Low & Bonar PLC
("Low & Bonar" or "the Group")

Half Year Results for the Six Months ended 31 May 2019

Low & Bonar PLC ("Low & Bonar" or "the Group"), the international performance materials group, today announces its half year results for the six months ended 31 May 2019 ("HY2019").

Following the sale of the Construction Fibres and Needle-Punched Non-Wovens businesses after the period end, which comprised the remaining parts of the Civil Engineering ("CE") division, the Group now consists of two divisions: Colbond, and Coated Technical Textiles ("CTT"). Consequently, the CE division is presented as a discontinued operation and its assets held for sale in the HY2019 results.

	Six months to 31 May			
Continuing Operations unless otherwise stated	**2019**	**2018 (restated)**	**Actual**	**Constant Currency**[2]
Key performance metrics				
Revenue	£157.9m	£174.1m	(9.3%)	(10.0%)
Statutory operating loss	(£38.9m)	(£9.5m)		
Statutory loss before tax	(£41.7m)	(£12.3m)		
Basic EPS	(8.41p)	(4.27p)		
Underlying operating profit[1]	£2.6m	£9.7m	(73.2%)	(73.8%)
Underlying operating margin [1] [3]	1.6%	5.6%		
Underlying (loss)/profit before tax[1]	(£0.2m)	£7.2m		
Basic Underlying EPS - total[1]	0.10p	1.38p	(92.8%)	(93.1%)
Underlying profit/(loss) from discontinued operations	£0.9m	(£0.8m)		
Net debt	£99.0m	£140.3m		
Dividend per share	-	1.05p		
Return on capital employed[4]	6.8%	9.8%		

[1] Figures are presented on an underlying basis, and exclude all non-underlying items (outlined in note 7).
[2] Calculated by retranslating comparative period at current period exchange rates
[3] Underlying operating profit as a percentage of revenue.
[4] Underlying operating profit for the last 12 months (£15.0m) as a percentage of net assets (£120.8m) plus net debt (£99.0m).

PROGRESS ON STRATEGIC ACTIONS

As part of a turnaround plan, the Group has been implementing a series of actions designed to improve the performance of the business and strengthen the balance sheet. Whilst trading conditions and operational performance have remained very challenging, progress has been made as follows:

- c£50m net equity raised in February 2019 to strengthen the Group's financial position
- Civil Engineering disposals executed shortly after the period end, with Construction Fibres completed on 1 July 2019 and Needle-Punched Non-Wovens expected to complete around 31 August 2019; aggregate net proceeds of c£20m from the two transactions will be used to further reduce net debt.
- Further cost reduction initiatives implemented during the first half, with additional actions taken early in the second half; in total, annualised cost savings of approximately £8m since the start of the restructuring programme in mid 2018 now in place. Savings of approximately £3m expected in full year 2019 vs 2018.
- Significant manufacturing quality issues at CTT now resolved and focus turned to rebuilding customer confidence.
- New Colbond organisational structure bedding down, enabling greater focus on customers and service standards
- Investment plans to improve manufacturing performance at the Colbond site in Asheville, NC and at the CTT sites in Germany are underway.

FINANCIAL HIGHLIGHTS

(Figures are shown on an constant currency basis)

- Revenue decline of 10.0% in continuing businesses, reflecting challenging conditions in a number of key end markets and a slow recovery in customer confidence in CTT.
- Profits impacted significantly by the sales decline, US manufacturing inefficiencies and a slight increase in raw material costs, partially offset by cost reduction initiatives; operating margin reduced to 1.6%.
- Net debt at 31 May 2019 reduced to £99m from £129m at 30 November 2018. Average net debt for H1 2019 was £135m; on a pro forma basis, average H1 2019 net debt, assuming the equity raise had occurred on the first day of the period, was £114m, unchanged from pro forma H1 2018.
- Revolving credit facility and private placement loan notes renegotiated following the period end, to allow a relaxation of covenants at 30 November 2019, enabling greater headroom for a further period to allow time for improvement actions.
- Statutory loss before tax of £41.7m is after £41.5m of non-underlying items, mainly non-cash, including a £31.3m impairment of CTT's non-current assets and a £7.5m impairment of the China JV's non-current assets.
- No interim dividend will be paid in light of the poor first half. Dividend policy remains unchanged, subject to restrictions under revised banking arrangements, which now require dividend payments to be suspended until leverage is below 2.5x underlying EBITDA.

OUTLOOK

2019 is a year of transition as the Group simplifies its portfolio and structure, while also working to resolve legacy issues and improve operational performance against a backdrop of market softness in several segments and geographies. Following a very weak first quarter, performance improved in the second quarter of the year although still behind that of the prior year as a result of both challenging market conditions and manufacturing inefficiencies. It is evident that a number of the Group's end markets remain difficult and it is likely that heightened levels of uncertainty will persist into the second half. Against this backdrop the Group is focused on delivering the benefits of the ongoing strategic initiatives and further cost saving actions in order to meet the Board's expectations for the continuing business for the remainder of the year.

Daniel Dayan, Executive Chairman, said:

"*The first half of 2019 has been another extremely challenging period for Low & Bonar. As a result of the Group's poor performance, I was appointed Executive Chairman at the beginning of July 2019, temporarily combining the roles of Chairman and Chief Executive. Our priorities remain unchanged, which are to transform the Group's operational performance and ensure a strong and sustainable financial position. Progress has been made, notably through the equity raise, the development and implementation of projects to improve facilities at Asheville and at CTT, the resolution of CTT's quality problems and the disposal of Civil Engineering. Whilst this performance improvement plan is being implemented, the Board remains focused on maximising shareholder value and will consider all strategic options.*"

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation EU no. 596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

OVERVIEW

As set out in 2018 results in January, and the subsequent trading updates made in April and May, conditions for the Group in the first half have been extremely challenging. Sales from continuing operations declined by 10.0% (on a constant currency basis) to £157.9m (2018: £174.1m). Colbond sales declined by 8.2%, driven by weakness in automotive, flooring and building markets. Regionally, the US was affected by the loss of some

business at a large US customer, and APAC was affected by the slower Chinese domestic market along with the uncertainty caused by the US/China tariffs. In the CTT business, sales declined by 9.2% as it is taking longer than expected to regain customer loyalty and improve sales after the quality and supply issues of recent years. Weak demand in transport markets, notably Germany and Eastern Europe, has also been a headwind.

As previously reported, the Group suffered from manufacturing inefficiencies during the first half, particularly within the Enka business at the Asheville site in North Carolina. Together with the significant fall in sales volumes and a slight headwind from raw material prices, this contributed to a reduction in underlying operating profits from continuing operations to £2.6m (2018:£9.7m). The Civil Engineering division was more resilient in the first half and performed in line with expectations, contributing an underlying profit after tax of £0.9m from discontinued operations to an overall Group underlying profit after taxation of £0.6m. As a result of the equity fundraising in February, the Group's average issued share capital in the period was increased significantly, which contributed to underlying earnings per share reducing from 1.38p to 0.10p.

STRATEGIC ACTIONS

At the time of the Group's results for the 2018 financial year, announced on 30 January 2019, the Board identified several strategic areas of focus for the current year in order to drive sustainable improvement in the Group's performance and financial position. Whilst there remains work to be done in all of these areas, actions have been implemented in the first half which are expected to deliver benefits over the remainder of 2019 and beyond. The transformation plan is progressing and we are confident that the Group can deliver value to all stakeholders in the short and longer term.

1. Strengthening of the balance sheet

The equity raise in January strengthened the balance sheet and enabled the Group to withstand a very challenging first half whilst also commencing the much needed investments in the Asheville facility in the US and both CTT plants in Germany.

Net debt at the period end reduced to £99.0m from £128.5m at the year end and on a pro forma basis (assuming the equity raise had taken place on 1 December 2018) average net debt was £114m. The net debt to EBITDA ratio at 31 May 2019 was 2.9x, below the bank covenant ratio of 3.5x. The seasonal nature of the Group's activities resulted in inventory levels being £5.9m higher at the end of the first half, with this expected to unwind in the second half as a result of normal annual trends. As set out at the time of the equity fundraising, the Group is seeking to reduce average net debt on a sustainable basis and, consequently, creditor balances were reduced by £15.0m in the first half. A tight focus on collections and the reduced sales led to a £5.6m decrease in receivables, partially mitigating the inventory and creditor movements.

Whilst good progress has been made reducing net debt, the challenging market conditions have significantly impacted profitability in the half. Whilst the Group's facilities have significant undrawn headroom, the market backdrop for the remainder of the year is uncertain. In light of the heightened risk posed by this, the Group has recently renegotiated its banking arrangements and secured a one-off relaxation of covenants. Rather than reverting to 3.0x at 30 November 2019, the leverage covenant will now remain at its current level of 3.5x, before reducing to 3.0x at May 2020. In addition, the interest cover covenant will be reduced to 2.5x at November 2019, before returning to 3.0x at May 2020. Under these revised financing terms, the company has agreed that, amongst certain other undertakings, 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.

As part of the half year review process, the Board has assessed the Group's future ability to meet bank covenants under both a base case and a downside case. Whilst the Board expects to continue to be able to operate within its banking covenants, the sensitivity analysis resulting in the downside case has led to a material uncertainty over the going concern assumption. Further details are included in note 2 of the financial statements below.

2. Disposal of Civil Engineering business

As part of a simplification of the Group's business, the intention to dispose of the remaining businesses within the Civil Engineering division was announced during 2018. Good progress was made within the half year and by the date of publication of these interim statements the disposal of both the Construction Fibres and Needle-Punched Non-Woven businesses had been announced. The sale of the Construction Fibres business was announced on 3 June 2019 and completed on 1 July 2019. The sale of the Needle-Punched Non-Woven business was announced on 25 July 2019 and is due to complete by 31 August 2019. The combined net proceeds of approximately £20m will be used to reduce debt.

3. Commercial execution

The simplification of the organisational structure, as announced last year, was implemented to improve commercial execution within the business. By removing layers, aligning responsibilities with the dominant business drivers and streamlining the reporting structures within the Group, decision making is becoming faster and more agile, with greater accountability. The benefits in terms of improved customer engagement, marketing effectiveness and new business development are beginning to be realised.

4. Resolution of manufacturing issues

As described in 2018, the CTT business has experienced a prolonged period of production quality issues which have both impacted customer service levels and reduced manufacturing efficiency. As a result of the actions implemented during the latter part of 2018 and into the current year, the significant production issues in the CTT manufacturing plants are now largely resolved with improvements in quality being noted in the period.

Within the US Colbond business, production inconsistencies and inefficiencies are still prevalent in the Asheville plant. These have led to large production variances in the period resulting from increased waste and maintenance costs, along with unanticipated periods of down-time arising from inefficient planning and machine breakdowns.

The Board has approved plans for capital expenditure investment in both the CTT and Asheville sites to accelerate the full resolution of these issues and to ensure production processes are enhanced and improved. The new simplified organisational structure will also allow the remediation of these problems to be accelerated as key decisions can be made and implemented in a shorter time frame.

OPERATIONAL REVIEW

Reorganisation in the year

In October 2018, the Board approved the combination of the former Building & Industrial and Interiors & Transportation business units (together with a small operation in Dundee) into one single division known as "Low & Bonar Colbond", with this reorganisation becoming effective on 1 December 2018. The Colbond division in turn has three regional sub-segments: APAC; Americas; and EMEA.

During HY 2019, the Group has assessed whether, under IFRS 8 "Operating Segments", the three Colbond regions should be aggregated into one reportable segment. Based on a number of factors including: similar economic characteristics; markets; production processes; distribution channels; and customers, we have concluded that the operating segments are sufficiently similar to be aggregated into one reportable segment "Colbond".

Colbond (61% of Group sales)

Colbond's sales reduced by 8.2% on a constant currency basis to £96.8m (2018: £103.2m as reported), while underlying operating profits declined from £10.5m to £5.0m. Colbond Europe continues to be impacted by slow Automotive, Flooring and Roofing markets. Colbond Americas has also been impacted by a tough Automotive market and has seen significantly reduced sales to a major customer in the Building segment, as noted in the full-year 2018 results announcement. Colbond APAC is facing a difficult competitive landscape with price pressure from competitors, reduced demand, and delays in product testing for new customers, all contributing to lower sales than anticipated. The production and supply issues noted in 2018 in the Enka business in Asheville have also persisted in the first half of 2019 and we expect to implement a significant improvement plan in the second half of 2019 and into 2020 to resolve the key problems.

Given the current and anticipated future performance of the Yihua Bonar joint venture, which produces woven products for primarily for flooring and artificial turf markets, 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 which has been reported as a non-underlying item. No other impairments have been recognised in the Colbond business.

Coated Technical Textiles (39% of group sales)

CTT's sales reduced by 9.2% on a constant currency basis to £61.1m (2018: £68.2m as reported), while underlying operating profits declined to £0.3m (2018: £2.1m). The production consistency problems which have been prevalent in the business are now largely resolved however the knock-on impact of these quality issues on

customer confidence has been greater than we initially anticipated and it is taking longer than expected to regain lost sales. The German OEM market is also slowing down, impacting Tarpaulins and Industrial product sales in Germany and Eastern Europe.

Results were also impacted by the fire which occurred in the Lomnice coating plant in November 2018. This severely disrupted production and temporarily closed the site, with production starting again successfully in January 2019. As disclosed in our 2018 Annual Report, following the fire we have completed reviews of all thermal oil systems in the Group and are implementing the resulting risk-reduction actions.

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 £31.3m. This has been reported as a non-underlying item.

Civil Engineering (discontinued operations)

CE's sales increased by 3.4% to £33.2m (2018: £32.1m), while underlying profits increased from a loss of £0.7m to a profit of £1.0m. Sales have benefitted from the Group's strategy to increase production through the winter months in preparation for the peak season. Profit has also significantly increased due to the turnaround strategy deployed in the business, with the cost savings actions initiated in 2018 being realised in 2019. The restructuring of the previous organisational has led to more agile decision-making, quicker commercial execution and reduced complexity. The effective execution of the stabilisation and improvement plan also enabled the Group to achieve a successful outcome from the disposal processes for Construction Fibres and Needle-Punched Non-Wovens.

During the half the Group also exited the Bonar Natpet joint venture in Saudi Arabia, a process that began in early 2018. The exit was completed with a payment of £2.4m made to the joint venture partner. A liability of £2.2m had been recognised on the balance sheet at 30 November 2018.

Disposal of the Civil Engineering business

As part of a simplification of the Group's business to focus on the most attractive markets, it was determined in 2018 to exit the CE activities. Following the closure of the Ivanka site and the transfer of the Enka business into Colbond in 2018, the Group announced its intention to divest the remaining CE businesses in 2019. As a result, two separate divestment processes were initiated in the first half with the Construction Fibres ("CF") business being sold on 1 July 2019 and the sale of the Needle-punched Non-woven ("NPNW") due to complete by around 31 August 2019. The CF business was sold for €6.2m (£5.5m) with €5.7m (£5.1m) received on completion and the remainder to be received by September 2019. The assets and liabilities of the CF business are classified as held for sale on the 31 May 2019 balance sheet and are held at their fair value, which resulted in a £1.7m write-down of the assets in the period. The NPNW business was sold for €17.3m (£15.4m) which is payable on completion. The assets of the NPNW business are also classified as held for sale at 31 May 2019 and were written down by £9.8m to their fair value on designation of being held for sale.

Equity raise

During the period, 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). The proceeds of this issue have been used to reduce net indebtedness, provide working capital flexibility and to fund incremental capital expenditure across the Group.

Non-underlying items

Non-underlying items, which were mostly non-cash, reduced statutory profit before tax from continuing operations by £41.5m (2018: £19.2m). These consisted primarily of:

- £31.3m non-cash impairment of CTT's intangible assets and property, plant and equipment following the deterioration of the results in the period and the expected slower recovery of the business;
- £7.5m non-cash impairment of Yihua Bonar's goodwill and property, plant and equipment following the reduction in demand from key customers in the domestic markets;
- £1.1m of restructuring costs in respect of a major Group-wide transformation programme to right-size the organisation and optimise the organisational structure; and
- £1.4m relating to amortisation of acquired intangible assets.

In the prior year, non-underlying items included the non-cash, partial impairment of CTT's goodwill of £13.3m, £2.0m of restructuring costs, a £1.4m charge relating to the provision for custom duties and fees in CTT and £1.4m relating to amortisation of acquired intangible assets.

£12.0m of pre-tax non-underlying items relating to discontinued operations were recognised in the current period, £1.7m of which relates to the write-down of the assets held for sale in relation to the CF business which was subsequently sold in July 2019, and £9.8m which relates to the write-down of the NPNW assets to their fair value following their designation of held for sale assets. Full details are set out in Note 7.

Interim dividend

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

- The level of distributable reserves held by the parent company, and the availability of dividends from subsidiary companies from which the parent company derives its distributable reserves;
- Projections of future cash flows, including the impact of dividends on compliance with our loan covenants; and
- The risks to future cash flows and distributable reserves, which are set out in the principal risks and uncertainties section in Note 15.

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, given the performance of the Group in this period, and considering the factors above, the Board has decided that no interim dividend will be paid for the current financial year (2018: 1.05 pence per share interim dividend). In addition, as part of the recent renegotiation of its banking facilities, the company has agreed that, amongst certain other undertakings, 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.

Net debt and interest

Net debt reduced significantly to £99.0m as at 31 May, from £128.5m as at 30 November 2018, primarily as a result of the £49.9m equity raise in February 2019. Net working capital increased by £15.2m in the period, mainly due to a decrease in trade payables (£15.0m), which was largely as planned and previously stated. Inventories increased by £5.9m, which is normal as the business approaches the busiest time of the year, and trade debtors reduced by £5.6m reflecting a tighter focus on cash collection as well as lower sales.

Capital expenditure in HY 2019 was £5.0m (2018: £8.5m). Of this the majority was invested in the Colbond business, including improving the efficiency and capacity of the Colback technology and notably in starting the improvement programme in Asheville. There was also investment in CTT on a number of smaller projects supporting the quality improvement plans.

Leverage at 31 May 2019 was 2.9 times (2018: 2.9 times), below the 3.5 times covenant contained within the Group's financing facilities. The Board expects continued progress in reducing net debt over the remainder of the year.

The underlying interest charge for the period of £2.9m was 16.0% higher than the charge for the same period last year, reflecting the higher level of actual net debt during the period. Interest cover was 3.3 times for the period (EBITA/interest per banking covenant definitions), ahead of the banking covenant, albeit with lower headroom than in the past due to lower profitability.

Pensions

The Group has a number of defined benefit schemes in place, both in the UK and overseas, which are accounted for in accordance with the requirements of IAS 19 Employee Benefits (revised). In April 2019, the Group entered 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 31 May 2019, the UK scheme showed a surplus of £2.8m (30 November 2018: surplus of £11.0m). The reduction in the surplus was driven by two factors:

1) An actuarial loss of of £6m due to the price paid for the insurance policy purchased in in the buy-in being 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 2.2% at 31 May 2019.

Consistent with the previous periods, the Group has recognised this surplus as an asset on the balance sheet as supported by legal advice received in previous periods.

The net deficit arises from the overseas schemes' deficits outweighing the reduced UK scheme surplus.

At 30 November 2018, an allowance of £4.0m was included within the IAS 19 liabilities for the potential impact of the GMP equalisation ruling. Since the year end, there has been little movement on this ruling and there have been no trigger points in the period 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 31 May 2019.

Return on capital

The Group's return on capital, excluding assets written off, on a 12-month trailing basis was 6.8%, compared to 9.8% (restated) in the first half of last year, principally due to the reduced profitability of the Group.

Board Changes

Ian Ashton was appointed to the Board as Group Chief Financial Officer on 10 December 2018. Philip de Klerk stood down as Group Chief Executive with effect from 1 July 2019, following which Daniel Dayan, who had been the independent Non-Executive Chairman of the Company since September 2018, was appointed to the role of Executive Chairman with effect from 2 July 2019. Dr Giulia Nobili joined the Board as a non-independent Non-Executive Director on 10 July 2019.

Statement following 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 but will continue to consult with those small number of shareholders voting against to understand their views in relation to this specific matter.

Daniel Dayan
Executive Chairman

Ian Ashton
Group Chief Financial Officer

Forward looking statements

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

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond our ability to control or predict. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this announcement. Forward looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity may differ materially from those expressed or implied in the forward looking statements contained in this announcement. In addition, even if the results of operations, financial condition, and liquidity are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to: changes in the competitive framework in which the Group operates and its ability to retain market share; the Group's ability to generate growth or profitable growth; the Group's ability to generate sufficient cash to service its debt; the Group's ability to control its capital expenditure and other costs; significant changes in exchange rates, interest rates and tax rates; significant technological and market changes; future business combinations or dispositions; and general local and global economic, political, business and market conditions. The Group’s principal risks and uncertainties are described in greater detail in the section of this announcement headed *Risks and uncertainties.* In light of these risks, uncertainties and assumptions, the events described in the forward looking statements in this announcement may not occur.

Other than in accordance with its legal or regulatory obligations, the Group does not undertake any obligation to update or revise publicly any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

INDEPENDENT REVIEW REPORT TO LOW & BONAR PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2019 which comprises a Condensed Consolidated Income Statement, a Condensed Consolidated Statement of Comprehensive Income, a Condensed Consolidated Balance Sheet, a Condensed Consolidated Cash Flow Statement a Condensed Consolidated Statement of Changes in Equity and explanatory notes 1 to 21. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the interim financial statements, which indicates the existence of a material uncertainty in the Directors’ going concern forecasts, principally relating to the Directors’ ability to mitigate any downside scenario through renegotiation of financial covenants. As stated in note 2, these events or conditions indicate that a material uncertainty exists. This may cast significant doubt on the company’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 May 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
30 July 2019

LOW & BONAR PLC
Condensed Consolidated Income Statement

	Note	Six months ended 31 May 2019 Unaudited Underlying £m	Six months ended 31 May 2019 Unaudited Non-Underlying (Note 7) £m	Six months ended 31 May 2019 Unaudited Total £m	Six months ended 31 May 2018 Unaudited Underlying £m (restated – note 14)	Six months ended 31 May 2018 Unaudited Non-underlying (Note 7) £m (restated – note 14)	Six months ended 31 May 2018 Unaudited Total £m (restated – note 14)
Revenue	3	**157.9**	**-**	**157.9**	174.1	-	174.1
Operating profit/(loss)	3	**2.6**	**(41.5)**	**(38.9)**	9.7	(19.2)	(9.5)
Financial income		**0.1**	**-**	**0.1**	-	-	-
Financial expense		**(2.9)**	**-**	**(2.9)**	(2.5)	(0.3)	(2.8)
Net financing costs		**(2.8)**	**-**	**(2.8)**	(2.5)	(0.3)	(2.8)
(Loss)/profit before taxation		**(0.2)**	**(41.5)**	**(41.7)**	7.2	(19.5)	(12.3)
Taxation		**(0.1)**	**5.2**	**5.1**	(1.6)	2.4	0.8
(Loss)/profit after taxation		**(0.3)**	**(36.3)**	**(36.6)**	5.6	(17.1)	(11.5)
(Loss)/profit for the period from continuing operations		**(0.3)**	**(36.3)**	**(36.6)**	5.6	(17.1)	(11.5)
Profit/(loss) for the period from discontinued operations	14	**0.9**	**(11.7)**	**(10.8)**	(0.8)	(1.5)	(2.3)
Profit/(loss) for the period		**0.6**	**(48.0)**	**(47.4)**	4.8	(18.6)	(13.8)
Attributable to							
Equity holders of the Company		**0.6**	**(45.2)**	**(44.6)**	4.5	(18.6)	(14.1)
Non-controlling interest		**-**	**(2.8)**	**(2.8)**	0.3	-	0.3
		0.6	**(48.0)**	**(47.4)**	4.8	(18.6)	(13.8)
Earnings per share							
Continuing operations:							
Basic		**(0.06)**		**(6.37)**	1.63		(3.57)
Diluted		**(0.06)**		**(6.37)**	1.62		(3.57)
Discontinued operations:							
Basic		**0.16**		**(2.04)**	(0.25)		(0.70)
Diluted		**0.16**		**(2.04)**	(0.25)		(0.70)
Total:							
Basic		**0.10**		**(8.41)**	1.38		(4.27)
Diluted		**0.10**		**(8.41)**	1.37		(4.27)

LOW & BONAR PLC
Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 May 2019 Unaudited £m	Six months ended 31 May 2018 Unaudited £m
Loss for the period	**(47.4)**	(13.8)
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**0.7**	1.6
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit pension scheme	**(8.6)**	2.4
Deferred tax on defined benefit pension schemes	**3.0**	(0.8)
Total other comprehensive (expense)/income for the period, net of tax	**(4.9)**	3.2
Total comprehensive loss for the period	**(52.3)**	(10.6)
Attributable to		
Equity holders of the parent	**(49.5)**	(11.1)
Non-controlling interest	**(2.8)**	0.5
	(52.3)	(10.6)

LOW & BONAR PLC
Condensed Consolidated Balance Sheet

	Note	**31 May 2019 Unaudited £m**	30 November 2018 (restated – note 19) £m
Non-current assets			
Goodwill	12	**27.8**	28.2
Intangible assets		**13.3**	23.4
Property, plant and equipment		**94.7**	134.3
Investment in joint venture		**0.6**	-
Investment in associate		**-**	0.8
Deferred tax assets		**4.3**	5.5
Post-employment benefits	8	**2.8**	11.4
		143.5	203.6
Current assets			
Inventories		**87.6**	93.9
Trade and other receivables		**53.7**	77.8
Cash and cash equivalents	9	**49.6**	47.8
Current tax receivables		**2.2**	-
Assets classified as held for sale	14	**33.3**	2.7
		226.4	222.2
Current liabilities			
Interest-bearing loans and borrowings	9	**5.3**	5.0
Current tax liabilities		**-**	0.7
Trade and other payables		**62.0**	92.8
Provisions	10	**4.4**	3.8
Liabilities directly associated with assets classified as held for sale	14	**15.6**	2.2
		87.3	104.5
Net current assets		**139.1**	117.7
Total assets less current liabilities		**282.6**	321.3
Non-current liabilities			
Interest-bearing loans and borrowings	9	**143.3**	171.3
Deferred tax liabilities		**6.5**	13.5
Post-employment benefits	8	**11.2**	11.1
Provisions		**0.5**	-
Other payables		**0.3**	0.8
		161.8	196.7
Net assets		**120.8**	124.6
Equity attributable to equity holders of the parent			
Share capital		**65.4**	47.4
Share premium account		**74.8**	74.8
Other reserve		**31.9**	-
Translation reserve		**(24.2)**	(24.9)
Retained earnings		**(30.9)**	20.7
Total equity attributable to			
Equity holders of the parent		**117.0**	118.0
Non-controlling interest		**3.8**	6.6
Total equity		**120.8**	124.6

LOW & BONAR PLC
Condensed Consolidated Cash Flow Statement

	Note	**Six months ended 31 May 2019 Unaudited £m**	Six months ended 31 May 2018 Unaudited (restated) £m
Loss for the period from continuing operations		**(36.6)**	(11.5)
Loss for the period from discontinued operations		**(10.8)**	(2.3)
Loss for the period		**(47.4)**	(13.8)
Adjustments for:			
Depreciation		**6.1**	7.7
Amortisation		**2.3**	2.1
Income tax (credit)/expense		**(5.4)**	0.2
Net financing costs		**2.8**	2.8
Share of results from JV		**0.2**	-
Non-cash pension charges		**0.1**	0.4
Decrease in provision for Bonar Natpet		**(2.2)**	-
(Increase)/decrease in inventories		**(5.9)**	1.2
Decrease in trade and other receivables		**5.6**	7.1
Decrease in trade and other payables		**(15.0)**	(3.0)
Increase in provisions		**0.1**	1.0
Loss on disposal of non-current assets		**-**	0.2
CTT impairment charge		**31.3**	13.3
Yihua Bonar impairment charge		**7.5**	-
Write-down of Held for Sale assets to fair value less costs to sell - Construction Fibres		**1.7**	-
Write-down of Held for Sale assets to fair value less costs to sell - Needle-Punched Non-Wovens		**9.8**	-
Equity-settled share-based expense/(credit)		**-**	(0.3)
Other non-cash items		**(0.2)**	-
Cash (outflow)/inflow from operations		**(8.6)**	18.9
Interest paid		**(2.9)**	(2.8)
Tax paid		**(2.6)**	(2.8)
Pension cash contributions		**(0.3)**	(0.1)
Net cash (outflow)/inflow from operating activities		**(14.4)**	13.2
Acquisition of property, plant and equipment		**(4.5)**	(6.7)
Proceeds from the disposal of property, plant and equipment		**0.4**	-
Intangible assets purchased		**(0.5)**	(1.8)
Net cash outflow from investing activities		**(4.6)**	(8.5)
(Repayment)/drawdown of borrowings		**(27.2)**	17.8
Issue of share capital net of issue costs		**49.9**	
Proceeds of other share issues to employees		**-**	0.1
Dividends paid to non-controlling interests		**(0.4)**	-
Equity dividends paid		**(1.2)**	(6.6)
Net cash inflow from financing activities		**21.1**	11.3
Net cash inflow	9	**2.1**	16.0
Cash and cash equivalents at start of period*		**47.4**	38.2
Foreign exchange differences		**0.1**	0.8
Cash and cash equivalents at end of period		**49.6**	55.0

** Cash and cash equivalents includes bank overdrafts of £0.4m at 30 November 2018*

LOW & BONAR PLC
Condensed Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserve £m	Translation reserve £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Non-controlling interest £m	Total equity £m
At 30 November 2017	47.4	74.6	-	(26.4)	78.3	173.9	6.4	180.3
Total comprehensive profit /(loss) for the period	-	-	-	1.4	(12.5)	(11.1)	0.5	(10.6)
Dividends paid to Ordinary Shareholders	-	-	-	-	(6.6)	(6.6)	–	(6.6)
Shares issued	-	0.1	-	-	-	0.1	–	0.1
Share-based payment	-	-	-	-	(0.3)	(0.3)	–	(0.3)
Net increase/(decrease) for the period	-	0.1	-	1.4	(19.4)	(17.9)	0.5	(17.4)
At 31 May 2018	47.4	74.7	-	(25.0)	58.9	156.0	6.9	162.9

	Share capital £m	Share premium £m	Other reserve £m	Translation reserve £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Non-controlling interest £m	Total equity £m
At 30 November 2018	47.4	74.8	-	(24.9)	23.2	120.5	7.0	127.5
Prior year adjustments (Note 19)	-	-	-	-	(2.5)	(2.5)	(0.4)	(2.9)
At 30 November 2018 (Restated)	47.4	74.8	-	(24.9)	20.7	118.0	6.6	124.6
Opening balances adjustment on application of new accounting standards	-	-	-	-	(0.2)	(0.2)	-	(0.2)
At 30 November 2018 (Adjusted)	47.4	74.8	-	(24.9)	20.5	117.8	6.6	124.4
Total comprehensive profit /(loss) for the period	**-**	**-**	**-**	0.7	(50.2)	**(49.5)**	(2.8)	**(52.3)**
Dividends paid to Ordinary Shareholders	**-**	**-**	**-**	**-**	(1.2)	**(1.2)**	**-**	**(1.2)**
Dividends paid to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued	**18.0**	-	**31.9**	**-**	**-**	**49.9**	**-**	**49.9**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net increase/(decrease) for the period	**18.0**	**-**	**31.9**	**0.7**	**(51.4)**	**(0.8)**	**(2.8)**	**(3.6)**
At 30 May 2019	**65.4**	**74.8**	**31.9**	**(24.2)**	**(30.9)**	**117.0**	**3.8**	**120.8**

LOW & BONAR PLC
Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board
Daniel Dayan
Executive Chairman
30 July 2019

LOW & BONAR PLC
Notes to the Interim Report 2019

1. General information

Low & Bonar PLC is a company domiciled and incorporated in Scotland. The interim condensed consolidated financial statements (the "interim financial statements") of the Company as at and for the six months ended 31 May 2019 comprise the Company and its subsidiaries (together the "Group") and the Group's interests in its associates and joint ventures. The consolidated financial statements of the Group as at and for the year ended 30 November 2018 are available on request from the Company's head office or from the Group's website at www.lowandbonar.com.

2. Basis of preparation

The interim financial statements are prepared in accordance with IAS 34, "Interim Financial Reporting", as endorsed and adopted for use in the European Union. The information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 November 2018 with the exception of the first year application of IFRS 9 "Financial Instruments: Recognition and measurement" and IFRS 15 "Revenue from contracts with customers", the impact of which is detailed below.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group as at and for the year ended 30 November 2018.

The comparative figures for the financial year ended 30 November 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) contains a material uncertainty in respect of going concern to which the auditor drew attention by way of emphasis without modifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial statements are presented in Pounds Sterling, rounded to the nearest hundred thousand Pounds. They are prepared on the historical cost basis except for the valuation to fair value of certain financial instruments.

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

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied to the consolidated financial statements as at and for the year ended 30 November 2018.

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 21, together with reconciliations to the figures contained in these financial statements.

As disclosed in note 14, the Group exited the Bonar Natpet joint venture in January 2019 with a final payment of £2.4m to the joint venture partner. Other than this transaction, there have been no related party transactions or changes in related party transactions described in the latest Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

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

Going concern

The Group closely monitors and manages its funding position throughout the year, including monitoring forecast covenants and facilities to ensure it has sufficient headroom. Forecasts are produced regularly and sensitivities considered for, amongst other factors, reduced volume growth, raw material price changes, reduction in margins, and working capital management. These forecasts and sensitivity analyses allow management to proactively manage any liquidity or covenant compliance risks in a timely manner.

2. Basis of preparation (continued)

Going concern (continued)

During the half-year, the Group raised £49.9m in equity to strengthen the balance sheet. Given the weaker than expected trading, management has also taken action to implement certain cost saving programmes, to reduce planned operational expenditure and general and administrative spend, and to better control working capital.

At the half-year, the Group had headroom on its borrowing facilities, as set out in note 9 to these statements, and on its related financial covenants, which are materially the same under both the Revolving Credit Facility and the Private Placement Notes. The Group routinely takes action to optimise working capital every six months, and the headroom at the half-year reflects the benefit of these actions, although at a reduced level compared to earlier years.

The forecasts which underpin our going concern assessment look out to November 2020. The forecasts reflect the more challenging trading conditions seen in recent months, as well as actions to reduce costs and working capital. They also reflect the net debt benefit of the working capital management actions taken each six months. The forecasts indicate that the Group will be able to operate within the covenants related to its existing borrowing facilities for at least 12 months from the date of approval of this half-year report.

However, the level of headroom compared to the loan covenants is limited. Whilst further headroom could be created through certain mitigating actions, such as reductions in capex, further cost savings, and a reduction in dividends, risks to the business exist which could eliminate this buffer. These risks, which have been taken into account in modelling a plausible downside scenario for the purposes of this assessment, include a decline in sales volumes across most of the Group's end use markets and/or an inability to manage working capital, specifically creditors, to the same extent as in the past.

The Directors recently announced the last element of the sale of the Civil Engineering division, the sale of the Needle-Punched Non-Woven business. When it closes, this transaction will further reduce net debt and also create modest further headroom on covenants. It has been included in the base case. As announced on 20 May 2019, the Board are exploring other opportunities to maximise shareholder value in the short-term, and further asset or business disposals may be considered. The benefits to covenants of these further potential disposals have not been included in either the base or downside cases.

The Directors have carefully considered the base case projections, and also the impact on these projections of the potential risks to the business. Under a plausible downside scenario, either or both of the leverage and interest cover covenants would not be met in the measurement period ending 31 May 2020.

The Directors have recently agreed a relaxation of covenants with their lenders for the measurement period ending 30 November 2019. Should a breach of the covenants begin to appear likely at future covenant testing points, despite the various mitigating actions that management would take, then in the first instance we would seek a further amendment or waiver of covenants. Management are optimistic that, subject to negotiations of suitable terms, the Group's banking syndicate and Private Placement Note holder would be prepared to support the Group in the form of relaxed covenants for a further period of time.

2. Basis of preparation (continued)

Going concern (continued)

If we could not renegotiate the terms of our debt facilities, or execute an accelerated sale of certain assets, the lenders could demand accelerated repayment of their debt and we may not have the funds to make these repayments. Accordingly, at the time of signing these interim financial statements, there remains a material uncertainty 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 realize its assets and discharge its liabilities in the normal course of business. However, the Directors believe that they do have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and currently agreed covenants for the foreseeable future, and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis. The interim 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.

New accounting standards

The Group has adopted IFRS 15: "Revenue from Contracts with Customers" and IFRS 9: "Financial Instruments: Recognition and Measurement" from 1 December 2018.

IFRS 15: Revenue from Contracts with Customers

The Group has elected to apply the new standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. As such, comparatives for the year ended 30 November 2019 will not be restated.

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

The Group's sales are entered into under relatively non-complex contracts which are fulfilled in a short time frame. Our analysis of the impact of the standard concluded that, as our performance obligations are mainly limited to the delivery of goods, there is no significant change required to the accounting currently carried out in accordance with IAS 18.

The net impact to the opening balance sheet and balance sheet as at 30 November 2018 is immaterial. Apart from additional disclosure requirements in the Annual report, the adoption of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

IFRS 9: Financial instruments: Recognition and measurement

The Group has elected not to restate comparatives on initial application of IFRS 9, the opening impact of adoption of IFRS 9 will be recognised in reserves.

IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments.

The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables and borrowings. As part of the impact assessment, we identified a difference to trade receivables calculated for our CTT Business Unit. The impact is to increase the provision against trade receivables by approximately £0.1m resulting from an estimate of lifetime expected credit losses being applied to all receivables, even those not past due. In accordance with IFRS 9, this adjustment is reflected as an opening retained earnings adjustment in these financial statements.

2. Basis of preparation (continued)

IFRS9: Financial instruments: Recognition and measurement (continued)

We identified a further adjustment to the accounting treatment of non-substantial debt modifications under IFRS 9 of £0.1m. This adjustment is also reflected as an opening retained earnings adjustment in these financial statements.

IFRS 16: Leases

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

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

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

The Group is currently assessing the financial impact of the new standard. The most significant impact will be that the Group's property, plant and equipment leases will be brought on to the balance sheet resulting in an increase in right of use assets and lease liabilities, and depreciation and interest expense in the income statement rather than the current lease expense included in operating expenses.

The actual impact of applying IFRS 16 is dependent on future economic conditions including: movements in the Group's borrowing rate at 30 November 2019, the composition of the Group's lease portfolio at transition date, the Group's view on whether renewal options will be exercised, and the Group's final decisions regarding the use of recognition exemptions and practical expedients for transition.

3. Segmental information for the six months ended 31 May 2019

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 B&I, I&T and Dundee into one single group known as "Low & Bonar 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 Textile 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 14

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of 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.

Segment analysis

Revenue from external customers – continuing operations	**Six months ended 31 May**	
	2019	2018*
	£m	£m
Colbond	**96.8**	103.2
Coated Technical Textiles	**61.1**	68.2
Civil Engineering- Ivanka	**-**	2.7
Revenue for the period	**157.9**	174.1

Underlying operating profit/(loss) before tax - continuing operations

	Underlying		**Non-underlying**		**Total**	
	Six months ended 31 May		**Six months ended 31 May**		**Six months ended 31 May**	
	2019	2018*	**2019**	2018*	**2019**	2018*
	£m	£m	**£m**	£m	**£m**	£m
Colbond	**5.0**	10.5	**(8.0)**	(2.3)	**(3.0)**	8.2
Coated Technical Textiles	**0.3**	2.1	**(32.6)**	(16.1)	**(32.3)**	(14.0)
Civil Engineering- Ivanka	**-**	-	**(0.2)**	-	**(0.2)**	-
Unallocated Central	**(2.7)**	(2.9)	**(0.7)**	(0.8)	**(3.4)**	(3.7)
Total	**2.6**	9.7	**(41.5)**	(19.2)	**(38.9)**	(9.5)

*Restated for the change in operating segments following the reorganisation (see Note 20 for details of this restatement)

3. Segmental information for the six months ended 31 May 2019 (continued)

Geographical analysis – continuing operations

	Six months ended 31 May 2019 £m	Six months ended 31 May 2018 £m
Europe	**93.5**	101.7
North America	**41.1**	45.2
Middle East	**4.0**	5.3
Asia	**15.2**	16.3
Rest of World	**4.1**	5.6
	157.9	174.1

Constant currency analyses

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

	Six months ended 31 May 2019 (reported)	Six months ended 31 May 2018*	Period on period change	Six months ended 31 May 2018* (constant currency)	Period on period change
	£m	£m	%	£m	%
Revenue – continuing operations					
Colbond	**96.8**	103.2	(6.2)%	105.5	(8.2)%
Coated Technical Textiles	**61.1**	68.2	(10.4)%	67.3	(9.2)%
Civil Engineering - Ivanka	**-**	2.7	(100.0)%	2.7	(100.0%)
Revenue for the period	**157.9**	174.1	(9.3)%	175.5	(10.0)%
Underlying profit/(loss) before tax - continuing operations					
Colbond	**5.0**	10.5	(52.3)%	10.8	(53.7)%
Coated Technical Textiles	**0.3**	2.1	(85.7)%	2.0	(85.0)%
Civil Engineering - Ivanka	**-**	-	-	-	
Unallocated Central	**(2.7)**	(2.9)	6.9%	(2.9)	6.9%
Underlying operating profit	**2.6**	9.7	(73.2)%	9.9	(73.7)%
Net financing costs	**(2.8)**	(2.5)	(12.0)%	(2.5)	(12.0)%
Total	**(0.2)**	7.2	(102.8)%	7.4	(102.7)%

*Restated for the change in operating segments following the reorganisation (see Note 20 for details of this restatement)

LOW & BONAR PLC
Notes to the Interim Report 2019 – continued

3. Segmental information for the six months ended 31 May 2019 (continued)

Segment assets, liabilities, other information

31 May 2019	Colbond £m	Coated Technical Textiles £m	Civil Engineering - Ivanka (£m)	Unallocated Central £m	Total £m
Reportable segment assets	205.6	69.4	-	2.1	277.1
Investment in joint venture					0.6
Cash and cash equivalents					49.6
Post-employment benefits					2.8
Assets classified as held for sale					33.3
Other unallocated assets					6.5
Total Group assets					369.9
Reportable segment liabilities	(36.5)	(26.7)	-	-	(63.2)
Loans and borrowings					(148.6)
Post-employment benefits					(11.2)
Liabilities directly associated with asset classified as held for sale					(15.6)
Other unallocated liabilities					(10.5)
Total Group liabilities					(249.1)
Other information – continuing ops					
Additions to property, plant and equipment	3.7	0.6	-	-	4.3
Additions to intangible assets and goodwill	0.3	0.2	-	-	0.5
Depreciation	(4.0)	(1.8)	-	(0.1)	(5.9)
Amortisation of acquired intangible assets	(0.3)	(1.1)	-	-	(1.4)
Non-underlying items – continuing operations	(7.7)	(31.5)	(0.2)	(0.7)	(40.1)

3. Segmental information for the six months ended 31 May 2019 (continued)

30 November 2018*	Colbond £m (restated)**	Civil Engineering £m (restated)**	Coated Technical Textiles £m	Unallocated Central £m	Total £m (restated)**
Reportable segment assets	212.4	37.6	105.0	2.6	357.6
Investment in associate					0.8
Cash and cash equivalents					47.8
Post-employment benefits					11.4
Assets classified as held for sale					2.7
Other unallocated assets					5.5
Total Group assets					425.8
Reportable segment liabilities	(42.7)	(21.9)	(28.0)	-	(92.6)
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					(19.0)
Total Group liabilities					(301.2)

*Restated for the change in operating segments following the reorganisation (see Note 20 for details of this restatement).
**Restated due to prior year adjustments (see Note 19 for further details).

As restated*

£m Twelve months ended 30 November 2018	**Colbond**	**Coated Technical Textiles**	**Civil Engineering**	**Unallocated Central**	**Discontinued operations****	**Total**
Additions to property, plant & equipment	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	(10.8)	(3.8)	(0.1)	(0.2)	(1.0)	**(15.9)**
Amortisation of acquired intangible assets	(0.6)	(2.2)	-	-	-	**(2.8)**
Non-underlying items - continuing operations	(2.9)	(40.7)	(0.5)	(8.4)	(6.0)	**(58.5)**

4. Taxation

Taxation on profit/(loss) before amortisation, non-underlying items and share of results of joint ventures has been provided at a rate of 23.5% for the six months ended 31 May 2019 which is the estimated rate of tax for the full year (six months ended 31 May 2018: 26.0%; year ended 30 November 2018: 26.5%). The reduction in the tax rate is due principally to the mix of profits in the Group along with the impact of the reduced US and Belgian tax rates for the full period.

5. Dividend

During the period a final dividend of 0.37p (£1.2m) was paid to Ordinary Shareholders in respect of the financial year ended 30 November 2018. The Board has not declared an interim dividend for the period ended 31 May 2019.

6. Earnings per share

Basic earnings per share and earnings per share before non-underlying items are based on the weighted average number of Ordinary Shares in issue during the half-year. The calculation of fully-diluted earnings per share is based on the weighted average number of Ordinary Shares in issue plus the dilutive effect of outstanding share options and the Low & Bonar 2003 Long-Term Incentive Plan (the "2003 LTIP") awards (to the extent to which performance criteria had been achieved at 31 May 2019).

During the period 359,649,707 Ordinary Shares were issued (six months ended 31 May 2018: 233,702; year ended 30 November 2018: 400,544) following the equity raise.

The Directors consider that the calculation of earnings per share before non-underlying items gives a more meaningful indication of the Group's underlying performance. Reconciliations of the earning and weighted average number of shares used in the calculation are set out below:

		31 May 2019	31 May 2018 (restated)
Total operations			
Earnings: Statutory	**£m**	**(44.6)**	(14.1)
Earnings: Before non-underlying items	**£m**	**0.6**	4.5
Weighted average number of shares	**(millions)**	**530.078**	329.774
Effect of dilutive shares	**(millions)**	**0.697**	4.124
Diluted weighted average number of shares	**(millions)**	**530.775**	333.898
Statutory			
Basic loss per share	**p**	**(8.41)**	(4.27)
Diluted loss per share	**p**	**(8.41)**	(4.27)
Before non-underlying items			
Basic (loss)/earnings per share	**p**	**0.10**	1.38
Diluted (loss)/earnings per share	**p**	**0.10**	1.37

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

7. Non-underlying items

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

		Six months ended 31 May 2019 £m	Six months ended 31 May 2018 £m
Amounts charged to operating profit			
Restructuring costs	(a)	**1.1**	2.0
CTT impairment	(b)	**31.3**	13.3
Yihua Bonar impairment	(c)	**7.5**	-
Provision for custom duties & fees	(d)	**-**	1.4
Acquisition-related costs	(e)	**-**	0.1
Amortisation of acquired intangible assets	(f)	**1.4**	1.4
Closure of the Ivanka plant	(g)	**0.2**	0.7
Loss on the disposal of land and buildings	(h)	**-**	0.2
Costs associated with the disposal of the agro-textile business	(i)	**-**	0.1
Total charge to operating profit		**41.5**	19.2
Write off of arrangement fees	(j)	**-**	0.3
Total charge to profit before tax		**41.5**	19.5
Tax credit in the period	(k)	**(5.2)**	(2.4)
Total charge to profit – continuing operations		**36.3**	17.1
Restructuring costs	(a)	**-**	0.2
Impairment of Construction Fibres disposal group	(l)	**1.7**	-
Impairment of Needle-Punched Non-Wovens disposal group	(m)	**9.8**	-
Acquisition and disposal related costs	(n)	**0.2**	-
Other	(o)	**0.3**	0.4
Tax (credit)/charge on non-underlying items	(k)	**(0.3)**	0.9
Total charge to discontinued operations		**11.7**	1.5
Total charge to profit for the period		**48.0**	18.6

Prior period

(a) Restructuring costs

£1.1m of costs have been incurred in the period (six months ended 31 May 2018 - continuing operations: £2.0m, six months ended 31 May 2018 - discontinued operations: £0.2m) in respect of a major Group-wide transformation programme to right-size the organisation and optimise the organisational structure. Costs reflect the impact of headcount reductions.

(b) CTT impairment

The results of the CTT CGU were significantly below expectations in the period 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 property, plant and equipment in the CGU. The impairment charge to intangible assets was £8.8m with an impairment of £22.5m impacting PPE. Please refer to Note 11 for full details of the impairment tests conducted.

7. Non-underlying items (continued)

(b) CTT impairment (continued)

In the six months ended 31 May 2018, the impairment review of the CTT CGU asset base resulted in a partial impairment of £13.3m of the goodwill balance. The full goodwill balance was impaired in the year ending 30 November 2018.

(c) Yihua Bonar impairment

The results of the Yihua Bonar CGU, our JV operation in China, were significantly below expectations in the period 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 property, plant and equipment in the CGU. The impairment charge to goodwill was £0.3m with an impairment of £7.2m impacting PPE. Please refer to Note 11 for full details of the impairment tests conducted.

(d) Provision for customs duties & fees

In previous periods, the Group identified irregularities in relation to customs duties which relate to sales arranged from CTT Dubai. 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, £2.5m covering our view of the duty and penalties to be paid and £0.1m relating to professional fees still to be incurred. There has been no further significant progress on the claim in the period and given there have been no trigger points in the period to reassess the provision, £2.6m remains our best estimate of the likely cash outflow. As such there has been no charge to the income statement in the six months to 31 May 2019.

(e) Acquisition-related costs

In the previous period the Group incurred costs of £0.1m relating to the acquisition of Walflor Industries Inc. No further costs have been incurred in the current period.

(f) Amortisation of acquired intangible assets

The amortisation of acquired intangibles of £1.4m (six months ended 31 May 2018: £1.4m) is excluded from underlying business profit in accordance with Group's accounting policies.

(g) Closure of the Ivanka plant

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 £0.7m charge in 2018 related to redundancies, consultancy costs and a loss on inventories sold at a reduced price following the site closure. The £0.2m in 2019 relates to the ongoing site costs of running the site until the remaining assets (the land and buildings) are disposed of.

(h) Loss on the disposal of land and buildings

In the prior period a loss of £0.2m was recorded relating to the disposal of unused land and buildings at the Group's manufacturing site in Lomnice, Czech Republic

(i) Costs associated with the disposal of the agro-textile business

The £0.1m in the prior period relates to costs incurred in relation to the 2017 disposal of the agro-textile business. No further costs have been incurred in the current period.

7. Non-underlying items (continued)

(j) Write off of arrangement fees

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

(k) Taxation

	Six months ended 31 May 2019 £m	Six months ended 31 May 2018 £m
Continuing operations		
Tax credits on non-underlying expenses	**-**	0.3
Deferred tax credit on asset impairments	**4.9**	-
Deferred tax on non-underlying pension movements	**(0.1)**	-
Amortisation of acquired intangible assets	**0.4**	0.4
Revaluation of DTA/DTL arising from tax rate changes	**-**	1.7
Total tax on non-underlying items	**5.2**	2.4
Discontinued operations		
Tax credits on non-underlying expenses	**-**	-
Tax credit on Construction Fibres impairment	**0.3**	-
Tax on prior period Civil Engineering impairment	**-**	(0.9)
Total tax on non-underlying items	**0.3**	(0.9)
Total tax on non-underlying items	**5.5**	1.5

(l) Impairment of Construction Fibres ("CF") disposal group

The Group has agreed to dispose of the Construction Fibres ("CF") business (part of the Civil Engineering segment) with the disposal having completed on 1 July 2019. Given this agreement, the assets and liabilities relating to the CF business have been designated as Held For Sale as at 31 May 2019 and as such need to be written down to their fair value less costs to sell. The £1.7m impairment loss reflects the difference between the consideration and the fair value of the assets and liabilities.

(m) Impairment of Needle-Punched Non-Wovens ("NPNW") disposal group

The Group has agreed to dispose of the Needle-Punched Non-Wovens ("NPNW") business (part of the Civil Engineering segment) with the disposal due to complete on 31 August 2019. The assets and liabilities relating to the NPNW business have been designated as Held For Sale as at 31 May 2019 and as such need to be written down to their fair value less costs to sell. The £9.8m impairment loss reflects the difference between the likely consideration and the fair value of the assets and liabilities

(n) Acquisition and disposal related costs – discontinued operations

£0.2m of costs have been incurred in the period in relation to the sale of the Civil Engineering business. The £0.2m is primarily made up of external consultancy costs and professional fees.

(o) Other

This is comprised primarily of additional costs relating to the settlement of the Bonar Natpet exit costs following the exit from the JV in January 2019.

8. Pensions and other post-employment assets and liabilities

The Group operates a number of pension schemes in the UK and overseas. These are either defined benefit or defined contribution in nature. The assets of the schemes are held separately from those of the Group.

The movement in the Group's UK and overseas defined benefit schemes' in the six months ended 31 May 2019 is summarised below:

	UK schemes £m	**Overseas schemes £m**	**Six months ended 31 May 2019 Total £m**	Six months ended 31 May 2018 Total £m	Year ended 30 November 2018 Total £m
Net asset/(liability) at start of period	**11.0**	**(10.7)**	**0.3**	(2.2)	(2.2)
Interest income/(cost)	**0.1**	**-**	**0.1**	0.1	(4.2)
Contributions from employers	**0.3**	**-**	**0.3**	0.1	3.4
Administration costs	**-**	**-**	**-**	(0.4)	(0.2)
Actuarial (loss)/gain	**(8.6)**	**-**	**(8.6)**	2.4	3.5
Reclassification to assets held for sale	**-**	**(0.4)**	**(0.4)**	-	-
Exchange adjustments	**-**	**(0.1)**	**(0.1)**	-	-
Net asset/(liability) at end of period	**2.8**	**(11.2)**	**(8.4)**	-	0.3

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

In April 2019, the Group entered 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. 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 31 May 2019 from 2.9% to 2.2%.

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 in the six months to 31 May 2019 amounted to £0.2m.

Due to the proposed sale of the Civil Engineering business, the £0.4m surplus in the Belgian pension scheme has been reclassified as an asset held for sale on the balance sheet.

9. Reconciliation of cash flow to movement in net debt

	Six months ended 31 May 2019 £m	Six months ended 31 May 2018 £m	Year ended 30 November 2018 £m
Net increase in cash and cash equivalents	**2.1**	16.0	11.9
Net cash flow from movements in debt financing	**27.2**	(18.9)	(1.1)
Bank arrangement fees paid	**-**	1.1	1.6
Amortisation of bank arrangement fees	**(0.2)**	(0.5)	(0.6)
Foreign exchange differences	**0.5**	0.4	(1.9)
Movement in net debt in period	**29.6**	(1.9)	9.9
Net debt at start of period	**(128.5)**	(138.4)	(138.4)
IFRS 9 adjustment	**(0.1)**	-	-
Net debt at end of period	**(99.0)**	(140.3)	(128.5)

	31 May 2019 £m	31 May 2018 £m	30 November 2018 £m
Analysis of net debt			
Cash at bank and in hand	**49.6**	55.0	47.8
2.57% €60m Senior Note due 2022-2026	**(53.1)**	(52.6)	(53.2)
€165m multi-currency revolving credit facility	**(83.0)**	(128.5)	(110.3)
RMB150m facility	**(13.4)**	(14.8)	(13.5)
Bank overdrafts	**-**	-	(0.4)
Prepaid arrangement fees	**1.3**	1.0	1.5
Preference shares	**(0.4)**	(0.4)	(0.4)
Net debt	**(99.0)**	(140.3)	(128.5)

The Group's main bank facilities include:

- a 5 year, €165m revolving credit facility with a syndicate of five relationship banks. The facility bears interest at between 0.95% to 1.95% above LIBOR depending on the ratio of the Group's net debt to EBITDA at each of its half-year and year end reporting date 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. At 31 May 2019, the leverage ratio was 2.9x EBITDA.
- a €60m senior loan note raised by private placement with Pricoa Capital Group Limited; this funding is unsecured and is scheduled for repayment between September 2022 and September 2026 in even tranches, and bears interest at a fixed rate of 2.57% per annum for the term of the loan; and
- RMB150m of unsecured revolving and term loan facilities, maturing in June 2020, arranged in July 2015 to finance the construction of the Group's manufacturing facility in Changzhou, China.

EBITDA for covenant purposes is calculated as underlying operating profit, adding back depreciation, underlying amortisation, IFRS 2 charge and pension administration costs.

There are two principal covenants within both the private placement financing and the bank loans which relate to interest cover and financial gearing. These are tested 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:

9. Reconciliation of cash flow to movement in net debt (continued)

Measure	Covenant
Consolidated net debt / EBITDA	<3.50*
EBITA / Net interest payable	>3.00**

* For the 31 May 2019 and 30 November 2019 test dates, before reducing to <3.0 thereafter.
** For the 31 May 2019 test date, before a one-time relaxation to >2.5 for the 30 November 2019 test date, before then reverting to >3.0 thereafter.

10. Provisions

	Current provisions				Non-Current provisions	
	Custom duties & fees (£m)	Restructuring (£m)	Other (£m)	Group (£m)	Other (£m)	Group (£m)
At 30 November 2018	2.6	0.9	0.3	**3.8**	-	**-**
Created in the period	-	1.1	0.7	**1.8**	-	**-**
Utilised in the period	-	(1.0)	(0.2)	**(1.2)**	-	**-**
Reclassification	-	-	-	**-**	0.5	**0.5**
At 31 May 2019	**2.6**	**1.0**	**0.8**	**4.4**	**0.5**	**0.5**

Current provisions

Customs duties and fees

This provision relates to irregularities in relation to customs duties that were identified in previous periods. In the period ended 31 May 2019, the Group recognised a charge of £nil in respect of these irregularities as there has been no further significant progress on the claim in the period. The resulting provision of £2.6m represents the Group's best estimate of the remaining costs to settle this issue. In forming a view as to the adequacy of the provision, management have taken account of the findings of the investigation to date which include some assessments and assumptions that could significantly alter the level of costs to be incurred, were they to be incorrect. These assessments and assumptions include the identification of all transactions with irregularities, the value of customs duties impacted and the level of relief for penalties that could be given due to the Group's active management of the issue. The investigation is ongoing and the timing of any cash outflows is uncertain. 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 relates to the ongoing costs relating to the transformation programmes that are yet to be settled. The Group recognised a charge of £1.1m in respect of the latest programme and have utilised £1.0m of the provision in the period.

Other

£0.5m of the closing provision and the creation in the period relates to a capital commitment made in the Fulda plant (CTT GBU) to replace a piece of faulty equipment. As discussed in Note 11, the full value of the property, plant & equipment balance in CTT has been impaired at 31 May 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.

10. Provisions (continued)

Other (continued)
£0.2m 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 the soil pollution identified.

£0.1m of the closing provision relates to the fair value of a contract entered into by the Group with the purchasers of the agro-textile business to purchase woven products at an above market price. The contract was entered into at the time of disposal. £0.2m of the 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.

11. Impairment testing

At 31 May 2019, there were indicators of impairment in all CGUs in the business. These indicators included:

- Slower than expected progress in recovering customers in the CTT business 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 businesses;
- Production issues in our Asheville plant leading to lower than expected margins;
- Significant price competition from our main competitors; and
- Reduction in the demand for the products of our key customers, particularly in the German OEM market and flooring markets

Due to these indicators of impairment, impairment reviews were carried out at all CGUs in the Group.

For the value in use calculations for all CGUs, the cash flows reflect management's updated five-year projections. Annual growth rates of 2.5% from 2024 thereafter have been applied (2018: 2.5%) for the Colbond EMEA, Colbond Americas and CTT CGUs and a rate of 4.0% has been 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 joint venture operation in China which manufactures and sells woven products. Cash flows have been discounted at a post-tax rate of 11.35% (2018:10.2%) and a pre-tax rate ranging between 13.9%-22.4%. The top end of the range relates to the Yihua Bonar CGU and is a result of high tax cash outflows relative to other cash movements in the terminal value year.

For the fair value less cost of sales calculation for all CGU's, 2019 forecast EBITA has been used as a base and multiples provided by an external third party have been used for each part of the business.

The impairment reviews conclude that no impairment is necessary in the Colbond EMEA, Colbond Americas and Bonar Changzhou CGUs. Their recoverable values, based on management's expectations are in excess of the carrying value of their non-current assets, including goodwill.

The CTT analysis indicates an estimated recoverable value of £27.2m, based on a value in use calculation, for the CGU and results in a full impairment to the carrying value of the non-current assets (intangible assets and property, plant and equipment) of £31.3m, with £8.8m relating to intangible assets and the remainder relating to property, plant and equipment. The significant impairment is 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.

11. Impairment testing (continued)

The Yihua Bonar analysis indicates an estimated recoverable value of £3.4m for the CGU, based on fair value less costs to sell calculation, and results in a full impairment to the carrying value of the non-current assets (goodwill and property, plant and equipment) of £7.5m, with £0.3m relating to goodwill and the remainder relating to property, plant and equipment. The significant impairment is 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.

The assets within the Civil Engineering CGUs are classified as held for sale and have therefore been assessed for impairment by reviewing their fair value less cost of sale valuation based on latest indicative offers. See Note 14 for further details.

Sensitivities

Given that the full value of the non-current assets in the period has been fully impaired, we do not deem it necessary to calculate any further sensitivities for the CTT and Yihua Bonar CGUs. At 31 May 2019, there was sufficient headroom on the impairment assessments performed for the Colbond EMEA, Colbond America and Bonar Changzhou CGUs such that reasonably possible changes in key assumptions would not lead to an impairment.

12. Goodwill

	31 May 2019 £m	30 November 2018 £m
Cost		
At 1 December	**86.8**	86.3
Exchange adjustments	**(0.3)**	0.5
Total	**86.5**	86.8
Accumulated impairment losses		
At 1 December	**58.6**	19.4
Impairment loss recognised (note 11)	**0.3**	39.0
Exchange adjustments	**(0.2)**	0.2
Total	**58.7**	58.6
Net book value	**27.8**	28.2

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

	31 May 2019 £m	30 November 2018 £m
Cash generating units		
Colbond Europe	**13.8**	13.8
Colbond Americas	**14.0**	14.1
Colbond APAC	**-**	0.3
Coated Technical Textiles	**-**	-
Net book value	**27.8**	28.2

There has been a change in the composition of the CGUs in the current period 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 Buildings & Industrial and Interiors & Transportation CGUs now being managed on an overall Colbond basis, with disaggregation into regions, Colbond Europe, Colbond Americas and Colbond APAC. There has been no change to the Coated Technical Textiles CGU.

12. Goodwill (continued)

The £0.3m impairment charge relates to the write-off of the £0.3m goodwill related to the Yihua Bonar acquisition, as discussed in Note 11.

13. 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:

	Fair value 31 May 2019 £m	**Book value 31 May 2019 £m**	Fair value 30 November 2018 £m (restated)*	Book value 30 November 2018 £m (restated)*
Loans and receivables				
Cash and cash equivalents	**49.6**	**49.6**	47.8	47.8
Trade and other receivables	**51.4**	**51.4**	73.7	73.7
Financial liabilities at amortised cost				
Trade and other payables	**(62.3)**	**(62.3)**	(94.3)	(94.3)
Bank overdrafts	**-**	**-**	(0.4)	(0.4)
Preference shares	**(0.4)**	**(0.4)**	(0.4)	(0.4)
Prepaid arrangement fees	**1.3**	**1.3**	1.5	1.5
Floating rate borrowings	**(96.3)**	**(96.3)**	(123.8)	(123.8)
Fixed rate borrowings	**(53.7)**	**(53.1)**	(53.8)	(53.2)
Total	**(110.4)**	**(109.8)**	(149.7)	(149.1)

No financial assets or liabilities in the balance sheet of the Group are held at fair value.

*Restated for prior year adjustment. See Note 19 for further details.

14. Discontinued Operations and Assets held for sale

Civil Engineering business

During the period to 31 May 2018, as an outcome of the first phase of the Board's review of the Civil Engineering business, a decision was taken to close the loss-making weaving plant in Ivanka, Slovakia. Due to the small size and contribution of Ivanka to the Group's results and net assets, in addition to the fact that it did not represent a significant major line of business, it was concluded that this did not meet the criteria of discontinued operations. At 31 May 2018, although the Group had publicly announced the decision of its Board of Directors to dispose of the remainder of the Civil Engineering business, the sale was not sufficiently progressed to consider Ivanka part of a co-ordinated single plan to dispose of a separate major line of business or geographic area of operations.

As at 31 May 2019, the sale of the Construction Fibres ("CF") business within Civil Engineering had been agreed and has subsequently completed on 1 July 2019. An agreement to sell the remaining part of the Civil Engineering business (Needle-Punched Non-Wovens ("NPNW")) has also been made and is expected to complete by 31 August 2019. These 2 businesses constitute the majority of the Civil Engineering operating segment as presented in previous periods. Given the progress of the disposals, the businesses have been classified as disposals groups held for sale and as discontinued operations as at 31 May 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 period to 31 May 2018.

14. Discontinued Operations and Assets held for sale (continued)

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

	Six months ended 31 May 2019 £m	Six months ended 31 May 2018 £m
Revenue	**33.2**	32.1
Expenses	**(32.2)**	(32.8)
Underlying profit/(loss) before tax	**1.0**	(0.7)
Finance costs	**-**	-
Underlying profit/(loss) before tax from discontinued operations	**1.0**	(0.7)
Attributable tax expense	**(0.1)**	(0.1)
Underlying Net profit/(loss) from the disposal of the Civil Engineering business	**0.9**	(0.8)
Non-underlying items		
Movement in the costs to exit the Bonar Natpet joint venture	**(0.2)**	(0.4)
Impairment loss recognised on the remeasurement to fair value less costs to sell - CF	**(1.7)**	-
Impairment loss recognised on the remeasurement to fair value less costs to sell - NPNW	**(9.8)**	-
Civil Engineering non-underlying items	**(0.3)**	(0.2)
Tax on non-underlying items	**0.3**	(0.9)
Non-underlying items from discontinued operations	**(11.7)**	(1.5)
Net loss attributable to discontinued operations (attributable to owners of the Company)	**(10.8)**	(2.3)

During the six months ended 31 May 2019, the discontinued businesses contributed £9.9m (six months ended 31 May 2018: £3.3m) to the Group's net operating cash flows, paid £0.3m (six months ended 31 May 2018: £0.4m) in respect of investing activities and £nil (six months ended 31 May 2018: £nil) in respect of financing activities.

14. Discontinued Operations and Assets held for sale (continued)

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

	31 May 2019 £m
Property, plant and equipment	**4.4**
Inventories	**7.6**
Trade and other receivables	**18.3**
Post-employment benefits	**0.4**
Deferred tax asset	**2.6**
Total assets classified as held for sale	**33.3**
Trade and other payables	**15.4**
Deferred tax liability	**0.2**
Provisions	**-**
Total liabilities associated with assets classified as held for sale	**15.6**
Net assets of disposal group	**17.7**

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 (31 May 2018: £1.5m). This liability was classified as *Liabilities directly associated with assets classified as held for sale.*

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 7).

15. Risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The Group has in place processes for identifying, evaluating and managing key risks. The principal risks and uncertainties, together with the approach to their mitigation, are discussed in the Business Review on pages 54 to 57 of the 2018 Annual Report, which is available on the Group's website at www.lowandbonar.com, remain relevant and there are no significant changes. In summary, the Group's principal risks and uncertainties are:

Global activity

The Group may be adversely affected by global economic conditions, particularly in its principal markets in mainland Europe and North America. The volatility of international markets could result in reduced levels of demand for the Group's products, a greater risk of customers defaulting on payment terms, supply chain risk and a higher risk of inventory obsolescence. Changes in international trade regulations or tariffs, including the impact of Brexit, could potentially disrupt the Group's supply chains.

Organic growth/ competition

The markets in which the Group operates are competitive with respect to price, geographic distinction, functionality, brand recognition and marketing and customer service.

15. Risks and uncertainties (continued)

Cyber security

Disruption to or penetration of our information technology platforms could have a significant adverse effect on the Group.

Growth strategy

The Board believes that growth, both organic and through acquisitions, is a fundamental part of its strategy for the Group. The Board reviews such growth opportunities on an ongoing basis and its acquisition strategy is based on appropriate acquisition targets being available and on acquired companies being integrated rapidly and successfully into the Group.

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.

Employee

The Group is reliant on its ability to attract, develop and retain talented leaders, professionals and specialists throughout the organisation.

Operational

The Group, like many other companies, can be affected by actual, possible or perceived defects, failures or quality issues associated with its products which could lead to product litigation, including product liability claims, or negative publicity.

Raw material pricing

The Group's profitability can be affected by the purchase price of its key raw materials and its ability to reflect any changes through its selling prices. The Group's main raw materials are polypropylene, polyester, nylon, polyethylene and PVC. The prices of these raw materials are volatile and they are influenced ultimately by oil prices and the balance of supply and demand for each polymer.

Treasury

Foreign exchange is the most significant treasury risk for the Group. The reported value of profits earned by the Group's overseas entities is sensitive to the strength of Sterling, particularly against the Euro and the US Dollar. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and counterparty credit risk.

Funding

The Group, like many other companies, is dependent on its ability to both service its existing debts, and to access sufficient funding to refinance its liabilities when they fall due and to provide sufficient capital to finance its growth strategy.

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.

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.

16. Contingent liability

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 however 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 interim financial statements but will continue to monitor the situation going forward to establish if a provision is necessary.

At 31 May 2019, the Group had in place two Letters of Credit ("LOC") to support the purchase of raw materials from two of its key suppliers. The total of the LOC's was €900,000 and they expire by the end of August 2019.

17. Post balance sheet event

Sale of the Construction Fibres ("CF") business

The sale of the Construction Fibres ("CF") business completed on 1 July 2019 and was sold for €6.2m (£5.5m) with €5.7m (£5.1m) received on completion and the remainder being received by September 2019. The assets and liabilities of the CF business are classified as Assets and Liabilities held for sale on the 31 May 2019 balance sheet and are held at their fair value, this resulted in a £1.7m write-down of the assets in the period.

Sale of the Needle-Punched Non-Wovens ("NPNW") business

The sale of the Needle-Punched Non-Wovens ("NPNW") business was announced on 25 July 2019, with proceeds of €17.3m to be received on completion. The transaction is expected to complete by 31st August 2019, subject to the fulfilment of a limited number of conditions in the sale agreement, including approval by the German competition authorities. In the 31 May 2019 balance sheet of the NPNW business has been classified as Assets and Liabilities held for sale and has been written down by £9.8m.

Renegotiation of Revolving Credit Facility ("RCF") and Private Placement Loan Notes ("PP Notes") loan covenants

On 29 July 2019 the Group and its lenders agreed to amend the Revolving Credit Facility ("RCF") and Private Placement Loan Notes ("PP Notes") agreements. Under the terms of the amendments:

- The leverage ratio covenant, which was due to reduce on 30 November 2019 from 3.5x EBITDA to a maximum permitted level of 3.0x EBITDA, has been maintained at 3.5x EBITDA until the 31 May 2020 covenant test date, when it will reduce to 3.0x.
- The interest cover ratio for the 30 November 2019 test date has been reduced from 3.0x to 2.5x EBITA. The ratio reverts to 3.0x for the 31 May 2020 test date.

As part of the amendment the Group has agreed that:

- The RCF is reduced from €165m to €135m.
- Proceeds from the disposal of the Needle-Punched Non-Wovens business, and any future disposals, will be used to repay the PP Notes and reduce the size of the RCF available.
- No dividends will be paid to shareholders until such time as the leverage ratio is reduced to below 2.5x for two consecutive measurement periods.

18. Equity raise

During the period, the Group raised net proceeds of £49.9m via a rights issue (consisting of £53.9m of gross proceeds less expenses of £4.0m). 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 in Other Reserves. The proceeds of this issue have been 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 intercompany loans, this Other reserve is not immediately distributable. This reserve will qualify as distributable on settlement of these intercompany funding arrangements in the future.

19. Prior year adjustments

Three prior year adjustments have been noted in the period, which are the correction of errors from the prior period. The impact of the errors is as follows:

£m	30 November 2018				
Balance impacted	**Previously reported**	**Update of Hungary impairment mechanics (Civil Eng)**	**Netting of Deferred tax balances (Unallocated)**	**Correction of NCI dividend payable (Colbond)**	**Balance as restated**
Property, plant and equipment	137.0	(2.7)	-	-	134.3
Deferred tax assets	8.6	0.2	(3.3)	-	5.5
Trade payables	(92.4)	-	-	(0.4)	(92.8)
Deferred tax liabilities	(16.8)	-	3.3	-	(13.5)
Net assets	**127.5**	**(2.5)**	**-**	**(0.4)**	**124.6**
Retained earnings	(23.2)	2.5	**-**	-	(20.7)
Non-controlling interest	(7.0)	-	-	0.4	(6.6)
Shareholder equity	**(127.5)**	**2.5**	**-**	**0.4**	**(124.6)**

Update of Hungary impairment mechanics
In the period to 31 May 2019 we identified an error in the mechanics of our impairment model which had the effect of excluding central costs and incorrectly calculating tax cash flows. 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 has therefore been restated accordingly. Hungary forms part of the Needle-Punched Non-Wovens ("NPNW") business and is therefore classified as held for sale at 31 May 2019. The restatement therefore reduced the write-down we have made in the current period on the designation of the NPNW assets as held for sale. This error did not impact the income statement or balance sheet at 31 May 2018 or 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 impact at 30 May 2018 and 30 November 2017 is as follows:

	31 May 2018			30 November 2017		
£m Balance impacted	**Previously reported**	**Adjustment**	**Balance as restated**	**Previously reported**	**Adjustment**	**Balance as restated**
Deferred tax assets	11.8	(5.0)	6.8	10.1	(1.8)	8.3
Deferred tax liabilities	(18.3)	5.0	(13.3)	(17.5)	1.8	(15.7)

Correction of 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 impact the income statement or balance sheet at 31 May 2018 or 30 November 2017.

20. Segmental restatement

As disclosed in Note 3, the Group has reorganised it structure within the period, with Buildings & 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 are being 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.

	Six months ended 31 May 2018			
	Reported £m	Reorganisation reclassification £m	Move to discontinued operations £m	Restated £m
Revenue				
Building & Industrial	41.5	(41.5)	-	-
Interiors & Transportation	60.7	(60.7)	-	-
Colbond	-	103.2	-	103.2
Coated Technical Textiles	68.2	-	-	68.2
Civil Engineering	35.8	(1.0)	(32.1)	2.7
Continuing operations	**206.2**	**-**	**(32.1)**	**174.1**
Discontinued operations	-	-	32.1	32.1
Total	**206.2**	**-**	**-**	**206.2**
Underlying operating profit/(loss) before tax from continuing operations				
Building & Industrial	3.0	(3.0)	-	-
Interiors & Transportation	7.7	(7.7)	-	-
Colbond	-	10.5	-	10.5
Coated Technical Textiles	2.1	-	-	2.1
Civil Engineering	(0.9)	0.2	0.7	-
Unallocated Central	(2.9)	-	-	(2.9)
Continuing operations	**9.0**	**-**	**0.7**	**9.7**
Discontinued operations	-	-	(0.7)	(0.7)
Total	**9.0**	**-**	**-**	**9.0**
Non- underlying operating profit/(loss) before tax from continuing operations				
Building & Industrial	(0.9)	0.9	-	-
Interiors & Transportation	(0.4)	0.4	-	-
Colbond	-	(2.3)	-	(2.3)
Coated Technical Textiles	(16.1)	-	-	(16.1)
Civil Engineering	(1.2)	1.0	0.2	-
Unallocated Central	(0.8)	-	-	(0.8)
Continuing operations	**(19.4)**	**-**	**0.2**	**(19.2)**
Discontinued operations	-	-	(0.2)	(0.2)
Total	**(19.4)**	**-**	**-**	**(19.4)**

20. Segmental restatement (continued)

	Six months ended 31 May 2018			
	Reported £m	Reorganisation reclassification £m	Move to discontinued operations £m	Restated £m
Return on sales				
Building & Industrial	7.2%			-
Interiors & Transportation	12.7%			-
Colbond	-			10.2%
Coated Technical Textiles	3.1%			3.1%
Civil Engineering	(2.5%)			-
Discontinued operations	-			(2.1%)
Total	**4.4%**			**4.4%**

	As at 30 November 2018			
	Reported £m	Reorganisation reclassification £m	Move to discontinued operations £m	Restated £m
Reportable segment assets (restated)*				
Building & Industrial	61.7	(61.7)	-	-
Interiors & Transportation	149.7	(149.7)	-	-
Colbond	-	212.3	-	212.3
Coated Technical Textiles	105.0	-	-	105.0
Civil Engineering	38.7	(0.9)	-	37.8
Unallocated Central	2.5	-	-	2.5
Total	**357.6**	**-**	**-**	**357.6**
Reportable segment liabilities (restated)*				
Building & Industrial	(13.2)	13.2	-	-
Interiors & Transportation	(29.1)	29.1	-	-
Colbond	-	(42.7)	-	(42.7)
Coated Technical Textiles	(28.0)	-	-	(28.0)
Civil Engineering	(22.3)	0.4	-	(21.9)
Total	**(92.6)**	**-**	**-**	**(92.6)**

*Restated due to prior year adjustments. See Note 19 for further details.

20. Segmental restatement (continued)

As reported

£m **Twelve months ended 30 November 2018**	**B&I**	**Civil Engineering***	**CTT**	**I&T**	**Unallocated Central**	**Total**
Additions to property, plant & equipment	1.7	1.3	2.8	9.4	-	**15.2**
Additions to intangible assets and goodwill	1.0	0.1	0.3	1.6	0.4	**3.4**
Depreciation	(3.0)	(1.1)	(3.8)	(7.8)	(0.2)	**(15.9)**
Amortisation of acquired intangible assets	(0.6)	-	(2.2)	-	-	**(2.8)**
Non-underlying items - continuing operations	(1.7)	(6.6)	(40.7)	(1.1)	(8.4)	**(58.5)**

As restated

£m **Twelve months ended 30 November 2018**	**Colbond**	**CTT**	**Civil Engineering**	**Unallocated Central**	**Discontinued operations***	**Total**
Additions to property, plant & equipment	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	(10.8)	(3.8)	(0.1)	(0.2)	(1.0)	**(15.9)**
Amortisation of acquired intangible assets	(0.6)	(2.2)	-	-	-	**(2.8)**
Non-underlying items - continuing operations	(2.9)	(40.7)	(0.5)	(8.4)	(6.0)	**(58.5)**

* restated for prior year Hungary adjustment (see Note 19).

21. Alternative performance measures

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

These alternative performance measures are:

- Underlying operating profit, underlying profit before tax, and Basic underlying EPS. These numbers are available on the face of the income statement.
- Underlying segment operating profit is set out in Note 3
- Underlying operating margin/return on sales is set out in Note 3
- Adjusted earnings before interest, tax, depreciation, amortisation, IFRS 2 charge and pension administration costs (Adjusted EBITDA)
- Net debt
- Return on capital employed
- Constant currency which translates prior results at the current period's rates of exchange

Adjusted EBITDA

Adjusted EBITDA is used in determining the Group's gearing, and is calculated based on the definition set out in the Group's banking covenants. A reconciliation is as follows for the 12 months ended 31 May 2019 and 31 May 2018:

	Six months to 2019 £m	Six months to 2018 £m
Underlying operating profit - total operations	**3.6**	9.0
Add backs: Depreciation	**6.1**	7.7
Amortisation of intangibles	**2.3**	2.1
Less: amortisation included as a non-underlying item	**(1.4)**	(1.4)
IFRS 2 charge	**-**	(0.3)
Pension administration costs	**0.2**	0.4
Dividends from joint ventures	**0.5**	-
Annualisation of impact of acquisitions and disposals during the period	**-**	-
Other	**-**	-
H1 adjusted EBITDA	**11.3**	17.5
H2 2018/2017 adjusted EBITDA	**22.5**	31.0
12 months adjusted EBITDA	**33.8**	48.5

Net debt is calculated as follows:

	2019 £m	2018 £m
Interest-bearing loans and borrowings	**148.6**	195.3
Less: Cash and cash equivalents	**(49.6)**	(55.0)
Net debt[(a)]	**99.0**	140.3

(a) Net debt for covenant compliance purposes is retranslated at the average exchange rates for the period, to match the rates used to translate adjusted EBITDA. The resulting figure was £97.9m (2018: £141.0m).

21. Alternative performance measures (continued)

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 £m
Underlying operating profit – continuing operations (rolling 12 months basis)	**15.0**	29.7
Divided by Capital employed	**219.8**	303.2
ROCE	**6.8%**	9.8%

	2019 **£m**	2018 £m
Net debt	**99.0**	140.3
Net assets	**120.8**	162.9
Capital employed	**219.8**	303.2