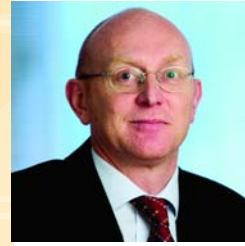


Turnover increased to £201.7m from £191.7m. The increase includes full-year sales of Tessera (the rebranded Bonar Tiles business) and sales following the acquisition of Yihua Bonar Yarns & Fabrics in July 2004. The impact of exchange rates was negative in the current year, reducing turnover by £3.1m.



Operating profit before exceptional items was £12.1m (2003: £11.1m). The Yarns & Fabrics business increased operating profits to £5.3m from £3.5m, which more than offset a decrease in operating profit of £1.0m in our Floors Division. Plastics progressed and central costs decreased against the previous year.

The exceptional costs of £0.4m relate to the legal costs in defending the Group in the EU competition authority case alleging price fixing in the industrial bags market. As previously reported, we sold the business in 1997. We are not anticipating incurring significant legal costs in 2005 as we await the decision of the European Commission, also expected in 2005. No provision for any fine has been made in the accounts for the year ended 30 November 2004.

Net interest expense reduced to £0.7m from £1.0m.

Taxation

The tax charge was £3.4m (2003: £3.2m) representing an effective rate of 31% (2003: 34%).

Earnings and dividends

Basic earnings per share were 7.43p against 6.05p in the previous year. Earnings per share before exceptional items improved to 7.72p from 6.69p in 2003. Earnings per share before amortisation of goodwill and exceptional costs were 8.13p (2003: 6.97p).

Preference dividends of £23,000 (2003: £23,000) were paid in the year. Ordinary dividends, both paid and proposed for the year, amount to £4.5m (2003: £4.2m).

Cash balance and cash flow

The Group started the year with a net cash position of £10.4m and ended with £15.0m. This strong cash position was possible despite an increase in capital expenditure, an increase in tax paid and the acquisition of our Chinese subsidiary.

Pensions

The Group has accounted for pensions under SSAP 24 "Accounting for Pension Costs" and has included disclosure in the notes as required by the transitional rules of FRS 17 "Retirement Benefits". The total profit and loss account charges for the group pension schemes is £2.6m (2003: £2.5m).

The SSAP 24 accounting for the UK defined benefit scheme is based on the most recent formal valuation in March 2002. The profit and loss account charge of £1.3m has been below the cash contributions of approximately £2.7m (2003: £1.3m). The contributions have been increased to a level which recognises the deficit following the last actuarial valuation. When the next formal valuation is completed in 2005 it is expected that this will give rise to an increased charge to the profit and loss account in 2005. The valuation is due March 2005 and the results expected around the time of the interims.

Treasury

We maintain relationships with the key external debt providers centrally. Treasury policies are approved by the Board and cover the nature of the expense to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. No transactions of a speculative nature are allowed.

Liquidity risk: The objective is to maintain sufficient funding for the foreseeable future. At 30 November 2004, available undrawn committed bank facilities totalled £15m. The Group maintains uncommitted overdraft facilities to maintain short-term flexibility.

Foreign currency risk: The Group has net assets outside of the UK and has in the past partially limited the translational exposure and resultant impact on shareholders' funds by borrowing in a respective currency. Following the acquisition in December 2004, the Board reviewed this policy and subsequently approved an increase in the hedge which has now been put in place.

Transactional exposures arise in a few of our Group companies and where these exposures are regarded as highly probable then we will hedge the exposure.

Interest rate risk: No instruments are entered into to mitigate the impact of interest rates, although this is regularly reviewed. Some euro borrowing is at fixed rates, maturing in 2006.

International Financial Reporting Standards (IFRS)

The Group has to apply IFRS in the year ending 30 November 2006. We have commenced a project to ensure we fully understand the standards and their applicability to Low & Bonar. The biggest impact will arise from the inclusion of the pension deficit on the balance sheet and its impact on distributable reserves. Other significant impacts on the group will arise from share options, financial instruments and accounting for acquisitions.

We intend to report information under IFRS for the first time after our preliminary announcement for the year ending 30 November 2005 and prior to issuing our interim announcement for the year ending 30 November 2006.

Jon Kempster Group Finance Director