0)
At 30 November 2017 (restated)	47.4	74.6	–	(26.4)	76.3	171.9	6.4	178.3
(Loss)/profit for the year	–	–	–	–	(46.9)	(46.9)	0.5	(46.4)
Other comprehensive income	–	–	–	1.5	2.1	3.6	0.1	3.7
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)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–
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 (restated)	47.4	74.8	–	(24.9)	21.2	118.5	7.0	125.5
Prior year adjustments (Note 39)	–	–	–	–	(2.4)	(2.4)	(0.4)	(2.8)
At 30 November 2018 (restated)	47.4	74.8	–	(24.9)	18.8	116.1	6.6	122.7
Opening balances adjustment on application of new accounting standards (IFRS 9)	–	–	–	–	(0.6)	(0.6)	–	(0.6)
At 30 November 2018 (adjusted)	**47.4**	**74.8**	**–**	**(24.9)**	**18.2**	**115.5**	**6.6**	**122.1**
Loss for the year	**–**	**–**	**–**	**–**	**(59.7)**	**(59.7)**	**(2.7)**	**(62.4)**
Other comprehensive loss	**–**	**–**	**–**	**(1.5)**	**(9.9)**	**(11.4)**	**(0.1)**	**(11.5)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(1.5)**	**(69.6)**	**(71.1)**	**(2.8)**	**(73.9)**
Dividends paid to Ordinary Shareholders	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**	**–**	**(1.2)**
Unclaimed dividends	**–**	**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Shares issued (net of costs) (Note 30)	**18.0**	**–**	**31.9**	**–**	**–**	**49.9**	**–**	**49.9**
Share-based payment	**–**	**–**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**
FX recycled from reserves	**–**	**–**	**–**	**(9.3)**	**–**	**(9.3)**	**–**	**(9.3)**
Net increase/(decrease) for the year	**18.0**	**–**	**31.9**	**(10.8)**	**(70.5)**	**(31.4)**	**(3.2)**	**(34.6)**
At 30 November 2019	65.4	74.8	31.9	(35.7)	(52.3)	84.1	3.4	87.5

Company Statement of Changes in Equity

for the year ended 30 November

	Share capital £m	Share premium £m	Other reserve £m	Retained earnings £m	Total equity £m
At 30 November 2017 (as previously stated)	47.4	74.6	–	111.2	233.2
Prior year adjustments (Note 39)	–	–	–	(4.8)	(4.8)
At 30 November 2017 (restated)	47.4	74.6	–	106.4	228.4
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 (restated)	47.4	74.8	–	89.8	212.0
Opening balances adjustment on application of new accounting standards (IFRS9)	–	–	–	(29.6)	(29.6)
At 30 November 2018 (adjusted)	**47.4**	**74.8**	**–**	**60.2**	**182.4**
Loss for the year	**–**	**–**	**–**	**(117.8)**	**(117.8)**
Actuarial loss on defined benefit pension scheme	**–**	**–**	**–**	**(10.3)**	**(10.3)**
Deferred tax on defined benefit pension scheme	**–**	**–**	**–**	**3.6**	**3.6**
Dividends paid to Ordinary Shareholders	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Unclaimed dividends	**–**	**–**	**–**	**0.2**	**0.2**
Shares issued (net of costs) (Note 30)	**18.0**	**–**	**31.9**	**–**	**49.9**
Share-based payment	**–**	**–**	**–**	**0.1**	**0.1**
Net increase/(decrease) for the year	**18.0**	**–**	**31.9**	**(125.4)**	**(75.5)**
At 30 November 2019	**65.4**	**74.8**	**31.9**	**(65.2)**	**106.9**

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 2019 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 Company financial statements and the Group financial statements have been prepared in accordance with IFRS as adopted by the EU ('adopted IFRS'). At the date of authorisation of these financial statements, there are a number of Standards, Interpretations and Amendments in issue but not yet effective and which have therefore not yet been applied in these financial statements (accounting policy X).

On publishing the 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 2019.

Going concern

The Group closely monitors and manages its funding position throughout the year, including monitoring forecast compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. Forecasts are produced regularly and these, along with related sensitivity analyses, allow management to proactively manage liquidity or covenant compliance risks in a timely manner.

During 2019, the Directors took action to strengthen the Group's balance sheet. These actions included raising £50m of equity, completing the sale of the Civil Engineering businesses, and heavily restricting dividend payments. Given weaker than expected trading, management also took action to implement certain cost saving programmes, to reduce planned operational expenditure and general and administrative spend, and to better control working capital. As announced in May 2019, the Board also began at that point to explore other opportunities to maximise stakeholder value, and, as announced on 20 September 2019, the boards of directors of the Group and of FV Beteiligungs-GmbH (a wholly owned subsidiary of Freudenberg SE, hereafter referred to as "FVB") reached agreement on a recommended acquisition of Low & Bonar PLC and its subsidiaries ("the Offer") by FVB. The Offer was approved by the Group's shareholders on 5 November 2019 and remains subject to European Union competition approval by the European Commission ("EC").

As a consequence of the continued weaker than expected trading performance announced at various points during the year, as well as a deterioration in outlook, and also in light of the Group having less flexibility in managing supplier credit terms than had been the case historically, the Group engaged with its lenders and agreed that the financial covenants which were due to be tested as at 30 November 2019 would be waived, in order to assist the Group in progressing both its turnaround plan and the Offer. As part of these waivers, it was agreed that any further drawings under the Group's Revolving Credit Facility (the "RCF") would require majority lender consent and that, in the event that the Offer were to lapse before 31 May 2020, financial covenants would be tested within 14 days of such lapse with respect to the financial position as at the previous month-end. Whether the Offer were to have lapsed or not, the scheduled covenant test as at 31 May 2020 was to occur. Were the financial covenants to have been tested under the waiver terms as referenced above, then they would have been breached.

At the time of publication of this report, and according to the EC's own guidelines, a formal decision on the Phase 1 review of the competition approval should be provided by 17 April 2020. The EC will provide feedback to the parties on its preliminary assessment of the application ahead of that date, which may include a preliminary view as to the likelihood of Phase 1 clearance. The Directors have a reasonable basis to believe that, under this timetable, if the EC unconditionally approves the Offer during Phase 1, the acquisition is expected to complete before 30 April 2020 or shortly thereafter. In this scenario, the Directors have good reason to believe that FVB has sufficient resources, and the intention, to enable the Group to meet its debts as and when they fall due, including, as may be required, the repayment of the RCF and the Private Placement Notes.

There remains a risk that the EC will not approve the acquisition either (i) unconditionally during the initial phase of the antitrust process, which could cause the offer to lapse, or (ii) before the longstop date of 30 June 2020. Were the Offer to lapse, the Board would seek to execute alternative plans to realise or preserve stakeholder value. This could, amongst other things, include a sale of the Group as a whole or of its constituent parts, raising additional capital, or a refinancing of its debt (the "alternative plans").

In the light of the risk that the Offer may not complete, and the fact that, if covenants were to be tested under the prior arrangements, they would be breached, the Group reached an agreement with its lenders on 27 March 2020 under which the lenders will assist in providing a stable platform to allow the Group time, if the Offer does not complete, to execute alternative plans. Under the terms of this agreement, the lenders have agreed to extend the existing covenant waivers until 30 November 2020, irrespective of the status of the Offer. The agreement also requires the Group to report on certain milestones associated with the Offer and, as appropriate, the delivery of the alternative plans. The lenders have also agreed to make available additional facilities of £12m, the majority of which are under the RCF, with draw down requests on these facilities to be reviewed on a case by case basis. Under the agreement, the lenders will have the right to reinstate a stop on drawings if the Group's forecast liquidity, covering the forward thirteen weeks, looks likely to fall below certain levels. The Group will provide certain additional conventional security and guarantees to the lenders in connection with these further drawings. In addition, a fixed asset loan agreement in China, under which repayment of the outstanding RMB 70m balance was due on 30 June 2020, has been extended, with repayment now due on 30 December 2020, and the Group will provide enhanced security to the lender. At the time of signing this report, the amendments to the lender agreements have been approved by each of the lenders' credit committees and signed by all parties. Certain elements of the terms around the further drawings remain subject to full documentation, including certain conditions precedent, notably around agreement and execution of full documentation for the associated security. These are expected to follow a customary format and the Group does not envisage any scenario whereby these conditions will not be met. For clarity, certain of the terms of the agreements will only come in to effect if the FVB offer lapses.

Accordingly, if the Offer were to lapse, the Group's ability to remain a going concern will be dependent on implementing the alternative plans.

In the absence of a significant new transaction or significant injection of debt and/or equity within such timeframe as is set out in the recently updated agreements, forecasts indicate that covenants would be breached when tested at 30 November 2020, and therefore if further waivers were not agreed the lenders could demand accelerated repayment of their debt. In the event of such a demand, the Group would not expect to have the funds to make these repayments in full.

The COVID-19 virus will clearly have an effect on the Group as it will on virtually all businesses in most geographies over the coming weeks and months. The Board is monitoring this closely, but at this stage it is too early to fully understand and quantify its impact on trading and what the wider impact may be on the Group. Given the Group's financial position, the impact on liquidity is potentially material. Significant reduction in revenue could lead to lower than expected cash flows, at levels which may cause the Group's liquidity to fall below the minimum levels required under the new banking arrangements referenced above and so leave it unable to access the funds it had been expecting to be able to draw on as outlined above.

Accordingly, at the time of signing these financial statements, there remain several material uncertainties related to events or conditions that may cast 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.

For further clarity, the material uncertainties are:

1. Whether the Offer from FVB completes or lapses. For the avoidance of doubt there is a risk that it lapses.

2. Whether, in the event that the Offer lapses, the remaining conditions are met to enable the Group to access the new funds.

3. Whether, in the event that the Offer lapses, the Group implements the alternative plans within the timetable agreed with the lenders.

4. Whether, in the event that the Offer lapses, the Group maintains certain levels of liquidity and hence access to the new funds available at the levels required prior to implementing the alternative plans.

5. Whether, in the event that the Group does not achieve 3 or 4 above, the lenders continue to support the Group in order to allow the Group to complete the execution of the alternative plans, including potentially providing a further waiver with respect to the 30 November 2020 covenant tests.

6. Market conditions over coming months in light of the continuing spread of the COVID-19 virus and the measures being adopted in much of the world to address it, which could lead to lower than expected cash flows, at levels which may cause the Group's liquidity to fall below the minimum levels required under the new banking arrangements referenced above and so leave the group unable to access the funds.

However, the Directors have an expectation, which they believe is reasonable, that either the Offer will complete successfully, or, in the event that the Offer lapses, that either an alternative source of funding would be found by 30 November 2020, or that lenders and other stakeholders would continue to support the Group beyond 30 November 2020 for a sufficient period of time to allow alternative plans to be executed. Accordingly, but recognising the high degree of uncertainty in respect of the dynamic situation unfolding with COVID-19, and the likely impact of this on the global economy, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments that would be required to be made, if they were prepared on a basis other than the going concern basis.

(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 Company financial statements, investments in subsidiaries are carried at cost less impairment.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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.

Significant Accounting Policies continued

(B) Basis of consolidation continued

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. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries

(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.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries

(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 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 the income statement as incurred.

(C) Foreign currency

(i) Foreign currency transactions

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

(ii) Translation of foreign operations

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

(D) Hedging and derivatives

(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 IFRS 9.

(ii) Derivatives

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

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

(D) Hedging and derivatives continued

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

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

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

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

All financial instruments have been measured using a Level 2 valuation method and there have been no transfers in the year between levels.

(E) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment ("PPE") 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 PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE.

(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 PPE 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 PPE and major components that are accounted for separately. Land is not depreciated.

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

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

For other assets, the useful economic lives are:

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

(F) Intangible assets

(i) Goodwill

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

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

(ii) Research and development

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

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

(iii) Other intangible assets

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

(iv) Amortisation

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

Significant Accounting Policies continued

(F) Intangible assets continued

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 expected credit 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.

(i) Financial assets

For trade receivables (which do not contain a significant financing component), the Group applies a simplified approach in calculating expected credit losses ("ECL's"). The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision methodology that is based on the level of credit insurance and historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For inter-company receivables in the Company, we have adopted an approach by which the ECL is determined based on the recoverability of the net assets of the counter-party.

(ii) Goodwill and intangible assets

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.

(iii) 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 ("FVLCOS") and value in use ("VIU"). In assessing VIU, 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.

(K) Share capital continued

(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.

A financial obligation is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(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.

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.

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 of the Company.

(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

The Group is in the business of selling performance materials. 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 control of the goods is transferred to the buyer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Control is considered to have transferred 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 normal credit terms are 30 to 60 days upon delivery.

Significant Accounting Policies continued

(P) Revenue continued

There are no separate performance obligations to which a portion of the transaction price needs to be allocated and in determining the transaction price, the Group has considered whether elements such as variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer are relevant. The Group has concluded that the only relevant factor to consider is variable consideration in the form of volume rebates.

Volume rebates are provided to certain customers once the quantity of products purchased during the period exceeds a certain threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method.

The Group typically provides warranties for general repairs of defects at the time of sale, as required by law. These warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(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.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

(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 better assess 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 reversal of the timing difference and it is probable that the timing difference will not reverse in the future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(T) Segment reporting

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

(U) Significant judgements and estimates

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

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

(i) Critical accounting judgements

Group

Recoverability of goodwill, intangible assets and PPE

In performing the impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to VIU, 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 on pages 120 to 121.

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 assets.

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 £1.8m (2018: £2.8m) in respect of uncertain tax positions, £0.6m has been offset against deferred tax assets in the current year. 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 30 November 2019 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 23 for the Group's deferred tax disclosures.

Non-underlying items

The definition of non-underlying items is not prescribed in any IFRS and therefore 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 41).

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.

Company

Recoverability of investments in subsidiaries

There is currently an open offer on the Group of £106.9m from FVB. Due to this we have recorded significant impairments in the Company, such that the net assets of the Company are also valued at £106.9m. Were this offer to lapse, there is a significant risk that further impairments would be required and judgement would need to be exercised as to the quantum of these write-downs dependent on the future outcomes for the Group.

IFRS9 – Recoverability of inter company receivables

The Company has significant inter-company receivables. Judgement must be applied to assess the recoverability of these assets based on the ECL methodology. Management assess each receivable on an individual basis, understanding whether counterparties have the net assets and future profitability to repay the receivables.

(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£6.5m – £7.4m (2018: £9.1m – £10.2m) respectively.

Significant Accounting Policies continued

(U) Significant judgements and estimates continued

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 the prior year, in conjunction with the Group's pension advisors, we made an initial assessment of the additional liability this ruling would give rise to and at 30 November 2018 estimated that the additional liability would be £4.0m. This estimation was based on 15% of the proportion of liabilities relating to GMPs accrued after 1990. Under IAS 19, any changes to future benefits of the scheme are 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 was presented as a non-underlying item in the prior year.

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 was calculated based on the information available at the time. The key assumption in the calculation was that the additional liability will be 15% of the GMPs accrued after 1990. This was 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 have revisited this judgement at 30 November 2019 based on the latest information of how this ruling will be applied and how it will impact the scheme and we continue to believe that a £4.0m additional liability is appropriate. We will continue to review the £4.0m estimate going forward.

Provision for customs duties and fees

In previous periods, the Group identified some limited irregularities in relation to customs duties which relate to sales arranged from a former overseas sales office in the UAE which was closed several years ago. The 2018 non-underlying charge of £1.6m and closing provision of £2.6m represented the Group's best estimate of the liability (both the duties and penalties to be incurred) and it was treated as non-underlying due to its nature. During the year to 30 November 2019, there has been no substantial change in our view of the duty and penalties to be paid, the movement on the provision relating primarily to foreign exchange movements. 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 VIU and FVLCOS used in impairment testing

The impairment tests undertaken with respect to goodwill, intangible assets and PPE (Notes 11 to 14) along with the cost of investments and inter-company receivables in the Company 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 VIU amount requires management to make an estimate of the future expected cash flows from each group of CGUs 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 applied in the period

(i) IFRS 9 Financial Instruments

For the Group, transition to IFRS 9 is effective from 1 December 2018 with this Annual Report being the first to be published in accordance with IFRS 9. The Group has elected not to restate comparatives on initial application of IFRS 9, instead the opening impact of adoption of IFRS 9 has been recognised in reserves.

The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables and borrowings The classification and measurement requirement of IFRS 9 therefore did not have a significant impact on the Group. The Group continues to measure at fair value all financial assets previously held at fair value under IAS 39. There are also no changes in classification and measurement for the Group's financial liabilities.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. As part of the transition exercise, we identified a difference to trade receivables calculated for our CTT division. The impact is to increase the provision against trade receivables by approximately £0.1m resulting from an estimate of lifetime ECLs being applied to all receivables, even those not past due. In accordance with IFRS 9, this adjustment is reflected as an opening retained earnings adjustment in these financial statements. This adjustment has a minimal impact on earnings per share.

The impact of IFRS 9 on the financial instruments in the Company relates to adopting the ECL approach on inter-company receivables. The impact of adopting the standard has been a £29.6m increase in the provision against inter-company receivables. This has been reflected as an opening retained earnings adjustment.

We also identified a further adjustment to the accounting treatment of non-substantial debt modifications under IFRS 9 of £0.6m (£0.5m net of tax). This adjustment is also reflected as an opening retained earnings adjustment in these financial statements.

(W) New IFRS applied in the period continued

(ii) IFRS 15 Revenue from Contracts with Customers

For the Group, transition to IFRS 15 is effective from 1 December 2018 with this Annual Report being the first to be published in accordance with IFRS 15. 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 2018 are not 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:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group's performance obligations are mainly limited to the delivery of goods and there is therefore no significant change required to the accounting previously adopted under IAS 18. The net impact to the opening balance sheet, balance sheet as at 30 November 2019 and earnings per share is therefore immaterial.

(X) New IFRS not yet effective

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 2019 (and in some cases had not yet been adopted by the EU) and have not yet been adopted by the Group:

IFRS 16 Leases

For the Group, transition to IFRS 16 took 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 has opted to use the modified retrospective approach on all leases. Property leases are assessed on an individual basis and other leases are separated into lease classes by geography.

The key judgements in determining the impact of the new standard include: 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 potential impact of a day-1 impairment to any of the assets brought onto the balance sheet.

The most significant financial impact will be that the Group's PPE 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. We anticipate that an asset in the range of £4.1m-£5.2m will be recognised with a corresponding liability in the range of £14.7m-£16.5m. The estimated impact on the 2020 income statement would be savings of c£3.3m at an EBIT level, and £2.6m of PBT. The estimated impact on EPS would be 0.003p. In determining the value of the asset to be brought onto the balance sheet, a day-1 impairment of c£6.9m will be recognised based on the IAS 36 impairment reviews completed at 30 November 2019. The impairment relates to leases in the CTT and Yihua Bonar CGUs.

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

- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment features with negative compensation – Amendments to IFRS 9
- Long-term interests in associates and joint ventures – Amendments to IAS 28
- IFRS 17 Insurance Contracts
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Amendments to References to Conceptual Framework in IFRS Standards
- Annual IFRS improvement process
  - IFRS 3 – Business Combinations- previously held interests in a joint operation
  - IFRS 11 – Joint arrangements – previously held interests in a joint operation
  - IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity
  - IAS 23 – Borrowing costs – Borrowing costs eligible for capitalisation
- Definition of a Business – Amendments to IFRS 3
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Definition of Material – Amendments to IAS 1 and IAS 8 EU
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

(Y) 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 41, 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. In October 2018, the Board approved the combination of the Building & Industrial, Interiors & Transportation and Dundee business units into one single group known as "Colbond". Following this reorganisation, effective 1 December 2018, the Group's reportable segments are as follows:

- the Colbond segment, selling products to the building, flooring, industrial and automotive industries, and comprising the Group's Colback and Enka technologies, along with the woven product produced in China. This segment comprises three business segments, organised regionally, being EMEA, APAC and the Americas. These three regional business segments possess similar economic characteristics, products and services, manufacturing processes and customer types, and have therefore been aggregated into a single reportable segment.
- the Coated Technical Textiles ("CTT") segment producing coated fabrics; and
- the civil engineering segment, producing and selling needle-punched non-woven fabrics and construction fibres – this segment (with the exception of the Ivanka site) is now presented as discontinued operations – see Note 38.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and for assessing performance. Segment performance is evaluated based on operating profit or loss. Finance costs, finance income and income taxes are managed on a Group basis. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash and cash equivalents, interest-bearing loans, borrowings, investments in joint ventures and associates, post-employment benefits and corporate assets and expenses. Inter-segment sales are not material.

Revenue from external customers – continuing operations

	2019 £m	2018* £m
Colbond	**196.9**	219.3
Coated Technical Textiles	**120.4**	138.8
Civil engineering – Ivanka	**–**	3.5
Revenue for the year	**317.3**	361.6

No further disaggregation of revenue is deemed to be appropriate based on the similar nature, amount, timing and uncertainty of revenue and cash flows within each of the revenue streams within the segments.

There are no inter-company sales between segments in the current year or prior year.

Profit/(loss) before tax – continuing operations

	Underlying		Non-underlying		Total	
	2019 £m	2018* £m	2019 £m	2018* £m	2019 £m	2018* £m
Colbond	**10.9**	25.7	**(20.1)**	(3.8)	**(9.2)**	21.9
Coated Technical Textiles	**(0.4)**	2.3	**(36.2)**	(42.9)	**(36.6)**	(40.6)
Civil engineering – Ivanka	**–**	–	**(0.4)**	(0.5)	**(0.4)**	(0.5)
Unallocated central	**(5.4)**	(5.8)	**(2.7)**	(8.4)	**(8.1)**	(14.2)
Operating profit/(loss)	**5.1**	22.2	**(59.4)**	(55.6)	**(54.3)**	(33.4)
Net financing costs	**(4.2)**	(5.5)	**(2.7)**	(0.3)	**(6.9)**	(5.8)
Profit/(loss) before taxation	**0.9**	16.7	**(62.1)**	(55.9)	**(61.2)**	(39.2)

Return on sales/operating margin – continuing operations**

	2019	2018*
Colbond	**5.5%**	11.7%
Coated Technical Textiles	**(0.3)%**	1.7%
Civil engineering – Ivanka	**–**	–
Total	**1.6%**	6.1%

* Restated for the change in operating segments following the reorganisation (Note 38) and prior year adjustments (Note 39).

** 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

Constant currency analyses

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

	2019 £m	2018* £m	Year-on-year change* %	2018* (constant currency) £m	Year-on-year change* %
Revenue					
Colbond	**196.9**	219.3	(10.2%)	223.6	(11.9%)
Coated Technical Textiles	**120.4**	138.8	(13.3%)	138.4	(13.0%)
Civil engineering – Ivanka	**–**	3.5	(100.0%)	3.5	(100.0%)
Revenue for the year	**317.3**	361.6	(12.3%)	365.5	(13.2%)
Underlying profit/(loss) before tax from continuing operations					
Colbond	**10.9**	25.7	(57.6%)	26.4	(58.7%)
Coated Technical Textiles	**(0.4)**	2.3	(117.4%)	2.2	(118.2%)
Civil engineering – Ivanka	**–**	–	–	–	–
Unallocated central	**(5.4)**	(5.8)	6.9%	(5.8)	6.9%
Underlying operating profit	**5.1**	22.2	(77.0%)	22.8	(77.6%)
Net financing costs	**(4.2)**	(5.5)	23.6%	(5.6)	25.0%
Total	**0.9**	16.7	(94.6%)	17.2	(94.8%)

* Restated for the change in operating segments following the reorganisation (Note 38) and prior year adjustments (Note 39).

Segment assets, liabilities, other information

2019	Colbond £m	Civil engineering – Ivanka £m	Coated Technical Textiles £m	Unallocated central £m	Total £m
Reportable segment assets	**185.9**	**2.1**	**61.5**	**1.1**	**250.6**
Investment in joint venture					**0.6**
Cash and cash equivalents					**29.8**
Post-employment benefits					**4.2**
Assets classified as held for sale					**–**
Other unallocated assets					**3.0**
Total Group assets					**288.2**
Reportable segment liabilities	**(29.7)**	**(0.4)**	**(17.7)**	**(4.3)**	**(52.1)**
Loans and borrowings					**(129.7)**
Post-employment benefits					**(13.6)**
Liabilities directly associated with assets classified as held for sale					**–**
Other unallocated liabilities					**(5.3)**
Total Group liabilities					**(200.7)**
Other information – continuing operations					
Additions to PPE	**9.6**	**–**	**2.9**	**–**	**12.5**
Additions to intangible assets and goodwill	**1.2**	**–**	**0.3**	**0.1**	**1.6**
Depreciation	**(8.4)**	**(0.2)**	**(1.7)**	**(0.1)**	**(10.4)**
Tax – underlying	**(2.0)**	**–**	**(1.7)**	**2.4**	**(1.3)**
Amortisation of acquired intangible assets	**(0.7)**	**–**	**(1.0)**	**–**	**(1.7)**
Non-underlying items – continuing operations	**(19.4)**	**(0.4)**	**(35.2)**	**(2.7)**	**(57.7)**

Notes to the Accounts continued

1. Segmental information continued

2018*	Colbond** £m	Civil engineering – Ivanka £m	Coated Technical Textiles £m	Unallocated central £m	Discontinued** operations (£m)	Total** £m
Reportable segment assets	210.5	–	105.0	2.5	37.6	355.6
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						4.7
Total Group assets						423.0
Reportable segment liabilities	(42.6)	(0.5)	(28.0)	–	(21.4)	(92.5)
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						(18.2)
Total Group liabilities						(300.3)
Other information*						
Additions to PPE	11.7	0.2	2.8	–	0.5	15.2
Additions to intangible assets and goodwill	2.6	–	0.3	0.4	0.1	3.4
Depreciation	(10.7)	(0.1)	(3.8)	(0.2)	(1.0)	(15.8)
Tax – underlying	(3.2)	–	(1.9)	1.2	–	(3.9)
Amortisation of acquired intangible assets	(0.6)	–	(2.2)	–	–	(2.8)
Non-underlying items	(3.2)	(0.5)	(40.7)	(8.4)	(6.6)	(59.4)

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 (Excl. deferred tax asset)	
	2019 £m	**2019 %**	2018* £m	2018* %	**2019 £m**	2018** £m
Europe	**184.2**	**58**	209.9	58	**66.1**	122.1
North America	**82.1**	**26**	94.3	26	**26.5**	24.2
Middle East	**7.7**	**3**	8.9	3	**–**	–
Asia	**32.2**	**10**	36.7	10	**35.8**	49.9
Rest of the World	**11.1**	**3**	11.8	3	**–**	–
Total	**317.3**	**100**	361.6	100	**128.4**	196.2

Revenue from continuing operations arising in the UK, which is the Company's country of domicile, were £11.0m (2018 (restated*): £11.3m). The net book value of non-current assets located in the UK at 30 November 2019 was £4.5m (2018 (restated**): £11.6m).

In the current year more than 10% of the Group's revenues arose in Germany, the Netherlands, China and the USA.

- The net book value of non-current assets located in Germany at 30 November 2019 was £6.2m (2018: £35.9m) and revenues in the year to 30 November 2019 were £62.7m (2018: £74.9m).
- The net book value of non-current assets located in the Netherlands at 30 November 2019 was £55.5m (2018: £68.7m) and revenues in the year to 30 November 2019 were £82.4m (2018: £91.1m).
- The net book value of non-current assets located in China at 30 November 2019 was £35.8m (2018: £49.9m) and revenues in the year to 30 November 2019 were £32.1m (2018: £36.1m).
- The net book value of non-current assets located in the USA at 30 November 2019 was £26.3m (2018: £24.9m) and revenues in the year to 30 November 2019 were £76.4m (2018: £88.0m).

* Restated for the change in operating segments following the reorganisation (Note 38)

** Restated due to prior year adjustments (Note 39)

2. Profit/(loss) before taxation

From continuing operations	2019 £m	2018* £m
Total operating costs (including non-underlying items)	371.6	395.0
Comprises:		
Cost of sales	242.7	267.4
Distribution costs	31.6	33.9
Administrative and other costs	35.8	32.1
Other operating (income)/costs	(0.5)	3.7
Research and development expenditure recognised as an expense	4.3	5.1
Non-underlying items (Note 5)	57.7	52.8
Total operating costs (including non-underlying items) above include:		
Staff costs (Note 3)	83.5	86.2
Inventories		
Cost of inventories recognised as an expense	161.9	256.1
Write-down of inventories recognised as an expense	2.0	0.5
Change in provisions held against inventories	(2.6)	(0.4)
Depreciation of PPE	10.4	14.6
Amortisation of intangible assets	3.2	4.1
Non-current assets impairment losses	50.9	41.6
Exchange differences recognised as a loss/(gain)	0.4	(0.1)
Loss/(gain) on disposal of non-current assets	0.9	(0.2)
Amounts payable under operating leases:		
Property	4.3	4.2
Plant and equipment	1.9	2.1

* Restated to reflect continuing operations only

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 £1.7m (2018: £2.8m) 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:

	2019 £m	2018 £m
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	0.3	0.2
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	0.5	0.4
Non-audit services:		
Corporate tax compliance	–	–
Corporate tax consultancy	–	–
Other non-audit services	–	–

The total amount paid to the auditor was £0.8m (2018: £0.6m).

3. Staff numbers and costs

The average number of persons employed by the Group (continuing operations only) during the year including Executive Directors was:

	Group	
	2019	2018*
Production	1,082	1,198
Sales	315	260
Administrative	242	256
Total	1,639	1,714

The average number of people employed by the Company during the year was 22 (2018: 22).

The aggregate staff costs were:

	Group	
	2019 £m	2018* £m
Wages and salaries	67.5	70.0
Social security costs	12.4	12.6
Pension costs	3.6	3.6
Total	83.5	86.2

	Company	
	2019 £m	2018 £m
Wages and salaries	3.1	3.0
Social security costs	0.4	0.4
Pension costs	0.8	0.7
Total	4.3	4.1

* Restated to reflect continuing operations only

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

The decrease in aggregate staff costs is due to the Group-wide transformation programme in place in the period.

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 £3.0m (2018: £3.6m).

(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 credit for the year ended 30 November 2019 for the UK pension scheme was £0.4m (2018: charge of £3.9m) comprising £0.4m interest income. Within the 2018 charge there was a £4.0m charge relating to the additional liability which arose following the GMP ruling, this was presented in non-underlying items (Note 5). There have been no adjustments to the estimation of this liability in 2019 and therefore there has been no further income statement impact in the year.

In April 2019, the Group supported the UK scheme in its decision to enter into a buy-in of £82.1m of the UK scheme liabilities to reduce the scheme's exposure to investment, inflation and mortality risk and to protect the long-term financial security of members' benefits. As a consequence of this buy-in, there was an actuarial loss of £6m due to the price paid for the insurance policy purchased in April 2019 being higher than the accounting liability in respect of the members insured. In addition to this, the main reason for the reduction in surplus in the period was a significant fall in discount rates between 30 November 2018 and 30 November 2019 from 2.9% to 1.9%.

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 requirements 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 buy-in policies. 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.

Guaranteed minimum pensions

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 the prior year, in conjunction with the Group's pension advisors, we made an initial assessment of the additional liability this ruling would give rise to and at 30 November 2018 estimated that the additional liability would be £4.0m. This estimation was based on 15% of the proportion of liabilities relating to GMPs accrued after 1990. Under IAS 19, any changes to future benefits of a scheme are 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 was presented as a non-underlying item in the prior year.

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 was calculated based on the information available at the time. The key assumption in the calculation was that the additional liability will be 15% of the GMPs accrued after 1990.

4. Post-employment benefits continued

This was 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 have revisited this judgement at 30 November 2019 based on the latest information of how this ruling will be applied and how it will impact the scheme and we continue to believe that a £4.0m additional liability is appropriate. We will continue to review the £4.0m estimate going forward.

(ii) Non-UK

Defined benefit schemes are held in Germany and the USA. The scheme in Belgium was sold with the civil engineering division in the year. 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	
	2019 **%**	2018 %	**2019** **%**	2018 %
Discount rate	**1.90**	2.90	**1.75**	3.25
Future salary increases	**–**	–	**2.25**	2.25
Future pension increases (Retail Price Index "RPI" – capped at 5%)	**2.70**	3.20	**–**	1.80
Inflation increase (Consumer Price Index "CPI")	**2.10**	2.20	**2.00**	2.00
Health care cost trend – immediate	**–**	–	**5.80**	6.00
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 21.7 years and a female member for a further 23.7 years (2018: male – 21.6 years, female – 23.6 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 45.2 years (2018: male – 43.1 years, female – 45.1 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.

Notes to the Accounts continued

4. Post-employment benefits continued

(iv) Financial impact of schemes

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

	UK schemes		Non-UK schemes		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Fair value of scheme assets	**194.9**	187.0	**8.7**	11.0	**203.6**	198.0
Present value of defined benefit obligations	**(190.7)**	(176.0)	**(22.3)**	(21.7)	**(213.0)**	(197.7)
Net asset/(liability) recognised in the balance sheet	**4.2**	11.0	**(13.6)**	(10.7)	**(9.4)**	0.3

The prior year non-UK schemes' net liability included an asset of £0.4m in respect of the Belgian scheme which was included within non-current assets on the balance sheet.

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

	UK schemes		Non-UK schemes		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Current service cost	**–**	–	**0.3**	0.3	**0.3**	0.3
Net interest (income)/cost	**(0.4)**	(0.3)	**0.3**	0.2	**(0.1)**	(0.1)
Administration costs	**–**	0.2	**–**	–	**–**	0.2
Past service costs	**–**	4.0	**–**	–	**–**	4.0
Total	**(0.4)**	3.9	**0.6**	0.5	**0.2**	4.4

From 1 July 2018, the scheme's administration expenses were paid directly by the Company up to a cap of £0.5m. The pension administration expenses paid directly by the Company for the year ended 30 November 2019 amounted to £0.7m (2018: £0.3m), of which £0.2m will be recharged to the scheme.

Amounts recognised in Other Comprehensive Income are as follows:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Net actuarial (loss)/gain in the year due to:	**(13.7)**	3.5	**(10.3)**	1.9
– Changes in financial assumptions	**(23.2)**	6.8	**(19.3)**	7.0
– Changes in demographic assumptions	**0.1**	1.4	**–**	–
– Experience adjustments on benefit obligations	**0.2**	(0.9)	**0.2**	(0.8)
Actual return on scheme assets less interest on scheme assets	**9.2**	(3.8)	**8.8**	(4.3)
Associated deferred tax	**3.8**	(1.4)	**3.6**	(0.6)

4. Post-employment benefits continued

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

	UK schemes		Non-UK schemes		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Opening balance sheet net asset/(liability)	**11.0**	10.0	**(10.7)**	(12.2)	**0.3**	(2.2)
Amount recognised in income statement	**0.4**	(3.9)	**(0.6)**	(0.5)	**(0.2)**	(4.4)
Amount recognised in Other Comprehensive Income	**(10.3)**	1.9	**(3.4)**	1.6	**(13.7)**	3.5
Contributions paid	**3.1**	3.0	**0.5**	0.4	**3.6**	3.4
Disposal of Belgian pension scheme	**–**	–	**0.1**	–	**0.1**	–
Exchange adjustments	**–**	–	**0.5**	–	**0.5**	–
Closing balance sheet net asset/(liability)	**4.2**	11.0	**(13.6)**	(10.7)	**(9.4)**	0.3

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

	UK schemes		Non-UK schemes		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Opening defined benefit obligation	**176.0**	183.4	**21.7**	23.1	**197.7**	206.5
Current service cost	**–**	–	**0.3**	0.3	**0.3**	0.3
Interest cost	**5.0**	4.4	**0.6**	0.6	**5.6**	5.0
Actuarial loss/(gain) due to:	**19.1**	(6.2)	**3.8**	(1.1)	**22.9**	(7.3)
– Changes in financial assumptions	**19.3**	(7.0)	**3.9**	0.2	**23.2**	(6.8)
– Changes in demographic assumptions	**–**	–	**(0.1)**	(1.4)	**(0.1)**	(1.4)
– Experience adjustments on obligations	**(0.2)**	0.8	**–**	0.1	**(0.2)**	0.9
Benefits paid	**(9.4)**	(9.6)	**(1.2)**	(1.6)	**(10.6)**	(11.2)
Past service costs	**–**	4.0	**–**	–	**–**	4.0
Disposal of Belgian pension scheme	**–**	–	**(2.3)**	–	**(2.3)**	–
Exchange adjustments	**–**	–	**(0.6)**	0.4	**(0.6)**	0.4
Closing defined benefit obligation	**190.7**	176.0	**22.3**	21.7	**213.0**	197.7

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

	UK schemes		Non-UK schemes		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Opening fair value of scheme assets	**187.0**	193.4	**11.0**	10.9	**198.0**	204.3
Interest on scheme assets	**5.4**	4.7	**0.3**	0.4	**5.7**	5.1
Actual return on scheme assets less interest on scheme assets	**8.8**	(4.3)	**0.4**	0.5	**9.2**	(3.8)
Administration costs	**–**	(0.2)	**–**	–	**–**	(0.2)
Contributions by employers	**3.1**	3.0	**0.5**	0.4	**3.6**	3.4
Benefits paid	**(9.4)**	(9.6)	**(1.2)**	(1.6)	**(10.6)**	(11.2)
Disposal of Belgian pension scheme	**–**	–	**(2.2)**	–	**(2.2)**	–
Exchange adjustments	**–**	–	**(0.1)**	0.4	**(0.1)**	0.4
Closing fair value of scheme assets	**194.9**	187.0	**8.7**	11.0	**203.6**	198.0

Notes to the Accounts continued

4. Post-employment benefits continued

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

	2019 £m	2019 %	2018 £m	2018 %
Equity securities	–	–	10.4	6
Debt securities	8.2	4	7.9	4
Diversified growth funds	27.5	14	29.3	16
LDI funds	24.1	12	38.5	20
Property	–	–	24.6	13
Insurance policies	111.9	58	33.3	18
Private credit	14.8	8	15.7	8
Cash and other	8.4	4	27.3	15
Total	194.9	100	187.0	100

The insurance policies are buy-in policies that match the benefits due to pensioners, and are 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 debt securities are UK based, short duration credit securities.

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

	2019 £m	2019 %	2018 £m	2018 %
Equity securities	5.2	60	5.2	47
Debt securities	2.8	32	4.9	45
Property	–	–	0.1	1
Insurance policy	0.5	6	0.6	5
Cash and other	0.2	2	0.2	2
Total	8.7	100	11.0	100

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

	(Increase)/decrease in obligation (£m)			
	2019		2018	
Change in assumptions	**-0.5%pa**	**+0.5%pa**	-0.5%pa	+0.5%pa
Discount rate	(7.4)	6.5	(10.2)	9.1
Inflation and pension increases	4.4	(4.7)	5.8	(5.9)
	-1 year	**+1 year**	-1 year	+1 year
Life expectancy	3.5	(3.5)	6.0	(6.0)

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

5. Non-underlying items

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

		2019 £m	2018 £m (restated – Note 39)
Amounts charged/(credited) to operating profit			
Restructuring costs – *(All segments)*	(a)	**3.2**	3.7
Coated Technical Textiles impairment – *(Coated Technical Textiles segment)*	(b)	**33.4**	39.0
Yihua Bonar impairment – *(Colbond segment)*	(c)	**7.5**	–
Bonar Changzhou impairment – *(Colbond segment)*	(d)	**6.7**	–
Colbond Americas impairment – *(Colbond segment)*	(e)	**1.8**	–
Impairment of the ERP system – *(Unallocated segment)*	(f)	**–**	1.5
Dundee impairment – *(Colbond segment)*	(g)	**0.2**	0.1
Closure of Ivanka plant – *(Civil engineering segment)*	(h)	**0.4**	0.5
Provision for customs duties & fees – *(Unallocated segment)*	(i)	**(0.1)**	1.6
Acquisition and disposal related costs – *(All segments)*	(j)	**2.2**	0.3
Amortisation of acquired intangible assets – *(Colbond and Coated Technical Textiles segments)*	(k)	**1.7**	2.8
Loss on the disposal of land and buildings – *(Coated Technical Textiles segment)*	(l)	**–**	0.1
Disposal of the agro-textile business – *(Colbond segment)*	(m)	**–**	1.2
Costs associated with the fire in Lomnice – *(Coated Technical Textiles segment)*	(n)	**0.2**	0.6
GMP equalisation additional liability – *(Unallocated segment)*	(o)	**–**	4.0
Settlement agreement – *(Coated Technical Textiles segment)*	(p)	**0.8**	–
Impairment of R&D – *(Colbond segment)*	(q)	**0.9**	0.2
Other impairments *(Colbond and Unallocated Segment)*	(r)	**0.4**	–
Other		**0.1**	–
Total charge to operating profit		**59.4**	55.6
Amendments to the Senior Loan Note debt – *(Unallocated segment)*	(s)	**2.7**	–
Write-off of arrangement fees – *(Unallocated segment)*	(t)	**–**	0.3
Total charge to profit before tax		**62.1**	55.9
Tax credit in the year	(u)	**(3.7)**	(1.3)
Total charge to profit – continuing operations		**58.4**	54.6
Restructuring costs	(a)	**–**	0.5
Impairment of Hungary plant and equipment	(v)	**–**	5.0
Profit on disposal of CF disposal group (net of FX recycling)	(w)	**(1.9)**	–
Loss on disposal of NPNW disposal group (net of FX recycling)	(x)	**5.9**	–
Acquisition and disposal related costs	(y)	**2.2**	0.3
FX recycling on Bonar Natpet JV	(z)	**(0.8)**	–
Costs to exit the Bonar Natpet JV	(aa)	**0.2**	0.8
Tax (credit)/charge on non-underlying items	(ab)	**(0.8)**	0.1
Total charge to discontinued operations		**4.8**	6.7
Total charge to profit for the period		**63.2**	61.3

a) £3.2m of costs have been incurred in the year in the further Group-wide transformation programme to right-size the organisation and to optimise the organisational structure (2018: £4.2m). Costs primarily include the non-underlying costs of headcount reduction, and certain costs associated with reviewing and optimising the Group's warehouse footprint.

b) The results of the CTT cash-generating unit ("CGU") were significantly below expectations in the first half of the year and as such a full impairment review was completed at 31 May 2019. This resulted in the impairment of the full value of the intangible assets and PPE in the CGU at 31 May 2019. In the second half of the year, results have declined further and therefore all assets capitalised in the second half of the year have also been fully impaired. The impairment charge relating to intangible assets was £8.8m with an impairment of £24.6m impacting PPE. Please refer to Note 11 for full details of the impairment tests conducted.

In the prior year, following the annual goodwill impairment review of CTT, the goodwill was fully impaired from £39.0m to £nil (Note 12).

c) The results of the Yihua Bonar CGU, our woven operation in China, were significantly below expectations in the first half of the year and as such a full impairment review was completed at 31 May 2019. This resulted in the impairment of the full value of the goodwill and PPE in the CGU at 31 May 2019. The impairment charge to goodwill was £0.3m with an impairment of £7.2m impacting PPE. No further significant assets have been capitalised in the second half of the year and there are no indications that this impairment should be reversed based on the performance of the CGU in the second half of the year. Please refer to Note 11 for full details of the impairment tests conducted.

Notes to the Accounts continued

5. Non-underlying items continued

d) An impairment of £6.7m has been recorded in the year in relation to the Bonar Changzhou CGU, £0.1m relating to intangible assets with £6.6m relating to PPE. The CGU has had a difficult 2019, facing an increasingly difficult market environment in its key flooring and decoration markets along with ongoing impacts from the US/China tariff disputes. Please refer to Note 11 for full details of the impairment tests conducted.

e) An impairment of £1.8m has been recorded in the year in relation to the goodwill attributed to the Colbond Americas CGU. The CGU has had some operational issues in 2019 and faces some challenges in its building and automotive markets. Please refer to Note 11 for full details of the impairment tests conducted.

f) In the prior 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 was recorded, £0.7m related to computer software (Note 13) and £0.8m related to assets in the course of construction (Note 14). No further impairments have been recorded in 2019.

g) In 2019, the results of the Dundee CGU deteriorated against budget and as such, indicators of impairment were present. Based on the subsequent impairment review at 30 November 2019, the recoverable assets of the Dundee CGU were found to be significantly below the carrying value of the net assets and therefore the full value of the intangible assets and PPE needed to be impaired. Having reviewed the results of the CGU over previous years, it was determined that the impairment should have been recognised in previous periods and therefore we have recorded a £1.3m prior year adjustment (effective pre-2018). The current year impairment charge of £0.2m and the £0.1m charge in 2018 reflects the additions that were capitalised in the current and prior year.

h) In 2017, as part of the first stage of the strategic review of civil engineering, it was decided to exit from the loss-making weaving plant in Ivanka, Slovakia. The £0.5m charge in 2018 related to redundancies, consultancy costs and a loss on inventories sold at a reduced price following the site closure. The £0.4m in 2019 relates to the ongoing site costs until the remaining assets (the land and buildings) are disposed of and the additional depreciation recorded on the transfer of the Ivanka site from assets held for sale to PPE (Note 22).

i) In previous periods, the Group identified limited irregularities in relation to customs duties in the UAE. At 30 November 2018, the closing provision for our best estimate of the costs to be incurred in relation to this issue was £2.6m. There has been no further significant progress on the claim in the period and there is no substantial change in our view of the duty and penalties to be paid. The £0.1m credit in the period relates primarily to the impact of foreign exchange movements on the provision.

j) £2.2m has been recorded in the year in relation to costs incurred on the potential takeover of the Group by FVB. £1.9m relates to professional fees with £0.3m relating to employee retention plans. This does not include costs which are contingent on the deal completing successfully, and which have been recorded as contingent liabilities (Note 35).

k) The amortisation of acquired intangibles of £1.7m (2018: £2.8m) is excluded from underlying profit in accordance with the Group's accounting policies. The significant reduction from the prior year relates to the impairment of the CTT intangible assets in the year.

l) In the prior year 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.

m) In 2017, the Group completed the disposal of the Lokeren-based agro-textile business. £0.6m of the cost in 2018 represented the fair value of an unfavourable contract to purchase woven products from the purchasers of the agro-textile business, which was entered into at the time of the sale. The remaining £0.6m related to additional disposal costs.

n) In late 2018 there was a fire at our CTT plant in Lomnice (Czech Republic). Due to the fire, production was severely disrupted and the £0.2m costs in the current year and £0.6m in the prior year represent the operating loss incurred in the periods 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.

o) A £4.0m additional liability was recognised in the UK pension scheme in 2018 following the result of the court case to equalise all GMP benefits in October 2018 (Note 4).

p) In the first quarter of 2019, an agreement was entered into with a key customer of CTT to settle claims relating to products sold prior to 2017. This settlement resulted in CTT agreeing to pay for claims received beyond their normal contractual warranty obligations. This agreement expires at the end of 2020. A £0.8m charge was recognised during 2019 in respect of this settlement. Given the material size of this item, the fact that settlement of claims outside the standard contractual terms is non-routine, and reflecting the fact that this cost relates to items sold prior to 2017, it has been determined that the costs relating to this agreement should be presented as non-underlying items in line with the Group's accounting policies.

q) The impairment of R&D costs relates to a significant development project in Colbond which has been cancelled in the year.

r) £0.4m of additional impairments have been made in the year relating to intangible assets which are no longer supportable. This includes the write-off of projects that have been reassessed following the reorganisation of the Group, such as website development costs and costs capitalised relating to the generation of a Group-wide procurement function.

s) In 2019, a portion of the Senior Loan Note debt was repaid early following the sale of the civil engineering business. As a result, a £0.6m make-whole payment was charged by the holders of the loan notes. At the same time as the repayment, the debt was amended to include additional fees. These changes result in a £2.1m fair value adjustment on modification of the debt.

t) 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.

5. Non-underlying items continued

u) The non-underlying tax credit of £3.7m (2018 (restated): £1.3m) for continuing operations includes:

	2019 £m	2018 £m (restated)
Tax credits on non-underlying expenses	1.7	1.4
Deferred tax on non-underlying pension movements	–	1.4
Deferred tax on pension contributions	(1.1)	(1.1)
Deferred tax on impairment of non-current assets	3.7	0.3
Deferred tax on debt modification	0.4	–
Revaluation of deferred tax assets and liabilities arising from changes in tax rates	0.3	2.0
De-recognition of previously recognised net deferred tax assets	(1.8)	(3.5)
Amortisation of acquired intangible assets	0.5	0.8
Total	**3.7**	**1.3**

v) In 2018, the Group recorded an impairment of £5.0m relating to the Hungary CGU following the poor performance of the business (Note 39).

w) On 1 July 2019, the Group disposed of the CF business for £6.6m net proceeds generating a profit on disposal, before fees, of £1.9m (Note 33).

x) On 2 September 2019, the Group disposed of the NPNW business for £14.0m net proceeds generating a loss on disposal, before fees, of £5.9m (Note 33).

y) £2.2m of costs have been incurred in the year in relation to the sale of the civil engineering business, primarily made up of external consultancy costs and professional fees.

z) A £0.8m foreign exchange gain was recycled from reserves on the exit of the Bonar Natpet JV.

aa) This comprises additional costs incurred following the Group's exit from the Bonar Natpet JV in January 2019.

ab) The non-underlying tax credit of £0.8m (2018 (restated): charge of £0.1m) for discontinuing operations includes:

	2019 £m	2018 £m (restated)
Tax credits on non-underlying expenses	0.2	0.2
Tax on disposal of civil engineering	0.6	–
Tax on civil engineering impairment	–	(0.7)
Tax on Hungary impairment	–	0.5
Revaluation of deferred tax assets and liabilities arising from changes in tax rates	–	(0.1)
Total	**0.8**	**(0.1)**

6. Financial income and financial expense

	2019 £m	2018 £m
Financial income		
Interest income	0.1	0.1
Net interest on pension scheme net liabilities	0.1	0.1
	0.2	0.2
Financial expense		
Interest on bank overdrafts and loans	(5.5)	(5.8)
Amortisation of bank arrangement fees	(0.3)	(0.3)
Fair value adjustment to Senior Loan Note debt	(2.1)	–
Hedge ineffectiveness on net investment hedges	0.8	–
Capitalised interest	–	0.1
	(7.1)	(6.0)
Net financial expense	**(6.9)**	**(5.8)**

Underlying net finance expense

The underlying net finance expense for the year is £4.2m, including a £0.8m gain which was recorded in relation to the portion of a net investment hedge which was deemed to be ineffective.

Non-underlying net finance expense

The non-underlying net finance expense for the year is £2.7m. Included in interest on bank overdrafts and loans is £0.6m for the make-whole payment to the holders of the Senior Loan Note debt on the early repayment of a portion of the debt. A £2.1m fair value adjustment was also recorded in relation to the Senior Loan Note debt following amendments to the terms of the debt (Note 5). In the prior year, £0.3m related to the write-off of unamortised loan fees.

7. Taxation

Recognised in the income statement

	2019 £m	2018 £m (restated)
Current tax		
UK corporation tax		
– current year	–	–
– prior year	–	–
Overseas tax		
– current year	1.7	4.5
– prior year	(1.1)	(0.8)
Total current tax	0.6	3.7
Deferred tax	(3.0)	(1.1)
Total (credit)/charge in the income statement from continuing operations	(2.4)	2.6
Tax from discontinued operations – underlying (Note 32)	0.8	0.5
Tax from discontinued operations – non-underlying (Note 32)	(0.8)	0.1
Total tax (credit)/charge in the income statement	**(2.4)**	**3.2**

The amount of deferred tax income relating to changes in tax rates is £0.3m (2018: £2.0m).

Notes to the Accounts continued

7. Taxation continued

Reconciliation of effective tax rate

The differences between the total tax (credit)/charge shown on page 117 and the amount calculated by applying the standard rate of UK corporation tax of 19% (2018: 19%) to the profit/(loss) before tax are as follows:

	Underlying		Non-underlying		Total	
	2019 £m	2018 £m (restated)	**2019 £m**	2018 £m (restated)	**2019 £m**	2018 £m (restated)
Profit/(loss) before tax from continuing operations	**0.9**	16.7	**(62.1)**	(55.9)	**(61.2)**	(39.2)
Profit/(loss) before tax from discontinued operations	**2.0**	0.2	**(5.6)**	(6.6)	**(3.6)**	(6.4)
Profit/(loss) before tax from total operations	**2.9**	16.9	**(67.7)**	(62.5)	**(64.8)**	(45.6)
Tax charge/(credit) at 19% (2018: 19%)	**0.5**	3.2	**(12.9)**	(11.9)	**(12.4)**	(8.7)
Expenses not deductible	**3.0**	1.7	**4.7**	7.4	**7.7**	9.1
Income not taxable	**–**	(0.3)	**(1.6)**	–	**(1.6)**	(0.3)
Higher tax rates on overseas earnings	**(3.5)**	1.8	**(7.0)**	(0.2)	**(10.5)**	1.6
Current tax losses not utilised	**1.9**	0.6	**0.6**	0.8	**2.5**	1.4
Deferred tax not credited	**1.0**	–	**10.2**	–	**11.2**	–
Other differences	**–**	(1.9)	**–**	1.2	**–**	(0.7)
Adjustments to current tax charged in prior periods	**(0.5)**	(0.7)	**–**	–	**(0.5)**	(0.7)
Adjustments to deferred tax charges due to changes in tax rates	**–**	–	**(0.3)**	(2.0)	**(0.3)**	(2.0)
Adjustments to deferred tax charged in prior period	**(0.3)**	–	**1.8**	3.5	**1.5**	3.5
Total tax charge/(credit) for the year	**2.1**	4.4	**(4.5)**	(1.2)	**(2.4)**	3.2

The underlying tax charge of £2.1m in 2019 includes £0.8m relating to discontinued operations (2018: charge of £4.4m includes a charge of £0.5m) (Note 32).

The non-underlying tax credit of £4.5m in 2019 includes £0.8m relating to discontinued operations (2018: credit of £1.2m includes a charge of £0.1m) (Note 32).

The amounts disclosed in 2018 for the analysis of the tax charge/(credit) have been re-presented to align with the presentation followed in the current year.

Deferred tax recognised directly in Other Comprehensive Income

	2019 £m	2018 £m
Actuarial gains and losses relating to post-employment benefit obligations	**3.8**	(1.4)
Total of items that will not be reclassified subsequently to profit or loss	**3.8**	(1.4)

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% has been enacted to take effect from 1 April 2020 although it was recently announced that legislation will be passed prior to 1 April 2020 to reverse this further reduction. Given that the Group does not expect to pay corporation tax in the UK in the foreseeable future, these changes are not considered to have any material impact on the Group.

8. Profits of the Company

The Company has not presented its own income statement as permitted by section 408 of the Companies Act 2006. The loss after tax was £117.8m (2018: loss amounting to £7.6m).

9. Dividends

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

	2019 £m	2018 £m
Final dividend for the year ended 30 November 2018 – 0.37 pence per share (2017: 2.00 pence per share)	**1.2**	6.6
Interim dividend for the year ended 30 November 2019 – nil pence per share (2018: 1.05 pence per share)	**–**	3.5
	1.2	10.1

The Directors have proposed no final or interim dividend in respect of the financial year ended 30 November 2019. Following the significant impairment of investments and inter-company receivables in the year, arising from the deterioration in results during the year, the Parent Company of the Group currently has no distributable reserves from which to pay a dividend.

9. Dividends continued

During the year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2018 of 0.37 pence per share which was paid to Ordinary Shareholders on the register of members at close of business on 15 February 2019. The dividend was not paid on the new shares issued in the equity raise.

10. Earnings per share

Due to the equity raise in the year, where shares were issued for less than the prevailing market price, the earnings per share calculations for 2019 have been completed and the 2018 calculations restated, to take into account the "bonus element" of the equity raise.

The weighted average number of ordinary shares used in the calculation exclude those held by the Employee benefit trust ("EBT") 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:

	2019			2018		
	Earnings £m	Weighted average number of shares (millions)	Per share amount (pence)	Earnings £m (restated)	Weighted average number of shares (millions)	Per share amount (pence) (restated)
Statutory – continuing operations						
Basic earnings per share						
Earnings attributable to Ordinary Shareholders	(56.1)	614.618	(9.13)	(42.3)	351.172	(12.06)
Effect of dilutive items						
Share-based payment	–	–	–	–	4.131	–
Diluted earnings per share	(56.1)	614.618	(9.13)	(42.3)	355.303	(12.06)
Statutory – discontinued operations						
Basic earnings per share						
Earnings attributable to Ordinary Shareholders	(3.6)	614.618	(0.59)	(7.0)	351.172	(1.99)
Effect of dilutive items						
Share-based payment	–	–	–	–	4.131	–
Diluted earnings per share	(3.6)	614.618	(0.59)	(7.0)	355.303	(1.99)
Statutory – total operations						
Basic earnings per share						
Earnings attributable to Ordinary Shareholders	(59.7)	614.618	(9.72)	(49.3)	351.172	(14.05)
Effect of dilutive items						
Share-based payment	–	–	–	–	4.131	–
Diluted earnings per share	(59.7)	614.618	(9.72)	(49.3)	355.303	(14.05)
Before non-underlying items – total operations						
Basic earnings per share						
Earnings attributable to Ordinary Shareholders	0.7	614.618	0.11	12.0	351.172	3.41
Effect of dilutive items						
Share-based payment	–	–	–	–	4.131	–
Diluted earnings per share	0.7	614.618	0.11	12.0	355.303	3.38

In the prior year, on a statutory basis, the effect of the dilutive shares was ignored as it was deemed to be anti-dilutive (i.e. it was reducing the loss per share).

11. Asset impairment

At 30 November 2019, there were indicators of impairment in all CGUs in the Group. These indicators are in line with those present at 31 May 2019 and include:

- slower than expected progress in recovering customers in the CTT division following the significant production issues in previous periods;
- global macro-economic uncertainty including the China/US tariffs;
- slow down of the global automotive market in the Colbond division;
- production issues in our Asheville plant leading to lower than expected margins;
- significant price competition from some of our main competitors; and
- reduction in the demand for the products of our key customers, particularly in the German truck/trailer OEM market and flooring markets

Notes to the Accounts continued

11. Asset impairment continued

31 May 2019 impairment approach

At 31 May 2019, due to these indicators of impairment, impairment reviews were carried out on all CGUs in the Group. The recoverable amounts were determined using the higher of VIU and FVLCOS for each CGU group based on projected cash flows, discounted to calculate the net present value.

For the VIU calculations for all CGUs, the cash flows reflected management's updated five-year projections. Annual growth rates of 2.5% from 2024 thereafter were applied (2018: 2.5%) for the Colbond EMEA, Colbond Americas and CTT CGUs and a rate of 4.0% was used for the Bonar Changzhou and Yihua Bonar CGUs. (The Bonar Changzhou CGU represents our core operations in China, both Colback and Enka, and includes the assets from the significant capital investment we have made over the last few years. The Yihua Bonar CGU represents our operation in China which manufactures and sells woven products). Cash flows were discounted at a pre-tax rate ranging between 13.9%-22.4%. The top end of the range related to the Yihua Bonar CGU and was a result of high tax cash outflows relative to other cash movements in the terminal value year.

For the FVLCOS calculation for all CGU's, 2019 forecast EBITDA was used as a base and appropriate multiples based on an assessment of peer multiples were used for each part of the business.

The impairment reviews concluded that no impairment was necessary in the Colbond EMEA, Colbond Americas and Bonar Changzhou CGUs. Their recoverable values, based on management's expectations were in excess of the carrying value of their non-current assets, including goodwill.

The CTT analysis indicated an estimated recoverable value of £27.2m, based on a VIU calculation, for the CGU and resulted in a full impairment to the carrying value of the non-current assets (intangible assets and PPE) of £31.3m, with £8.8m relating to intangible assets and the remainder relating to PPE. The significant impairment was reflective of the deterioration in CTTs results and the speed of its recovery plus growing uncertainty over their competitive position in the market and the demand for their key customers' products.

The Yihua Bonar analysis indicated an estimated recoverable value of £3.4m for the CGU, based on FVLCOS calculation, and resulted in a full impairment to the carrying value of the non-current assets (goodwill and PPE) of £7.5m, with £0.3m relating to goodwill and the remainder relating to PPE. The significant impairment was reflective of significant reduction in demand for our products, particularly from domestic customers driven by a general slow-down in the Chinese economy and uncertainty around tariffs being imposed by the US.

30 November 2019 impairment approach

Results in the CTT CGU have declined further in the second half of the year and as such, all non-current assets capitalised in H2 have been fully impaired. A further £2.1m impairment charge has been recorded at 30 November 2019 relating to additional PPE.

Results in the Yihua Bonar CGU have remained stable from the projections at 31 May 2019 and as such, there is no indication that the impairment made at 31 May should be reversed. No material assets have been capitalised in H2 which require consideration for impairment.

Given the impairment indicators noted above, the Colbond CGUs have also been reassessed at 30 November 2019. The approach to what is considered to be the key assumptions within the VIU 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 2020 budget plan with 2021-2024 extrapolated from the 2020 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 VIU calculations assume terminal growth rates of 2.5% – 4.0% 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 11.9% to 15.6% (2018: 13.0% to 14.4%). These were used to calculate the VIU for each CGU group, reflecting management's views of the individual risks and rewards associated with each CGU group.

As with the May 2019 approach, the FVLCOS estimates are based on EBITDA multiples.

The impairment reviews conclude that no impairment is necessary in the Colbond EMEA CGU. Its recoverable value based on management's expectations is in excess of the carrying value of its non-current assets, including goodwill.

Bonar Changzhou impairment of intangible assets and PPE

The Bonar Changzhou impairment analysis indicated an estimated recoverable value of £38.5m, based on a VIU calculation, for the CGU and resulted in a £6.7m impairment to non-current assets. £0.1m of intangible assets have been impaired with £6.6m of PPE being impaired. This partial impairment was reflective of the challenging market conditions that the CGU has faced in 2019, particularly in its key markets of flooring and decoration where price competition has been intense. The ongoing US/China tariffs have also impacted performance with lower market confidence and demand in the APAC markets alongside a restricted supply chain from China to the US.

Colbond Americas impairment of goodwill

The Colbond Americas impairment analysis indicated an estimated recoverable value of £55.9m, based on a VIU calculation, for the CGU and resulted in a £1.8m impairment to goodwill. This partial impairment was reflective of the operational problems the CGU has faced in 2019 along with challenging automotive and building markets.

Dundee impairment of intangible assets and PPE

The Dundee analysis indicated an estimated recoverable value significantly below its carrying value, based on a VIU calculation, and therefore resulted in a full impairment to the carrying value of the non-current assets (intangible assets and PPE).

11. Asset impairment continued

By reviewing the results of the CGU in previous years, it was determined that the impairment related to periods pre-2018 and therefore an impairment of £1.3m (relating to PPE) has been posted as a prior year adjustment impacting the 2018 opening PPE balances (Note 14). Further impairments have been made in 2019 and 2018 to reflect the impairment of assets capitalised in those periods (Note 5).

In addition to the impairment of the non-current assets, a £0.3m prior year impairment has been recorded in relation to Dundee's allocation of the Group-wide ERP system. This is also determined to have been effective pre-2018 and therefore a £0.3m impairment (relating to computer software) has been noted as a prior year adjustment impacting the 2018 opening intangible assets balance (Note 13).

Sensitivity

Given that the full value of the non-current assets in the year have been fully impaired, we do not deem it necessary to calculate any further sensitivities for the CTT, Yihua Bonar and Dundee CGUs. At 30 November 2019, there was sufficient headroom on the impairment assessment performed for the Colbond EMEA CGU such that reasonably possible changes in key assumptions would not lead to an impairment.

Bonar Changzhou and Colbond Americas

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

The table below outlines the additional impairment against goodwill, intangible assets and PPE that would be recorded if certain key assumptions were reduced:

	Bonar Changzhou £m	Colbond Americas £m
10% decrease in terminal value calculations	2.5	3.9
1% increase in discount rate	3.7	5.4
0% long-term growth rate	8.5	8.7

12. Goodwill

	Group	
	2019 £m	2018 £m
Cost		
At 1 December	86.8	86.3
Disposal of subsidiaries	(19.4)	–
Exchange adjustments	(2.7)	0.5
At 30 November	**64.7**	**86.8**
Accumulated impairment losses		
At 1 December	58.6	19.4
Impairment loss recognised	2.1	39.0
Disposal of subsidiaries	(19.4)	–
Exchange adjustments	(1.6)	0.2
At 30 November	**39.7**	**58.6**
Net book value at 30 November	**25.0**	**28.2**

£1.8m of the current year impairment charge relates to the partial write-off of goodwill relating to the American portion of the Colbond acquisition.

The remaining £0.3m impairment charge relates to the write-off of the goodwill related to the Yihua Bonar acquisition. Both are discussed in Note 11.

Cash-generating units

Goodwill is allocated to the grouping of CGUs which have been identified according to the principal markets in which each business operates.

There has been a change in the composition of the CGUs in the current year based upon a reorganisation of the Group. In line with IAS 36 "Impairment of Assets", goodwill has therefore been reallocated to the units affected using the relative value approach. The change in the structure has only impacted the Colbond business units with the previous Building & Industrial and Interiors & Transportation CGUs now being managed on an overall Colbond basis, with disaggregation into regions: Colbond EMEA, Colbond Americas and Colbond APAC. There has been no change to the Coated Technical Textiles CGU.

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

	Group	
	2019 £m	2018 £m
Cash-generating unit groups		
Colbond EMEA	13.2	13.8
Colbond Americas	11.8	14.1
Colbond APAC	–	0.3
Coated Technical Textiles	–	–
At 30 November	**25.0**	**28.2**

Prior year impairment of 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 in 2018, triggered by the continuing downturn in the CGU's performance, management again reduced their forecasts for the future performance of the CTT CGU.

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 was impaired by an additional £25.7m at 30 November 2018.

Notes to the Accounts continued

13. Intangible assets

Group	Computer software £m	Research and development £m	Order backlog £m	Customer relation-ships £m	Marketing related £m	Technology based £m	Non-compete agreements £m	Land-use right £m	Total £m
Cost									
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
Exchange adjustment	**(0.3)**	**(0.1)**	**–**	**(1.4)**	**(0.6)**	**(0.7)**	**–**	**–**	**(3.1)**
Additions	**0.4**	**1.0**	**–**	**0.2**	**–**	**–**	**–**	**–**	**1.6**
Disposal	**(2.8)**	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3.0)**
Disposal of a subsidiary	**(0.7)**	**(0.5)**	**–**	**(8.8)**	**–**	**–**	**–**	**–**	**(10.0)**
Reclassification from PPE	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.6**	**0.6**
At 30 November 2019	**10.8**	**8.0**	**0.4**	**26.9**	**15.0**	**19.8**	**0.8**	**0.6**	**82.3**
Aggregate amortisation									
At 30 November 2017 as previously stated	4.2	4.5	0.3	26.9	11.4	19.3	0.6	–	67.2
Prior year adjustment (Note 39)	0.3	–	–	–	–	0.3	–	–	0.6
At 30 November 2017 (restated)	4.5	4.5	0.3	26.9	11.4	19.6	0.6	–	67.8
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 (restated)	5.9	5.4	0.3	28.8	12.4	19.9	0.7	–	73.4
2018 prior year adjustment (Note 39)	–	0.1	–	–	–	–	–	–	0.1
At 30 November 2018 (restated)	5.9	5.5	0.3	28.8	12.4	19.9	0.7	–	73.5
Exchange adjustment	**(0.1)**	**(0.2)**	**–**	**(1.2)**	**(0.6)**	**(0.7)**	**(0.1)**	**–**	**(2.9)**
Charge for the year	**1.0**	**0.5**	**–**	**1.1**	**0.4**	**0.1**	**0.1**	**–**	**3.2**
Disposals	**(2.5)**	**(0.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2.7)**
Disposal of a subsidiary	**(0.6)**	**(0.4)**	**–**	**(8.8)**	**–**	**–**	**–**	**–**	**(9.8)**
Impairment	**1.0**	**1.0**	**–**	**5.1**	**2.7**	**0.4**	**–**	**0.1**	**10.3**
At 30 November 2019	**4.7**	**6.2**	**0.3**	**25.0**	**14.9**	**19.7**	**0.7**	**0.1**	**71.6**
Net book value									
At 30 November 2019	**6.1**	**1.8**	**0.1**	**1.9**	**0.1**	**0.1**	**0.1**	**0.5**	**10.7**
At 30 November 2018 (restated – Note 39)	8.3	2.3	0.1	8.1	3.2	0.6	0.1	–	22.7
At 30 November 2018 as previously stated	8.6	2.4	0.1	8.1	3.2	0.9	0.1	–	23.4
At 30 November 2017 (restated – Note 39)	7.1	2.2	0.1	9.7	4.1	0.8	0.2	–	24.2
At 30 November 2017 as previously stated	7.4	2.2	0.1	9.7	4.1	1.1	0.2	–	24.8

Notes

(i) Computer software and research and development represent assets which are internally generated.

(ii) 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.

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

(iv) 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.

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

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

(vii) £0.6m of prior year adjustments have been recorded against the opening 2018 intangible asset balance. £0.3m relates to an impairment of computer software in the Dundee CGU and an additional £0.3m relates to an impairment of technology assets in the Colbond business.

(viii) The £10.3m impairment charge primarily relates to: £8.8m CTT assets (note 11) £0.1m relating to Bonar Changzhou assets (Note 11), £0.1m relating to Dundee assets (note 11), £0.9m of R&D project costs (note 5) and sundry intangible asset impairments as discussed in Note 5.

(ix) The £0.6m reclassification from PPE represents land-use rights that have been transferred in the year.

The Company had intangible assets of £0.1m (2018: £1.1m), representing capitalised software costs.

The following individual intangible assets are material to the financial statements:

- The Group-wide ERP system which covers the Colbond segment (NBV of £5.2m) and has a remaining amortisation period at 30 November 2019 of 8.5 years. This is presented within Computer software.
- Customer relationship assets resulting from the acquisition of Walflor Industries Inc in 2017 (NBV of £1.7m) and has a remaining amortisation period at 30 November 2019 of 7.2 years. This is presented within Customer relationships.

14. Property, plant and equipment

	Group				Company
	Property £m	Plant and equipment £m	Assets under construction £m	Total £m	Property £m
Cost					
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)	–
Transfers	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
Exchange adjustment	**(1.9)**	**(7.2)**	**(0.4)**	**(9.5)**	**–**
Additions	**0.1**	**1.5**	**11.2**	**12.8**	**–**
Assets reclassified from held for sale	**2.7**	**–**	**–**	**2.7**	**–**
Transfers	**2.2**	**8.1**	**(10.3)**	**–**	**–**
Reclassification to intangible assets	**(0.6)**	**–**	**–**	**(0.6)**	**–**
Reclassifications from inventory	**–**	**0.8**	**–**	**0.8**	**–**
Disposals	**(0.2)**	**(2.2)**	**(0.4)**	**(2.8)**	**(0.1)**
Disposal of a subsidiary	**(7.6)**	**(38.6)**	**(0.4)**	**(46.6)**	**–**
At 30 November 2019	**59.3**	**239.8**	**12.5**	**311.6**	**0.7**
Accumulated depreciation					
At 30 November 2017 as previously stated	28.3	180.0	–	208.3	0.3
Prior year adjustment (Note 39)	0.3	1.0	–	1.3	–
At 30 November 2017 (restated)	28.6	181.0	–	209.6	–
Exchange adjustment	0.2	2.4	–	2.6	–
Charge for the year (restated)	1.9	13.9	–	15.8	0.2
Transfers	(3.3)	3.3	–	–	–
Disposals	(0.9)	(12.0)	–	(12.9)	–
Impairments	0.3	2.8	0.8	3.9	–
At 30 November 2018 (restated)	26.8	191.4	0.8	219.0	0.5
2018 prior year adjustment – (Note 39)	–	2.7	–	2.7	–
At 30 November 2018 (restated)	26.8	194.1	0.8	221.7	0.5
Exchange adjustment	**(1.0)**	**(6.0)**	**(0.1)**	**(7.1)**	**–**
Charge for the year	**1.6**	**9.0**	**–**	**10.6**	**–**
Transfers	**–**	**2.3**	**(2.3)**	**–**	**–**
Disposals	**(0.1)**	**(2.1)**	**–**	**(2.2)**	**–**
Disposal of a subsidiary	**(4.4)**	**(33.3)**	**–**	**(37.7)**	**–**
Impairments	**8.3**	**25.0**	**5.1**	**38.4**	**–**
At 30 November 2019	**31.2**	**189.0**	**3.5**	**223.7**	**0.5**
Net book value					
At 30 November 2019	**28.1**	**50.8**	**9.0**	**87.9**	**0.2**
At 30 November 2018 (restated – see Note 39)	37.8	83.3	12.0	133.1	0.3
At 30 November 2018 as previously stated	38.1	86.9	12.0	137.0	0.3
At 30 November 2017 (restated – Note 39)	37.6	78.3	27.3	143.2	0.5
At 30 November 2017 as previously stated	37.9	79.3	27.3	144.5	0.5

The carrying value of freehold land not depreciated at 30 November 2019 was £2.7m (2018: £2.8m). Committed capital expenditure at 30 November 2019 was £0.5m (2018: £2.0m).

Current year impairments

Refer to note 11 for details of the impairments made to the CTT, Yihua Bonar, Bonar Changzhou and Dundee assets.

Prior year impairments

The £1.3m prior year impairment charge in the opening 2018 PPE balance relates to the impairment of PPE in the Dundee CGU (Note 11).

The £6.6m prior year impairment charge (including the prior year adjustment) relating to 2018 was comprised of £5.0m relating to the impairment of plant and equipment in Hungary (Note 5), £0.8m relating the partial write-off of the Group ERP system (Note 13), £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.

Notes to the Accounts continued

15. Investment in subsidiaries

	Company	
	2019 £m	2018 £m
Cost at 1 December	183.4	191.6
Disposal of subsidiaries	–	(8.2)
Cost at 30 November	183.4	183.4
Provision for impairment at 1 December	(8.6)	(10.3)
Impairment of subsidiary undertakings	(100.8)	(6.2)
Disposal of subsidiaries	–	7.9
Provision at 30 November	(109.4)	(8.6)
Net book value at 30 November	**74.0**	174.8

The carrying value of investments in the Company have been tested for impairment given the current and prior year impairments recorded. The recoverable amounts of the investments are determined using the higher of VIU (based on projected cash flows, discounted to calculate the net present value) and FVLCOS calculations.

As there is an open offer on the Group from FVB, the carrying value of the investments has been impaired to reflect the value that could be realised through the sale of the Group. Should this sale not progress, there is a risk that the value of the net assets in the Company could be further significantly impaired depending on the future outcomes of the Group.

In the prior year, a net amount of £0.3m was written off following the striking off of a number of dormant companies. £6.2m of impairments were made to investments in subsidiaries that could not be supported.

16. Investment in joint venture

	Group	
	2019 £m	2018 £m
Cost at 1 December		
At 1 December	3.0	3.0
Transfer from Investment in associate	0.8	–
Increase in interest in joint venture	0.1	–
Dividend received from joint venture	(0.4)	–
Share of retained profit following the transfer	0.1	–
Exit from the Bonar Natpet joint venture	(3.0)	–
At 30 November	0.6	3.0
Impairment provision		
At 1 December	(3.0)	(3.0)
Exit from the Bonar Natpet joint venture	3.0	–
At 30 November	–	(3.0)
Net book value at 30 November	0.6	–

Bonar Natpet joint venture

In January 2018, the Board agreed to exit from the Bonar Natpet joint venture. At 30 November 2018, the expected costs to exit, which primarily included a contribution to Bonar Natpet of 50% of all trade debts older than six months, totalled £2.2m. This liability was classified as Liabilities directly associated with assets classified as held for sale on the balance sheet.

In January 2019, the exit from the joint venture was completed with a payment of £2.4m made to the joint venture partner. Following this, the liability directly associated with assets classified as held for sale was extinguished. The £0.2m additional costs paid over the amount provided at 30 November 2018 has been classified as a Non-underlying item within discontinued operations, in line with how the original provision for the costs of exit was created (see Note 5).

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 were recognised.

CPW GmbH joint venture

At 30 November 2018, the Group held 33% of the share capital of CPW GmbH, an intellectual property law firm. The investment in the company was disclosed as an Investment in associates. In March 2019, the Group increased their share of the company and at 30 November 2019, now holds 50% of the share capital. As such, the investment in CPW has been reclassified as an Investment in joint venture.

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

	2019 £m	2018* £m
Non-current assets	–	–
Current assets excl cash and cash equivalents	0.7	0.8
Cash and cash equivalents	0.5	1.1
Total assets	1.2	1.9
Non-current liabilities	–	–
Current liabilities	(0.1)	(0.2)
Total liabilities	(0.1)	(0.2)
Net assets	1.1	1.7
Group share of net assets	0.6	0.6
Total revenue	3.0	3.0
Depreciation	–	–
Interest income	–	–
Income tax	–	–
Total profit for the year	0.2	0.3
Group share of profit for the year	0.1	0.1

* At 30 November 2018, CPW was disclosed as an investment in associate.

The joint ventures are shown within Note 40.

17. Investment in associates

	Group	
	2019 £m	2018 £m
Cost and net book value		
At 1 December	**0.8**	0.7
Share of retained profit	**–**	0.1
Transfer to Investment in joint venture	**(0.8)**	–
At 30 November	**–**	0.8

18. Inventories

	Group	
	2019 £m	2018 £m
Raw materials and consumables	**17.4**	23.8
Work in progress	**16.6**	21.8
Finished goods	**44.2**	48.3
Total	**78.2**	93.9

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).

19. Trade and other receivables

	Group	
	2019 £m	2018 £m (restated – Note 39)
Current		
Trade receivables	**45.1**	66.4
Expected credit losses of receivables	**(1.4)**	(1.5)
Net trade receivables	**43.7**	64.9
Other receivables	**2.7**	8.7
Prepayments	**2.4**	4.1
Total	**48.8**	77.7

	Company	
	2019 £m	2018 £m (restated – Note 39)
Non-current		
Gross amounts owed by subsidiaries	**–**	42.4
Expected credit losses of receivables	**–**	–
Net amounts owed by subsidiaries	**–**	42.4
Current		
Gross amounts owed by subsidiaries	**178.2**	170.4
Expected credit losses of receivables	**(46.8)**	(17.6)
Net amounts owed by subsidiaries	**131.4**	152.8
Other receivables	**–**	0.3
Prepayments	**0.3**	0.8
Total	**131.7**	196.3

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 expected credit losses in respect of trade and other receivables.

The expected credit losses in the Company represent losses expected on inter-company receivables. The £46.8m has been calculated based on the recoverable values of the relevant counter-parties.

The expected credit losses in 2019 have been calculated in line with IFRS 9. The allowances in 2018 have been calculated under IAS 39 and using an incurred loss methodology.

At 30 November 2019, the Group held an amount of £0.1m (2018: £0.3m) owed by the Low & Bonar Group Retirement Benefit Scheme.

Expected credit losses

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

	Group	
	2019 £m	2018 £m
Not past due	**36.6**	56.1
0–30 days past due	**3.7**	4.2
31–120 days past due	**2.3**	3.3
More than 120 days past due	**2.5**	2.8
Total	**45.1**	66.4

Notes to the Accounts continued

19. Trade and other receivables continued

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

	Group	
	2019 £m	2018 £m
Balance at 1 December	**(1.5)**	(1.3)
IFRS 9 transition adjustment	**(0.1)**	–
Increased during the year	**(0.4)**	(0.6)
Released during the year	**0.2**	0.2
Utilised during the year	**0.2**	0.2
Disposal of the civil engineering business	**0.1**	–
Exchange adjustments	**0.1**	–
Total	**(1.4)**	(1.5)

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

	Group	
	2019 £m	2018 £m
Not past due	**–**	–
0–30 days past due	**–**	–
31–120 days past due	**–**	(0.1)
More than 120 days past due	**(1.4)**	(1.4)
Total	**(1.4)**	(1.5)

Provisions for expected credit losses 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 2019, 75.5% (2018: 79.4%) of trade receivables were insured.

20. Trade and other payables

	Group	
	2019 £m	2018 £m (restated – Note 39)
Current		
Trade payables	**27.2**	68.7
Other taxes and social security	**2.1**	2.4
Other payables	**3.1**	4.2
Accruals	**14.4**	17.4
Total	**46.8**	92.7

	Company	
	2019 £m	2018 £m
Current		
Amounts owed to subsidiaries	**2.0**	9.5
Other taxes and social security	**0.2**	0.2
Other payables	**0.8**	1.1
Accruals	**1.6**	0.9
Total	**4.6**	11.7

21. 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 2019.

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

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 2019 £m	**Book value 2019 £m**	Fair value 2018 £m	Book value 2018 £m	**Fair value 2019 £m**	**Book value 2019 £m**	Fair value 2018 £m	Book value 2018 £m
			(restated – Note 39)	(restated – Note 39)			(restated – Note 39)	(restated – Note 39)
Cash and receivables								
Cash and cash equivalents	**29.8**	**29.8**	47.8	47.8	**3.4**	**3.4**	0.4	0.4
Trade and other receivables	**46.4**	**46.4**	73.6	73.6	**131.4**	**131.4**	195.5	195.5
Financial liabilities at amortised cost								
Trade and other payables	**(46.9)**	**(46.9)**	(94.2)	(94.2)	**(95.1)**	**(95.1)**	(100.4)	(100.4)
Bank overdrafts	**(0.2)**	**(0.2)**	(0.4)	(0.4)	**–**	**–**	(2.5)	(2.5)
Preference shares	**(0.4)**	**(0.4)**	(0.4)	(0.4)	**(0.4)**	**(0.4)**	(0.4)	(0.4)
Prepaid arrangement fees	**1.8**	**1.8**	1.5	1.5	**0.2**	**0.2**	1.2	1.2
Floating rate borrowings	**(82.6)**	**(82.6)**	(123.8)	(123.8)	**(10.0)**	**(10.0)**	(65.9)	(65.9)
Fixed rate borrowings	**(48.3)**	**(48.3)**	(53.8)	(53.2)	**–**	**–**	–	–
Total	**(100.4)**	**(100.4)**	(149.7)	(149.1)	**29.5**	**29.5**	27.9	27.9

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 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

The Group's main bank facilities include:

- a 5 year, revolving credit facility of €85.2m with a syndicate of five relationship banks expiring in May 2023. The facility bears interest at between 0.95% to 1.95% above LIBOR depending on the ratio of the Group's net debt (as defined in Note 41) to EBITDA at each of its half-year and year end reporting dates whilst the leverage ratio does not exceed 3.0x EBITDA. The margin is increased to 2.45% whilst the leverage ratio exceeds 3.0x EBITDA. From April 2020 the margin increases to 2.75% regardless of leverage. Subsequent to year-end, as set out in note 15, a further c. £10m is expected to be made available to the Group, subject to the provision of certain guarantees and security, and full documentation of the terms and conditions. In addition a Payment in Kind ('PIK') margin has been introduced, where the PIK interest accrues and is added to the principal, rather than paid in cash. This margin is leverage-based, and ranges from 0% at leverage below 3x, to 3.75% where leverage exceeds 7x;
- a €56.5m Senior Loan Note debt 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. The loan note has a fixed interest rate of 2.57% per annum however an extra 0.5% margin is applied where the leverage ratio exceeds 2.25 x EBITDA and an extra 1.0% margin is applied where the leverage ratio exceeds 3.0 x EBITDA. From April 2020 an additional fee of 0.3% per annum will be charged. A PIK margin, similar to the one introduced on the RCF, has also been introduced on the Notes, following the waivers agreed in March 2020 as set out in note 37;
- RMB69.99m of unsecured term loan facilities, maturing in June 2020 (extended to 30 December 2020 subsequent to the year end – refer note 37), arranged in July 2015 to finance the construction of the Group's manufacturing facility in Changzhou, China. This loan is guaranteed by Low & Bonar Plc, and subsequent to year end, it was agreed that this loan would be secured over the assets of the Changzhou operations; and
- RMB50m uncommitted and unsecured revolving facility available to the Group's Changzhou operations to fund working capital requirements. This facility is guaranteed by Low & Bonar Plc. Subsequent to the year end this facility was draw stopped at the drawn amount of RMB4.5m. As announced on 27 March 2020, the lender has agreed to increase this facility to RMB20m, subject to the provision of certain guarantees and security, and full documentation of the terms and conditions, and this is to be secured over the assets of the Changzhou operations.

Notes to the Accounts continued

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

EBITDA for covenant purposes is calculated as underlying operating profit, adding back depreciation, underlying amortisation, IFRS 2 charge and pension administration costs.

In the financing agreements, there are two principal covenants within both the Senior Loan Note debt and the RCF which relate to interest cover and financial gearing. These are tested bi-annually on a 12-month trailing basis using average exchange rates on both income statement items and net debt. The covenants are as follows:

Measure	Covenant
Consolidated net debt/EBITDA	<3.50*
EBITA/Net interest payable	>3.00**

* For the 30 November 2019 test date, before reducing to <3.0 thereafter.

** There is a one-time relaxation to >2.5 for the 30 November 2019 test date, before then reverting to >3.0 thereafter.

At 30 November 2019, the leverage ratio was 5.6x EBITDA and the EBITA ratio was 2.0 x interest payable. However, the Group has engaged with its lenders and have agreed amendments to financing agreements which waive the financial covenants which were due to be tested as at 30 November 2019, in order to assist the Group in progressing both its turnaround plan and the recommended cash acquisition of the Company by FVB. These covents will next be tested at 30 November 2020.

Please refer to Note 37 for further details of post year end debt modifications made.

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	
	2019 £m	2018 £m (restated – see Note 39)
Net debt*	**97.4**	128.5
Total equity	**87.5**	122.7
Total	**184.9**	251.2

* Net debt is reconciled to the balance sheet in Note 41.

Analysis of cash and cash equivalents

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Sterling	**2.7**	–	**1.9**	0.4
Euro	**13.9**	26.9	**0.2**	–
US Dollar	**6.4**	10.0	**1.3**	–
Chinese Yuan (RMB)	**4.8**	7.6	**–**	–
Other	**2.0**	3.3	**–**	–
Total	**29.8**	47.8	**3.4**	0.4

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

Analysis of interest-bearing borrowings

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Borrowings falling due within one year or on demand				
Bank overdrafts	0.2	0.4	–	2.5
Interest bearing loans	9.5	4.6	–	–
Total	9.7	5.0	–	2.5
Borrowings falling due after more than one year				
Interest bearing loans and overdrafts	71.7	117.7	9.8	64.7
Senior Loan Note debt due 2022-2026	47.9	53.2	–	–
Other borrowings				
– Preference shares	0.4	0.4	0.4	0.4
Total	120.0	171.3	10.2	65.1

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

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

	Group 2019						
	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 credit facility							
– Sterling	2.6	(10.0)	(11.0)	(0.3)	(0.3)	(10.4)	–
– Euro	2.0	(63.1)	(67.7)	(1.3)	(1.3)	(65.1)	–
Senior Loan Note debt due 2022-2026	2.6	(48.3)	(57.0)	(1.3)	(1.3)	(3.8)	(50.6)
RMB facilities	5.9	(9.5)	(9.8)	(9.8)	–	–	–
Bank overdrafts – RMB	5.0	(0.2)	(0.2)	(0.2)	–	–	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		1.8	–	–	–	–	–
		(129.7)	(146.1)	(12.9)	(2.9)	(79.3)	(51.0)
Trade and other payables		(46.9)	(46.9)	(46.8)	(0.1)	–	–
Total		(176.6)	(193.0)	(59.7)	(3.0)	(79.3)	(51.0)

	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 credit 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)	–	–
Senior Loan Note debt due 2022-2026	2.6	(53.2)	(63.4)	(1.4)	(1.4)	(4.1)	(56.5)
RMB facilities	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 (restated – Note 39)		(94.2)	(94.2)	(93.4)	(0.8)	–	–
Total		(270.5)	(287.3)	(99.5)	(126.8)	(4.1)	(56.9)

Notes to the Accounts continued

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

	Company 2019						
	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 credit facility							
– Sterling	2.6	(10.0)	(11.0)	(0.3)	(0.3)	(10.4)	–
Preference shares	5.8	(0.4)	(0.4)	–	–	–	(0.4)
Prepaid arrangement fees		0.2	–	–	–	–	–
		(10.2)	(11.4)	(0.3)	(0.3)	(10.4)	(0.4)
Trade and other payables		(95.1)	(95.1)	(4.6)	–	(90.5)	–
Total		(105.3)	(106.5)	(4.9)	(0.3)	(100.9)	(0.4)

	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 credit 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)

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. The Group has elected to use its direct currency borrowings under the Senior Loan Note debt and its multi-currency revolving credit 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 RMB facilities acts as a natural balance sheet hedge against the Group's investments in China. The Group recognised an amount of £0.8m in the income statement as a result of ineffectiveness arising from those hedges of net investments in foreign operations, this is presented within the financial expense line in the income statement. £2.0m remains within the translation reserve representing foreign exchange differences on the hedges recorded when the hedges were effective in previous periods. Underlying profit before tax for the year ended 30 November 2018 retranslated using 2019 average exchange rates would have been £0.5m higher.

(b) Transactional

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

For the year ended 30 November 2019 and 30 November 2018 no derivative instruments were used to manage the transactional currency exposures.

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

The following significant exchange rates applied during the year:

	Average rate 2019	Average rate 2018	Year end rate 2019	Year end rate 2018
Sterling/Euro	**1.14**	1.13	**1.17**	1.13
Sterling/US Dollar	**1.27**	1.34	**1.29**	1.28
Sterling/Czech Crown	**29.17**	29.03	**29.97**	29.26
Sterling/Hungarian Forint	**368.54**	360.32	**392.14**	364.54
Sterling/Chinese Yuan	**8.78**	8.83	**9.10**	8.87

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:

	2019		2018	
	Profit £m	Equity £m	Profit £m	Equity £m
Euro	**0.3**	**0.3**	0.1	(3.2)
US Dollar	**–**	**(3.9)**	(0.4)	(2.6)
Czech Crown	**(0.2)**	**(0.6)**	(0.1)	(1.0)
Chinese Yuan	**(0.1)**	**(3.6)**	(0.4)	(4.8)

A 10% weakening of Sterling against the above currencies as at 30 November 2019 and 2018 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 19 for further details.

In the year, the Group adopted IFRS 9 and the associated expected credit loss ("ECL") model. Given that trade receivables do not contain a significant financing component, the Group applies a simplified approach in calculating ECLs. Initially, receivables are split into categories depending on whether they are insured or not insured as insured receivables will have negligible ECL associated. For those receivables that are not insured, historical credit loss rates are applied consistently to groups of financial assets with similar risk characteristics. These are then adjusted for known changes in, or any forward-looking impacts on, creditworthiness.

Notes to the Accounts continued

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

The weighted average loss rates and write offs for the Group are as follows:

	Group		
	Gross trade receivables £m	Weighted average loss rate %	Expected credit loss £m
Not yet due	36.6	–	–
0-30 days past due	3.7	–	–
31-120 days past due	2.3	–	–
More than 120 days past due	2.5	56	(1.4)
Total	45.1	3	(1.4)

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

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	
	2019 £m	2018 £m	2019 £m	2018 £m (restated – Note 39)
Gross trade and other receivables	47.8	75.1	178.2	213.1
Expected credit losses of receivables	(1.4)	(1.5)	(46.8)	(17.6)
Net trade and other receivables	46.4	73.6	131.4	195.5
Cash and cash equivalents	29.8	47.8	3.4	0.4
Total	76.2	121.4	134.8	195.9

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 2019 and 2018 were on a floating rate basis, apart from preference debt with an average coupon rate of 5.75% and the €56.5m Senior Loan Note debt due 2022-2026 which has an effective interest rate of 2.6%.

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 (2.75% from April 2020), and cash deposits and bank overdrafts which bear interest at market rates; and borrowings under the Group's RMB facilities, 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 financial liabilities less cash and cash equivalents were:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Fixed rate				
Total fixed rate	(48.3)	(53.6)	(0.4)	(0.4)
Floating rate				
Total floating rate	(51.6)	(74.9)	(6.4)	(66.8)
Total	(99.9)	(128.5)	(6.8)	(67.2)

The Group and Company's interest-bearing financial liabilities do not include amounts owed or owing to joint ventures or joint venture partners.

Sensitivity analysis

A change of 100 basis points in interest rates would have increased or decreased equity by £0.5m (2018: £0.8m). The impact on the profit or loss for the period would have been to increase or decrease profit by £0.7m (2018: £1.0m). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

22. Assets held for sale

In the prior year, as an outcome of the first phase of the Board's review of the civil engineering division, a decision was taken to close the loss-making weaving plant in Ivanka, Slovakia. The assets were being actively marketed and were expected to be sold in the next 12 months, therefore the non-current assets comprising land and buildings of £2.7m were presented as assets held for sale within current assets at 30 November 2018.

At 30 November 2019, the assets are still not sold and we are no longer able to conclude that it is highly probable that they will be sold within the next 12 months. As such, the assets have been reclassified from assets held for sale to PPE and written down to their recoverable value with an impairment charge of £0.2m presented within non-underlying items.

23. Deferred taxation

Group

Recognised deferred tax assets and liabilities:

	2019			2018		
	Assets £m	**Liabilities £m**	**Net assets/ (liabilities) £m**	Assets £m (restated)	Liabilities £m	Net assets/ (liabilities) £m (restated)
Intangible assets	**–**	**(0.4)**	**(0.4)**	–	(3.2)	(3.2)
Retirement benefit liabilities	**1.4**	**–**	**1.4**	2.4	–	2.4
Retirement benefit assets	**–**	**(1.5)**	**(1.5)**	–	(3.9)	(3.9)
Accelerated tax depreciation	**0.7**	**(5.5)**	**(4.8)**	1.0	(8.4)	(7.4)
Tax losses	**0.6**	**–**	**0.6**	3.9	–	3.9
Other	**1.9**	**(1.1)**	**0.8**	1.5	(1.3)	0.2
Deferred tax assets/(liabilities)	**4.6**	**(8.5)**	**(3.9)**	8.8	(16.8)	(8.0)
Deferred tax netting	**(3.8)**	**3.8**	**–**	(4.1)	4.1	–
Net deferred tax assets/(liabilities)	**0.8**	**(4.7)**	**(3.9)**	4.7	(12.7)	(8.0)

Net deferred tax assets and liabilities are stated after the offset of relevant balances against current tax liabilities, being timing differences that are expected to reverse to offset current tax liabilities should those tax liabilities materialise. The other net deferred tax assets and liabilities represent timing differences on a variety of items including stock and debtor provisions, a fair value adjustment on debt and recoverable witholding tax.

The 30 November 2018 deferred tax assets and liabilities have been restated as follows:

- an increase of £0.2m in deferred tax assets arising on accelerated tax depreciation as a result of the additional £2.7m impairment on the value of the Hungarian assets of the Group's NPNW business within civil engineering; and
- deferred tax balances arising in the same jurisdictions which are expected to unwind over a similar timeframe have been netted rather than presented as gross

Unrecognised deferred tax assets:

	2019 £m	2018 £m (restated)
Tax losses	**34.8**	31.5
Employee share schemes	**–**	–
Accelerated tax depreciation	**8.7**	1.1
Other	**2.9**	0.1
Total	**46.4**	32.7

Unrecognised tax losses include an amount of £13.1m (2018 (restated): £13.1m) in respect of capital losses. The tax losses have a variety of expiry dates.

The 30 November 2018 unrecognised deferred tax assets have been restated as follows:

- correction to include additional capital losses of £6.6m relating to dormant companies and £0.9m of additional trading losses that had been omitted;
- correction to exclude £1.4m relating to employee share schemes that had been included in error;
- an increase of £0.2m in accelerated tax depreciation as a result of the prior year restatement relating to the Dundee impairment; and
- inclusion of £0.1m relating to other items that had been omitted.

Notes to the Accounts continued

23. Deferred taxation continued

Movement in deferred tax during the year ended 30 November 2019:

	Balance 1 Dec 2018 £m (restated)	IFRS 9 opening transition adjustment £m	Recognised in Other Comprehensive Income £m	Recognised in income £m	Disposal £m	Exchange adjustments £m	Balance 30 Nov 2019 £m
Intangible assets	(3.2)	–	–	2.8	–	–	(0.4)
Retirement benefit liabilities	2.4	–	0.2	(1.1)	–	(0.1)	1.4
Retirement benefit assets	(3.9)	–	3.6	(1.2)	–	–	(1.5)
Accelerated tax depreciation	(7.4)	–	–	2.9	(0.5)	0.2	(4.8)
Tax losses	3.9	–	–	(0.9)	(2.3)	(0.1)	0.6
Other	0.2	0.1	–	0.5	–	–	0.8
Total	(8.0)	0.1	3.8	3.0	(2.8)	–	(3.9)

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	Exchange adjustments £m	Balance 30 Nov 2018 as previously stated £m	Restatement (see Note 39) £m	Balance 30 Nov 2018 £m (restated)
Intangible assets	(4.2)	–	1.0	–	(3.2)	–	(3.2)
Retirement benefit liabilities	2.6	(0.7)	0.5	–	2.4	–	2.4
Retirement benefit assets	(3.5)	(0.7)	0.3	–	(3.9)	–	(3.9)
Accelerated tax depreciation	(9.2)	–	1.7	(0.1)	(7.6)	0.2	(7.4)
Tax losses	7.3	–	(3.4)	–	3.9	–	3.9
Other	(0.4)	–	0.6	–	0.2	–	0.2
Total	(7.4)	(1.4)	0.7	(0.1)	(8.2)	0.2	(8.0)

The Group has recognised deferred tax assets of £0.8m (2018 (restated): £4.7m) 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 £46.4m (2018 (restated): £32.7m) 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 £0.5m (2018: £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 not recognised any deferred tax assets (2018: £nil) 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 £1.4m (2018: £3.9m) related to the pension surplus.

Unrecognised deferred tax assets:

	2019 £m	2018 £m
Tax losses	12.3	12.1
Employee share schemes	–	–
Total	12.3	12.1

Tax losses include an amount of £4.4m (2018: £4.4m) in respect of capital losses. The tax losses have no expiry date.

The 30 November 2018 unrecognised deferred tax assets have been restated to exclude £1.4m relating to employee share schemes that had been included in error.

24. Provisions

	Current provisions			Total current provisions	Non-current provisions	Total provisions
	Customs duties and fees £m	Restructuring £m	Other £m	Group £m	Other £m	Group £m
Current						
At 30 November 2017	1.7	–	–	1.7	–	1.7
Created in the year	1.6	4.2	0.6	6.4	–	6.4
Utilised in the year	(0.7)	(3.3)	(0.3)	(4.3)	–	(4.3)
At 30 November 2018	2.6	0.9	0.3	3.8	–	3.8
Created in the year	**–**	**3.4**	**0.6**	**4.0**	**–**	**4.0**
Utilised in the year	**–**	**(2.6)**	**(0.3)**	**(2.9)**	**–**	**(2.9)**
Reclassification	**–**	**–**	**–**	**–**	**0.5**	**0.5**
Exchange result	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
At 30 November 2019	**2.4**	**1.7**	**0.6**	**4.7**	**0.5**	**5.2**

Current provisions

Customs duties and fees

This provision relates to some limited irregularities in relation to customs duties that were identified in previous periods in the UAE. In the year ended 30 November 2019, there has been no further significant progress on the claim in the year and the £0.2m movement in the provision relates to foreign exchange differences. The resulting provision of £2.4m 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. 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.

Restructuring

This provision relates to the ongoing costs for the transformation programmes that are yet to be settled. The Group recognised a charge of £3.4m in respect of the programmes and have utilised £2.6m of the provision in the period. There is minimal uncertainty in the amount and timing of the anticipated cash inflows in this provision as the provision is on an employee-by-employee basis and contractually agreed.

Other

£0.5m of the closing provision and the creation in the period relates to a capital commitment made in the Fulda plant (CTT) to replace a piece of faulty equipment. As discussed in Note 11, the full value of the PPE balance in CTT has been impaired at 30 November 2019 and as such, the value of this capital commitment can also not be supported. Given this is part of the total impairment of the PPE in CTT, the creation of the provision has been included within non-underlying items. £0.1m of the closing provision and the creation in the period relates to an environmental liability in Zele and represents management's best view of the costs needed to remediate soil pollution identified.

At 30 November 2018, there was a £0.3m provision relating 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. The full provision has been utilised in the period.

Non-current provisions

The non-current provision relates to a long-term employee liability in the Netherlands that has previously been classified as accruals. It is not due to be paid out within the next 12 months and has therefore been classified as a non-current provision. The discounting impact on this provision would be minimal.

Notes to the Accounts continued

25. Other payables

	Group	
	2019 £m	2018 £m
Non-current		
Other payables	**0.1**	0.8

	Company	
	2019 £m	2018 £m
Non-current		
Amounts owed to subsidiaries	**90.5**	88.7

26. Share capital

	Group and Company 2019		Group and Company 2018	
	Ordinary Shares £m	**Deferred Shares £m**	Ordinary Shares £m	Deferred Shares £m
Allotted, called up and fully paid				
At 1 December				
330,106,588 (2018: 329,706,034) Ordinary Shares at 5 pence each	**16.5**		16.5	–
154,571,152 Deferred Shares at 20 pence each	**–**	**30.9**	–	30.9
Nil Ordinary Shares (2018: 400,554) issued under share option plans and long-term incentive plan	**–**	**–**	–	–
359,649,707 Ordinary Shares (2018: nil) issued under the equity raise (Note 30)	**18.0**	**–**	–	–
At 30 November				
689,756,295 (2018: 330,106,588) Ordinary Shares at 5 pence each	**34.5**		16.5	–
154,571,152 Deferred Shares at 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.

26. 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 2019, the trust held 53,253 Ordinary Shares (2018: 26,752 Ordinary Shares).

Shares issued during the year resulting from share option schemes

During the year ended 30 November 2019, no shares (2018: 400,544 shares) were issued to employees as no share option scheme vested.

Notes to the Accounts continued

26. Share capital continued

Preference Shares

	Group and Company	
	2019 £m	2018 £m
Allotted, called up and fully paid		
100,000 (2018: 100,000) 6% first cumulative preference stock of £1.00 each	**0.1**	0.1
100,000 (2018: 100,000) 6% second cumulative preference stock of £1.00 each	**0.1**	0.1
200,000 (2018: 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 70 to 71. Employees are also invited to participate in the Low & Bonar Sharesave schemes.

Share options

Under the provisions of the employee share option schemes there were options for a total of 3.0 million Ordinary Shares outstanding at 30 November 2019 (2018: 1.8 million Ordinary Shares). The number of options outstanding which were granted in the last financial year was 2.0 million (2018: 1.0 million).

In the year, the Group completed an equity raise which led to the modification of both the exercise price and number of options which had been granted to employees. The impact of these modifications is noted below.

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	Modified exercise price in pence	Exercise period	1 Dec 2018	Modified	Granted	Exercised	Forfeited	30 Nov 2019
Share options										
2013	18.55	58.80	53.79	2016 to 2019	–	–	–	–	–	**–**
2013	20.29	58.80	53.79	2016 to 2019	–	–	–	–	–	**–**
2014	22.37	68.80	62.94	2018 to 2019	30,522	2,842	–	–	(31,458)	**1,906**
2014	21.89	68.80	62.94	2018 to 2019	73,890	4,034	–	–	(38,460)	**39,464**
2015	14.20	48.80	44.64	2019 to 2020	6,146	571	–	–	(2,015)	**4,702**
2015	13.47	48.80	44.64	2019 to 2020	–	–	–	–	–	**–**
2016	12.59	49.00	44.82	2019 to 2021	135,907	12,657	–	–	(38,544)	**110,020**
2016	11.84	49.00	44.82	2019 to 2021	260,667	24,277	–	–	(46,701)	**238,243**
2017	15.92	55.20	50.50	2020 to 2022	116,729	10,868	–	–	(85,542)	**42,055**
2017	15.98	55.20	50.50	2020 to 2022	180,459	16,806	–	–	(136,085)	**61,180**
2018	11.70	44.96	41.13	2021	972,805	90,615	–	–	(555,841)	**507,579**
2019	4.27	12.36	12.36	2022	–	–	2,140,184	–	(139,805)	**2,000,379**
Total					1,777,125	162,670	2,140,184	–	(1,074,451)	**3,005,528**

The weighted average exercise price of share options outstanding at 30 November 2019 was 23.04p (2018: 48.99p). The weighted average exercise prices of share options granted, exercised and forfeited in the year to 30 November 2019 were 12.36p, nil and 41.04p, respectively (2018: 44.96p, 48.92p and 50.89p, respectively). 389,633 share options were exercisable at 30 November 2019 (2018: nil).

The fair values of share options granted in the year to 30 November 2019 was 4.27p (2018: 11.70p) and were derived using the Black-Scholes model. The assumed future volatility was 51.66% (2018: 35.3%), the dividend yield was 5.55% (2018: 5.55%), the expected term was 3.30 years (2018: 3.31 years) and the risk-free rate was 0.78% (2018: 0.89%).

The average share price in the year ended 30 November 2019 was 13.47p (2018: 49.10p).

26. Share capital continued

Long-term incentive plan awards

Under the provisions of the long-term incentive plans there were awards for a total of 11.0 million Ordinary Shares outstanding at 30 November 2019 (2018: 5.9 million Ordinary Shares). The number of awards outstanding which were granted in the last financial year was 8.2 million (2018: 2.8 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 2018	Awarded	Adjustments	Exercised	Forfeited	30 Nov 2019
2015	48.27	57.25	2015 to 2019	–	–	–	–	–	–
2015	50.62	59.50	2015 to 2019	–	–	–	–	–	–
2015	62.24	71.00	2015 to 2019	–	–	–	–	–	–
2016	54.36	63.50	2016 to 2019	–	–	–	–	–	–
2016	51.54	63.50	2016 to 2019	1,393,860	–	–	–	(1,393,860)	–
2017	62.24	70.00	2018 to 2020	1,116,404	–	43,583	–	(248,235)	**911,752**
2017	63.31	77.00	2018 to 2020	–	–	–	–	–	–
2017	53.33	69.50	2018 to 2020	553,572	–	–	–	(135,362)	**418,210**
2018	50.15	59.40	2019 to 2021	2,816,148	–	6,104	–	(1,355,944)	**1,466,308**
2019	12.20	14.00	2020 to 2022	–	11,903,467	–	–	(3,715,515)	**8,187,952**
Total	52.15	63.34		5,879,984	11,903,467	49,687	–	(6,848,916)	**10,984,222**

None of the instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2019 (2018: nil). The fair values of awards made in the year to 30 November 2019 was 8.00p to 14.00p (2018: 40.90p to 59.40p) and were derived using the Black-Scholes or Stochastic models. The assumed future volatility was based on historical trends and was 48% (2018: 35.06%) the dividend yield was 0% (2018: 0%), the expected term was 3 years (2018: 3 years) and the risk-free rate was 0.77%-0.85% (2018: 0.94%).

The total amount credited/charged to the Consolidated Income Statement in respect of share-based payments was a charge of £0.1m (2018: £0.2m credit). Liabilities in respect of cash-settled share-based payments were not material at either 30 November 2019 or 30 November 2018.

27. Share premium account

	Group and Company	
	2019 £m	2018 £m
At 1 December	**74.8**	74.6
Premium on Ordinary Shares issued during the year	**–**	0.2
At 30 November	**74.8**	74.8

28. Translation reserve

	Group	
	2019 £m	2018 £m
At 1 December	**(24.9)**	(26.4)
Adjustments on translation of net assets and results of overseas subsidiaries, net of hedging	**(1.5)**	1.5
Recycling of reserves	**(9.3)**	–
At 30 November	**(35.7)**	(24.9)

The translation reserve includes the translation of net assets and results of overseas subsidiaries, net of hedging.

Notes to the Accounts continued

29. Non-controlling interest

	Group	
	2019 £m	2018 £m (restated – see note 39)
At 1 December	**6.6**	6.4
Share of (loss)/profit after taxation	**(2.7)**	0.5
Dividends	**(0.4)**	(0.4)
Exchange adjustment	**(0.1)**	0.1
At 30 November	**3.4**	6.6

Non-controlling interest represents the minority shareholder's 40% interest in Yihua Bonar. Total net assets for Yihua Bonar at 30 November 2019 were £8.4m (2018 (restated): £17.0m) and total loss after taxation for the year ended 30 November 2019 was £6.9m (2018: profit of £1.3m).

Total for Yihua Bonar	2019 £m	2018 £m (restated)
Non-current assets	**0.1**	7.3
Current assets excl cash and cash equivalents	**6.1**	7.1
Cash and cash equivalents	**4.7**	5.0
Total assets	**10.9**	19.4
Non-current liabilities	**–**	–
Current liabilities	**(2.5)**	(2.4)
Total liabilities	**(2.5)**	(2.4)
Net assets	**8.4**	17.0
Total revenue	**14.8**	17.0
Depreciation	**(0.4)**	(0.7)
Interest income	**0.1**	0.1
Income tax	**(0.1)**	(0.4)
Total (loss)/profit for the year	**(6.9)**	1.3

30. Equity raise

During the period, the Group raised net proceeds of £49.9m via an equity raise (consisting of £53.9m of gross proceeds less expenses of £4.0m). There was no tax impact on the fees. A cash box structure was used in such a way that merger relief was available under the Companies Act 2006, section 612. In this circumstance no share premium is recorded and the £31.9m excess of the net proceeds over the nominal value of the share capital issue has been recorded as an Other reserve. The proceeds of this issue were used to reduce net indebtedness, provide working capital flexibility and to fund incremental capital expenditure across the wider Group. For amounts passed to entities in the Group by way of inter-company loans, this Other reserve is not immediately distributable. This reserve will qualify as distributable on settlement of these inter-company funding arrangements in the future.

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

		Group	
	Note	2019 £m	2018 £m
For the year ended 30 November			
Net cash (outflow)/inflow		**(17.0)**	11.0
Foreign exchange differences		**(0.8)**	0.9
Net (decrease)/increase in cash and cash equivalents		**(17.8)**	11.9
Amortisation of bank arrangement fees		**(0.3)**	(0.6)
Loan fees paid		**0.7**	1.6
Repayment of borrowings		**70.3**	127.9
Drawdown of borrowings		**(24.7)**	(129.0)
Cash disposed as part of the NPNW disposal		**(1.8)**	–
Foreign exchange differences		**4.7**	(1.9)
Net movement in interest bearing loans and borrowings		**48.9**	(2.0)
Movement in net debt in the year		**31.1**	9.9
Net debt at 1 December		**(128.5)**	(138.4)
Net debt at 30 November	41	**(97.4)**	(128.5)

	Company	
	2019 £m	2018 £m
For the year ended 30 November		
Net increase/(decrease) in cash and cash equivalents	**5.5**	(0.2)
Amortisation of bank arrangement fees	**(0.1)**	(0.6)
Loan fees repaid	**–**	1.4
Repayment of borrowings	**61.2**	77.1
Drawdown of borrowings	**(20.4)**	(71.5)
Non-cash transfer of RCF euro debt to another group company	**14.2**	–
Net movement in interest bearing loans and borrowings	**54.9**	6.4
Movement in net debt in the year	**60.4**	6.2
Net debt at 1 December	**(67.2)**	(73.4)
Net debt at 30 November	**(6.8)**	(67.2)

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

32. Discontinued operations

Bonar Natpet

In January 2018, the Board agreed to exit from the Bonar Natpet joint venture. At 30 November 2018, the expected costs to exit, which primarily included a contribution to Bonar Natpet of 50% of all trade debts older than six months, totalled £2.2m. This liability was classified as Liabilities directly associated with assets classified as held for sale on the balance sheet.

In January 2019, the exit from the joint venture was completed with a payment of £2.4m made to the joint venture partner. Following this, the liability directly associated with assets classified as held for sale was extinguished. The £0.2m additional costs paid over the amount provided at 30 November 2018 has been classified as a non-underlying item within discontinued operations, in line with how the original provision for the costs of exit was created (see Note 5).

Civil engineering division

The sales of the CF and the NPNW businesses within civil engineering were both completed in the year. These two businesses constituted the majority of the civil engineering operating segment as presented in previous periods. Given these disposals, the businesses have been classified as discontinued operations as at 30 November 2019 and are presented separately from the remaining continuing operations of the Group. Prior periods have been restated accordingly. Ivanka is considered to be a separate disposal group and remains within continuing operations consistent with the assessment performed during the previous periods.

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

	Group	
	2019 £m	2018 £m
Revenue	**49.3**	70.3
Expenses	**(47.3)**	(70.1)
Underlying operating profit of civil engineering	**2.0**	0.2
Finance costs	**–**	–
Underlying profit before tax from discontinued operations (civil engineering)	**2.0**	0.2
Attributable tax expense	**(0.8)**	(0.5)
Underlying net profit/(loss) from the civil engineering business	**1.2**	(0.3)
Non-underlying items		
Movement in exit cost provision for Bonar Natpet	**(0.2)**	(0.8)
Profit on disposal of the CF disposal group (net of FX recycling)	**1.9**	–
Loss on disposal of the NPNW disposal group (net of FX recycling)	**(5.9)**	–
Civil Engineering non-underlying items	**(2.2)**	(5.8)
FX recycling on Bonar Natpet JV	**0.8**	–
Tax on non-underlying items	**0.8**	(0.1)
Non-underlying items from discontinued operations	**(4.8)**	(6.7)
Net loss attributable to discontinued operations (attributable to owners of the Company)	**(3.6)**	(7.0)

During the year to 30 November 2019, the discontinued businesses contributed (£6.5m) (30 November 2018: £6.0m) to the Group's net operating cash flows, paid £0.3m (30 November 2018: £0.9m) in respect of investing activities and £nil (30 November 2018: £nil) in respect of financing activities.

Notes to the Accounts continued

33. Disposal of the civil engineering division

Construction Fibres

	2019 £m
Consideration received in cash and cash equivalents (net of fees)	6.6
Deferred consideration	–
Foreign exchange differences recycled from reserves	3.9
Analysis of assets and liabilities over which control was lost	
PPE	3.6
Intangible assets	0.2
Trade receivables	3.0
Inventories	2.7
Payables	(0.5)
Net assets disposed of	9.0
Profit on disposal	1.5

Needle-punched Non-woven

	2019 £m
Consideration received in cash and cash equivalents (net of fees)	14.0
Deferred consideration	–
Foreign exchange differences recycled from reserves	4.6
Analysis of assets and liabilities over which control was lost	
PPE	5.4
Trade receivables	10.8
Prepayments and other debtors	5.3
Inventories	8.3
Cash	1.8
Payables	(8.1)
Current tax asset	0.1
Deferred tax asset	2.8
Pension liability	(0.1)
Net assets disposed of	26.3
Loss on disposal	(7.7)

The losses on disposal are included in the loss for the year from discontinued operations (see Note 32). Consideration received, as noted above, comprises the consideration received less costs to sell the business. In the Group's Consolidated Cash Flow Statement, net cash inflow on disposal of the NPNW business comprises the consideration noted above less the cash transferred to the buyer.

34. Operating lease commitments

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

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Plant and equipment				
Lease payments within one year	**1.1**	1.4	**–**	–
Lease payments between one and two years	**0.8**	0.9	**–**	–
Lease payments between two and five years	**0.9**	0.7	**–**	–
Lease payments beyond five years	**–**	0.1	**–**	–
Total	**2.8**	3.1	**–**	–
Property				
Lease payments within one year	**4.0**	4.2	**0.4**	0.3
Lease payments between one and two years	**3.2**	3.6	**0.1**	0.3
Lease payments between two and five years	**4.3**	6.7	**–**	0.1
Lease payments beyond five years	**–**	0.9	**–**	–
Total	**11.5**	15.4	**0.5**	0.7

Key judgements within the operating lease commitments include:

- the lease on the warehouse at the Fulda site is up for renewal in December 2020, at which point the Group has the option to extend the lease for a further 3 years; and
- the leases on the production facility and laboratory at the Fulda site are up for renewal in December 2022, at which point the Group has the option to extend the leases for a further 5 years.

35. Contingent liabilities

Given the nature of the Group's manufacturing processes, there is a potential for issues to arise in terms of the impact we make on our environment. The Group is aware of a potential environmental issue in Germany but at this date there is not enough evidence available on the extent and impact of the issue to establish a reliable estimate of the costs that would be needed to remediate the problem. There is also no certainty on who would be responsible for carrying out any remediation work necessary. Given this, we have not provided for the issue in the financial statements but will continue to monitor the situation going forward to establish if a provision is necessary.

The Group is aware of a claim from a customer within its CTT division in Germany relating to the supply of defective products. The claim, which is for a sum of up to €1.4m, is in its early stages and we currently believe that there is only a possible, but not probable, chance that this claim will succeed. As such, no provision for any liability has been made in these financial statements.

The Company from time to time guarantees certain obligations of its subsidiaries arising in the normal course of trade. At 30 November 2019, £13.4m of guarantees were outstanding (2018: £13.7m) (related to RMB facilities in China). 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) of debt obligations of its joint venture Bonar Natpet LLC. The Group was released from its guarantee during 2019, under agreement to exit the joint venture.

£2.6m of professional fees and employee retention bonuses are also contingent on the takeover by FVB completing successfully. These costs will be paid on completion of the deal.

Notes to the Accounts continued

36. Related party transactions

At 30 November 2019, the Group was owed £0.1m (2018: £0.3m) by the Low & Bonar Group Retirement Benefit Scheme. This will be settled in cash and is unsecured.

The Company provides debt finance to various operating subsidiaries. A total of £131.4m was outstanding at 30 November 2019 (2018 (restated): £195.2m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2019, the total amount payable to subsidiaries was £92.5m (2018: £98.2m). The Company received income in respect of management services provided to its subsidiaries totalling £4.2m (2018: £6.7m). The Company received interest income from related parties totalling £6.3m (2018: £5.7m) and accrued interest payable to related parties of £1.9m (2018: £2.0m). The Company received dividend income from its subsidiaries of £1.7m (2018: £12.8m).

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

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

	2019 £m	2018 £m
Short-term benefits	1.9	2.2
Post-employment benefits	0.2	0.2
Share-based payments	–	–
Termination benefits	0.3	0.6
Total	2.4	3.0

Due to the reorganisation of the Group in the year, the composition of the key personnel has now changed. Key personnel in the current year comprises four Executive Directors, four Business unit Directors and one Director of Human Resources. In the prior year, it comprised four Executive Directors and ten other members of the Executive Leadership Team.

The aggregate amount of Executive Directors' remuneration was £1.0m (2018: £0.7m) and the aggregate gain made by the Executive Directors on the exercise of share options was £nil (2018: £nil). The cash paid into defined contribution schemes was £0.1m (2018: £0.1m) and three Executive Directors were members of defined contribution schemes during the year (2018: 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 59 to 66.

37. Post balance sheet event

COVID-19 outbreak

The COVID-19 outbreak has had a significant impact on our operations in China, although fortunately none of our employees, nor their immediate family members, have been infected, as far as we are aware.

Colback operations in Changzhou had a delayed start-up after the usual closure for the Chinese New Year, with the closure period initially extended by the Chinese authorities and production then being further delayed as not all operators were able to return to Changzhou after the holidays due to quarantine and travel restrictions. Export sales have continued as planned, but domestic sales have been badly impacted by weak domestic demand and because many of our Chinese customers have also suffered extended shutdowns and poor short-term market conditions.

Our Yihua Bonar operation in Yizheng were also impacted by a delay in restarting production but to a lesser extent than Changzhou as the workforce is largely local and therefore had not travelled for the holidays. Weak domestic demand following customer disruption is adversely impacting sales although export shipments have been made as planned.

We are very mindful that the further spread of COVID-19 now being seen will certainly have an effect on demand levels in our other markets, and as such is very likely to adversley affect trading across the rest of the Group. The potential of this is, inevitably, hard to predict at this point, but it is likely to be significant in at least the short term.

In the remainder of the Group outside China, two of our small manufacturing sites, Burlington in the USA and Dundee in the UK, have recently temporarily closed following government guidance. The remainder of the sites current remain fully operational. The health and safety of our employees is our primary concern and we have ensured that we are adhering to the relevant national official guidance to continue to provide a safe working environment, including a restriction on travel for our employees to affected regions.

Whilst the impact on the Group's results is difficult to predict, absent any other improvements we would be likely to see the COVID-19 outbreak causing further impairments in our Bonar Changzhou and Colbond Americas CGUs in 2020. We do not anticipate the headroom in the Colbond EMEA CGU currently being eliminated at this point. Please refer to Notes 11-14 for details of the impairment tests completed and the carrying value of the non-current assets in the Group.

37. Post balance sheet event continued

Post-year end debt modification

In the light of the risk that the Offer may not complete, and the fact that, if covenants were to be tested under the prior arrangements, they would be breached, the Group reached an agreement with its lenders on 27 March 2020 under which the lenders will assist in providing a stable platform to allow the Group time, if the Offer does not complete, to execute alternative plans. Under the terms of this agreement, the lenders have agreed to extend the existing covenant waivers until 30 November 2020, irrespective of the status of the Offer. The agreement also requires the Group to report on certain milestones associated with the Offer and, as appropriate, the delivery of the alternative plans. The lenders have also agreed to make available additional facilities of £12m, the majority of which are under the RCF, with draw down requests on these facilities to be reviewed on a case by case basis. Under the agreement, the lenders will have the right to reinstate a stop on drawings if the Group's forecast liquidity, covering the forward thirteen weeks, looks likely to fall below certain levels. The Group will provide certain additional conventional security and guarantees to the lenders in connection with these further drawings. In addition, a fixed asset loan agreement in China, under which repayment of the outstanding RMB 70m balance was due on 30 June 2020, has been extended, with repayment now due on 30 December 2020, and the Group will provide enhanced security to the lender. At the time of signing this report, the amendments to the lender agreements have been approved by each of the lenders' credit committees and signed by all parties. Certain elements of the terms around the further drawings remain subject to full documentation, including certain conditions precedent, notably around agreement and execution of full documentation for the associated security. These are expected to follow a customary format and the Group does not envisage any scenario whereby these conditions will not be met. For clarity, certain of the terms of the agreements will only come in to effect if the FVB offer lapses.

Status of the potential acquisition from FVB

The offer for the Group from FVB, announced on 20 September 2019, has been described in detail in other documents made available to shareholders and on the public record. The Offer is conditional upon a successful outcome from an EU competition review, which is in process. We expect a final decision as to whether Phase I clearance will be granted during April 2020.

38. Segmental restatement

As disclosed in Note 1, the Group has reorganised it structure within the period, with Building & Industrial and Interiors & Transportation being merged into the Colbond segment. As part of this change, the civil engineering segment was also reorganised to consist of only the elements of the business which have been sold. Any other revenue, profit, assets or liabilities that are not attributed to these businesses but which were previously reported as within the civil engineering operating segment (due to the nature of the products) are now reported within the Colbond segment. The remaining balances within the civil engineering segment relate entirely to Ivanka which did not meet the classification of discontinued operations in the prior year or the current year.

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

	Year ended 30 November 2018				
	Reported £m	Reorganisation reclassification £m	Move to discontinued operations £m	Prior year adjustment (Note 39) £m	Restated £m
Revenue					
Building & Industrial	89.8	(89.8)	–	–	–
Interiors & Transportation	125.7	(125.7)	–	–	–
Colbond	–	219.3	–	–	219.3
Coated Technical Textiles	138.8	–	–	–	138.8
Civil engineering	77.6	(3.8)	(70.3)	–	3.5
Continuing operations	**431.9**	**–**	**(70.3)**	–	**361.6**
Discontinued operations	–	–	70.3	–	70.3
Total	**431.9**	**–**	**–**	**–**	**431.9**
Underlying operating profit/(loss) from continuing operations					
Building & Industrial	6.9	(6.9)	–	–	–
Interiors & Transportation	18.5	(18.5)	–	–	–
Colbond	–	25.5	–	0.2	25.7
Coated Technical Textiles	2.5	(0.2)	–	–	2.3
Civil engineering	0.1	0.1	(0.2)	–	–
Unallocated central	(5.8)	–	–	–	(5.8)
Continuing operations	**22.2**	**–**	**(0.2)**	**0.2**	**22.2**
Discontinued operations	–	–	0.2	–	0.2
Total	**22.2**	**–**	**–**	**0.2**	**22.4**

Notes to the Accounts continued

38. Segmental restatement continued

	Year ended 30 November 2018				
	Reported £m	Reorganisation reclassification £m	Move to discontinued operations £m	Prior year restatement (see Note 39) £m	Restated £m
Non-underlying operating loss from continuing operations					
Building & Industrial	(2.3)	2.3	–	–	–
Interiors & Transportation	(1.1)	1.1	–	–	–
Colbond	–	(3.7)	–	(0.1)	(3.8)
Coated Technical Textiles	(42.9)	–	–	–	(42.9)
Civil engineering	(3.9)	0.3	3.1	–	(0.5)
Unallocated central	(8.4)	–	–	–	(8.4)
Continuing operations	**(58.6)**	**–**	**3.1**	**(0.1)**	**(55.6)**
Discontinued operations	–	–	(3.1)	(2.7)	(5.8)
Total	**(58.6)**	**–**	**–**	**(2.8)**	**(61.4)**
Return on sales					
Building & Industrial	7.7%				–
Interiors & Transportation	14.7%				–
Colbond	–				11.7%
Coated Technical Textiles	1.8%				1.7%
Civil engineering	0.1%				–
Continuing operations	**5.1%**				**6.1%**
Discontinued operations	–				(0.3%)
Total	**5.1%**				**5.1%**

	Reported £m	Reorganisation reclassification £m	Move to discontinued operations £m	Prior year adjustments (Note 39) £m	Restated £m
Reportable segment assets (restated)					
Building & Industrial	61.7	(61.7)	–	–	–
Interiors & Transportation	149.7	(149.7)	–	–	–
Colbond	–	212.5	–	(2.0)	210.5
Coated Technical Textiles	105.0	–	–	–	105.0
Civil engineering	41.4	(1.1)	(40.3)	–	–
Civil engineering – Ivanka	–	–	–	–	–
Unallocated central	2.5	–	–	–	2.5
Continuing operations	**360.3**	**–**	**(40.3)**	**(2.0)**	**318.0**
Discontinued operations	–	–	40.3	(2.7)	37.6
Total	**360.3**	**–**	**–**	**(4.7)**	**355.6**
Reportable segment liabilities (restated)					
Building & Industrial	(13.2)	13.2	–	–	–
Interiors & Transportation	(28.7)	28.7	–	–	–
Colbond	–	(42.3)	–	(0.3)	(42.6)
Coated Technical Textiles	(28.0)	–	–	–	(28.0)
Civil engineering	(22.3)	0.9	21.4	–	–
Civil engineering – Ivanka	–	(0.5)	–	–	(0.5)
Unallocated central	–	–	–	–	–
Continuing operations	**(92.2)**	**–**	**21.4**	**(0.3)**	**(71.1)**
Discontinued operations	–	–	(21.4)	–	(21.4)
Total	**(92.2)**	**–**	**–**	**(0.3)**	**(92.5)**

38. Segmental restatement continued

The impact of the segmental restatement on the other segment information disclosed is set out below:

£m Year ended 30 November 2018	Restated Colbond	CTT	Civil engineering	Unallocated central	Discontinued operations*	Total
Additions to PPE	11.7	2.8	0.2	–	0.5	**15.2**
Additions to intangible assets and goodwill	2.6	0.3	–	0.4	0.1	**3.4**
Depreciation	(10.7)	(3.8)	(0.1)	(0.2)	(1.0)	**(15.8)**
Amortisation of acquired intangible assets	(0.6)	(2.2)	–	–	–	**(2.8)**
Non-underlying items	(3.2)	(40.7)	(0.5)	(8.4)	(6.6)	**(59.4)**

£m Year ended 30 November 2018	As reported B&I	Civil engineering*	CTT	I&T*	Unallocated central	Total
Additions to PPE	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)	(7.7)	(0.2)	**(15.8)**
Amortisation of acquired intangible assets	(0.6)	–	(2.2)	–	–	**(2.8)**
Non-underlying items – continuing operations	(1.7)	(6.6)	(40.7)	(1.2)	(8.4)	**(58.6)**
Non-underlying items – discontinued operations	–	–	–	–	(0.8)	**(0.8)**

* Restatement for prior year adjustments (Note 39)

39. Restatement for prior year adjustments

Group

The following adjustments have been noted, which are the correction of errors from prior years. The impact of the errors on 30 November 2018 and previous periods is as follows:

£m Balance impacted	2018 as previously reported	Update of Dundee impairment mechanics (Colbond) – pre 2018 adjustment	Update of Dundee impairment mechanics (Colbond) – 2018 adjustment	Update of Hungary impairment mechanics (Civil Engineering)	Netting of deferred tax balances (Unallocated)	Correction of NCI dividend payable (Colbond)	Other (Colbond)	Balance as restated
PPE	137.0	(1.3)	0.1	(2.7)	–	–	–	133.1
Intangible assets	23.4	(0.3)	(0.1)	–	–	–	(0.3)	22.7
Deferred tax assets	8.6	–	–	0.2	(4.1)	–	–	4.7
Trade and other receivables	77.8	–	–	–	–	–	(0.1)	77.7
Trade and other payables	(92.4)	–	–	–	–	(0.4)	0.1	(92.7)
Deferred tax liabilities	(16.8)	–	–	–	4.1	–	–	(12.7)
Net assets	**127.5**	**(1.6)**	**–**	**(2.5)**	**–**	**(0.4)**	**(0.3)**	**122.7**
Retained earnings	(23.2)	1.6	–	2.5	–	–	0.3	(18.8)
Non-controlling interest	(7.0)	–	–	–	–	0.4	–	(6.6)
Total equity	**(127.5)**	**1.6**	**–**	**2.5**	**–**	**0.4**	**0.3**	**(122.7)**

Update of Dundee impairment mechanics

In the period to 30 November 2019 we identified an error in the mechanics of our impairment model due to the exclusion of central costs and the incorrect calculating of tax cash flows. Correcting for these issues in the model would have led to a £1.3m impairment on the value of Dundee's PPE and a £0.3m impairment of their portion of the Group-wide ERP system which is held as a corporate asset. However, by reviewing the results of the CGU over previous years, we have determined that these impairments related to periods prior to 2018 and as such we have adjusted the opening 2018 balances in the Consolidated Statement of Changes in Equity, Note 13 (Intangible assets) and Note 14 (PPE) to reflect these impairments.

All assets capitalised in 2018 and 2019 have also therefore been subsequently impaired (£0.2m in 2019 and £0.1m in 2018) (Note 5) and depreciation and amortisation in these years has also been reversed through underlying profit (£0.1m in both years).

We do not consider that a third balance sheet for 2017 needs to be presented given the relative immateriality of the adjustments against both the Group's PPE and intangible assets balances and the net assets position overall.

Notes to the Accounts continued

39. Restatement for prior year adjustments continued

Update of Hungary impairment mechanics

As noted above, in the year, we identified an error in the mechanics of our impairment model for Hungary. Correcting for these in the model at 30 November 2018 would have led to an additional £2.7m impairment on the value of Hungary's assets (£2.5m net of deferred tax). PPE and retained earnings have therefore been restated accordingly. Hungary forms part of the NPNW business which has been disposed of in the year. The restatement therefore reduced the loss we have made in the current period on the sale of NPNW. This error did not impact the income statement or balance sheet at 30 November 2017.

Netting of deferred tax balances

Deferred tax balances that have arisen in the same jurisdictions and are expected to unwind over a similar timeframe should be netted rather than being presented as gross. We have therefore restated the 30 November 2018 deferred tax assets and liabilities to present these balances on a net basis as noted above. The error did not have an income tax impact. The impact at 30 November 2017 is as follows:

£m Balance impacted	Previously reported	Adjustment	Balance as restated
Deferred tax assets	10.1	(1.8)	8.3
Deferred tax liabilities	(17.5)	1.8	(15.7)

Correction of non-controlling interest ("NCI") dividend payable

The 2017 dividend payable from Yihua Bonar to our NCI partner was declared and approved in June 2018 but was not paid until December 2018. We did not account for this in 2018 when it was declared and instead accounted for this when it was paid. As dividends should be accounted for when they are declared and approved, we have now restated the 30 November 2018 balance sheet to reflect this. This error did not have an income tax impact. This error did not impact the income statement or balance sheet at 30 November 2017.

Other

Impairment of royalty and patent assets

£0.4m of royalty and patent assets (recorded in intangible assets and other receivables) were assessed as being impaired in 2019. However, on reflection of the nature of the impairments, we have determined that the impairments related to periods prior to 2018 and as such we have adjusted the opening 2018 balances in the Consolidated Statement of Changes in Equity, Note 13 (Intangible assets) and Note 19 (Trade and other receivables).

As on page 147, we do not consider that a third balance sheet for 2017 needs to be presented given the relative immateriality of the adjustment against the Group's intangible assets and the net asset position overall.

Misstatement of accruals

In the prior year, the vacation accrual in Colbond Americas was overstated by £0.4m and VAT payable in Bonar Changzhou was understated by £0.3m. Both are now corrected in the 2019 balance sheet.

Company

Impairment of inter-company receivables in the Company

A £4.8m impairment to inter-company receivables has been recorded as a prior year adjustment. This relates to the write-down of balances with dormant subsidiaries and should have been recorded prior to 2018. The adjustment of £4.8m reduces 2018 net assets from £216.8m to £212.0m, reduces 2017 net assets from £233.2m to £228.4m and the 2017 receivables balance from £220.1m to £215.3m.

40. Group companies

Subsidiary undertakings	Principal product areas	Registered address	%
Colbond			
Yihua Bonar Yarns & Fabrics Co. Ltd	Woven fabrics	No.6 Yangtze West Road, Yizheng, Yangzhou, People's Republic of China	60.0
Low & Bonar BV	Polymeric mats and composites	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Production GmbH	Polymeric mats and composites	Glanzstoffstraße 1, 63906 Erlenbach, 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	11/13, Cours Valmy Tour Pacific, Paris la Défense, CEDEX, 92977, France	100.0
Low & Bonar Inc	Polymeric mats and composites	Northwest Registered Agent Service, Inc., 8 The Green, Suite B, Dover, DE 19901, 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 1586, 15F L'Avenue Shanghai, No.99 Xian Xia Road, Changing, Shanghai, 200051, People's Republic of China	100.0
Bonar High Performance Materials (Changzhou) Co. Ltd	Polymeric mats	No. 9 Xingtang Road, Xinbei District, Changzhou, 213034 People's Republic of China	100.0
Low & Bonar Dundee Limited	Specialist yarns	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100.0*
Bonar Xirion NV	Specialist yarns	De Kleetlaan 12A, 1831 Macheten, Belgium	100.0
Bonar Technical Yarns Inc	Specialist yarns	Northwest Registered Agent Service, Inc., 8 the Green, Suite B, Dover, DE 19901, 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	Northwest Registered Agent, LLC, 906 W 2nd Ave, Spokane, WA 99201-4538, USA	100.0
Coated Technical Textiles			
Low & Bonar Logistics GmbH	Technical coated fabrics	Edelzeller Str. 44, 36043 Fulda, Germany	100.0
Low & Bonar GmbH	Technical coated fabrics	Rheinstraße 11, 41836 Hückelhoven, Germany	100.0
Low & Bonar Romania S.R.L.	Technical coated fabrics	Stefanestii de Jos, no.2 Linia de Centura Street C1/C1B, Ilfov, Romania	100.0
Low & Bonar Oldham Ltd	Technical coated fabrics	One Connaught Place, London, W2 2ET, England	100.0
Low & Bonar Italy S.r.l.	Technical coated fabrics	Via Enrico Fermi 52/A, Settimo Milanese Milano 20019, Italy	100.0
Low & Bonar Lyon SARL	Technical coated fabrics	Mehler Texnologies Batiment A1, 3 Chemin De Cysises, 69340 Francheville France	100.0
Low & Bonar Martinsville Inc	Technical coated fabrics	Northwest Registered Agent, LLC, 4445 Corporation Lane, Suite 264, Virginia Beach, VA 23462, 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	13 Sheikh Rashid Road, Al Garhoud 214, Ithraa Tower, Office no. 803, Dubai – U.A.E, P.O. Box 293634	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	Technical coated fabrics	Avenida Paulista 1079, Suite 81 Condomínio Edifício Torre João Salém Cerqueira César 01311-2007 Brazil	100.0

Notes to the Accounts continued

40. Group companies continued

Subsidiary undertakings	Principal product areas	Registered address	%
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	One Connaught Place, London, W2 2ET, England	100.0*
Low & Bonar Euro Holdings Limited	Finance company	One Connaught Place, London, W2 2ET, England	100.0
Low & Bonar Technical Textiles Holding BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Colbond Holding BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Low & Bonar Verwaltungs GmbH	Holding company	Glanzstoffstr. 1, 63906 Erlenbach am Main, Germany	100.0
Colbond (Nederland) BV	Holding company	Westervoortsedijk 73, 6827AV Arnhem, The Netherlands	100.0
Dormant companies			
Low & Bonar UK Limited	Dormant	One Connaught Place, London, W2 2ET, England	100.0*
Bonar Offshore Canada Inc	Dormant	333 Bay Street, Suite 2400, Toronto ON M5H 2T6, Canada	100.0
Bonar Rotaform Limited	Dormant	One Connaught Place, London, W2 2ET, England	100.0*
Bonar Silver Limited	Dormant	One Connaught Place, London, W2 2ET, 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	One Connaught Place, London, W2 2ET, England	100.0*
Rotaform Plastics Limited	Dormant	One Connaught Place, London, W2 2ET, England	100.0
Waddington Cartons Ltd	Dormant	One Connaught Place, London, W2 2ET, England	100.0*
Joint venture			
CPW GmbH	Intellectual property	Kasinostr. 19-21, 42103 Wuppertal, Germany	50.0
Associated undertakings			
Enka Water Control Corporation	Dormant	1301 Sand Hill Road, Enka, NC 28728, 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 the accounting policies.

6 All the companies listed have November year ends, except the entities registered in China, Russia and Romania which have December year ends and the entity registered in India which has a March year end based on statutory regulations.

7 In January 2019, the Group exited from Bonar Natpet LLC a 50% joint venture with Napet Petrochemicals. The joint venture operated in the Geotextiles product area and its registered address was Unit M01, Mezzanine Floor, Future Business Centre, Coast Guard Street, Jeddah 21533, Kingdom of Saudi Arabia

Companies struck off in the current year

Subsidiary undertakings	Principal product areas	Registered address	%
Goldtide Limited	Dormant	–	100.0*

41. 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 as set out in Note 1;
- underlying operating margin/return on sales as 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; and
- constant currency which translates prior results at the current period's rates of exchange as set out in Note 1.

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:

	2019 £m	2018** £m (restated)
Underlying operating profit	**5.1**	22.4
Add backs: Depreciation (Note 2)*	**10.2**	15.8
Amortisation of intangibles (Note 2)	**3.2**	4.1
Less: amortisation included as a non-underlying item (Note 5)	**(1.7)**	(2.8)
IFRS 2 charge/(credit) (Note 26)	**0.1**	(0.2)
Pension administration costs (Note 4)	**0.7**	0.5
Share of profit of joint venture (Note 16)	**(0.1)**	(0.1)
Dividend received from joint venture (Note 16)	**0.4**	–
Other	**0.1**	0.4
Adjusted EBITDA	**18.0**	40.1

* In 2019 this excludes £0.2m relating to depreciation presented in non-underlying items in relation to the Ivanka site.

** 2018 restated for prior year adjustments (Note 39) and includes both continuing and discontinued operations.

Notes to the Accounts continued

41. Alternative performance measures continued

Net debt

Net debt is calculated as follows:

	2019 £m	2018 £m
Interest-bearing loans and borrowings	**129.7**	176.3
Less: Net fair value adjustment to Senior Loan Note debt	**(2.5)**	–
Less: Cash and cash equivalents	**(29.8)**	(47.8)
Net debt[1]	**97.4**	128.5

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 £100.4m (2018: £127.9m).

Return on capital employed (ROCE)

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

	2019 £m	2018 (restated) £m
Underlying operating profit	**5.1**	22.2
Divided by: capital employed	**184.9**	251.2
ROCE	**2.8%**	8.8%

	2019 £m	2018 £m (restated)
Net debt	**97.4**	128.5
Net assets	**87.5**	122.7
Capital employed	**184.9**	251.2

Five Year History

	2019 £m	2018* £m (restated)	2017 £m	2016 £m	2015 £m (restated)**
Revenue					
Continuing operations	**317.3**	361.6	446.5	400.0	362.1
Discontinued operations	**49.3**	70.3	–	22.3	33.7
Total (including discontinued operations)	**366.6**	431.9	446.5	422.3	395.8
Underlying operating profit					
Continuing operations	**5.1**	22.2	35.5	34.7	31.8
Discontinued operations	**2.0**	0.2	–	1.8	1.0
Total (including discontinued operations)	**7.1**	22.4	35.5	36.5	32.8
Operating (loss)/profit					
Continuing operations	**(54.3)**	(33.4)	(14.9)	31.4	25.8
Discontinued operations	**(3.6)**	(6.4)	–	(0.6)	(7.2)
Total (including discontinued operations)	**(57.9)**	(39.8)	(14.9)	30.8	18.6
Underlying profit before tax					
Continuing operations	**0.9**	16.7	30.7	29.2	27.4
Discontinued operations	**2.0**	0.2	–	0.5	(0.8)
Total (including discontinued operations)	**2.9**	16.9	30.7	29.7	26.6
(Loss)/profit before tax					
Continuing operations	**(61.2)**	(39.2)	(19.7)	25.9	21.4
Discontinued operations	**(3.6)**	(6.4)	–	(4.1)	(9.0)
Total (including discontinued operations)	**(64.8)**	(45.6)	(19.7)	21.8	12.4
Reconciliation to statutory measures					
Continuing operations					
Underlying operating profit	**5.1**	22.2	35.5	34.7	31.8
Non-underlying items	**(59.4)**	(55.6)	(50.4)	(3.3)	(6.0)
Operating (loss)/profit (statutory)	**(54.3)**	(33.4)	(14.9)	31.4	25.8
Underlying profit before tax	**0.9**	16.7	30.7	29.2	27.4
Non-underlying items	**(62.1)**	(55.9)	(50.4)	(3.3)	(6.0)
(Loss)/profit before tax (statutory)	**(61.2)**	(39.2)	(19.7)	25.9	21.4
Capital structure					
Net debt (Note 41)	**97.4**	128.5	138.4	111.0	102.1
Total equity	**87.5**	122.7	180.3	202.4	172.0
Total	**184.9**	251.2	318.7	313.4	274.1
Per Ordinary Share					
Basic earnings per share (including discontinued operations) (pence)	**(9.72)**	(14.05)	(5.86p)	4.22	1.73
Dividends declared per share (pence)	**–**	1.4	3.1	3.0	2.8

* 2018 results restated due to the prior year adjustments (Note 39) and the disposal of the civil engineering division (Note 32). Previous years have not been restated.

** 2015 results were restated for the disposal of the grass yarns business.

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Financial calendar

Annual General Meeting	22 May 2020

Announcements for results for the year ending 30 November 2020

Half-year	July 2020
Full-year	January 2021

Dividend payments for the year ended 30 November 2019

First, second and third cumulative preference stock	1 March 2020 and 1 September 2020

Notes

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