

Low & Bonar

Half Year Results for the six months to 31 May 2011

STRONG TRADING PERFORMANCE, IMPROVED FULL YEAR OUTLOOK

Low & Bonar PLC ("Low & Bonar" or "the Group"), the international performance materials group, today announces its half year results for the six months ended 31 May 2011.

Highlights:

	6 months May 11	6 months May 10	12 months Nov 10
Revenue	£182.6m	£155.8m	£344.6m
Operating margin*	6.5%	6.5%	7.5%
Profit before taxation	£11.2m	£7.9m	£10.2m
PBTA*	£7.9m	£6.7m	£18.6m
Basic EPS*	1.93p	1.61p	4.41p
Dividend per share	0.7p	0.5p	1.6p
Net debt	£72.3m	£67.4m	£62.0m

* Before amortisation and non-recurring items

- Profit before taxation increased by 42% to £11.2m
- Underlying profits and revenues 20% ahead, after adjusting for foreign exchange movements
- Margins maintained despite significant raw material inflation
- Yarns restructuring completed and business will be profitable this year
- Interim dividend increased by 40% to 0.7p per share, reflecting confidence in growth prospects
- Further progress towards operational targets
- Improved full year outlook

Martin Flower, Chairman, said:

"These results, during a period of unprecedented raw material price escalation, demonstrate the quality of our business, its positioning and its growth prospects."

"The trading outlook has improved. With good trading momentum, selling prices increased and raw material polymer prices beginning to stabilise, the Group is confident of delivering another year of significant progress. We will continue to push ahead with our initiatives to deliver margin improvement and growth in our chosen niche markets and geographies in 2011 and beyond."

For further information, please contact:

Low & Bonar PLC

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Interim Statement

We are pleased to report a good set of results for the six months to 31 May 2011 and a period of further progress for the Group as an innovative, high growth performance materials business.

Profit before taxation increased by 42% to £11.2m during the period. Underlying profit before tax, amortisation and non-recurring items rose 20% to £7.9m on revenues up 20% at £182.6m, after adjusting for foreign exchange movements. Basic earnings per share before amortisation and non-recurring items increased by 20% to 1.93p.

Results highlights

	6 months May 11	6 months May 10	12 months Nov 10
Revenue	£182.6m	£155.8m	£344.6m
Operating margin*	6.5%	6.5%	7.5%
Profit before taxation	£11.2m	£7.9m	£10.2m
PBTA*	£7.9m	£6.7m	£18.6m
Basic EPS*	1.93p	1.61p	4.41p
Dividend per share	0.7p	0.5p	1.6p
Net debt	£72.3m	£67.4m	£62.0m

* Before amortisation and non-recurring items

The most notable features during the first half of the financial year have been significant sales growth, successful operating margin management in tough raw material polymer markets and the completion of Yarns restructuring.

Significant sales growth

After posting a 15% increase in underlying sales in 2010, sales in the first half of this year continued to grow, advancing by 20% on a constant currency basis. This significant sales growth was achieved through an increasing contribution from recently launched innovative products, the continuation of strong growth in emerging markets and a further recovery in some of the Group's heartland markets. Price increases to recover much higher raw material costs contributed 6% to first half sales growth.

Sales growth was strong in the Flooring and Civil Engineering markets and was supported by a partial recovery in the Transport and Industrial markets. Building Products activities generally remained weak. The initiatives to accelerate growth through innovation and geographic development are making an increasing contribution to sales. Sales of recently developed products as a proportion of total sales grew to 16.4% from 14.3% at the end of last year. Emerging market sales increased by 16% to £39.6m compared to £34.0m in the first half of last year.

Successful operating margin management

We have continued to experience significant and sustained increases in raw material polymer costs affecting the entire Group. The speed and extent of increases during the period was unprecedented. The cost of raw materials increased by 22% (£14.7m) compared to the first half of last year. Sales prices were adjusted to pass through these increases, albeit with a time lag which adversely impacted margins by £4.7m in total. The Group's ability to sustain operating margins during an unprecedented inflationary period demonstrates the quality of our business, its positioning and its growth prospects. Prices for polymers have recently begun to stabilise and, with selling prices already adjusted, operating margins should improve in the second half of the year.

Completion of Yarns restructuring

The project to restructure manufacturing within the Yarns business was completed last month. As planned, production ceased at Ostend in March and the site was closed in June. The equipment transferred to the Group's new Abu Dhabi facility is now in normal operation. The business now enjoys a much improved cost base and, with performance improving, we remain very confident that it will be profitable this year.

Operational performance

Performance Technical Textiles

(Woven and non-woven fabrics, fibres and yarns for use in the civil engineering, flooring, leisure, construction and industrial sectors).

Sales in the division increased by 22% on a constant currency basis. Operating margins improved to 6.7% from 6.6% last year, benefiting from an improving performance in the restructured Yarns business but have been adversely impacted by high raw material price inflation throughout the first half of the year. Operating margins should improve further in the second half, benefiting from higher selling prices as polymer prices stabilise.

Divisional like-for-like sales grew by 21% in heartland markets and by 25% in emerging markets, adjusting for foreign exchange movements. Sales in the Civil Engineering sector grew strongly as heartland markets improved, buoyed by ongoing growth in emerging markets, particularly in Eastern Europe and Asia. The Flooring sector also continued to experience increased demand driven by improved penetration in Asia and increasing substitution of carpet tiles for other flooring products, particularly in North America. There was some improvement in Industrial and Building Products sales in Europe, but US sales remain depressed. The restructuring of manufacturing in Yarns restricted sales to the artificial grass market in the first half of the year; this is now complete and we are now well placed to grow sales from a much improved cost base.

The Group's Saudi Arabian joint venture to establish geotextile production for the fast growing civil engineering markets in the Middle East and Indian sub-continent is progressing well.

Technical Coated Fabrics

(Technical coated fabrics for use in the print, architecture, transport, leisure and industrial sectors).

Sales in the Technical Coated Fabrics division grew by 15% on a constant currency basis, however operating margins declined to 8.3% from 8.9% last year. The lag effect of raw material inflation was more pronounced in this division as increased costs took somewhat longer to pass through, given its larger customer base.

Divisional like-for-like sales grew by 23% in heartland markets, with a broad base to the recovery, and by 4% in emerging markets. The anticipated improvement in the Transport market accelerated and niche applications in Industrial segments also picked up. Sales continue to grow well in architectural membranes as new products and recently established reference projects begin to impact. Significant opportunities remain to improve operating efficiencies in the division and this, together with higher selling prices, should result in better margins in the second half of the year.

Increased dividend

In light of the strong trading performance, the Board has declared an interim dividend of 0.7 pence per ordinary share (2010: 0.5 pence) payable on 29 September 2011 to ordinary shareholders on the register as at 2 September 2011. The increase reflects the Board's confidence in future growth prospects and its intent to follow a progressive dividend policy, trending towards a cover of 2.5 times earnings in the near term taking into account the cash needs of the business.

Pensions

The Group operates defined benefit pension schemes in the UK, the USA, Belgium and Germany. The largest of these is the UK scheme, which had a deficit of £17.9m as at 30 November 2010. In February 2011, the UK scheme was closed to future accrual and, following the changes to link statutory indexation to CPI, deferred members have been notified of the switch from RPI to CPI in calculating their future pension increases. As a result of these actions, a non-recurring credit of £6.7m has been recorded in the Income Statement and the UK deficit, allowing for expected returns and interest cost, has reduced to £12.8m as at 31 May 2011.

Improved outlook

These results, during a period of unprecedented raw material price escalation, demonstrate the quality of our business, its positioning and its growth prospects.

With good trading momentum, selling prices increased and polymer prices beginning to stabilise, the Group is confident of delivering another year of significant progress. We will continue to push ahead with our initiatives to deliver margin improvement and growth in our chosen niche markets and geographies in 2011 and beyond.

Finally, it is our pleasure to record our thanks and appreciation of the efforts of all members of the Group, whose commitment, expertise and professionalism have made these results possible.

Martin Flower
Chairman

Steve Good
Group Chief Executive

5 July 2011

Forward looking statements

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

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

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

LOW & BONAR PLC
Condensed Consolidated Income Statement

	Six months ended 31 May 2011 Unaudited			Six months ended 31 May 2010 Unaudited			Year ended 30 November 2010		
	Before amortisation and non- recurring items	Amortisation and non- recurring items	Total	Before amortisation and non- recurring items	Amortisation and non- recurring items	Total	Before amortisation and non- recurring items	Amortisation and non- recurring items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	182.6	-	182.6	155.8	-	155.8	344.6	-	344.6
Operating profit	11.8	3.3	15.1	10.1	(4.3)	5.8	25.8	(13.8)	12
Non-operating income	-	-	-	-	5.5	5.5	-	5.4	5.4
Financial income	5.3	-	5.3	5.2	-	5.2	10.4	-	10.4
Financial expense	(9.2)	-	(9.2)	(8.6)	-	(8.6)	(17.6)	-	(17.6)
Net financing costs	(3.9)	-	(3.9)	(3.4)	-	(3.4)	(7.2)	-	(7.2)
Profit/(loss) before taxation	7.9	3.3	11.2	6.7	1.2	7.9	18.6	(8.4)	10.2
Taxation	(2.3)	0.9	(1.4)	(2.1)	1.0	(1.1)	(5.8)	2.0	(3.8)
Profit/(loss) after taxation	5.6	4.2	9.8	4.6	2.2	6.8	12.8	(6.4)	6.4
Attributable to									
Equity holders of the Company	5.6	4.2	9.8	4.5	2.3	6.8	12.7	(6.4)	6.3
Minority interest	-	-	-	0.1	(0.1)	-	0.1	-	0.1
	5.6	4.2	9.8	4.6	2.2	6.8	12.8	(6.4)	6.4
Earnings per share									
Total									
Basic	1.93p		3.40p	1.61p		2.38p	4.41p		2.19p
Diluted	1.91p		3.36p	1.60p		2.37p	4.37p		2.17p

LOW & BONAR PLC
Condensed Consolidated Balance Sheet

	31 May 2011 Unaudited £m	31 May 2010 Unaudited £m	30 November 2010 £m
Non-current assets			
Goodwill	86.9	84.5	83.3
Intangible assets	43.9	48.2	44.8
Property, plant and equipment	116.1	119.9	113.7
Investment in associate	0.4	0.4	0.4
Deferred tax assets	2.6	3.9	3.3
	249.9	256.9	245.5
Current assets			
Inventories	74.7	62.6	60.1
Trade and other receivables	72.4	67.1	67.6
Derivative assets	0.4	-	0.1
Cash and cash equivalents	25.2	15.7	11.6
	172.7	145.4	139.4
Current liabilities			
Interest-bearing loans and borrowings	1.1	6.6	2.6
Current tax liabilities	4.5	6.5	8.4
Trade and other payables	81.2	63.6	71.6
Provisions	2.4	0.3	3.6
Derivative liabilities	16.8	28.3	16.0
	106.0	105.3	102.2
Net current assets	66.7	40.1	37.2
Total assets less current liabilities	316.6	297.0	282.7
Non-current liabilities			
Interest-bearing loans and borrowings	96.4	76.5	71.0
Deferred tax liabilities	24.5	28.7	25.5
Post employment benefits	20.9	26.8	26.0
Other payables	1.4	0.5	0.8
	143.2	132.5	123.3
Net assets	173.4	164.5	159.4
Equity attributable to equity holders of the parent			
Share capital	45.3	45.3	45.3
Reserves	122.8	113.8	108.8
Total equity attributable to			
Equity holders of the parent	168.1	159.1	154.1
Minority interest	5.3	5.4	5.3
Total equity	173.4	164.5	159.4

LOW & BONAR PLC
Condensed Consolidated Cash Flow Statement

	Six months ended 31 May 2011 Unaudited £m	Six months ended 31 May 2010 Unaudited £m	Year ended 30 November 2010 £m
Profit for the period	9.8	6.8	6.4
Adjustments for:			
Depreciation and impairment	6.1	6.7	13.7
Amortisation	3.1	3.6	6.8
Income tax expense	1.4	1.1	3.8
Non-recurring pension credits	(6.7)	-	-
Net financing costs	3.9	3.4	7.2
(Increase)/decrease in working capital	(7.0)	(6.0)	0.5
Decrease in provisions	(1.2)	(5.8)	(2.2)
(Gain)/loss on disposal of property, plant and equipment	(0.3)	-	0.1
Equity-settled share-based payment	0.5	0.4	0.3
Cash inflow from operations	9.6	10.2	36.6
Net financing costs paid	(2.9)	(2.6)	(4.7)
Tax paid	(5.9)	(2.0)	(3.3)
Pension cash contributions in excess of operating charge	(0.1)	-	(3.2)
Net cash inflow from operating activities	0.7	5.6	25.4
Acquisition of property, plant and equipment	(5.9)	(2.9)	(6.7)
Proceeds from sale of property, plant and equipment	0.4	-	-
Intangible assets purchased	(0.3)	(0.2)	(0.7)
Net cash outflow from investing activities	(5.8)	(3.1)	(7.4)
Drawdown of borrowings	22.0	0.6	38.3
Repayment of borrowings	-	-	(48.4)
Finance lease capital repayments	(0.1)	(0.1)	(0.1)
Movement in cash flow hedges	-	-	(9.3)
Equity dividends paid	(3.2)	(2.3)	(3.7)
Net cash inflow/(outflow) from financing activities	18.7	(1.8)	(23.2)
Net cash inflow/(outflow)	13.6	0.7	(5.2)
Cash and cash equivalents at start of period	11.6	16.2	16.2
Foreign exchange differences	-	(1.2)	0.6
Cash and cash equivalents at end of period	25.2	15.7	11.6

LOW & BONAR PLC
Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 May 2011 Unaudited £m	Six months ended 31 May 2010 Unaudited £m	Year ended 30 November 2010 £m
Profit for the period	9.8	6.8	6.4
Other comprehensive income			
Actuarial (loss)/gain on defined benefit pension scheme	(1.1)	1.2	(0.2)
Deferred tax on defined benefit pension scheme	-	-	0.3
Exchange differences on translation of foreign operations, net of hedging	8.1	(7.6)	(9.7)
Total other comprehensive income for the period, net of tax	7.0	(6.4)	(9.6)
Total comprehensive income for the period	16.8	0.4	(3.2)
Attributable to			
Equity holders of the parent	16.8	(0.1)	(3.6)
Minority interest	-	0.5	0.4
	16.8	0.4	(3.2)

Condensed Consolidated Statement of Changes in Equity

	Six months Ended 31 May 2011 Unaudited £m	Six months ended 31 May 2010 Unaudited £m	Year ended 30 November 2010 £m
Shareholders' equity at start of period	154.1	161.1	161.1
Total comprehensive income for the period	16.8	(0.1)	(3.6)
Dividends paid to ordinary shareholders	(3.2)	(2.3)	(3.7)
Share-based payment	0.4	0.4	0.3
Net increase/(decrease) in shareholders' funds	14.0	(2.0)	(7.0)
Shareholders' equity at end of period	168.1	159.1	154.1

LOW & BONAR PLC
Notes on Interim Report 2011

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board
Steve Good
Group Chief Executive
5 July 2011

By order of the Board
Mike Holt
Group Finance Director
5 July 2011

LOW & BONAR PLC
Notes on Interim Report 2011 – continued

1. Segmental information for the six months ended 31 May 2011

For the purposes of management reporting to the chief operating decision maker, the Group is organised into two reportable operating divisions – Performance Technical Textiles and Technical Coated Fabrics. Financial information for each operating division is also available in a disaggregated form in line with the identified cash generating units. 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, derivative assets and liabilities, post-employment benefits, taxation balances and corporate assets and expenses. Intra-segment sales are not material.

	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	Total £m
Revenue	124.6	58.0	-	182.6
Operating profit before amortisation and non-recurring items	8.4	4.8	(1.4)	11.8
Amortisation	(1.6)	(1.5)	-	(3.1)
Operating profit before non-recurring items	6.8	3.3	(1.4)	8.7
Non-recurring items	-	-	6.4	6.4
Operating profit	6.8	3.3	5.0	15.1
Non-operating expenses (non-recurring items)				-
Net financing costs				(3.9)
Profit before taxation				11.2
Taxation				(1.4)
Profit for the period				9.8
Reportable segment assets	176.0	87.0	-	263.0
Intangible assets and goodwill				130.8
Investment in associate				0.4
Cash and cash equivalents				25.2
Other unallocated assets				3.2
Total Group assets				422.6
Reportable segment liabilities	(56.8)	(20.6)	-	(77.4)
Loans and borrowings				(97.5)
Derivative liabilities				(16.8)
Post employment benefits				(20.9)
Other unallocated liabilities				(36.6)
Total Group liabilities				(249.2)
Other information				
Additions to property, plant and equipment	4.9	0.8	-	5.7
Depreciation	4.5	1.6	-	6.1

LOW & BONAR PLC
Notes on Interim Report 2011 – continued

Segmental information for the six months ended 31 May 2010

	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	Total £m
Revenue	104.3	51.5	-	155.8
Operating profit before amortisation and non-recurring items	6.9	4.6	(1.4)	10.1
Amortisation	(2.0)	(1.6)	-	(3.6)
Operating profit before non-recurring items	4.9	3.0	(1.4)	6.5
Non-recurring items	(0.7)	-	-	(0.7)
Operating profit	4.2	3.0	(1.4)	5.8
Non-operating expenses (non-recurring items)				5.5
Net financing costs				(3.4)
Profit before taxation				7.9
Taxation				(1.1)
Profit for the period				6.8
Reportable segment assets	171.7	77.8	-	249.5
Intangible assets and goodwill				132.7
Investment in associate				0.4
Cash and cash equivalents				15.7
Other unallocated assets				4.0
Total Group assets				402.3
Reportable segment liabilities	(46.1)	(17.8)	-	(63.9)
Loans and borrowings				(83.1)
Derivative liabilities				(28.3)
Post employment benefits				(26.8)
Other unallocated liabilities				(35.7)
Total Group liabilities				(237.8)
Other information				
Additions to property, plant and equipment	2.4	0.7	-	3.1
Depreciation	4.9	1.7	0.1	6.7

LOW & BONAR PLC
Notes on Interim Report 2011 – continued

Segmental information for the year ended 30 November 2010

	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	Total £m
Revenue	239.2	105.4	-	344.6
Operating profit before amortisation and non-recurring items	19.1	9.7	(3.0)	25.8
Amortisation	(3.7)	(3.1)	-	(6.8)
Operating profit before non-recurring items	15.4	6.6	(3.0)	19.0
Non-recurring items	(6.6)	-	(0.4)	(7.0)
Operating profit	8.8	6.6	(3.4)	12.0
Non-operating income (non-recurring items)				5.4
Net financing costs				(7.2)
Profit before taxation				10.2
Taxation				(3.8)
Profit for the year				6.4
Reportable segment assets	160.2	81.1	-	241.3
Intangible assets and goodwill				128.1
Investment in associate				0.4
Cash and cash equivalents				11.6
Other unallocated assets				3.5
Total Group assets				384.9
Reportable segment liabilities	(49.6)	(20.0)	-	(69.6)
Loans and borrowings				(73.6)
Derivative liabilities				(16.0)
Post employment benefits				(26.0)
Other unallocated liabilities				(40.3)
Total Group liabilities				(225.5)
Other information				
Additions to property, plant and equipment	4.7	2.0	-	6.7
Depreciation	9.4	3.4	0.1	12.9

LOW & BONAR PLC
Notes on Interim Report 2011 – continued

Geographical information

	External revenue by location of customers			Non-current assets by location of assets		
	Six months ended 31 May 2011 £m	Six months ended 31 May 2010 £m	Year ended 30 November 2010 £m	31 May 2011 £m	31 May 2010 £m	30 November 2010 £m
Western Europe	116.5	98.3	221.3	208.3	217.9	206.3
Eastern Europe	13.6	11.4	25.0	12.5	10.3	12.3
North America	26.5	23.1	50.6	16.7	18.4	17.0
Middle East	7.3	5.9	11.7	6.5	4.8	4.8
Asia	11.4	10.2	21.7	5.9	5.5	5.1
Rest of the World	7.3	6.9	14.3	-	-	-
	182.6	155.8	344.6	249.9	256.9	245.5

Revenues arising in the UK, which is the parent company's country of domicile, were £10.2m (six months ended 31 May 2010: £8.5m; year ended 30 November 2010: £19.6m). The net book value of non-current assets located in the UK at 31 May 2011 was £3.8m (31 May 2010: £4.9m; 30 November 2010: £4.4m).

2. General information

Low & Bonar PLC is a company domiciled and incorporated in Scotland. The interim condensed consolidated financial statements (the 'interim financial statements') of the Company as at and for the six months ended 31 May 2011 comprise the Company and its subsidiaries (together the 'Group') and the Group's interests in its associates. The consolidated financial statements of the Group as at and for the year ended 30 November 2010 are available on request from the Company's head office or from the Group's website at www.lowandbonar.com.

3. Basis of preparation

The interim financial statements are prepared in accordance with IAS 34, 'Interim Financial Reporting', as endorsed and adopted for use in the European Union. This interim condensed consolidated financial information has not been audited or reviewed by the Group's auditors in accordance with International Standard on Review Engagement 2410 issued by the Auditing Practices Board. The information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 November 2010, except as noted below.

The Group has adopted IFRS 2 (Amendments) concerning group cash-settled share-based payment transactions; IFRIC 15 'Agreements for the construction of real estate'; and improvements to various standards within the 'Improvements to IFRS' programme, none of which have had a significant effect on the reported results or financial position of the Group.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group as at and for the year ended 30 November 2010.

The comparative figures for the financial year ended 30 November 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

LOW & BONAR PLC

Notes on Interim Report 2011 – continued

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

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

Except as described below, in preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 November 2010.

There have been no related party transactions or changes in related party transactions described in the latest annual report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

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

This interim report was approved by the Board of Directors on 5 July 2011.

4. Taxation

Taxation on the operating profit after interest has been provided at a rate of 29% for the six months ended 31 May 2011 (2010: 31%) which is the estimated rate of tax for the full year.

5. Dividend

The Board has declared an interim ordinary dividend of 0.7p per share payable on 29 September 2011 to ordinary shareholders on the register of members at close of business on 2 September 2011. In accordance with IAS 10 "Events after the Balance Sheet Date", this dividend has not been reflected in the interim accounts. During the period a final dividend of 1.1p was proposed and paid to ordinary shareholders in respect of the financial year ended 30 November 2010.

6. Earnings per share

Basic earnings per share and earnings per share before amortisation and non-recurring items are based on the weighted average number of ordinary shares in issue during the half year. The calculation of fully-diluted earnings per share is based on the weighted average number of ordinary shares in issue plus the dilutive effect of outstanding share options and the Low & Bonar 2003 Long-Term Incentive Plan (the '2003 LTIP') awards (to the extent to which performance criteria had been achieved at 31 May 2011).

No shares were issued during the period (2010: no shares issued).

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The weighted average number of ordinary shares and diluted weighted average number of ordinary shares are set out below.

	31 May 2011 (millions)	31 May 2010 (millions)	30 November 2010 (millions)
Weighted average number of shares	287.880	287.880	287.880
Effect of dilutive items	3.336	0.761	2.445
Diluted weighted average number of shares	291.216	288.641	290.325

The directors consider that the calculation of earnings per share before amortisation and non-recurring items gives a more meaningful indication of the Group's underlying performance. For the six months ended 31 May 2011, this figure was 1.93p per share (May 2010: 1.61p; year ended 30 November 2010: 4.41p).

7. Non-recurring items

	Six months ended 31 May 2011 £m	Six months ended 31 May 2010 £m	Year ended 30 November 2010 £m
Amounts charged/(credited) to operating profit			
Effect of change in pension indexation legislation	(5.4)	-	-
Curtailment gain	(1.3)	-	-
Joint venture start-up costs	0.3	-	-
Plant start-up costs	-	0.7	0.6
Restructuring costs including asset impairments	-	-	6.4
	(6.4)	0.7	7.0
Amounts credited to non-operating income			
Pension equalisation costs	-	(5.5)	(5.4)

Following the announcement by the UK Government on 8 July 2010 of their intention to use CPI rather than RPI to calculate statutory minimum increases in both deferred pensions and pensions in payment, the Trustee of the Group's main UK pension scheme has notified deferred members of this change. The Company has given due consideration, including discussions with its legal advisors and the Trustee, to the impact of the change on the valuation of the Scheme liabilities at 31 May 2011. Following the guidance set out in UITF 48, an actuarial gain of £5.4m has been credited to the income statement as a past service credit. The Group's UK defined benefit scheme was closed to future accrual during the period to 31 May 2011, resulting in a non-recurring curtailment credit to the income statement of £1.3m.

During the period, the Group has incurred £0.3m of initial costs in respect of its joint venture in Saudi Arabia. The terms of the joint venture were agreed in January 2011.

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8. Pensions and other post employment assets and liabilities

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

The movement in the Group's UK and overseas defined benefit schemes' deficits in the six months ended 31 May 2011 is summarised below.

	UK schemes £m	Overseas schemes £m	Six months ended 31 May 2011 Total £m	Six months ended 31 May 2010 Total £m	Year ended 30 November 2010 Total £m
Net liability at start of period	(17.9)	(8.1)	(26.0)	(27.2)	(27.2)
Current service cost	(0.1)	(0.1)	(0.2)	(0.1)	(0.5)
Past service credit (note 7)	5.4	-	5.4	-	-
Expected return on plan assets	3.5	0.3	3.8	3.4	6.9
Interest cost	(4.0)	(0.4)	(4.4)	(4.6)	(9.2)
Employer contributions	0.1	0.2	0.3	0.2	3.7
Curtailment gain (note 7)	1.3	-	1.3	-	-
Actuarial (losses)/gains	(1.1)	-	(1.1)	1.2	(0.2)
Exchange adjustments	-	-	-	0.3	0.5
Net liability at end of period	(12.8)	(8.1)	(20.9)	(26.8)	(26.0)

9. Risks and uncertainties

The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The Group has in place processes for identifying, evaluating and managing key risks. The principal risks and uncertainties together with the approach to their mitigation is discussed in the Business Review on pages 18 and 19 of the 2010 Annual Report, which is available on the Group's website at www.lowandbonar.com, remain relevant and there are no significant changes. In summary, the Group's principal risks and uncertainties are:

- Global economic activity
- Organic growth and competition
- Raw material pricing
- Growth strategy
- Laws and regulations
- Funding risks
- Treasury risks
- Employees
- Business continuity
- Pension funding

The Directors have reviewed the Group's medium-term forecasts along with possible changes in trading performance arising from these uncertainties to determine whether the Group's committed banking facilities are sufficient to support its projected liquidity requirements and whether the forecast earnings are sufficient to meet the covenants associated with its facilities.

During the period, the Group agreed new borrowing facilities in the form of a €130m revolving loan facility that replaced existing banking facilities and which matures in February 2015. This facility is in addition to the €45m private placement note which was issued in September 2010 and which matures in September 2016.

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