Bonar Limited

Directors' report and financial statements

Registered number 03270532

30 November 2013

Contents

Company information

Directors	S Good S Dray M Holt
Secretary	Squire Sanders Secretarial Services Limited
Registered office	Squire Sanders Secretarial Services Limited Rutland House 148 Edmund Street Birmingham B3 2JR
Registered number	03270532
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ

Directors' report

The directors present their directors' report and the audited financial statements for the year ended 30 November 2013.

Principal activities

The principal activity of the company is the distribution and sale of purpose designed synthetic fibre for use as an additive in concrete and related materials.

Results and dividends

The profit for the year, after taxation, amounted to £759,000 *(2012: £598,000)*. The directors do not recommend the payment of a dividend *(2012: £nil)*.

Directors

The directors who held office during the year were as follows:

S Good
M Holt
S Dray

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

KPMG Audit Plc will not continue in office as auditors and a resolution to appoint KPMG LLP was proposed and accepted at the Annual General Meeting.

By order of the board

SMDray

S Dray
Director

Squire Sanders Secretarial Services Limited
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Dated: 27 May 2014

Strategic report

Business review

Objectives

The company's long term objective is to increase profitability by continuing to build a business which is market-driven, focussed on our customers and optimises our operational efficiencies. In pursuing this objective the company intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the company has a number of key business strategies which have been successfully implemented over recent years.

- **Accelerating growth** – we seek to focus our activities on markets that have the opportunity to grow rapidly.
- **Excelling in Innovation** – our innovative design and manufacture of components is driven by the needs of our customers
- **Driving efficiencies and building capability** –we strive to ensure our product offering is underpinned by cost and efficiency leadership.

Strategy is annually reviewed by the Directors in the light of the company's performance and changing market conditions to ensure it remains appropriate to achieve the company's objectives.

Risks and uncertainties

The key risk areas of the company, along with the company's mitigation strategy are as follows:

- Raw material pricing - The company's profitability can be affected by the purchase price of its key raw materials and its ability to reflect any changes through its selling prices. The company uses a number of suppliers to ensure a balance between competitive pricing and continuity of supply. The company's focus on operating efficiencies and the strength of its product propositions has in the past allowed the effect of raw material cost increases to be successfully mitigated.
- Global economic activity - The volatility of the company's main markets could result in reduced levels of demand for the company's products, a greater risk of customers defaulting on payment terms, supply chain risk and a higher risk of inventory obsolescence. Management monitor the markets and are empowered to respond quickly to changing conditions. Production costs may be quickly flexed to balance production with demand, including the use of short-time working arrangements where available. The company also has a broad base of customers. Company policy ensure customers are given an appropriate level of credit based on their trading history and financial status, and a prudent approach is adopted towards credit control. Credit insurance is used where available. Procurement management mitigates supply chain risk by identifying and qualifying alternative sources of key raw materials.

Having considered the above risks and uncertainties, the Directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Key performance indicators

The company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2013 **£000**	2012 £000
Turnover	**6,994**	6,879
Operating profit	**917**	727
Net Assets	**4,449**	3,690

Strategic report *(continued)*

In addition to financial measures, health, safety and environmental concerns are at the core of all working practices. In measuring the success of this, the Directors review the level of reported incidents in the current month and as an average over the last 12 months.

During the year, performance has been satisfactory and as far as the Directors are aware, this is likely to be the case in the forthcoming year.

Future prospects

The Directors are confident that the company's strategy will continue to deliver results that meet our key business objectives in the years to come.

Employees

The company's overall policy is to keep employees informed on matters of concern to them and to encourage employee involvement. This policy is implemented in a wide variety of ways, including the regular publication of a wider Group newsletter, "Your Low & Bonar", at least twice a year, and regular meetings with employees' representatives. The company's employees are invited to participate in Group sharesave plans to encourage equity ownership. The company's overall policy is to keep employees informed on matters of concern to them and to encourage employee involvement.

The company has a policy for giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, for continuing the employment of, and for arranging appropriate training for, employees who have become disabled persons during the period when they were employed by the company, and for their training, career development and promotion.

Environmental policy

Environmental management remains a key area of focus for the company. We recognise that we have an environmental impact through our use of raw materials, our manufacturing processes and our products. We continually seek to improve in all aspects of our environmental management and regard compliance with environmental regulation as the minimum standard to be achieved. The company has environmental policies and improvement plans in place to support the wider Group environmental policy, and environmental performance metrics form an integral part of the company's management information. The company seeks to continuously improve the management of their environmental impacts, ensure that their existing products provide the best environmental performance available, and where possible, to innovate with new products that have sustainability at their core, and to add real value to our customers.

By order of the board

S Dray

S Dray
Director

Squire Sanders Secretarial Services Limited
Rutland House
148 Edmund Street
Birmingham
B3 2JR

Dated: 27 May 2014

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Report of the independent auditors to the members of Bonar Limited

We have audited the financial statements of Bonar Limited for the year ended 30 November 2013 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' and Strategic Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Wayne Cox

Wayne Cox *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

Park Row

Nottingham

NG1 6FQ

Dated: 27 May 2014

Profit and loss account
for the year ended 30 November 2013

	Note	2013 £000	2012 £000
Turnover	2	**6,994**	6,879
Cost of sales		**(5,628)**	(5,565)
Gross profit		**1,366**	1,314
Administrative expenses		**(1,398)**	(1,377)
Other operating income		**949**	790
Operating profit	3	**917**	727
Interest receivable and similar income	6	**78**	64
Profit on ordinary activities before taxation		**995**	791
Tax on profit on ordinary activities	7	**(236)**	(193)
Profit for the financial year	14	**759**	598

In both the current year and preceding year, the company made no material acquisitions and had no discontinued operations.

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis.

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account.

Balance sheet
as at 30 November 2013

	Note	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Investments	*8*		-		-
Tangible assets	*9*		14		20
			14		20
Current assets					
Stocks	*10*	559		374	
Debtors	*11*	5,334		4,845	
Cash at bank and in hand		81		13	
		5,974		5,232	
Creditors: amounts falling due within one year	*12*	(1,539)		(1,562)	
Net current assets			4,435		3,670
Net assets			4,449		3,690
Capital and reserves					
Called up share capital	*13*		1,017		1,017
Profit and loss account	*14*		3,432		2,673
Shareholders' funds	*15*		4,449		3,690

These financial statements were approved by the board of directors on 27 May 2014 and were signed on their behalf by:

S Dray

Director

Company number: 03270532

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards, under the historical cost convention and on a going concern basis.

Basis of consolidation

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is wholly owned and its ultimate parent publishes consolidated financial statements.

Tangible fixed assets and depreciation

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant and machinery	- 15% per annum
Fixtures and fittings	- 15% to 25% per annum
Motor vehicles	- 20% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. In the case of finished goods, cost comprises direct materials and labour plus attributable overheads based on a normal level of activity.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Operating lease agreements

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Classification of financial instruments issued by the company

Under FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2 Turnover

Turnover represents the amount invoiced to customers, excluding value added tax. The turnover and profit before taxation are attributable to the company's one principal activity.

3 Operating profit

	2013	2012
	£000	£000
Operating profit is stated after charging:		
Depreciation of owned fixed assets	7	7
Operating lease rentals - land and buildings	47	47
Auditors' remuneration:		
- audit of these financial statements	10	10

Notes *(continued)*

4 Staff costs

	2013	2012
	£000	£000
Wages and salaries	**608**	674
Social security costs	**57**	60
Other pension costs	**86**	74
	751	808

	2013	2012
	Number	Number
The average number of employees during the year (including directors) was as follows:		
Administration	**8**	8
Sales	**6**	6
Warehousing	**2**	2
	16	16

5 Directors' remuneration

The directors received no remuneration from the company in either the current or prior year.

6 Interest receivable and similar income

	2013	2012
	£000	£000
Loan interest receivable	**78**	64

7 Tax on profit on ordinary activities

a) Tax on profit on ordinary activities

	2013	2012
	£000	£000
Current tax:		
UK corporation tax	**232**	189
Adjustments in respect of prior years	**4**	4
Total tax on profit	**236**	193

Notes *(continued)*

7 Tax on profit on ordinary activities *(continued)*

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher *(2012: lower)* than the standard rate of corporation tax in the UK of 23.33% *(2012: 24.67%)*. The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before taxation	**995**	791
Current tax at 23.33% *(2012: 24.67%)*	**232**	195
Effects of:		
Disallowable expenses	-	(5)
Capital allowances for the period in excess of depreciation	-	(1)
Adjustments in respect of prior years	**4**	4
Total current tax	**236**	193

c) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

8 Investments

	£000
Cost:	
At beginning and end of year	519
Provisions:	
At beginning of and end of year	519
At 30 November 2013 and 30 November 2012	-

In a prior year an impairment loss was recognised as following the dividend paid by Fibrin (Humberside) Limited the investment in this subsidiary is not supported by the net asset position at year end.

Details of investments in subsidiary undertakings held at 30 November 2013 are as follows:

Name	Nature of business	Percentage holding	Class of shares	Country of incorporation
Fibrin (Humberside) Limited	Manufacture and sale of synthetic fibres	100	Ordinary	England and Wales

Group financial statements are not submitted as the company is a wholly owned subsidiary of another company incorporated in Scotland which publishes publicly available consolidated financial statements. Fibrin (Humberside) Limited was dissolved on the 18th February 2014.

Notes *(continued)*

9 Tangible fixed assets

	Plant and machinery £000	Fixtures and fittings £000	Total £000
Cost:			
At beginning of year	22	147	169
Additions	-	2	2
Disposals	-	(3)	(3)
At end of year	22	146	168
Accumulated depreciation:			
At beginning of year	13	136	149
Charge for the year	2	5	7
Disposals	-	(2)	(2)
At end of year	15	139	154
Net book value:			
At 30 November 2013	**7**	**7**	**14**
At 30 November 2012	9	11	20

10 Stocks

	2013 £000	2012 £000
Finished goods	**559**	374

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11 Debtors

	2013 £000	2012 £000
Trade debtors	**1,160**	1,140
Deferred tax asset	**1**	1
Amounts owed by group undertaking	**4,144**	3,673
Prepayments	**29**	31
	5,334	4,845

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**919**	996
Amounts owed to group undertakings	**89**	112
Other taxes and social security costs	**76**	68
Corporation tax	**232**	189
Accruals	**213**	193
Other creditors	**10**	4
	1,539	1,562

13 Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid:		
1,017,051 ordinary shares of £1 each	**1,017**	1,017

14 Profit and loss account

	2013 £000	2012 £000
At beginning of year	**2,673**	2,075
Profit for the year	**759**	598
At end of year	**3,432**	2,673

15 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit for the year	**759**	598
Net addition to shareholders' funds	**759**	598
Opening shareholders' funds	**3,690**	3,092
Closing shareholders' funds	**4,449**	3,690

Notes *(continued)*

16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2013	2012
	£000	£000
Operating leases which expire:		
Within one year	**-**	-
In the second to fifth years inclusive	**47**	47
	47	47

17 Related party transactions

The company is a wholly owned subsidiary of Low & Bonar PLC. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with other group companies.

18 Contingent liabilities

The Company is, from time to time, involved in disputes where either customers or the customers of customers dispute the effectiveness of the Company's products in respect of a specific project or construction solution. There are no such current disputes where the directors, after due and careful enquiry, consider the likelihood of a successful claim by a third party to be other than remote. Where such a liability is considered remote, no provision is made in the financial statements.

19 Ultimate parent company

The company's immediate parent company is LCM Construction Products Limited.

The company's ultimate parent company is Low & Bonar PLC.

The largest group in which these results are consolidated is the group headed by Low & Bonar PLC incorporated in Scotland. Copies of the financial statements of Low & Bonar PLC may be obtained from Low & Bonar PLC, 10th Floor, 1 Eversholt Street, London, NW1 2DN.