

## Notes to the Accounts

### 1. SEGMENTAL INFORMATION

#### Primary Reporting Format — Business Segments

For management purposes, the Group is organised into two operating divisions — Floors and Technical Textiles. Both Divisions operate internationally. These Divisions are the basis on which the Group reports its primary segment information. 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, post-employment benefits, taxation balances and corporate assets and expenses. Intra-segment sales are not material.

The Floors Division supplies floor coverings to the contract flooring market.

The Technical Textiles Division serves four principal markets, the first of which includes the production and supply of specialist yarns. The second involves the production and distribution of woven and non-woven industrial fabrics, geotextiles and agrotexiles used in a wide number of applications. The third activity is the production and supply of fibres for specialist applications in the concrete construction industry. The final product group is the production and supply of three dimensional polymeric mats and composites for civil engineering and industrial applications.

#### Secondary Reporting Format — Geography

The Group identifies four distinct geographical markets: UK, Europe, North America and Asia.

#### Primary segment — Business

	2006			Total £m
	Floors £m	Technical Textiles £m	Unallocated Central £m	
Revenue	97.3	127.2	—	224.5
Operating profit before amortisation and non-recurring items	10.7	9.1	(2.8)	17.0
Amortisation of intangibles	(0.2)	(2.2)	—	(2.4)
Operating profit before non-recurring items	10.5	6.9	(2.8)	14.6
Non-recurring items	—	(2.0)	(0.5)	(2.5)
Operating profit	10.5	4.9	(3.3)	12.1
Net financing costs	—	—	(2.3)	(2.3)
Profit before taxation	10.5	4.9	(5.6)	9.8
Taxation	—	—	—	(2.7)
Profit after taxation	—	—	—	7.1
Capital expenditure	2.2	7.9	0.1	10.2
Depreciation	1.7	5.2	0.1	7.0
Impairment	—	—	—	—
Segment assets	58.6	200.7	—	259.3
Segment liabilities	(18.6)	(40.7)	—	(59.3)
Segment net assets	40.0	160.0	—	200.0
Unallocated liabilities	—	—	—	(37.0)
Cash and cash equivalents	—	—	—	3.3
Interest bearing borrowings	—	—	—	(49.4)
Group net assets	—	—	—	116.9

# Notes to the Accounts continued

## 1. SEGMENTAL INFORMATION CONTINUED

### Secondary segment — Geography

	2006				Total £m
	European Union £m	North America £m	Asia £m	Unallocated £m	
Revenue	205.1	12.2	7.2	—	224.5
Operating profit before non-recurring items	15.3	1.4	0.7	(2.8)	14.6
Non-recurring items					(2.5)
Operating profit					12.1
Net financing costs					(2.3)
Profit before taxation					9.8
Taxation					(2.7)
Profit after taxation					7.1
Segment assets	233.0	20.1	6.2		259.3
Segment liabilities	(54.5)	(4.3)	(0.5)		(59.3)
Segment net assets	178.5	15.8	5.7		200.0
Unallocated liabilities					(37.0)
Cash and cash equivalents					3.3
Interest bearing borrowings					(49.4)
Group net assets					116.9

### Primary segment — Business

	2005			Total £m
	Floors £m	Technical Textiles £m	Unallocated Central £m	
Revenue	97.7	77.7	—	175.4
Operating profit before amortisation and non-recurring items	8.9	7.4	(3.0)	13.3
Amortisation of intangible assets	(0.2)	(0.9)	—	(1.1)
Operating profit before non-recurring items	8.7	6.5	(3.0)	12.2
Non-recurring items	(1.1)	0.2	(0.1)	(1.0)
Operating profit	7.6	6.7	(3.1)	11.2
EU Fine	—	—	(8.5)	(8.5)
Net financing costs	—	—	(1.1)	(1.1)
Profit before taxation	7.6	6.7	(12.7)	1.6
Taxation				(0.9)
Discontinued operations				(7.6)
Profit after taxation				(6.9)
Capital expenditure	1.0	4.3	—	5.3
Depreciation	1.7	2.9	0.1	4.7
Impairment	—	—	—	—
Segment assets	59.6	79.4		139.0
Segment liabilities	(20.2)	(24.7)		(44.9)
Segment net assets	39.4	54.7		94.1
Unallocated liabilities				(38.3)
Cash and cash equivalents				14.7
Interest bearing borrowings				(1.9)
Group net assets				68.6

## Secondary segment — Geography

	2005				Total £m
	European Union £m	North America £m	Asia £m	Unallocated £m	
Revenue	170.1	—	5.3	—	175.4
Operating profit before non-recurring items	14.6	—	0.6	(3.0)	12.2
Non-recurring items					(1.2)
Other operating income					0.2
Operating profit					11.2
EU Fine					(8.5)
Net financing costs					(1.1)
Profit before taxation					1.6
Taxation					(0.9)
Discontinued operations					(7.6)
Profit after taxation					(6.9)
Segment assets	133.0	—	6.0		139.0
Segment liabilities	(44.5)	—	(0.4)		(44.9)
Segment net assets	88.5	—	5.6		94.1
Unallocated liabilities					(38.3)
Cash and cash equivalents					14.7
Interest bearing borrowings					(1.9)
Group net assets					68.6

## 2. PROFIT BEFORE TAXATION

## Operating profit has been arrived at after charging/(crediting)

	2006 £m	2005 £m
Staff costs	51.0	41.1
Inventories		
Cost of inventories recognised as an expense	152.4	111.0
Write down of inventories recognised as an expense	0.5	0.5
Depreciation of property, plant and equipment	7.0	4.7
Amortisation of intangible assets	2.4	1.1
Amounts payable under operating leases		
Property	0.7	0.7
Plant and equipment	1.1	1.2
Trade receivables impairment	0.3	0.2
Research and development expenditure recognised as an expense	2.0	1.7
Exchange differences recognised as a (gain)/expense	(0.4)	—

## Auditors' remuneration

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

	2006 £m	2005 £m
Audit of these financial statements	0.1	0.1
Audit of financial statements of subsidiaries	0.4	0.2
Non-audit services		
Acquisition due diligence/planning	0.5	0.1
Corporate tax compliance	0.1	0.1
Corporate tax consultancy	0.1	0.2
Other	0.1	0.2

Of these fees, £0.5m were not included in the income statement as they were capitalised as part of the acquisition costs of the Colbond Group. In 2005 fees of £0.2m relating to the sale of the Plastics Division were included within discontinued operations. The total amount paid to the auditors was £1.3m (2005: £0.9m).

## Notes to the Accounts continued

### 3. STAFF NUMBERS AND COSTS

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

	Group 2006	Group 2005
Floors	656	679
Technical Textiles	1,218	879
	1,874	1,558

The aggregate staff costs were

	Group 2006 £m	Group 2005 £m
Wages and salaries	41.2	33.9
Social security costs	7.1	5.3
Pension costs	2.7	1.9
	51.0	41.1

The Directors of the Company are listed in the Report of the Directors on page 14.

The average number of persons employed by the Company during the year was 19 (2005: 20).

### 4. POST-EMPLOYMENT BENEFITS

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

#### a) Defined contribution schemes

Various defined contribution pension schemes exist around the Group. These are accounted for on a contribution payable basis. The total cost charged to income in respect of defined contribution pension schemes was £1.9m (2005: £1.1m).

#### b) Description of defined benefit plans

##### i) United Kingdom

The UK defined benefit scheme was independently valued by a qualified actuary at 31 March 2005. The main assumption in carrying out the valuation was for investment returns to exceed earnings increases by 1.5%. At 31 March 2005 the total market value of assets in the UK scheme was £114.0m. The overall level of funding was 77%. The net income statement charge for the year for the UK pension scheme was £1.0m (2005: £1.2m). This is not expected to change materially in the next financial year.

The Company agreed with the Trustees of the UK defined benefit scheme a schedule of contributions to fund a deficit under the Minimum Funding Requirement. Under this agreement the Company has made payments of £6.0m during the year (2005: £5.4m). The Company has agreed to pay further contributions of £3.0m per year in the years ending 30 November 2007 and 30 November 2008. The impact of changes in normal retirement age for members of pension schemes following the Barber decision on 17 May 1990 by the European Court of Justice and the Scheme's consequent decision in 1991 to equalize retirement ages for men and women at 65 years will probably require additional funding due to the manner in which this decision was enacted. However, no quantification of this additional funding is possible at the date of approval of these financial statements.

##### ii) Non UK

A defined benefit scheme exists in Belgium. The assets, which are held separately from the Company, total £1.5m at 30 November 2006 (2005: £1.4m) and the latest actuarial update shows the scheme to be fully funded. Further defined benefit schemes are also found in Germany and the USA relating to the Colbond business acquired during the year. Further disclosure on these schemes is detailed below. These schemes have small deficits as measured by IAS 19. Defined benefit schemes also exist in our two Dutch businesses. They are both members of an industry wide scheme and it is not possible to separately identify assets and liabilities and both these schemes are accounted for on a contribution payable basis. The Group will share in the actuarial gains and losses of the industry wide schemes. The French business provides for a lump sum payable on retirement of £0.6m (2005: £0.4m).

## 4. POST-EMPLOYMENT BENEFITS CONTINUED

## c) Financial Assumptions

The financial assumptions used to estimate defined benefit obligations are

	UK schemes		Non UK schemes	
	2006 %	2005 %	2006 %	2005 %
Discount rate	5.00	5.00	4.25–5.00	—
Expected return on scheme assets	6.05	6.52	7.55	—
Future salary increases	4.40	4.25	1.75	—
Future pension increases	2.90	2.75	1.50–2.00	—
Inflation increase	2.90	2.75	1.50–2.00	—

In assessing the Group's post-retirement liabilities the Group monitors mortality assumptions and uses up-to-date mortality tables. The mortality assumptions for the UK scheme were updated in 2005 following the work performed for the full funding valuation. Allowance is made for expected future increases in expectancy.

## d) Financial Impact of Plans

The total amount recognised for defined benefit schemes is as follows

	UK schemes		Non UK schemes		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Fair value of scheme assets	141.1	128.0	5.2	—	146.3	128.0
Present value of defined benefit obligations	(156.5)	(156.5)	(9.0)	—	(165.5)	(156.5)
Lump sum payable for French scheme	—	—	(0.6)	(0.4)	(0.6)	(0.4)
Net liability recognised in the balance sheet	(15.4)	(28.5)	(4.4)	(0.4)	(19.8)	(28.9)

Amounts recognised in the income statement in respect of the defined benefit pension schemes are as follows

	UK schemes		Non UK schemes		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Current service cost	0.7	0.8	0.1	—	0.8	0.8
Interest cost	7.7	7.4	0.2	—	7.9	7.4
Expected return on scheme assets	(7.4)	(7.0)	(0.2)	—	(7.6)	(7.0)
	1.0	1.2	0.1	—	1.1	1.2

Amounts recognised in the SORIE (statement of recognised income and expense) are as follows

	2006 £m	2005 £m
Actuarial gain/(loss)	7.3	(1.0)
Associated deferred taxation	(2.2)	0.3

The cumulative gain recognised in the SORIE is £4.4m.

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

	UK schemes		Non UK schemes		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Opening defined benefit obligation	156.5	139.8	—	—	156.5	139.8
Arising on acquisition	—	—	9.1	—	9.1	—
Current service cost	0.7	0.8	0.1	—	0.8	0.8
Interest cost	7.7	7.4	0.2	—	7.9	7.4
Plan participants' contributions	0.2	0.2	—	—	0.2	0.2
Actuarial (gain)/loss	(2.2)	14.4	0.2	—	(2.0)	14.4
Benefits paid	(6.4)	(6.1)	(0.2)	—	(6.6)	(6.1)
Exchange differences	—	—	(0.4)	—	(0.4)	—
Closing defined benefit obligation	156.5	156.5	9.0	—	165.5	156.5

## Notes to the Accounts continued

### 4. POST-EMPLOYMENT BENEFITS CONTINUED

Changes in the fair value of scheme assets are as follows

	UK schemes		Non UK schemes		Total	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Opening fair value of scheme assets	128.0	107.4	—	—	128.0	107.4
Arising on acquisition	—	—	5.3	—	5.3	—
Expected return	7.4	7.0	0.2	—	7.6	7.0
Actuarial gains	5.1	13.4	0.2	—	5.3	13.4
Contributions by employer	6.8	6.1	0.1	—	6.9	6.1
Plan participants' contributions	0.2	0.2	—	—	0.2	0.2
Benefits paid	(6.4)	(6.1)	(0.2)	—	(6.6)	(6.1)
Exchange differences	—	—	(0.4)	—	(0.4)	—
Closing fair value of scheme assets	141.1	128.0	5.2	—	146.3	128.0

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

	2006	2006	2005	2005
	£m	%	£m	%
Equity securities	70.5	50	88.3	69
Debt securities	56.5	40	28.2	22
Property	12.7	9	10.2	8
Cash and other	1.4	1	1.3	1
	141.1	100	128.0	100

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

	2006	2006	2005	2005
	£m	%	£m	%
Equity securities	3.0	58	—	—
Debt securities	2.0	38	—	—
Cash and other	0.2	4	—	—
	5.2	100	—	—

### 5. NON-RECURRING ITEMS

During the year the Group incurred significant one-off items as detailed below.

	2006 £m	2005 £m
<b>Amounts charged to operating profit</b>		
Technical Textiles restructuring	2.0	—
Floors restructuring	—	1.1
Aborted transaction costs	0.5	—
Gain on sale of fixed assets	—	(0.2)
Capital reorganisation	—	0.1
	2.5	1.0
<b>EU Fine</b>	—	8.5

Technical Textiles reorganisation costs include redundancy and other restructuring costs within the existing specialist yarn and construction fibres businesses, and redundancies within the recently acquired Colbond business.

## 6. FINANCIAL INCOME AND FINANCIAL EXPENSES

	2006 £m	2005 £m
<b>Financial income</b>		
Interest income on deposits	1.4	1.3
Expected return on pension plan assets	7.6	7.0
	9.0	8.3
<b>Financial expenses</b>		
Interest on bank overdrafts and loans	(3.3)	(2.0)
Interest on finance leases	(0.1)	—
Interest on pension scheme liabilities	(7.9)	(7.4)
	(11.3)	(9.4)

## 7. TAXATION

**Recognised in the income statement**

	2006 £m	2005 £m
<b>Current tax</b>		
UK corporation tax		
current year	—	—
prior year	—	(1.6)
	—	(1.6)
Overseas tax		
current year	3.0	1.8
prior year	—	(0.4)
	3.0	1.4
<b>Total current tax</b>	3.0	(0.2)
Deferred tax	(0.3)	1.1
<b>Total tax charge in the income statement</b>	2.7	0.9

**Reconciliation of effective tax rate**

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax of 30% (2005: 30%) to the profit before tax are as follows:

	2006 £m	2005 £m
<b>Profit before tax</b>	9.8	1.6
<b>Tax charge at 30%</b>	2.9	0.5
Expenses not deductible and income not taxable	0.3	0.7
(Lower)/higher tax rates on overseas earnings	(0.1)	0.2
Current tax losses not utilised	0.6	—
Tax losses utilised	(0.6)	(0.1)
Other short term timing differences	(0.4)	1.6
Prior period adjustments	—	(2.0)
<b>Total tax charge for the year</b>	2.7	0.9

**Deferred tax recognised directly in equity**

	2006 £m	2005 £m
Actuarial gains and losses relating to retirement benefits obligations	2.2	(0.3)
Relating to share based payments	—	(0.2)
<b>Total</b>	2.2	(0.5)

## 8. PROFITS OF THE PARENT COMPANY

The Company has not presented its own income statement as permitted by Section 230 of the Companies Act 1985. The amount of profit after tax was £nil (2005: loss of £32.6m after tax).

## Notes to the Accounts continued

### 9. DIVIDENDS

Amounts recognised as distributions to equity holders in the period

	2006 £m	2005 £m
Final dividend for the year ended 30 November 2005 — 2.64p per share* (2004: 2.57p per share*)	3.1	2.9
Interim dividend for the year ended 30 November 2006 — 1.58p per share* (2005: 1.51p per share*)	1.8	1.7
	4.9	4.6

\* Restated for the effects of the rights issue.

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 November 2006 of 2.8p which will absorb an estimated £4.3m of shareholders' funds. Conditional upon approval by shareholders at the Annual General Meeting to be held on 9 May 2007 and accordingly not accrued in these accounts, it will be paid on 16 May 2007 to shareholders who are on the register of members on 20 April 2007.

### 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding excluding those held by the ESOP which are treated as cancelled for the purpose of this calculation.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares, being those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and those long term incentive plan awards for which the performance criteria have been satisfied.

During August 2006 £41.1m net of costs was raised by a fully underwritten 1 for 2 rights issue at 85p. The closing market price on 6 July 2006, the latest date prior to the announcement of the rights issue, was 131.75p. The rights price represented a 35% discount to the closing share price on 6 July 2006. The comparative earnings per share for the year ended 30 November 2005 has been restated to allow for easy comparison.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below

	Earnings £m	2006 Weighted average number of shares (millions)	Per share amount pence	Earnings £m	2005 Weighted average number of shares (millions) (restated)	Per share amount pence (restated)
<b>Statutory — continuing and discontinued business</b>						
<b>Basic earnings per share</b>						
Earnings/(losses) attributable to ordinary shareholders	6.7	115.481	5.80	(7.2)	112.600	(6.39)
<b>Effect of dilutive items</b>						
Share based payment	—	1.689	—	—	2.513	—
<b>Diluted earnings per share</b>	6.7	117.170	5.72	(7.2)	115.113	(6.25)
<b>Statutory — continuing business</b>						
<b>Basic earnings per share</b>						
Earnings attributable to ordinary shareholders	6.7	115.481	5.80	0.4	112.600	0.36
<b>Effect of dilutive items</b>						
Share based payment	—	1.689	—	—	2.513	—
<b>Diluted earnings per share</b>	6.7	117.170	5.72	0.4	115.113	0.35
<b>Before amortisation and non-recurring items</b>						
<b>Basic earnings per share</b>						
Earnings attributable to ordinary shareholders	10.1	115.481	8.75	10.7	112.600	9.50
<b>Effect of dilutive items</b>						
Share based payment	—	1.689	—	—	2.513	—
<b>Diluted earnings per share</b>	10.1	117.170	8.62	10.7	115.113	9.30

## 11. GOODWILL

	Group	
	2006	2005
	£m	£m
<b>Cost and net book value</b>		
At 1 December	25.0	10.8
Exchange adjustment	(0.4)	—
Acquisition of subsidiaries (note 28)	22.0	14.2
At 30 November	46.6	25.0

**Cash generating units**

Goodwill is allocated to the Group's cash generating units (CGUs) which have been identified according to the principal markets in which each business operates. A summary of the carrying value presented at CGU level is shown below

	Group	
	2006	2005
	Cost and net book value £m	Cost and net book value £m
<b>Cash generating unit</b>		
Floors	10.6	10.6
Specialist yarns	7.0	7.0
Fabrics and fibres	10.2	7.2
Polymeric mats and composites	18.6	—
Other	0.2	0.2
At 30 November	46.6	25.0

During the year management has carried out an impairment review for the goodwill carried in each cash generating unit. All recoverable amounts are based on value in use and the key assumptions applied in the value in use calculations are set out below

1) *Cash flow projections*

The Group prepares five year risk adjusted cash flow forecasts derived from the most recent annual financial budgets approved by the Directors with an appropriate extrapolation of these cash flows to a five year time horizon.

2) *Discount Rate*

A weighted average cost of capital of 14% on a pre-tax basis is used to discount the five year cash flow forecasts from each cash generating unit.

3) *Growth Rates*

Growth rates of between 5% and 10% are used to extrapolate cash flow forecasts in the short term.

No impairment arose as a result of the valuations.

## Notes to the Accounts continued

### 12. INTANGIBLE FIXED ASSETS

Group	Computer software £m	Order backlog £m	Customer relationships £m	Marketing related £m	Technology based £m	Non-compete agreements £m	Total £m
<b>Cost:</b>							
At 1 December 2004	2.1	—	—	—	—	—	2.1
Acquisition of subsidiaries	—	0.2	5.1	—	3.3	0.6	9.2
Purchased	0.4	—	—	—	—	—	0.4
At 30 November 2005	2.5	0.2	5.1	—	3.3	0.6	11.7
Acquisition of subsidiaries	0.2	—	6.3	2.5	5.9	0.6	15.5
Purchased	0.3	—	—	—	—	—	0.3
Disposed	(0.5)	—	—	—	—	—	(0.5)
At 30 November 2006	2.5	0.2	11.4	2.5	9.2	1.2	27.0
<b>Aggregate amortisation:</b>							
At 1 December 2004	1.6	—	—	—	—	—	1.6
Charge for the year	0.2	0.2	0.4	—	0.3	—	1.1
At 30 November 2005	1.8	0.2	0.4	—	0.3	—	2.7
Charge for the year	0.4	—	0.9	0.1	0.7	0.3	2.4
Disposals	(0.5)	—	—	—	—	—	(0.5)
At 30 November 2006	1.7	0.2	1.3	0.1	1.0	0.3	4.6
<b>Net book value:</b>							
At 30 November 2006	0.8	—	10.1	2.4	8.2	0.9	22.4
At 30 November 2005	0.7	—	4.7	—	3.0	0.6	9.0
At 1 December 2004	0.5	—	—	—	—	—	0.5

#### Notes:

- 1) *Marketing related* intangible assets are assets that are primarily used in the marketing or promotion of products or services. Such assets include trademarks, trade names, service marks and internet domain names.
- 2) *Non-compete agreements* prohibit a seller from competing with the purchaser of a business.
- 3) *Customer relationships* consist of customer lists, customer contracts and relationships and non contractual customer relationships.
- 4) *Technology based* intangible assets relate to innovations and technological advances and include patented and unpatented technology, databases and trade secrets.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Property £m	Group Plant and Equipment £m	Total £m	Property £m	Company Plant and Equipment £m	Total £m
<b>Cost:</b>						
At 1 December 2004	40.1	112.5	152.6	0.3	0.2	0.5
Exchange adjustment	(0.1)	(0.5)	(0.6)	—	—	—
Additions	0.4	7.2	7.6	—	—	—
Acquisition of subsidiaries	1.9	2.7	4.6	—	—	—
Disposals	(0.1)	(5.0)	(5.1)	(0.1)	—	(0.1)
Disposals of subsidiaries	(20.2)	(38.1)	(58.3)	—	—	—
At 30 November 2005	22.0	78.8	100.8	0.2	0.2	0.4
Exchange adjustment	(0.8)	(2.0)	(2.8)	—	—	—
Additions	0.5	9.4	9.9	0.2	—	0.2
Acquisition of subsidiaries	18.2	38.0	56.2	—	—	—
Disposals	(0.7)	(6.0)	(6.7)	(0.2)	—	(0.2)
Reclassifications	(0.1)	0.1	—	—	—	—
At 30 November 2006	39.1	118.3	157.4	0.2	0.2	0.4
<b>Accumulated depreciation</b>						
At 1 December 2004	13.2	81.4	94.6	0.2	0.1	0.3
Exchange adjustment	(0.1)	(0.5)	(0.6)	—	—	—
Charge for the year	0.9	5.7	6.6	0.1	—	0.1
Acquisition of subsidiaries	0.3	1.7	2.0	—	—	—
Disposals	(0.1)	(4.4)	(4.5)	(0.1)	—	(0.1)
Disposal of subsidiaries	(5.6)	(29.8)	(35.4)	—	—	—
At 30 November 2005	8.6	54.1	62.7	0.2	0.1	0.3
Exchange adjustment	(0.1)	(0.6)	(0.7)	—	—	—
Charge for the year	0.8	6.2	7.0	0.1	—	0.1
Acquisition of subsidiaries	0.2	3.2	3.4	—	—	—
Disposals	(0.3)	(4.9)	(5.2)	(0.2)	—	(0.2)
Reclassifications	(0.1)	0.1	—	—	—	—
At 30 November 2006	9.1	58.1	67.2	0.1	0.1	0.2
<b>Net book value:</b>						
At 30 November 2006	30.0	60.2	90.2	0.1	0.1	0.2
At 30 November 2005	13.4	24.7	38.1	—	0.1	0.1
At 1 December 2004	26.9	31.1	58.0	0.1	0.1	0.2

The net book value of assets held under finance leases was £1.3m (2005: £1.6m).

Committed capital expenditure at the balance sheet date totalled £6.7m (2005: £0.6m).

## 14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006 £m	2005 £m
<b>Shares in Group undertakings</b>		
<b>Cost:</b>		
At 1 December	105.6	97.5
Additions	—	8.1
At 30 November	105.6	105.6
<b>Provisions for impairment</b>		
At 1 December	(26.9)	(4.4)
Impairment	—	(22.5)
At 30 November	(26.9)	(26.9)
<b>Net book value</b>		
At 30 November	78.7	78.7

The subsidiary undertakings whose results, or financial position, in the opinion of the Directors, principally affected the results shown in these accounts are shown within note 34.

## Notes to the Accounts continued

### 15. INVESTMENT IN ASSOCIATE

The Group acquired a 25.0% interest in CPW GmbH, a business incorporated in Germany, as part of the acquisition of Colbond Investments BV (see note 28).

	2006 £m	2005 £m
Cost and net book value		
At the beginning of the year	—	—
Acquired during the year	0.1	—
Share of retained profit	—	—
At the end of the year	0.1	—

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

	2006 £m	2005 £m
Total assets	1.8	—
Total liabilities	(1.3)	—
Net assets	0.5	—
Group share of net assets	0.1	—
Revenue	2.6	—
Profit for the year end	0.2	—
Group share of associate's profit for the year	—	—

### 16. INVENTORIES

	2006 £m	Group 2005 £m
Raw materials	11.7	6.3
Work in progress	6.5	3.8
Finished goods	31.3	19.5
	49.5	29.6

Inventories are presented in the balance sheet net of provision for impairment of obsolete and slow-moving items. Impairment is estimated by the Group's management based upon prior experience and their assessment of the current and future economic environment.

## 17. TRADE AND OTHER RECEIVABLES

	Group	
	2006 £m	2005 £m
<b>Amounts falling due within one year</b>		
Trade receivables	48.7	34.8
less provision for impairment of receivables	(1.5)	(0.3)
Trade receivables — net	47.2	34.5
Amount due from related party (note 33)	—	1.5
Other receivables	2.8	2.0
Prepayments and accrued income	2.2	1.2
	<b>52.2</b>	<b>39.2</b>

Provisions for impairment of receivables are estimated by Group management based on prior experience and their assessment of the current economic environment, and recognised in the Income Statement when the receivable is considered to be uncollectable. The Directors consider that the carrying amount of the other receivables approximates their fair values.

	Company	
	2006 £m	2005 £m
<b>Amounts falling due after one year</b>		
Amounts owed by subsidiaries	74.6	0.9
<b>Amounts falling due within one year</b>		
Amounts owed by subsidiaries	44.1	36.0
Other receivables	0.4	1.9
Prepayments and accrued income	0.7	0.3
	<b>45.2</b>	<b>38.2</b>
Current tax receivable	2.5	2.9
	<b>47.7</b>	<b>41.1</b>

## 18. TRADE AND OTHER PAYABLES

	Group	
	2006 £m	2005 £m
<b>Amounts falling due within one year</b>		
Trade payables	35.5	24.1
Other taxes and social security	3.0	3.0
Other payables	12.7	10.8
Dividend payable	—	1.7
Accruals	12.4	13.8
	<b>63.6</b>	<b>53.4</b>
Current tax liabilities	4.1	1.7
	<b>67.7</b>	<b>55.1</b>

	Company	
	2006 £m	2005 £m
<b>Amounts falling due within one year</b>		
Amounts owed to subsidiaries	9.4	10.6
Other payables	1.9	1.6
Dividend payable	—	1.7
Accruals	0.6	5.3
	<b>11.9</b>	<b>19.2</b>

## Notes to the Accounts continued

### 19. FINANCIAL ASSETS, LIABILITIES, DERIVATIVES AND NON-CURRENT FINANCIAL INSTRUMENTS

	Group 2006 £m	Company 2006 £m
<b>Borrowings falling due within one year or on demand:</b>		
<b>Bank loans and overdrafts</b>		
Unsecured	12.0	16.2
<b>Other borrowings</b>		
Obligations under finance leases and hire purchase contracts	0.5	—
	12.5	16.2
<b>Borrowings falling due after more than one year:</b>		
<b>Bank loans and overdrafts</b>		
Unsecured	36.4	36.4
<b>Other borrowings</b>		
Obligations under finance leases and hire purchase contracts	0.5	—
	36.9	36.4

All of the Company's and Group's borrowings are unsecured. Bank loans and overdrafts are denominated in a number of currencies and bear interest based on LIBOR or the lender's base rate for the currency concerned.

Details of the Company's and Group's financial risk management objectives and policies are provided in the financial review on pages 10 to 11. This is the first time that the Company and Group have presented financial statements in accordance with adopted IFRS. On application of IFRS 1, the Company and Group have taken the exemption available to adopt IAS 32 and IAS 39 from 1 December 2005 with no restatement of comparative information. Accordingly, comparative disclosure in respect of financial instruments can be found in note 20, which is based on UK GAAP.

#### Foreign Exchange Risk

##### (a) Transactional

The Company and Group seek to mitigate the foreign exchange risk in transactions which are deemed at least highly probable. Forward exchange contracts are used for this purpose. The notional and carrying amounts, and fair values of swaps and forward contracts designated as cash flow hedges at 30 November 2006 are shown in (b) below. All mature within the next twelve months in line with the hedged cash flows.

##### (b) Translational

The Group has euro and Hungarian forint forward exchange contracts which are designated as hedges of the net investments in certain subsidiaries within the euro zone and Hungary. The notional contract amount and carrying amounts of these borrowings in the balance sheet as at 30 November 2006 are as follows.

	Carrying and fair value amount				
	Notional contract amount £m	Designated as cash flow hedges £m	Not designated as cash flow hedges £m	Designated as net investment hedges £m	Carrying amount per balance sheet £m
<b>Group</b>					
Current assets	117.4	—	0.4	0.5	0.9
Current liabilities	14.0	—	—	(0.1)	(0.1)
			Financial assets £m	Financial liabilities £m	2006 £m
<b>Financial assets/(liabilities) in respect of net investment hedges</b>					
euro			0.5	—	0.5
Hungarian forint			—	(0.1)	(0.1)
			0.5	(0.1)	0.4

A foreign exchange gain for the year of £0.7m was recognised in the translation reserve in respect of net investment hedges denominated in euro along with a loss of £0.2m in respect of net investment hedges denominated in Hungarian forint.

## 19. FINANCIAL LIABILITIES, DERIVATIVES AND NON-CURRENT FINANCIAL INSTRUMENTS CONTINUED

Company	Carrying and fair value amount				Carrying amount per balance sheet £m
	Notional contract amount £m	Designated as cash flow hedges £m	Not designated as cash flow hedges £m	Designated as net investment hedges £m	
Current assets	57.2	—	0.3	—	0.3
Current liabilities	9.0	—	—	—	—

**Interest Rate Risk**

No derivative interest rate products are held by the Company or Group at year end. All interest bearing financial assets and liabilities are on a floating rate basis with the exception of £0.4m of preference debt with a coupon rate of either 5.5% or 6.0%. The following table indicates their effective interest rates as at 30 November 2006, and the periods in which they mature or reprice (if earlier).

Group	Effective rate %	6 months or less	6–12 months	1–2 years	2–5 years	> 5 years	Total £m
<b>Cash and cash equivalents</b>							
— sterling	0.0	0.1	—	—	—	—	0.1
— euro	0.3	2.5	—	—	—	—	2.5
— other	0.5	0.7	—	—	—	—	0.7
<b>Unsecured bank loans</b>							
— sterling	6.3	(27.0)	—	—	—	—	(27.0)
— euro	4.6	(13.5)	—	—	—	—	(13.5)
<b>Unsecured loan notes</b>							
— deferred consideration	0.0	(0.6)	—	(0.6)	—	—	(1.2)
<b>Bank overdrafts</b>							
— sterling	6.0	(5.0)	—	—	—	—	(5.0)
— euro	4.4	(1.8)	—	—	—	—	(1.8)
— other	6.3	(0.7)	—	—	—	—	(0.7)
Finance leases	4.4	(0.3)	(0.2)	(0.5)	—	—	(1.0)
Preference shares	6.0	—	—	—	—	(0.2)	(0.2)
Preference shares	5.5	—	—	—	—	(0.2)	(0.2)
		(45.6)	(0.2)	(1.1)	—	(0.4)	(47.3)
<b>Company</b>							
	Effective rate %	6 months or less	6–12 months	1–2 years	2–5 years	> 5 years	Total £m
<b>Cash and cash equivalents</b>							
— US dollar	6.2	0.8	—	—	—	—	0.8
<b>Unsecured bank loans</b>							
— sterling	6.3	(27.0)	—	—	—	—	(27.0)
— euro	4.6	(13.5)	—	—	—	—	(13.5)
<b>Unsecured loan notes</b>							
— deferred consideration	0.0	(0.6)	—	(0.6)	—	—	(1.2)
<b>Bank overdrafts</b>							
— sterling	6.0	(7.6)	—	—	—	—	(7.6)
— euro	4.5	(3.9)	—	—	—	—	(3.9)
— other	6.3	(0.2)	—	—	—	—	(0.2)
Preference shares	6.0	—	—	—	—	(0.2)	(0.2)
Preference shares	5.5	—	—	—	—	(0.2)	(0.2)
		(52.0)	—	(0.6)	—	(0.4)	(53.0)

Deferred consideration payable by the Company of £0.6m is included within other payables due within one year and £0.6m within other payables due after more than one year (note 22).

## Notes to the Accounts continued

### 19. FINANCIAL LIABILITIES, DERIVATIVES AND NON-CURRENT FINANCIAL INSTRUMENTS CONTINUED

#### Fair values of non-derivative financial assets and financial liabilities

The carrying amounts of short term borrowings and bank borrowings approximate to book value.

The Company and Group maintain a mixture of medium term and short term committed facilities designed to ensure that the Company and Group have sufficient funding for operations and planned expansion. The maturity profile of the carrying amount of the Company and Group's non current liabilities at 30 November 2006 was as follows:

	Group 2006 £m	Company 2006 £m
In more than one year but not more than two years		
Bank term loan	4.5	4.5
Finance leases and hire purchase contracts	0.5	—
In more than two years but not more than five years		
Bank term loan	13.5	13.5
Due after five years		
Bank term loan	4.5	4.5
Revolving credit facility	13.5	13.5
Preference shares	0.4	0.4
	36.9	36.4

#### Borrowing facilities

The Company and Group have the following undrawn committed floating rate facilities at 30 November 2006 in which all conditions precedent had been met.

	Group and Company 2006 £m
Expiring within one year	—
Expiring within one and two years	—
Expiring in more than two years	134.5
	134.5

All these facilities incur commitment fees at market rates.

The minimum lease payments under Group finance leases fall due as follows:

	Group 2006 £m
Within one year	0.6
Later than one year but not more than five years	0.6
Total minimum lease payments	1.2
Less future finance charges on finance leases	(0.2)
Present value of finance lease liabilities	1.0

The Company entered into a £140m unsecured multi currency term loan and revolving credit facility on 7 July 2006. The term loan was used to finance the acquisition of Colbond Investments BV and the revolving credit facility was used to repay existing credit facilities. In October 2006, in general syndication, the amount of the revolving credit facility was increased by £35m, to provide aggregate facilities of £175m. The Company's payment obligations are guaranteed by certain of its subsidiary undertakings.

#### Credit Risk

Trade receivable exposures are with a wide range of counterparties, and the credit strength of these counterparties is monitored. Where appropriate, credit risks are minimised through the use of forward funding, letters of credit, variations in payment terms, and insurance. The maximum exposure to credit risk is represented by the carrying value of each financial asset as recorded in the balance sheet. There are no significant concentrations of credit risk at the balance sheet date.

## 20. FINANCIAL INSTRUMENTS — DISCLOSURE UNDER UK GAAP, FRS 13

As explained in note 19, the Group elected not to adopt IAS 32 or IAS 39 in its comparative information under IFRS. In accordance with UK GAAP the Group did not recognise either £0.4m of preference shares or £1.5m of finance leases as debt and measured forward foreign exchange contracts under a different basis. In respect of 2005, the disclosures required by UK GAAP, FRS 13 are set out below.

### (i) Financial liabilities

The profile of financial liabilities was as follows:

	Group 2005 Under one year £m	Company 2005 Over one year £m
Currency		
Sterling	—	9.8
euro	1.5	—
US dollars	0.4	—
	1.9	9.8

### (ii) Financial assets

The Company and Group held the following financial assets:

	Group 2005 £m	Company 2005 £m
Interest bearing:		
Sterling cash	0.7	2.4
Sterling deposits	7.9	7.4
euro cash	4.7	—
US dollar cash	0.6	—
Other currencies cash	0.8	—
	14.7	9.8

Cash and deposits are placed on short term maturities to a maximum of three months at relevant market rates for the maturity concerned.

### (iii) Interest rate profile

All Company borrowings were at floating rates. All Group borrowings, with the exception of euro denominated borrowings of £1.1m with a weighted average interest rate of 5.80% and a weighted average period of 0.3 years, were at floating rates. Floating interest rates were set between one day and three months by reference to the benchmark rate for the relevant currency, being LIBOR in sterling and its equivalent for other currencies.

### (iv) Maturity of borrowings

	Group 2005 £m	Company 2005 £m
Within one year	1.9	9.8

### (v) Borrowing facilities

The Company and Group had various undrawn committed borrowing facilities. The undrawn facilities available in respect of which all conditions precedent had been met were as follows

	Group and Company 2005 £m
Expiring after two years	67.5

### (vi) Currency risk

After taking account of forward foreign exchange contracts, the net transactional currency exposure on monetary assets and liabilities in the Company and Group was not material.

## Notes to the Accounts continued

### 20. FINANCIAL INSTRUMENTS — DISCLOSURE UNDER UK GAAP, FRS 13 CONTINUED

#### (vii) Fair values

The fair values of the Company's and Group's financial assets and liabilities were not materially different from their book values.

#### (viii) Hedging

The Company and Group's policy was to hedge the value of overseas assets including unamortised goodwill. The exchange movement on the net assets of overseas subsidiaries less the movement on the related hedging instruments was recognised through the translation reserve each year in the Group financial statements.

The Company and Group utilised forward foreign exchange contracts to fix exchange rates on certain transactions in foreign currencies. These related to normal trading transactions and the unrecognised gain or loss on the hedges at the balance sheet date was not material.

#### (ix) Preference shares

	Group and Company 2005 Book value £m	Group and Company 2005 Fair value £m
6.0% first cumulative preference stock	0.1	0.1
6.0% second cumulative preference stock	0.1	0.1
5.5% third cumulative preference stock	0.2	0.2
	0.4	0.4

The preference shares do not have set maturity dates. Fair values were based on the prices quoted in the London Stock Exchange Daily Official List.

### 21. DEFERRED TAXATION

#### Group

#### Recognised deferred tax assets and liabilities

	Assets 2006 £m	Liabilities 2006 £m	Net assets/ liabilities 2006 £m	Assets 2005 £m	Liabilities 2005 £m	Net assets/ liabilities 2005 £m
Intangible assets	—	(6.0)	(6.0)	—	(2.6)	(2.6)
Employee share schemes	0.7	—	0.7	0.6	—	0.6
Retirement benefit liabilities	6.1	—	6.1	8.6	—	8.6
Accelerated tax depreciation	—	(10.7)	(10.7)	—	(4.6)	(4.6)
Other	0.5	—	0.5	0.2	0.2	0.4
Tax assets /(liabilities)	7.3	(16.7)	(9.4)	9.4	(7.0)	2.4

#### Unrecognised deferred tax assets

	2006 £m	2005 £m
Tax losses	13.3	13.2

Tax losses include an amount of £11.1m (2005: £11.4m) in respect of capital losses. The tax losses have no expiry date.

#### Movement in deferred tax during the year ended 30 November 2006

	Balance 1 Dec 2005 £m	Recognised in equity £m	Recognised in income £m	Arising on acquisitions £m	Exchange adjustment £m	Balance 30 Nov 2006 £m
Intangible assets	(2.6)	—	0.7	(4.1)	—	(6.0)
Employee share schemes	0.6	—	0.1	—	—	0.7
Retirement benefit liabilities	8.6	(2.2)	(1.8)	1.5	—	6.1
Accelerated tax depreciation	(4.6)	—	1.4	(7.8)	0.3	(10.7)
Other	0.4	—	(0.1)	0.2	—	0.5
	2.4	(2.2)	0.3	(10.2)	0.3	(9.4)

## 21. DEFERRED TAXATION CONTINUED

Movement in deferred tax during the year ended 30 November 2005

	Balance 1 Dec 2004 £m	Recognised in equity £m	Recognised in income £m	Arising on acquisitions £m	Exchange adjustment £m	Balance 30 Nov 2005 £m
Intangible assets	—	—	0.3	(2.9)	—	(2.6)
Employee share schemes	0.4	0.2	—	—	—	0.6
Retirement benefit liabilities	9.8	0.3	(1.5)	—	—	8.6
Accelerated tax depreciation	(5.3)	—	—	—	0.7	(4.6)
Other	0.1	—	0.1	0.2	—	0.4
	5.0	0.5	(1.1)	(2.7)	0.7	2.4

The Group has recognised deferred tax assets of £7.3m (2005: £9.4m) as the Directors believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

The Group has not recognised deferred tax liabilities in respect of investments in subsidiaries as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In the majority of cases it is likely that sufficient underlying tax credits will be available to offset the tax liability arising and it is not considered practicable to disclose the amount of the timing difference in respect of the deferred tax liabilities which have not been recognised.

**Company****Recognised deferred tax assets**

	2006 £m	2005 £m
Employee share scheme	0.7	0.6
Retirement benefit liabilities	4.7	8.8
	5.4	9.4
Unrecognised deferred tax assets	9.6	9.4

Tax losses include an amount of £7.7m (2005: £7.4m) in respect of capital losses. The tax losses have no expiry date.

**Movement in deferred tax asset during the year ended 30 November 2006**

	Balance 1 Dec 2005 £m	Recognised in equity £m	Recognised in income £m	Balance 30 Nov 2006 £m
Employee share schemes	0.6	—	0.1	0.7
Retirement benefit liabilities	8.8	(2.2)	(1.9)	4.7
	9.4	(2.2)	(1.8)	5.4

Movement in deferred tax asset during the year ended 30 November 2005

	Balance 1 Dec 2004 £m	Recognised in equity £m	Recognised in income £m	Balance 30 Nov 2005 £m
Employee share schemes	0.4	0.2	—	0.6
Retirement benefit liabilities	9.8	0.3	(1.3)	8.8
	10.2	0.5	(1.3)	9.4

The Company has recognised a deferred tax asset of £5.4m (2005: £9.4m) as the Directors believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

The Company has not recognised deferred tax liabilities in respect of investments in subsidiaries as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. There are no timing differences arising in respect of the deferred tax liabilities which have not been recognised.

## Notes to the Accounts continued

### 22. OTHER PAYABLES

	Group	
	2006 £m	2005 £m
<b>Due after more than one year</b>		
Other payables	1.9	3.5
	Company	
	2006 £m	2005 £m
<b>Due after more than one year</b>		
Amounts owed to subsidiaries	37.3	33.6
Other payables	0.6	1.3
	<b>37.9</b>	<b>34.9</b>

### 23. SHARE CAPITAL

	2006 £m	2005 £m
Authorised share capital of the Company 200,000,000 ordinary shares of 25p each (2005: 132,000,000 ordinary shares of 25p each)	50.0	33.0
Allotted, called up and fully paid		
At 1 December	25.5	50.3
Adoption of IAS 32	(0.4)	—
Restated (100,231,400 ordinary shares of 25p each)	25.1	50.3
Cancellation of 50p shares upon capital reorganisation	—	(50.1)
Allotment of 25p shares upon capital reorganisation	—	25.1
1 for 2 Rights Issue on 17 August 2006	12.7	—
Shares issued to employees	0.2	0.2
Shares issued to Employee Share Ownership Plan	0.3	—
At 30 November (153,282,885 ordinary shares of 25p each)	<b>38.3</b>	<b>25.5</b>

#### Shares issued during the year

During the year the Company raised £41.1m net of costs by means of a fully underwritten discounted 1 for 2 rights issue. The rights issue price was 85p. 50,952,213 new shares were issued.

758,855 shares (2005: 348,813 shares) were issued to employees who exercised share options. Proceeds received were £0.5m (2005: £0.2m).

1,340,417 shares (2005: 102,935) were issued to the ESOP in order to hedge awards made under long term incentive plans. Proceeds received were £1.5m (2005: £0.1m).

#### Potential issues of ordinary shares

An element of senior executive remuneration is provided in the form of share options and Long Term Incentive Plan awards. More details of these options and awards can be found in the Directors' report on remuneration on pages 25 to 33. Eligible UK employees are also invited to participate in the Low & Bonar 1997 Sharesave Scheme. Following the discounted 1 for 2 rights issue during the year the exercise price of shares held under option or LTIP award and the number of shares under option or LTIP award were both adjusted for the bonus element of the rights issue.

#### Share options

Under the provisions of the employee share option schemes there were options for a total of 4.2m ordinary shares outstanding at 30 November 2006 (2005: 2.8m ordinary shares). The number of options outstanding relating to options granted in the last financial year was 2.5m (2005: Nil).

Details of the options included in the IFRS 2 charge are detailed below. There are also options for which under the transitional rules of IFRS 1, the Company has elected not to apply IFRS 2. Details of all share options outstanding under these schemes are as follows. All outstanding options at 1 December 2005 have been restated for the effects of the rights issue:

## 23. SHARE CAPITAL CONTINUED

Year of Grant	Exercise price p	Exercise period	Ordinary shares of 25p each				30 Nov 2006
			1 Dec 2005	Granted	Exercised	Lapsed	
<b>Share options not accounted for under IFRS 2</b>							
1997	380.38	2006 to 2008	24,810	—	—	(12,405)	12,405 <sup>(1)</sup>
1998	282.40	2006 to 2008	51,878	—	—	(25,939)	25,939 <sup>(1)</sup>
1998	246.49	2006	6,737	—	—	(6,737)	—
1999	148.96	2006 to 2007	4,834	—	—	—	4,834 <sup>(1)</sup>
2000	81.57	2007 to 2008	18,534	—	—	(12,410)	6,124 <sup>(2)</sup>
2001	52.31	2008 to 2009	212,342	—	(151,208)	(20,392)	40,742 <sup>(2)</sup>
2002	45.22	2007 to 2010	254,848	—	—	(26,817)	228,031 <sup>(2)</sup>
<b>Share options accounted for under IFRS 2</b>							
2003	53.20	2006 to 2011	588,342	—	(296,219)	(63,442)	228,681 <sup>(3)</sup>
2004	80.69	2007 to 2010	325,692	—	(2,869)	(16,351)	306,472 <sup>(2)</sup>
2004	99.75	2007 to 2014	1,066,710	—	(351,154)	(88,780)	626,776 <sup>(2)</sup>
2006	93.00	2009 to 2012	—	719,237 <sup>(4)</sup>	—	(18,919)	700,318 <sup>(2)</sup>
2006	118.00	2009 to 2016	—	1,344,310 <sup>(5)</sup>	—	—	1,344,310 <sup>(2)</sup>
<b>Phantom share options accounted for under IFRS 2</b>							
2004	99.75	2007 to 2014	339,136	—	—	—	339,136 <sup>(2)</sup>
2006	118.00	2009 to 2016	—	406,480 <sup>(5)</sup>	—	—	406,480 <sup>(2)</sup>

**Notes**

- (1) All of these options were exercisable at 30 November 2006.  
(2) None of these outstanding options were exercisable at 30 November 2006.  
(3) 2,086 of these options were exercisable at 30 November 2006.  
(4) The fair value per share of the awards ranged from 31p to 38p. In calculating the fair value of the options, the assumed future volatility was 24% to 32% and was based upon historic volatility. The expected term ranged from 3.25 years to 5.25 years. Dividend yield was assumed to be 4.1% and the risk-free interest rate was 4.8%.  
(5) The fair value per share of this award was 30p. In calculating the fair value of the options, the assumed future volatility ranged was 24% and was based upon historic volatility. The expected term ranged from 3 years to 10 years. Dividend yield was assumed to be 4.1% and the risk-free interest rate was 4.8%.  
(6) The weighted average share price during the year was 115p.

**Share settled bonus**

Details of the awards included in the IFRS 2 charge are detailed below. Details of options outstanding under these schemes are as follows. All outstanding options at 1 December 2005 have been restated for the effects of the rights issue:

**Share settled bonus accounted for under IFRS 2**

Year of Grant	Award price p	Vesting period	Ordinary shares of 25p each				30 Nov 2006
			1 Dec 2005	Awarded	Released	Lapsed	
2005	104.40	2006 to 2007	168,202	—	(84,101)	—	84,101

**Long term incentive plan awards**

Under the provisions of the long term incentive plans there were awards for a total of 2.8m ordinary shares outstanding at 30 November 2006 (2005: 2.4m ordinary shares). The number of awards outstanding relating to awards granted in the last financial year was 1.0m (2005: 0.5m).

Details of the awards included in the IFRS 2 charge are detailed below. Details of options outstanding under these schemes are as follows. All outstanding options at 1 December 2005 have been restated for the effects of the rights issue:

**Long term incentive plan awards accounted for under IFRS 2**

Year of Grant	Award price p	Vesting period	Ordinary shares of 25p each				30 Nov 2006
			1 Dec 2005	Awarded	Released	Lapsed	
2003	47.56	2003 to 2008	1,569,767	—	(610,661)	—	959,106
2004	74.02	2004 to 2009	175,606	—	—	—	175,606
2004	96.47	2004 to 2009	98,474	—	—	—	98,474
2005	104.40	2005 to 2008	544,972	—	—	—	544,972
2006	118.00	2006 to 2009	—	802,117 <sup>(1)</sup>	—	—	802,117
2006	118.75	2006 to 2009	—	185,263 <sup>(2)</sup>	—	—	185,263

**Notes**

- (1) The fair value per share of the awards ranged from 25p to 106p. The assumed future volatility was 24%, the dividend yield was 4.1% and the risk-free interest rate was 4.8%.  
(2) The fair value per share of this award ranged from 61p to 106p. The assumed future volatility was 24%, the dividend yield was 4.1% and the risk-free interest rate was 4.8%.

## Notes to the Accounts continued

### 24. SHARE PREMIUM ACCOUNT

	Group and Company	
	2006	2005
	£m	£m
At 1 December	—	60.4
Shares issued	29.9	—
Transferred to retained earnings upon capital reorganisation	—	(60.4)
<b>At 30 November</b>	<b>29.9</b>	<b>—</b>

During the year ended 30 November 2005 the shareholders voted for a resolution to reorganise the capital of the Company. This reorganisation was approved by the Court of Session in Scotland. The capital reorganisation was required as the adoption of FRS 17 and the impairment of the Company's investment in Bonar International Holdings Ltd triggered by the sale of the Plastics Division extinguished the Company's distributable reserves. Without such a capital reorganisation the Company would have been unable to pay a dividend to shareholders.

### 25. OTHER RESERVES

	Group 2006	Group 2005
	£m	£m
<b>Translation reserve</b>		
At 1 December	1.0	—
Adjustments on translation of currency loans to fund overseas investments	0.5	1.2
Adjustments on translation of net assets and results of overseas subsidiaries	(1.3)	(0.2)
<b>At 30 November</b>	<b>0.2</b>	<b>1.0</b>

#### Group — retained earnings

	ESOP	Cash Flow Hedge Reserve	Other	Total
	£m	£m	£m	£m
At 1 December 2005	(0.2)	—	39.5	39.3
Adoption of IAS 39	—	0.3	—	0.3
Restated at 1 December 2005	(0.2)	0.3	39.5	39.6
Total recognised income and (expense) for the year	—	(0.3)	11.8	11.5
Dividends paid to ordinary shareholders (note 9)	—	—	(4.9)	(4.9)
Purchase of own shares	(1.5)	—	—	(1.5)
Share based payment	—	—	1.0	1.0
<b>At 30 November 2006</b>	<b>(1.7)</b>	<b>—</b>	<b>47.4</b>	<b>45.7</b>

	ESOP	Cash Flow Hedge Reserve	Other	Total
	£m	£m	£m	£m
At 1 December 2004	—	—	(33.8)	(33.8)
Total recognised income and (expense) for the year	—	—	(7.7)	(7.7)
Dividends paid to ordinary shareholders (note 9)	—	—	(4.6)	(4.6)
Capital reorganisation	—	—	85.5	85.5
Purchase of own shares	(0.2)	—	(0.1)	(0.3)
Share based payment	—	—	0.2	0.2
<b>At 30 November 2005</b>	<b>(0.2)</b>	<b>—</b>	<b>39.5</b>	<b>39.3</b>

## 25. OTHER RESERVES CONTINUED

## Company — retained earnings

	ESOP £m	Other £m	Total £m
At 1 December 2005	(0.2)	22.3	22.1
Adoption of IAS 32 and IAS 39	—	—	—
Restated at 1 December 2005	(0.2)	22.3	22.1
Total recognised income and (expense) for the year	—	5.1	5.1
Dividends paid to ordinary shareholders (note 9)	—	(4.9)	(4.9)
Purchase of own shares	(1.5)	—	(1.5)
Share based payment	—	0.9	0.9
At 30 November 2006	(1.7)	23.4	21.7
	ESOP £m	Other £m	Total £m
At 1 December 2004	—	(25.6)	(25.6)
Total recognised income and (expense) for the year	—	(33.1)	(33.1)
Dividends paid to ordinary shareholders (note 9)	—	(4.6)	(4.6)
Capital reorganisation	—	85.5	85.5
Purchase of own shares	(0.2)	(0.1)	(0.3)
Share based payment	—	0.2	0.2
At 30 November 2005	(0.2)	22.3	22.1

## 26. RECONCILIATION OF CHANGES IN EQUITY

Group	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total equity £m
At 1 December 2005	25.5	—	1.0	39.3	65.8	2.8	68.6
Restated for adoption of IAS 32 and IAS 39	(0.4)	—	—	0.3	(0.1)	—	(0.1)
Restated at 1 December 2005	25.1	—	1.0	39.6	65.7	2.8	68.5
Total recognised income/(expense) for the year	—	—	(0.8)	11.5	10.7	0.1	10.8
Purchase of minority interest	—	—	—	—	—	(0.1)	(0.1)
Dividends paid to ordinary shareholders	—	—	—	(4.9)	(4.9)	—	(4.9)
Share based payment	—	—	—	1.0	1.0	—	1.0
Ordinary shares issued	13.2	29.9	—	—	43.1	—	43.1
Purchase of own shares	—	—	—	(1.5)	(1.5)	—	(1.5)
Net increase/(decrease) for the year	13.2	29.9	(0.8)	6.1	48.4	—	48.4
At 30 November 2006	38.3	29.9	0.2	45.7	114.1	2.8	116.9

## Notes to the Accounts continued

### 26. RECONCILIATION OF CHANGES IN EQUITY CONTINUED

<b>Group</b>	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Equity attributable to equity holders of the parent £m	Minority interest £m	Total equity £m
At 1 December 2004	50.3	60.4	—	(33.8)	76.9	2.2	79.1
Total recognised income/(expense) for the year	—	—	1.0	(7.7)	(6.7)	0.6	(6.1)
Capital reorganisation	(25.1)	(60.4)	—	85.5	—	—	—
Dividends paid to ordinary shareholders	—	—	—	(4.6)	(4.6)	—	(4.6)
Share based payment	—	—	—	0.2	0.2	—	0.2
Ordinary shares issued	0.3	—	—	—	0.3	—	0.3
Purchase of own shares	—	—	—	(0.3)	(0.3)	—	(0.3)
Net increase/(decrease) for the year	(24.8)	(60.4)	1.0	73.1	(11.1)	0.6	(10.5)
At 30 November 2005	25.5	—	1.0	39.3	65.8	2.8	68.6

<b>Company</b>	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to equity holders of the parent £m
At 1 December 2005	25.5	—	22.1	47.6
Restated for adoption of IAS 32 and IAS 39	(0.4)	—	—	(0.4)
Restated at 1 December 2005	25.1	—	22.1	47.2
Total recognised income/(expense) for the year	—	—	5.1	5.1
Dividends paid to ordinary shareholders	—	—	(4.9)	(4.9)
Share based payment	—	—	0.9	0.9
Ordinary shares issued	13.2	29.9	—	43.1
Purchase of own shares	—	—	(1.5)	(1.5)
Net increase/(decrease) for the year	13.2	29.9	(0.4)	42.7
At 30 November 2006	38.3	29.9	21.7	89.9

<b>Company</b>	Share capital £m	Share premium £m	Retained earnings £m	Equity attributable to equity holders of the parent £m
At 1 December 2004	50.3	60.4	(25.6)	85.1
Total recognised income/(expense) for the year	—	—	(33.1)	(33.1)
Capital reorganisation	(25.1)	(60.4)	85.5	—
Dividends paid to ordinary shareholders	—	—	(4.6)	(4.6)
Share based payment	—	—	0.2	0.2
Ordinary shares issued	0.3	—	—	0.3
Purchase of own shares	—	—	(0.3)	(0.3)
Net increase/(decrease) for the year	(24.8)	(60.4)	47.7	(37.5)
At 30 November 2005	25.5	—	22.1	47.6

## 27. MINORITY INTEREST

	Group	
	2006 £m	2005 £m
At 1 December	2.8	2.2
Acquisition of subsidiary	(0.1)	—
Share of profit after taxation	0.4	0.3
Exchange adjustment	(0.3)	0.3
At 30 November	2.8	2.8

## 28. ACQUISITIONS

The Group purchased 100% of the voting shares of two companies during the year for a total consideration and costs of £82.0m (including the assumption of cash balances of £3.8m and external debt of £45.9m), of which £72.3m was in respect of Colbond Investments BV (the "Colbond Group"). In addition, the Group increased its stake in its Chinese subsidiary Yihua Bonar from 50.1% to 60.0% by way of a transaction that involved the grant of a perpetual licence of the Group's proprietary intellectual property in the manufacture of artificial grass yarns to Yihua Bonar.

All of these purchases have been accounted for using the purchase method of accounting. From the dates of acquisition to 30 November 2006 the acquisitions contributed £44.3m of revenue (Colbond Group: £34.7m) and £2.1m profit after tax to the Group (Colbond Group: £1.4m).

If the acquisitions had occurred on 1 December 2005 Group revenue would have been £295.6m and profit after tax would have been £9.5m. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 December 2005 with the consequential tax effects.

The goodwill arising on the acquisitions during the year is attributable to the anticipated profitability of these acquisitions and the future operating synergies arising in the enlarged Group. These acquisitions bring access to new markets and product ranges and will provide opportunities to generate additional profitability and operating efficiencies respect of existing markets.

**(a) Colbond Group acquisition**

On 31 July 2006 the Group acquired 100% of the share capital of Colbond Group for a cash consideration of up to €106.9m. Colbond Group is a producer of synthetic non-woven textiles (for flooring, automotive, and construction appliances) and three dimensional polymeric mats and composites (for civil engineering building and industrial appliances). The acquisition represents an important strategic step in the development of the Group's Technical Textiles Division.

The Group acquired Colbond Group with cash balances of £3.7m and aggregate borrowings of £45.9m. Acquisition costs were £2.9m. Of the total consideration, €3.6m is deferred and dependent upon certain vendor warranty obligations being met. The fair values of identifiable assets and liabilities arising from the acquisition are as follows

## Notes to the Accounts continued

### 28. ACQUISITIONS CONTINUED

	Book value £m	Fair value adjustments £m	Fair value £m
Investment in associate	0.1	—	0.1
Intangible assets	0.2	12.5	12.7
Deferred tax assets	1.1	0.6	1.7
Property, plant and equipment	50.7	—	50.7
Inventories	12.1	—	12.1
Trade and other receivables	13.1	—	13.1
Current tax liabilities	(0.2)	(1.0)	(1.2)
Trade and other payables	(18.2)	(2.5)	(20.7)
Deferred tax liabilities	(7.8)	(3.7)	(11.5)
Post-employment benefits	(3.8)	—	(3.8)
<b>Net assets</b>	<b>47.3</b>	<b>5.9</b>	<b>53.2</b>
Cash consideration paid including costs			30.1
Less cash acquired with business			(3.7)
Add external debt acquired			45.9
<b>Net cash outflow</b>			<b>72.3</b>
Goodwill arising on consolidation			19.1

The fair value adjustments above have arisen as follows and are provisional

- (i) Recognition of intangible assets for marketing related assets, customer relationships and technology based assets.
- (ii) Assets and liabilities have been fair valued at the date of acquisition.
- (iii) Provision has been made for onerous contracts in accordance with IFRS 3.
- (iv) As required by IAS12 "Income Taxes", current and deferred tax has been provided on the above adjustments.

#### (b) Geo-Tiptex Acquisition

On 28 February 2006 the Group acquired 100% of the share capital of Geo-Tiptex Kft for a maximum cash consideration of €14.0m including the assumption of cash balances of £0.1m. Acquisition costs were £0.3m. €2.0m of the consideration was placed in escrow, of which €1.0m remains in escrow at 30 November 2006. The fair values of identifiable assets and liabilities arising from the acquisition are as follows:

	Book value £m	Fair value adjustments £m	Fair value £m
Intangible assets	—	2.8	2.8
Property, plant and equipment	1.8	0.3	2.1
Inventories	2.0	—	2.0
Trade and other receivables	2.5	—	2.5
Trade and other payables	(2.1)	(0.1)	(2.2)
Deferred tax liabilities	—	(0.4)	(0.4)
<b>Net assets</b>	<b>4.2</b>	<b>2.6</b>	<b>6.8</b>
Cash consideration paid including costs			9.8
Less cash acquired with business			(0.1)
<b>Net cash outflow</b>			<b>9.7</b>
Goodwill arising on consolidation			2.9

The fair value adjustments above relate principally to intangible fixed assets acquired and the associated deferred tax liabilities. At 31 May 2006 fair value adjustments in respect of Geo-Tiptex were shown as provisional. The total amount was £2.2m at this date. These fair value adjustments of £2.6m are now final.

#### (c) Yihua Bonar Acquisition

The Group increased its stake in its Chinese subsidiary Yihua Bonar from 50.1% to 60.0% on 26 April 2006. The transaction was completed by way of a grant of a perpetual licence of the Group's proprietary intellectual property in the manufacture of artificial grass yarns to Yihua Bonar. The technology licence was valued at £1.2m.

#### (d) Deferred consideration

The Group paid deferred consideration of £0.6m in respect of the acquisition of LCM Construction Products Ltd. Deferred consideration of £1.2m was outstanding at 30 November 2006.

#### (e) Prior year acquisitions

During the year ended 30 November 2005 the Group reported a net cash outflow of £19.8m in relation to LCM Construction Products Ltd and Xirion NV. This amount was net of cash balances acquired of £1.0m.

## 29. DISCONTINUED OPERATIONS

On 8 September 2005 the Group sold its Plastics Division for a cash consideration net of costs of £23.7m. During the period from 1 December 2004 to the date of disposal the net cash outflow in respect of the discontinued business was £2.5m, reducing the overall net cash flow on disposal to £21.7m, of which £20.2m was received during the year ended 30 November 2005 and £1.5m during the year ended 30 November 2006. The Group recorded a net loss of £7.6m which comprises the post tax profit of the discontinued operations and the post-tax loss on its disposal. At 30 November 2005, consideration of £1.6m was outstanding and this was received during the year ended 30 November 2006. The detailed income statement analysis of the discontinued operations which have been included as a single line comprising a loss after tax of £7.6m in the consolidated income statement for the year ended 30 November 2005 is as follows:

	2005 £m
Revenue	51.6
Expenses	(51.1)
Operating profit	0.5
Loss attributable to disposal	(7.8)
Loss before taxation	(7.3)
Attributable taxation	(0.3)
Net loss attributable to discontinued operations	(7.6)

The detailed cash flow analysis of the discontinued operations up until the date of disposal is as follows

	2005 £m
<b>Net loss attributable to discontinued operations</b>	(7.6)
Adjustments for:	
Non cash loss attributable to disposal	7.8
Taxation expense	0.3
Depreciation	1.9
Increase in trade and other receivables	(0.5)
Increase in inventories	(0.2)
Decrease in trade and other payables	(2.9)
<b>Cash outflow from operations</b>	(1.2)
Financial expenses	(0.2)
<b>Net cash outflow from operating activities</b>	(1.4)
Acquisition of property, plant & equipment	(1.3)
Disposal of property, plant & equipment	0.2
<b>Net cash outflow from investing activities</b>	(1.1)
Net decrease in cash and cash equivalents	(2.5)
<b>Cash consideration net of costs</b>	23.7
Borrowings repaid	2.1
Cash disposed of	(1.6)
Net decrease in cash and cash equivalents	(2.5)
<b>Net cash flow</b>	21.7
Received during the year ended 30 November 2005	20.2
Received during the year ended 30 November 2006	1.5
	21.7

## Notes to the Accounts continued

### 30. RECONCILIATION OF NET CASH FLOW MOVEMENT TO MOVEMENT IN NET DEBT

Group	2006 £m	2005 £m
<b>For the year ended 30 November</b>		
Net decrease in cash and cash equivalents	(11.2)	(14.2)
Cash flow from (increase)/decrease in debt financing	(46.0)	10.8
Exchange	0.2	—
Movement in net debt in the year	(57.0)	(3.4)
<b>Net cash at 1 December</b>	11.3	14.7
Non-cash movement on adoption of IAS 32	(0.4)	—
<b>Net debt restated at 1 December</b>	10.9	14.7
<b>Net debt at 30 November</b>	(46.1)	11.3
	2006 £m	2005 £m
<b>Company</b>		
<b>For the year ended 30 November</b>		
Net (decrease)/increase in cash and cash equivalents	(9.0)	5.0
Cash flow from (increase)/decrease in debt financing	(42.4)	21.5
Movement in net debt in the year	(51.4)	26.5
<b>Net debt at 1 December</b>	—	(26.5)
Non cash movement on adoption of IAS 32	(0.4)	—
<b>Net debt restated at 1 December</b>	(0.4)	(26.5)
<b>Net debt at 30 November</b>	(51.8)	—

### 31. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2006 £m	2005 %	2006 £m	2005 %
<b>Plant and equipment</b>				
Leases terminating within one year	0.5	—	—	—
Leases terminating between 1 and 2 years	—	1.0	—	—
Leases terminating between 2 and 5 years	1.2	—	—	—
Leases terminating beyond 5 years	—	2.2	—	—
	1.7	3.2	—	—
<b>Property</b>				
Leases terminating within one year	0.8	0.5	0.2	—
Leases terminating between 1 and 2 years	—	—	—	—
Leases terminating between 2 and 5 years	2.1	1.0	0.3	—
Leases terminating beyond 5 years	0.5	0.2	—	—
	3.4	1.7	0.5	—

### 32. CONTINGENT LIABILITIES

At the time of disposing of the Group's North American packaging operations in March 2000, the Company entered into an Environmental Agreement with the purchasers of the business. The Environmental Agreement contains provisions regarding the remediation of known environmental contamination in the vicinity of one of the facilities which was sold in Burlington, Ontario. The Environmental Agreement expired in September 2006 and the Group has an ongoing liability only in respect of outstanding claims notified prior to this date. At 30 November 2006 an accrual of £0.2m (2005: £0.3m) remains in the Group's balance sheet for the ongoing remediation costs which the Directors believe will be sufficient to satisfy payments due.

In addition, the Company has guaranteed certain obligations of its subsidiaries arising in the normal course of trade.

### 33. RELATED PARTY TRANSACTIONS

The Company provides debt finance to various operating subsidiaries. A total of £118.7m was outstanding at 30 November 2006 (2005: £36.9m). The Company also borrows surplus funds from its subsidiaries. At 30 November 2006 the total amount payable to subsidiaries was £46.7m (2005: £44.2m).

The Company received income in respect of management services provided to its subsidiaries totalling £2.4m (2005: £0.7m).

The Company received interest income from related parties totalling £1.6m (2005: £2.0m) and accrued interest payable to related parties of £2.0m (2005: £1.8m).

The Company received dividend income from its subsidiaries totalling £5.0m (2005: £nil)

At 1 December 2005 the Group was owed £1.5m by Atorka Group hf, a company which together with its subsidiaries controlled more than 3.0% of the Company's issued share capital. This was paid during the year and Atorka Group hf and its subsidiaries divested their interests in the Company.

During April 2006 the Group increased its equity stake in its subsidiary Yihua Bonar from 50.1% to 60.0% by way of a licensing of the Group's proprietary artificial grass technology. No cash was transferred between the Low & Bonar Group and the Sinopec Group who own the residual shareholding in Yihua Bonar.

Yihua Bonar made purchases totalling £0.3m (2005: £2.5m) from Sinopec and its subsidiaries. No amounts were outstanding at 30 November 2006.

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

The remuneration of key personnel (excluding Directors) of Low & Bonar PLC was

	2006	2005
Short-term benefits	702,387	692,884
Post employment benefits	74,293	64,593
Termination benefits	—	—
Share based payments	105,021	—
	881,701	757,477

Key personnel (excluding Directors) comprise 2 Divisional Managing Directors (2005: 2) who are directly responsible for the Group's operating companies and 1 Director of New Business (2005: 1).

Details of Directors' Emoluments, pension benefits and interests are set out in the Remuneration report on pages 25 to 33.

## Notes to the Accounts continued

### 34. GROUP COMPANIES

Subsidiary undertakings	Principal product areas	Country	%
<b>Floors</b>			
Bonar Floors Limited	Floorcoverings	Scotland	100.0*
Bonar Floors SAS	Floorcoverings	France	100.0
Bonar Floors GmbH	Floorcoverings	Germany	100.0
Bonar Floors NV	Floorcoverings	The Netherlands	100.0
Bonar Floors Ltd	Floorcoverings	Hong Kong	100.0
Bonar Tiles Limited	Carpet tiles	England	100.0
<b>Technical Textiles</b>			
Bonar Yarns & Fabrics Limited	Specialist yarns	Scotland	100.0*
Bonar Technical Fabrics NV	Woven and non-woven fabrics	Belgium	100.0
Yihua Bonar Yarns & Fabrics Co., Ltd	Woven fabrics and specialist yarns	People's Republic of China	60.0
Anglo-Danish Fibre Industries Ltd (trading as ADFIL)	Construction fibres	England	100.0
Bonar Xirion NV	Specialist yarns	Belgium	100.0
Geo-Tippstex Kft	Non-woven fabrics	Hungary	100.0
Colbond BV	Polymeric mats and composites	The Netherlands	100.0
Colbond Geosynthetics Produktions GmbH	Polymeric mats and composites	Germany	100.0
Colbond Geosynthetics GmbH	Polymeric mats and composites	Germany	100.0
Colbond Geosynthetics SARL	Polymeric mats and composites	France	100.0
Colbond Inc	Polymeric mats and composites	USA	100.0
<b>Holding Companies</b>			
Bonar International Holdings Limited	Holding company	Scotland	100.0*
Bonar International Sarl	Holding company	Luxembourg	100.0
Low & Bonar (Nederland) BV	Holding company	The Netherlands	100.0
Bonar Tiles Holdings Limited	Holding company	England	100.0*
LCM Construction Products Ltd	Holding company	England	100.0*
Colbond Investments BV	Holding company	The Netherlands	100.0
Colbond Holding BV	Holding company	The Netherlands	100.0

#### Notes

- 1 Unless otherwise stated, shares held are ordinary, common or unclassified.
- 2 The percentage of the nominal value of issued shares held is shown following the name of each company.
- 3 An asterisk indicates that the percentage of share capital shown is held directly by the Company.
- 4 A number of subsidiary undertakings, the trading results and assets of which are not material in relation to the Group as a whole, have been omitted from the above list. In compliance with the Companies Act 1985, particulars of these undertakings will be annexed to the next annual return.
- 5 The companies listed were incorporated in the country shown against each of them and, with the exception of Bonar Floors Limited which operates mainly in England, that country is also the principal country of operation.

#### Associated undertaking

CPW GmbH	Intellectual property	Germany	25.0
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### 35. RECONCILIATION OF NET ASSETS AND PROFITS UNDER PREVIOUSLY REPORTED GAAP TO IFRS

This is the first set of financial statements produced in accordance with International Financial Reporting Standards ("IFRS").

The Company and Group previously reported under UK GAAP in their published financial statements for the year ended 30 November 2005.

The accounting policies set out on pages 41 to 46 have been applied in preparing the financial statements for the year ended 30 November 2006, the comparative information presented in these financial statements for the year ended 30 November 2005 and in the preparation of the opening IFRS balance sheet at 1 December 2004 (the transition date).

In preparing its opening IFRS balance sheets the Company and Group have adjusted amounts previously reported in financial statements prepared in accordance with the UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected both the Company's and Group's financial position, financial performance and cash flows is set out in the following tables and notes.

The reconciliations of equity at 1 December 2004 (date of transition to IFRS) and at 30 November 2005 (date of last reported UK GAAP financial statements) have been included to enable a comparison of the 2006 published consolidated figures with those published in the corresponding period of the previous financial year. In addition, there is a reconciliation of the UK GAAP profit before tax for the year ended 30 November 2005 to the profit restated under IFRS. Other than causing a restatement of the format, the introduction of IFRS has not significantly impacted the consolidated cash flow statement or the numbers contained therein.

The most significant changes arising from the transition to IFRS from UK GAAP are described in the following tables and notes.

Reconciliation of Group equity under UK GAAP to Group equity under IFRS at 30 November 2005

	IFRS adjustments							2005 IFRS £m
	2005 UK GAAP £m	a £m	b £m	c £m	c £m	h £m	i £m	
<b>Non current assets</b>								
Goodwill	31.1	—	—	—	(6.1)	—	—	25.0
Intangible assets	—	—	—	0.7	8.3	—	—	9.0
Property, plant and equipment	38.8	—	—	(0.7)	—	—	—	38.1
Deferred tax assets	—	0.6	8.6	—	0.2	—	—	9.4
	69.9	0.6	8.6	—	2.4	—	—	81.5
<b>Current assets</b>								
Inventories	29.6	—	—	—	—	—	—	29.6
Trade and other receivables	39.2	—	—	—	—	—	—	39.2
Cash and cash equivalents	14.7	—	—	—	—	—	—	14.7
	83.5	—	—	—	—	—	—	83.5
<b>Current liabilities</b>								
Interest bearing loans and borrowings	1.9	—	—	—	—	—	—	1.9
Current tax liabilities	1.7	—	—	—	—	—	—	1.7
Trade and other payables	56.4	0.2	—	—	(0.2)	(3.0)	—	53.4
	60.0	0.2	—	—	(0.2)	(3.0)	—	57.0
<b>Net current assets</b>	23.5	(0.2)	—	—	0.2	3.0	—	26.5
<b>Non current liabilities</b>								
Deferred tax liabilities	4.4	—	—	—	2.6	—	—	7.0
Post-employment benefits	19.7	—	9.2	—	—	—	—	28.9
Other payables	4.1	—	—	—	(0.6)	—	—	3.5
	28.2	—	9.2	—	2.0	—	—	39.4
<b>Net assets</b>	65.2	0.4	(0.6)	—	0.6	3.0	—	68.6
<b>Equity attributable to equity holders of the parent</b>								
Share capital	25.5	—	—	—	—	—	—	25.5
Share premium account	—	—	—	—	—	—	—	—
Translation reserve	(6.5)	—	—	—	—	—	7.5	1.0
Retained earnings	43.4	0.4	(0.6)	—	0.6	3.0	(7.5)	39.3
<b>Total equity attributable to Equity holders of the parent</b>	62.4	0.4	(0.6)	—	0.6	3.0	—	65.8
<b>Minority interest</b>	2.8	—	—	—	—	—	—	2.8
<b>Total equity</b>	65.2	0.4	(0.6)	—	0.6	3.0	—	68.6

## Notes to the Accounts continued

### 35. RECONCILIATION OF NET ASSETS AND PROFITS UNDER PREVIOUSLY REPORTED GAAP TO IFRS CONTINUED

Reconciliation of Group equity under UK GAAP to Group equity under IFRS at 1 December 2004

	2004 UK GAAP £m	IFRS adjustments						2004 IFRS £m
		a £m	b £m	c £m	f £m	h £m	i £m	
<b>Non-current assets</b>								
Goodwill	10.8	—	—	—	—	—	—	10.8
Intangible assets	—	—	—	0.5	—	—	—	0.5
Property, plant and equipment	58.4	—	—	(0.5)	—	—	—	57.9
Deferred tax assets	—	0.4	9.8	—	0.1	—	—	10.3
	69.2	0.4	9.8	—	0.1	—	—	79.5
<b>Current assets</b>								
Inventories	33.7	—	—	—	—	—	—	33.7
Trade and other receivables	44.2	—	—	—	—	—	—	44.2
Current tax receivable	0.4	—	—	—	—	—	—	0.4
Cash and cash equivalents	28.9	—	—	—	—	—	—	28.9
	107.2	—	—	—	—	—	—	107.2
<b>Current liabilities</b>								
Interest bearing loans and borrowings	6.1	—	—	—	—	—	—	6.1
Current tax liabilities	3.8	—	—	—	—	—	—	3.8
Trade and other payables	51.7	0.1	—	—	—	(2.9)	—	48.9
	61.6	0.1	—	—	—	(2.9)	—	58.8
<b>Net current assets</b>	45.6	(0.1)	—	—	—	2.9	—	48.4
<b>Non-current liabilities</b>								
Interest bearing loans and borrowings	7.9	—	—	—	—	—	—	7.9
Deferred tax liabilities	5.2	—	—	—	0.1	—	—	5.3
Post-employment benefits	22.0	—	10.8	—	—	—	—	32.8
Other payables	2.8	—	—	—	—	—	—	2.8
	37.9	—	10.8	—	0.1	—	—	48.8
<b>Net assets</b>	76.9	0.3	(1.0)	—	—	2.9	—	79.1
<b>Equity attributable to equity holders of the parent</b>								
Share capital	50.3	—	—	—	—	—	—	50.3
Share premium account	60.4	—	—	—	—	—	—	60.4
Translation reserve	(7.5)	—	—	—	—	—	7.5	—
Retained earnings	(28.5)	0.3	(1.0)	—	—	2.9	(7.5)	(33.8)
<b>Total equity attributable to equity holders of the parent</b>	74.7	0.3	(1.0)	—	—	2.9	—	76.9
<b>Minority interest</b>	2.2	—	—	—	—	—	—	2.2
<b>Total equity</b>	76.9	0.3	(1.0)	—	—	2.9	—	79.1

Reconciliation of Group loss after tax under UK GAAP to Group loss after tax under IFRS for the year ended 30 November 2005

	Notes	Year ended 30 November 2005 £m
<b>Group loss after tax UK GAAP</b>		(28.1)
Share based payment	a,f	0.1
Post employment benefits	b,f	(0.1)
Business combinations	c,f	0.6
Discontinued operations	d	20.6
<b>Group loss after tax IFRS</b>		(6.9)

## 35. RECONCILIATION OF NET ASSETS AND PROFITS UNDER PREVIOUSLY REPORTED GAAP TO IFRS CONTINUED

Reconciliation of Company equity under UK GAAP to equity under IFRS at 30 November 2005

	2005 UK GAAP £m	IFRS adjustments				2005 IFRS £m
		a £m	b £m	h £m	h £m	
<b>Non-current assets</b>						
Property, plant & equipment	0.1	—	—	—	—	0.1
Investments in subsidiaries	79.5	—	—	(0.8)	—	78.7
Deferred tax assets	—	0.6	8.8	—	—	9.4
Other receivables	0.9	—	—	—	—	0.9
	80.5	0.6	8.8	(0.8)	—	89.1
<b>Current assets</b>						
Other receivables	38.2	—	—	—	—	38.2
Current tax receivable	2.9	—	—	—	—	2.9
Cash and cash equivalents	9.8	—	—	—	—	9.8
	50.9	—	—	—	—	50.9
<b>Current liabilities</b>						
Interest bearing loans and borrowings	9.8	—	—	—	—	9.8
Trade other payables	22.0	0.2	—	—	(3.0)	19.2
	31.8	0.2	—	—	(3.0)	29.0
<b>Net current assets</b>	19.1	(0.2)	—	—	3.0	21.9
<b>Non-current liabilities</b>						
Post employment benefits	19.6	—	8.9	—	—	28.5
Other payables	35.4	—	—	(0.5)	—	34.9
	55.0	—	8.9	(0.5)	—	63.4
<b>Net assets</b>	44.6	0.4	(0.1)	(0.3)	3.0	47.6
<b>Equity attributable to equity holders of the parent</b>						
Share capital	25.5	—	—	—	—	25.5
Share premium account	—	—	—	—	—	—
Retained earnings	19.1	0.4	(0.1)	(0.3)	3.0	22.1
<b>Total equity</b>	44.6	0.4	(0.1)	(0.3)	3.0	47.6

## Notes to the Accounts continued

Reconciliation of Company equity under UK GAAP to equity under IFRS at 1 December 2004

	2004 UK GAAP £m	IFRS adjustments			2004 IFRS £m
		a £m	b £m	h £m	
<b>Non current assets</b>					
Property, plant and equipment	0.2	—	—	—	0.2
Investments in subsidiaries	93.1	—	—	—	93.1
Deferred tax assets	—	0.4	9.8	—	10.2
	93.3	0.4	9.8	—	103.5
<b>Current assets</b>					
Other receivables	81.4	—	—	—	81.4
Current tax receivable	2.2	—	—	—	2.2
Cash and cash equivalents	4.8	—	—	—	4.8
	88.4	—	—	—	88.4
<b>Current liabilities</b>					
Interest bearing loans and borrowings	24.6	—	—	—	24.6
Trade and other payables	45.8	0.2	—	(2.9)	43.1
	70.4	0.2	—	(2.9)	67.7
<b>Net current assets</b>	18.0	(0.2)	—	2.9	20.7
<b>Non current liabilities</b>					
Interest bearing loans and borrowings	6.7	—	—	—	6.7
Post employment benefits	22.1	—	10.3	—	32.4
	28.8	—	10.3	—	39.1
<b>Net assets</b>	82.5	0.2	(0.5)	2.9	85.1
<b>Equity attributable to equity holders of the parent</b>					
Share capital	50.3	—	—	—	50.3
Share premium account	60.4	—	—	—	60.4
Retained earnings	(28.2)	0.2	(0.5)	2.9	(25.6)
<b>Total equity</b>	82.5	0.2	(0.5)	2.9	85.1

Reconciliation of Company loss after tax under UK GAAP to loss after tax under IFRS for the year ended 30 November 2005

		Notes	Year ended 30 November 2005 £m
<b>Loss after tax UK GAAP</b>			(32.7)
Share based payment		a,f	0.1
<b>Loss after tax IFRS</b>			(32.6)

### 35. RECONCILIATION OF NET ASSETS AND PROFITS UNDER PREVIOUSLY REPORTED GAAP TO IFRS CONTINUED

#### (a) IFRS 2 — Share based Payment

Under UK GAAP, The Company and Group accounted for share based payment in accordance with UITF 17 (Revised). This required a charge to the profit and loss account in respect of the intrinsic value of equity settled share based payment. A charge was also recorded in the profit and loss account in respect of the notional gain expected to be made in respect of cash settled share based payment.

In accordance with IFRS 2, the Company and the Group have recognised a charge to the income statement representing the fair value of outstanding employee share options granted to approximately 250 employees since 7 November 2002. The fair value has been calculated using the Monte Carlo Simulation model and the calculated fair value is charged to income over the relevant option vesting periods, adjusted to reflect actual and expected levels of vesting. The obligation in respect of equity settled share based payment is recorded within equity and the obligation in respect of cash settled share based payment is recorded within current liabilities.

The operating profit impact of the change to adopted IFRS for the year ended 30 November 2005 is the write back of a UK GAAP expense of £0.4m and the inclusion of an IFRS 2 charge of £0.4m. After accounting for deferred tax effects the net income statement effect is to increase profit after taxation by £0.1m.

The total impact on Company and Group net assets arising from the change to adopted IFRS at 30 November 2005 is an increase in net assets of £0.4m after the inclusion of a deferred tax asset of £0.6m and current liabilities of £0.2m in respect of cash settled share based payment obligations.

In the opening consolidated balance sheet at 1 December 2004 there is an adjustment that increases net assets by £0.3m being a deferred tax asset of £0.4m offset by the inclusion of current liabilities of £0.1m in respect of cash settled obligations. In the opening Company balance sheet at 1 December 2004 the adjustment increases net assets by £0.2m being a deferred tax asset of £0.4m offset by current liabilities of £0.2m.

#### (b) IAS 19 (Revised) — Employee benefits

The measurement criteria required by IAS 19 (Revised) is substantially the same as that required by FRS 17. However, IAS 19 (Revised) prohibits the disclosure of employee benefits net of the related deferred tax asset as was allowed under UK GAAP.

The adjustments in respect of deferred tax required to gross up the reported consolidated UK GAAP balance sheet at 1 December 2004 and 30 November 2005 were £9.5m and £8.4m respectively. Further adjustments of £1.3m and £0.8m were also required at these dates to measure the liability under IFRS. Consequently, the total Group adjustments to post-employment benefits at 1 December 2004 and 30 November 2005 were £10.8m and £9.2m respectively.

There is no operating profit impact of the change to adopted IFRS in the Group income statement for the year ended 30 November 2005. The net financing costs impact of the changes to adopted IFRS for the year ended 30 November 2005 is an increased charge of £0.1m.

The impact of the implementation of this policy on the consolidated balance sheet is to recognise a non-current liability for post-employment benefits of £32.8m in the Group's adopted IFRS opening balance sheet at 1 December 2004 and £28.9m at 30 November 2005. The overall impact of implementation was to reduce net assets by £1.0m at 1 December 2004 and £0.6m at 30 November 2005 due to the inclusion of deferred tax assets of £9.8m and £8.6m respectively.

The impact on the Company balance sheet at 30 November 2005 is to increase deferred tax assets by £8.8m and post-employment benefits by £8.9m, a decrease in net assets of £0.1m. The impact on the Company balance sheet at 1 December 2004 is an increase in deferred tax assets of £9.8m and post-employment benefits of £10.3m, a decrease in net assets of £0.5m.

#### (c) IFRS 3 — Business Combinations and IAS 38 — Intangible Assets

##### *Capitalised software*

Under UK GAAP the Group classified the cost of capitalised software and associated development costs within property, plant and equipment. Under adopted IFRS these costs are classified as intangible assets. The balance sheet impact of the reclassification is to increase intangible assets and decrease plant, property and equipment by £0.7m at 30 November 2005. The UK GAAP depreciation charge of £0.2m for the year ended 30 November 2005 in respect of software assets is replaced with an equal amortisation charge under adopted IFRS. The adjustment required at 1 December 2004 was £0.5m.

##### *Business Combinations*

Under the transitional arrangements of IFRS 1 a company has the option of applying IFRS 3 prospectively from the transition date to adopted IFRS. The Group has chosen this option rather than to restate all previous business combinations before 1 December 2004. The impact of IFRS 3 and associated transitional arrangements on the Group are as follows.

The operating profit impact of the changes to adopted IFRS for the year ended 30 November 2005 is an increase of £0.4m, which represents the write back of goodwill amortisation of £1.3m recorded under UK GAAP and the subsequent inclusion of an identified intangible asset amortisation charge of £0.9m under adopted IFRS.

The deferred tax impact of the changes to adopted IFRS led to a credit in the income statement of £0.2m for the year ended 30 November 2005.

## Notes to the Accounts continued

### 35. RECONCILIATION OF NET ASSETS AND PROFITS UNDER PREVIOUSLY REPORTED GAAP TO IFRS CONTINUED

Acquisitions made during 2005 gave rise to goodwill of £21.4m under UK GAAP. On adoption of IFRS, specific intangible assets of £9.2m and an associated deferred income tax liability of £2.8m were recognised. Contingent consideration of £0.6m under UK GAAP was not recorded under IFRS. Deferred consideration was discounted by £0.2m. Deferred tax assets of £0.2m in respect of fair value adjustments were recognised. Residual goodwill was £14.2m.

On disposal of a business UK GAAP required that goodwill previously written off to reserves on acquisition is recycled through the profit and loss account. Adopted IFRS does not require such entries to be recorded in the income statement. The impact of the changes to adopted IFRS on the loss attributable to equity shareholders is an increase in profit of £20.6m in the year ended 30 November 2005.

The impact on the financial statements was to decrease Goodwill by £6.1m and increase intangible assets by £8.3m at 30 November 2005. Deferred tax assets were increased by £0.2m and deferred tax liabilities were increased by £2.6m. Current liabilities were decreased by £0.2m and non-current liabilities were decreased by £0.6m.

Overall, the change to IFRS led to an increase in net assets of £0.6m at 30 November 2005 and a reduction in the loss for the year of £21.2m.

In the Company balance sheet the cost of investments in subsidiaries is reduced by £0.8m and non-current liabilities are reduced by £0.5m a net decrease in net assets of £0.3m reflecting contingent consideration not recognised under IFRS and the discounting of deferred consideration.

#### (d) IFRS 5 — Businesses held for resale and discontinued operations

The turnover from discontinued operations of £51.6m for the year ended 30 November 2005 is deducted from the total turnover reported under UK GAAP of £227.0m in calculating revenue of £175.4m under adopted IFRS. The operating profit from discontinued businesses of £0.5m, and tax expense of £0.3m for the year ended 30 November 2005 as calculated under UK GAAP is subsumed within the calculation of the loss on sale of discontinued business under adopted IFRS. This has no change on the loss attributable to equity shareholders under adopted IFRS for the year ended 30 November 2005.

#### (e) IAS 32 and IAS 39 — Financial instruments

IAS 32 and IAS 39 address the accounting for, and financial reporting of, financial instruments. IAS 32 covers disclosure and presentation whilst IAS 39 covers recognition and measurement. The Group has taken the option available under IFRS 1 and the standards have been adopted from 1 December 2005, with no restatement of comparative information.

#### (f) IAS 12 — Income taxes

IAS 12 requires deferred tax assets and liabilities to be disclosed separately on the Group's balance sheet.

The major impact is that the deferred tax asset relating to employee benefits is shown separately from the related obligation.

IAS 12 requires deferred tax to be recognised when there is a difference between the accounting and taxable base of an item in the financial statements.

Accordingly, deferred tax assets have been recognised in respect of share based payment and fair value adjustments arising on acquisitions. Deferred tax liabilities are recorded in respect of identified intangible assets arising on consolidation.

#### (g) Non-recurring items

Under UK GAAP the Group reported operating exceptional items amounting to a cost to the profit and loss account of £1.2m for the year ended 30 November 2005. Under adopted IFRS these are disclosed in the income statement as non-recurring items.

Under UK GAAP the Group reported non-operating exceptional items amounting to a net cost to the profit and loss account of £36.6m for the year ended 30 November 2005. There were three components to this net cost of £36.6m: a charge to the profit and loss account of £28.4m relating to the loss on sale of the Plastics Division which is included within the line Discontinued operations under adopted IFRS; a charge to the profit and loss account of £8.5m relating to the fine imposed on the Group by the European Commission in respect of an alleged cartel operated in the industrial bag market which relates to a business disposed of in 1997 and is disclosed separately in the income statement under adopted IFRS; and a credit to the profit and loss account of £0.2m relating to a gain on sale of fixed assets which is included as a non-recurring item within operating profit under adopted IFRS.

#### (h) IAS 10 — Post-balance sheets events

IAS 10 requires dividends to be recognised as a liability when they are declared. For a final dividend this is usually after the accounting period to which it relates. Consequently there is an adjustment to remove the liability for the 2004 final dividend accrued under UK GAAP at 1 December 2004, but not formally declared until 20 April 2005. There is a further adjustment for the final dividend for the year ended 30 November 2005 included in the balance sheet at 30 November 2005 that had not been declared at that date. The net impact is to increase both Company and Group net assets by £2.9m at 1 December 2004 and £3.0m at 30 November 2005.

#### (i) IAS 21 — Foreign Exchange

The Group has taken the option available under IFRS 1 to reset the foreign exchange translation reserve to zero at 1 December 2004, the date of transition to adopted IFRS. This is recorded as a credit to the translation reserve and a charge to retained earnings of £7.5m.