27 April 2016

Fenner PLC

2016 Half Year Results

Fenner PLC, a world leader in reinforced polymer technology, today announces its results for the half year ended 29 February 2016.

Highlights

Half year	**2016**	2015
Revenue	**£276.8m**	£347.6m
Underlying operating profit [1, 4]	**£15.0m**	£28.7m
Underlying profit before taxation [2, 4]	**£8.1m**	£21.8m
Loss before taxation	**£(23.1)m**	£(5.1)m
Operating cash flow [5]	**£19.1m**	£18.5m
Underlying earnings per share [2, 3, 4]	**2.9p**	7.8p
Dividend per share	**1.0p**	4.0p

1 Underlying operating profit is before amortisation of intangible assets acquired and exceptional items

2 Underlying profit before taxation and underlying earnings per share are before amortisation of intangible assets acquired, exceptional items and notional interest

3 Underlying earnings per share is based on the basic weighted average number of shares in issue

4 Underlying measures have been presented to provide a more meaningful measure of the underlying performance of the business

5 Operating cash flow is underlying operating profit adjusted for depreciation and amortisation, capital expenditure (net of disposals) and movements in working capital

- First half results in line with AGM trading update
- Advanced Engineered Products ("AEP"): medical ahead of prior year, industrial broadly flat, oil & gas down
- Engineered Conveyor Solutions ("ECS"): continued difficult trading conditions across end markets offset by further cost control measures
- Refocusing and restructuring of ECS Americas remains on schedule
- Net debt of £155m
- Interim dividend rebased to 1.0p per share

Mark Abrahams, Executive Chairman, commented:

"The Group's results for the period were in line with management expectations and guidance given at the AGM. Across the Group, increased management effort has been committed to protecting and enhancing market shares and to positioning the Group for recovery and future growth.

The difficult market conditions that have characterised the last four reporting periods continue although we have now reached a point where our refocusing, restructuring and cost saving programmes are substantially mitigating the ongoing volume challenges we are experiencing.

Despite challenging market conditions, overall our expectations remain unchanged."

A live audio webcast of the analyst presentation, hosted by Mark Abrahams, Executive Chairman and John Pratt, Group Finance Director, can be accessed at 9.30 am today on the Group's website www.Fenner.com.

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Fenner PLC

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	)
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Notes to editors:

Fenner PLC is a world leader in reinforced polymer technology, providing local engineered solutions for performance-critical applications. The Group operates through two divisions:

Advanced Engineered Products. *The AEP division uses advanced polymeric materials and technical expertise to provide high value-added solutions to customers' most challenging engineering problems. AEP comprise 11 businesses within three related product groups: Advanced Sealing Technologies; Precision Polymers and Solesis Medical Technologies. Customers are spread across a variety of end-user segments, including oil & gas, medical, construction, transportation and general industrial.*

Engineered Conveyor Solutions. *Through its ECS division, Fenner is a recognised leader in the global conveying industry. ECS has well established operations in Australia (where it is the clear market leader), Europe and the USA. In addition, ECS is developing positions in newer mining and industrial markets such as South America, Africa and the Middle East. The division trades under the 'Fenner Dunlop',' Fenner' and 'Dunlop' brand names, and offers a unique, comprehensive suite of products and services, which support the conveying needs of mining, power generation and bulk handling markets.*

Interim management report

The Group's results for the period were in line with management expectations and guidance given at the AGM. Challenging conditions continue to exist in many of the Group's principal end markets.

Across the Group, increased management effort has been committed to protecting and enhancing market shares and to positioning the Group for recovery and future growth. Alongside this, considerable emphasis continues to be placed on the management of cash and costs. In North America, significant progress has been made in the refocusing of the ECS business.

Revenue for the period was £276.8m (2015: £347.6m) and underlying profit before taxation was £8.1m (2015: £21.8m). Underlying earnings per share was 2.9p (2015: 7.8p).

Operations

Advanced Engineered Products

As anticipated, AEP's results were lower than those of the same period last year, with revenue of £120.2m (2015: £137.9m at constant currencies) and underlying operating profit of £12.8m (2015: £20.4m at constant currencies). The reduction was primarily a result of the sharp slowdown in sales to the oil & gas industry which represented only 16 per cent (2015: 29 per cent) of Divisional turnover in the period.

Industrial, medical and non-oil businesses

AEP's industrial businesses achieved an underlying operating profit in line with the previous year on slightly lower revenue. Higher demand for construction equipment products was offset by destocking amongst end-users and distributors in the USA. Cost savings, including the closure of the Buffalo plant during the previous financial year, and other efficiency measures helped maintain margins.

Solesis Medical was well ahead of the previous year due to a strong contribution from Charter Medical (which was acquired in January 2015). The consolidation of Secant Medical into new, purpose-built premises remains on schedule and on budget with operations having already commenced in the new state-of-the-art facilities.

Oil & gas businesses

AEP's revenue from the oil & gas industry was significantly down compared with the strong performance in the first half of the previous financial year. Order intake and revenue have generally moved in line with industry indicators, most notably the North American rig count which, whilst showing some stability during the second half of 2015, has recently moved down further and now stands around 75 per cent below the peak reached in November 2014. However, the businesses continue to implement efficiency gains and cost reductions, including further cuts in headcount which, together with market share gains, have largely mitigated the latest reduction in activity levels.

The North Sea oil & gas industry, which is a relatively high cost producer, has been especially badly hit by lower energy prices. In response, CDI has commenced the relocation of part of its European manufacturing capacity to other global CDI locations.

Engineered Conveyor Solutions

ECS's trading results for the period were below those of the previous year as the mining industry globally continued to adjust to lower commodity prices and increased uncertainty over future levels of demand. Revenue for the period was £156.6m (2015: £205.3m at constant currencies) and underlying operating profit was £5.8m (2015: £13.0m at constant currencies).

ECS Northern Hemisphere (Americas and Europe)

In January, the Group announced the refocusing and restructuring of ECS Americas to reflect both the significantly changed dynamics in the US coal industry and opportunities in US industrial markets. This process, which included the closure of the majority of one of the two principal belt manufacturing facilities in North America as well as measures to improve the range of products and services offered to industrial customers, is well underway and continues in line with our plans. The planned headcount reductions in our belt manufacturing facilities were largely completed in the period. Our fabricated products business is now located on a single site following the closure of the Allison facility.

During the period, further marked falls in US coal production, combined with the financial difficulties of many customers as well as continued destocking, significantly reduced ECS's order intake from the US coal industry. Indeed, the increasingly strained financial position of a number of coal mining groups has led us to withdraw from certain customer relationships with ongoing, tight credit management remaining a key focus.

Revenue from industrial customers in North America has been more consistent as we increase our share of this segment of the market.

ECS's European operations have continued to experience generally subdued demand, with certain of its markets, such as Russia and Ukraine, remaining very weak. Despite this, the business has maintained acceptable margins due to both its market position and to an on-going focus on costs and efficiency including the rationalisation of the UK plant which took place during our previous financial year.

ECS Southern Hemisphere and Asia Pacific (Australia, South Africa and China)

ECS's results in Australia continued to reflect the pressure on mining groups' profitability from lower commodity prices with sentiment in the industry further weakened by concerns over the future growth of the Chinese economy.

However, ECS's local production facilities, which enable a shorter order lead-time, together with the economic benefit of the weakening Australian dollar, are enabling the business to maintain its leading position in the competitive belt replacement market. Pricing pressure remains but has been mitigated by lower raw material prices.

In South Africa, following the recent announcement by customers to close or sell coal mines, we continue to rationalise our business to align our manufacturing and service capabilities with expected levels of future demand.

Revenue and profit

The Group's revenue for the period was £276.8m (2015: £347.6m) and underlying operating profit amounted to £15.0m (2015: £28.7m). Unallocated corporate costs were reduced to £3.6m (2015: £4.1m).

The Group's operating loss was £15.6m (2015: £1.6m profit) after charging amortisation of intangible assets acquired of £5.5m (2015: £6.9m) and exceptional items of £25.1m (2015: £20.2m). Exceptional items during the period principally comprised £9.5m of restructuring costs, mainly related to ECS Americas, and £14.5m of impairments to goodwill and intangible assets acquired; further details are provided in note 4.

Net finance costs were £7.5m (2015: £6.7m). EBITDA interest cover, on a 12 month rolling basis, was 4.8 times (2015: 6.8 times).

Underlying profit before taxation was £8.1m (2015: £21.8m). The taxation rate on underlying profit before taxation was 25% (2015: 28%); the rate has reduced due to a greater utilisation of US tax losses arising in the period. Loss before taxation was £23.1m (2015: £5.1m). The overall tax credit was £4.6m (2015: £2.0m charge), reflecting a restricted tax credit on exceptional items due to the non-recognition of certain deferred tax assets based on current taxable profit forecasts.

Underlying earnings per share amounted to 2.9p (2015: 7.8p) and basic loss per share was 9.8p (2015: 3.9p).

Cash flow and borrowings

Operating cash flow was higher than the prior year at £19.1m (2015: £18.5m). The improved performance was achieved despite the lower operating profit. The usual seasonal outflow of cash into working capital was reversed, resulting in an inflow of £1.0m (2015: £6.3m outflow). Net capital expenditure in the period was, as previously indicated, much reduced at £8.8m (2015: £15.6m) with the principal expenditure relating to the on-going project to consolidate Secant Medical into its new premises.

With net interest payments unchanged at £7.0m and taxation payments reducing to £4.3m (2015: £7.9m), underlying free cash flow improved to £7.2m (2015: £2.0m). Dividend payments of £7.8m were made to Fenner shareholders and £0.6m to non-controlling interests. In addition, cash outflows of £5.1m for restructuring costs and £5.6m for deferred payments on previous years' acquisitions were made in the period. The strengthening of the US dollar in the period increased the sterling equivalent of the Group's dollar denominated debt which, net of the settlement of derivative instruments, resulted in an adverse currency movement of £5.1m. Net debt ended at £155.0m.

The Group's net debt to EBITDA ratio, measured on a rolling basis for the 12 months ended 29 February 2016, was 2.3 times (2015: 1.7 times).

Board of Directors

Alan Wood retired from the Board at the conclusion of the AGM in January, having served as a non-executive director since 2010 and has been succeeded by Geraint Anderson. We would like to extend our thanks to Alan for his valuable contribution to the Group over the last six years.

On 4 April 2016, we announced the appointment of Chris Surch as a non-executive director with effect from 1 May 2016; he will succeed John Sheldrick who is retiring having served on the Board since September 2010. Chris will take over as Chairman of the Audit Committee on appointment and will become a member of the other Committees of the Board.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those set out in the 2015 Annual Report and those which are most likely to impact the performance of the Group in the remaining months of the financial year are outlined below.

The Group will continue to be affected by weakness in the global markets for key mined commodities (coal, iron ore and copper) and by lower oil prices. The US coal industry is continuing to undergo a process of structural change and there remains the possibility that further coal mining groups will enter insolvency proceedings. On-going concerns over growth in the Chinese economy will continue to impact the seaborne markets for iron ore, coal and copper which increases uncertainty over future rates of commodity extraction in Australia and elsewhere and over commodity prices generally. There continues to be surplus oil production capacity limiting any demand side improvements to the oil price. It remains unclear as to the magnitude and timing of any recovery.

Dividend

The interim dividend of 1.0p has been rebased to a level more appropriate to the Group’s current, albeit cyclically depressed, earnings. From this base, it is the Board’s intention to adopt a progressive dividend policy and to maintain a one-third/two-thirds split between the interim and final payments.

Outlook

The difficult market conditions that have characterised the last four reporting periods continue although we have now reached a point where our refocusing, restructuring and cost saving programmes are substantially mitigating the ongoing volume challenges we are experiencing. The financial condition of some mining customers remains a concern and is likely to cause further restructuring of these markets which we continue to approach with caution and prudent financial management.

The oil and gas markets also remain challenging with the rig count in North America now having fallen by around three-quarters from its peak. Notwithstanding these challenges, the combination of cost control and market share gains is expected to substantially mitigate the volume impact from the latest reduction.

The medical business remains strong. Whilst we are absorbing the effects of consolidating the Secant Medical business into new facilities, we are creating a strong platform to facilitate future growth.

The industrial businesses within AEP are now experiencing more stable order flows after a period of somewhat erratic volumes arising from customer destocking.

Despite challenging market conditions, overall our expectations remain unchanged.

Forward-looking statements

Certain statements contained in this Report, in particular the Outlook statement, constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Fenner, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, the commodity markets, general economic conditions and the business environment.

Consolidated income statement
for the half year ended 29 February 2016 (unaudited)

	Notes	**Half year ended 29 February 2016 £m**	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Revenue		**276.8**	347.6	666.7
Cost of sales		**(203.2)**	(247.3)	(476.1)
Gross profit		**73.6**	100.3	190.6
Distribution costs		**(25.2)**	(29.5)	(55.1)
Administrative expenses		**(64.0)**	(69.2)	(126.4)
Operating profit before amortisation of intangible assets acquired and exceptional items		**15.0**	28.7	56.4
Amortisation of intangible assets acquired		**(5.5)**	(6.9)	(12.9)
Exceptional items	4	**(25.1)**	(20.2)	(34.4)
Operating (loss)/profit		**(15.6)**	1.6	9.1
Finance income	5	**0.3**	0.4	0.5
Finance costs	6	**(7.8)**	(7.1)	(14.9)
Loss before taxation		**(23.1)**	(5.1)	(5.3)
Taxation	7	**4.6**	(2.0)	(4.4)
Loss for the period		**(18.5)**	(7.1)	(9.7)
Attributable to:				
Owners of the parent		**(19.0)**	(7.6)	(10.5)
Non-controlling interests		**0.5**	0.5	0.8
		(18.5)	(7.1)	(9.7)
Loss per share				
Basic	9	**(9.8)p**	(3.9)p	(5.4)p
Diluted	9	**(9.8)p**	(3.9)p	(5.4)p

Consolidated statement of comprehensive income

for the half year ended 29 February 2016 (unaudited)

	Notes	**Half year ended 29 February 2016 £m**	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Loss for the period		**(18.5)**	(7.1)	(9.7)
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements on defined benefit post-retirement schemes	12	**(0.1)**	(10.9)	0.7
Tax on items that will not be reclassified		**-**	2.3	0.2
		(0.1)	(8.6)	0.9
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		**44.3**	0.1	(11.5)
Cash flow hedges		**-**	2.8	3.4
Net investment hedges	16	**(20.0)**	2.9	9.0
Tax on items that may be reclassified		**2.1**	(1.6)	(2.3)
		26.4	4.2	(1.4)
Total other comprehensive income/(expense) for the period		**26.3**	(4.4)	(0.5)
Total comprehensive income/(expense) for the period		**7.8**	(11.5)	(10.2)
Attributable to:				
Owners of the parent		**6.3**	(10.9)	(9.0)
Non-controlling interests		**1.5**	(0.6)	(1.2)
		7.8	(11.5)	(10.2)

Consolidated balance sheet
at 29 February 2016 (unaudited)

	Notes	**29 February 2016 £m**	28 February 2015 £m	31 August 2015 £m
Non-current assets				
Property, plant and equipment	10	**219.8**	216.1	208.4
Intangible assets	11	**183.3**	207.5	188.5
Deferred tax assets		**24.1**	27.1	20.8
Derivative financial assets	15	**-**	8.6	11.7
		427.2	459.3	429.4
Current assets				
Inventories		**80.3**	90.1	76.0
Trade and other receivables		**108.0**	130.9	105.2
Current tax assets		**6.0**	3.8	3.6
Derivative financial assets	15	**1.2**	0.7	0.8
Cash and cash equivalents	14	**82.2**	67.1	93.2
		277.7	292.6	278.8
Total assets		**704.9**	751.9	708.2
Current liabilities				
Borrowings	14	**(25.8)**	(36.2)	(39.9)
Trade and other payables		**(130.8)**	(144.7)	(113.9)
Current tax liabilities		**(2.6)**	(6.2)	(6.7)
Derivative financial liabilities	15	**(1.1)**	(1.1)	(0.2)
Provisions	13	**(16.5)**	(10.8)	(8.9)
		(176.8)	(199.0)	(169.6)
Non-current liabilities				
Borrowings	14	**(211.4)**	(190.1)	(191.3)
Trade and other payables		**(0.6)**	(0.8)	(0.7)
Retirement benefit obligations	12	**(26.4)**	(38.9)	(26.4)
Provisions	13	**-**	(12.1)	(10.7)
Deferred tax liabilities		**(4.2)**	(9.6)	(7.2)
Derivative financial liabilities	15	**-**	(1.1)	(1.1)
		(242.6)	(252.6)	(237.4)
Total liabilities		**(419.4)**	(451.6)	(407.0)
Net assets		**285.5**	300.3	301.2
Equity				
Share capital		**48.5**	48.5	48.5
Share premium		**51.7**	51.7	51.7
Retained earnings		**69.4**	104.7	111.4
Exchange reserve		**35.5**	2.9	(7.8)
Hedging reserve		**4.4**	16.3	22.3
Merger reserve		**65.9**	65.9	65.9
Shareholders' equity		**275.4**	290.0	292.0
Non-controlling interests		**10.1**	10.3	9.2
Total equity		**285.5**	300.3	301.2

Consolidated cash flow statement
for the half year ended 29 February 2016 (unaudited)

	Notes	**Half year ended 29 February 2016 £m**	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Loss before taxation		**(23.1)**	(5.1)	(5.3)
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangible assets		**17.4**	18.6	36.3
Impairment of property, plant and equipment		**2.7**	-	1.6
Impairment of intangible assets		**14.5**	15.2	24.5
Other exceptional non-cash movements		**4.9**	2.6	1.4
Cash payments in respect of prior year exceptional items		**(2.1)**	(1.4)	(2.7)
Defined benefit post-retirement costs charged to operating profit		**1.1**	1.0	2.1
Cash contributions to defined benefit post-retirement schemes		**(2.2)**	(2.8)	(4.9)
Movement in provisions		**(0.4)**	(0.4)	(0.8)
Finance income		**(0.3)**	(0.4)	(0.5)
Finance costs		**7.8**	7.1	14.9
Other non-cash movements		**0.9**	0.6	0.3
Operating cash flow before movement in working capital		**21.2**	35.0	66.9
Movement in inventories		**1.5**	3.2	15.2
Movement in trade and other receivables		**4.4**	(2.6)	20.4
Movement in trade and other payables		**(4.9)**	(6.9)	(21.7)
Net cash from operations		**22.2**	28.7	80.8
Taxation paid		**(4.3)**	(7.9)	(8.5)
Net cash from operating activities		**17.9**	20.8	72.3
Investing activities:				
Purchase of property, plant and equipment		**(8.3)**	(17.3)	(25.2)
Disposal of property, plant and equipment		**0.4**	3.3	3.6
Purchase of intangible assets		**(0.6)**	(1.3)	(2.2)
Acquisition of businesses	17	**(5.6)**	(25.5)	(25.6)
Interest received		**0.3**	0.4	0.5
Net cash used in investing activities		**(13.8)**	(40.4)	(48.9)
Financing activities:				
Dividends paid to Company's shareholders	8	**(7.8)**	(7.8)	(23.3)
Dividends paid to non-controlling interests		**(0.6)**	(1.5)	(2.0)
Settlement of derivative financial instruments	15	**10.5**	-	-
Interest paid		**(7.3)**	(7.4)	(14.7)
Repayment of borrowings		**(17.1)**	(3.5)	(3.8)
New borrowings		**-**	5.8	12.7
Net cash used in financing activities		**(22.3)**	(14.4)	(31.1)
Net decrease in cash and cash equivalents		**(18.2)**	(34.0)	(7.7)
Cash and cash equivalents at start of period		**93.1**	95.8	95.8
Exchange movements		**7.1**	4.9	5.0
Cash and cash equivalents at end of period		**82.0**	66.7	93.1
Cash and cash equivalents comprises:				
Cash and cash equivalents		**82.2**	67.1	93.2
Bank overdrafts		**(0.2)**	(0.4)	(0.1)
		82.0	66.7	93.1

Consolidated statement of changes in equity

for the half year ended 29 February 2016 (unaudited)

	Attributable to owners of the parent								
	Share capital £m	Share premium £m	Retained earnings £m	Exchange reserve £m	Hedging reserve £m	Merger reserve £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 September 2014	48.5	51.7	143.5	1.7	12.2	65.9	323.5	12.7	336.2
(Loss)/profit for the period	-	-	(7.6)	-	-	-	(7.6)	0.5	(7.1)
Other comprehensive income/(expense):									
Currency translation differences	-	-	-	1.2	-	-	1.2	(1.1)	0.1
Cash flow hedges	-	-	-	-	2.8	-	2.8	-	2.8
Net investment hedges	-	-	-	-	2.9	-	2.9	-	2.9
Remeasurements on defined benefit post-retirement schemes	-	-	(10.9)	-	-	-	(10.9)	-	(10.9)
Tax on other comprehensive income	-	-	2.3	-	(1.6)	-	0.7	-	0.7
Total other comprehensive income/(expense)	-	-	(8.6)	1.2	4.1	-	(3.3)	(1.1)	(4.4)
Total comprehensive income/(expense) for the period	-	-	(16.2)	1.2	4.1	-	(10.9)	(0.6)	(11.5)
Transactions with owners:									
Dividends paid/approved in the period	-	-	(23.3)	-	-	-	(23.3)	(1.5)	(24.8)
Share-based payments	-	-	0.4	-	-	-	0.4	-	0.4
Transfer of non-controlling interests	-	-	0.3	-	-	-	0.3	(0.3)	-
Total transactions with owners	-	-	(22.6)	-	-	-	(22.6)	(1.8)	(24.4)
At 28 February 2015	48.5	51.7	104.7	2.9	16.3	65.9	290.0	10.3	300.3
(Loss)/profit for the period	-	-	(2.9)	-	-	-	(2.9)	0.3	(2.6)
Other comprehensive income/(expense):									
Currency translation differences	-	-	-	(10.7)	-	-	(10.7)	(0.9)	(11.6)
Cash flow hedges	-	-	-	-	0.6	-	0.6	-	0.6
Net investment hedges	-	-	-	-	6.1	-	6.1	-	6.1
Remeasurements on defined benefit post-retirement schemes	-	-	11.6	-	-	-	11.6	-	11.6
Tax on other comprehensive income	-	-	(2.1)	-	(0.7)	-	(2.8)	-	(2.8)
Total other comprehensive income/(expense)	-	-	9.5	(10.7)	6.0	-	4.8	(0.9)	3.9
Total comprehensive income/(expense) for the period	-	-	6.6	(10.7)	6.0	-	1.9	(0.6)	1.3
Transactions with owners:									
Dividends paid in the period	-	-	-	-	-	-	-	(0.5)	(0.5)
Share-based payments	-	-	0.2	-	-	-	0.2	-	0.2
Tax on transactions with owners	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Total transactions with owners	-	-	0.1	-	-	-	0.1	(0.5)	(0.4)
At 1 September 2015	**48.5**	**51.7**	**111.4**	**(7.8)**	**22.3**	**65.9**	**292.0**	**9.2**	**301.2**
(Loss)/profit for the period	**-**	**-**	**(19.0)**	**-**	**-**	**-**	**(19.0)**	**0.5**	**(18.5)**
Other comprehensive income/(expense):									
Currency translation differences	**-**	**-**	**-**	**43.3**	**-**	**-**	**43.3**	**1.0**	**44.3**
Net investment hedges	**-**	**-**	**-**	**-**	**(20.0)**	**-**	**(20.0)**	**-**	**(20.0)**
Remeasurements on defined benefit post-retirement schemes	**-**	**-**	**(0.1)**	**-**	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Tax on other comprehensive income	**-**	**-**	**-**	**-**	**2.1**	**-**	**2.1**	**-**	**2.1**
Total other comprehensive income/(expense)	**-**	**-**	**(0.1)**	**43.3**	**(17.9)**	**-**	**25.3**	**1.0**	**26.3**
Total comprehensive income/(expense) for the period	**-**	**-**	**(19.1)**	**43.3**	**(17.9)**	**-**	**6.3**	**1.5**	**7.8**
Transactions with owners:									
Dividends paid/approved in the period	**-**	**-**	**(23.3)**	**-**	**-**	**-**	**(23.3)**	**(0.6)**	**(23.9)**
Share-based payments	**-**	**-**	**0.3**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Tax on transactions with owners	**-**	**-**	**0.1**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Total transactions with owners	**-**	**-**	**(22.9)**	**-**	**-**	**-**	**(22.9)**	**(0.6)**	**(23.5)**
At 29 February 2016	**48.5**	**51.7**	**69.4**	**35.5**	**4.4**	**65.9**	**275.4**	**10.1**	**285.5**

Notes to the half yearly financial statements

1. Basis of preparation

The condensed half yearly financial statements for the half year ended 29 February 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Services Authority. They should be read in conjunction with the Group's financial statements for the year ended 31 August 2015.

The directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, and for a period of at least 12 months from the date of the half year results. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the half yearly financial statements. In forming this view, the directors have reviewed the Group's cash flow forecasts against the availability of financing, including an assessment of sensitivities to changes in market conditions.

The comparative financial information for the year ended 31 August 2015 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. It has been extracted from the Group's financial statements for 2015 which have been filed with the Registrar of Companies. They contained an unqualified audit report and did not contain a statement under Section 498 of the Companies Act 2006.

The condensed half yearly financial statements were approved by the Board of Directors on 27 April 2016.

2. Accounting policies

The accounting policies adopted are consistent with those applied in the preparation of the Group's financial statements for the year ended 31 August 2015 except for new standards, amendments or interpretations which have been adopted for the first time for the year ending 31 August 2016. No new standards, amendments or interpretations have had a significant impact on the Group's reported results or financial position.

3. Segment information

IFRS 8 'Operating Segments' requires segment information to be presented on the same basis as that used for internal management reporting.

For the purposes of managing the business, the Group is organised into two reportable segments: Advanced Engineered Products and Engineered Conveyor Solutions.

Advanced Engineered Products	Manufacture of precision polymer products including: - precision drives for computer peripherals, copiers and ATMs; - problem-solving power transmission and motion transfer components; - silicone and complex hoses for heavy duty trucks, buses and off-road vehicles; - lay-flat hoses for firefighting, agriculture, water and oil & gas industries; - seals and sealing solutions for the fluid power and oil & gas industries; - technical textiles for medical and industrial applications, polymer containers for blood products and biological fluids and silicone-based products for medical applications; - rollers for digital image processing and medical diagnostics; and - fluropolymer components for fluid, oil and gas handling and medical applications.
Engineered Conveyor Solutions	Manufacture of rubber ply, solid woven and steel cord conveyor belting for mining, power generation and industrial applications with complementary service operations which design, install, monitor, maintain and operate conveyor systems for mining and industrial customers.

Operating segments within these reportable segments have been aggregated where they have similar economic characteristics with similar products and services, production processes, methods of distribution and customer types.

The Chief Operating Decision Maker ("CODM") for the purpose of IFRS 8 is the Board of Directors. The financial position of the segments is reported to the CODM on a monthly basis and this information is used to assess the performance of the Group and to allocate resources on an appropriate basis.

Segment performance is reviewed down to the operating profit level. Financing costs and taxation are managed on a Group basis so these costs are not allocated to operating segments.

Transfer prices on inter-segment revenues are on an arm's length basis in a manner similar to transactions with third parties.

3. Segment information continued

Segment results are analysed as follows:

	Half year ended 29 February 2016			
	Advanced Engineered Products £m	**Engineered Conveyor Solutions £m**	**Unallocated Corporate £m**	**Total £m**
Total segment revenue	**120.2**	**156.6**	**-**	**276.8**
Operating profit before amortisation of intangible assets acquired and exceptional items	**12.8**	**5.8**	**(3.6)**	**15.0**
Amortisation of intangible assets acquired	**(3.1)**	**(2.4)**	**-**	**(5.5)**
Exceptional items	**(5.4)**	**(19.5)**	**(0.2)**	**(25.1)**
Operating profit/(loss)	**4.3**	**(16.1)**	**(3.8)**	**(15.6)**
Net finance costs				**(7.5)**
Taxation				**4.6**
Loss for the period				**(18.5)**

	Half year ended 28 February 2015			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Total segment revenue	135.8	211.8	-	347.6
Operating profit before amortisation of intangible assets acquired and exceptional items	19.4	13.4	(4.1)	28.7
Amortisation of intangible assets acquired	(3.3)	(3.6)	-	(6.9)
Exceptional items	(12.7)	(7.5)	-	(20.2)
Operating profit/(loss)	3.4	2.3	(4.1)	1.6
Net finance costs				(6.7)
Taxation				(2.0)
Loss for the period				(7.1)

	Year ended 31 August 2015			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Total segment revenue	266.2	400.5	-	666.7
Operating profit before amortisation of intangible assets acquired and exceptional items	41.0	23.3	(7.9)	56.4
Amortisation of intangible assets acquired	(6.4)	(6.5)	-	(12.9)
Exceptional items	(13.6)	(20.8)	-	(34.4)
Operating profit/(loss)	21.0	(4.0)	(7.9)	9.1
Net finance costs				(14.4)
Taxation				(4.4)
Loss for the period				(9.7)

3. Segment information continued

Segment assets and liabilities are analysed as follows:

	29 February 2016			
	Advanced Engineered Products £m	**Engineered Conveyor Solutions £m**	**Unallocated Corporate £m**	**Total £m**
Assets				
Property, plant and equipment	**79.5**	**139.3**	**1.0**	**219.8**
Intangible assets	**129.7**	**53.6**	**-**	**183.3**
Inventories	**32.1**	**48.2**	**-**	**80.3**
Trade and other receivables	**45.0**	**60.8**	**2.2**	**108.0**
Segment assets	**286.3**	**301.9**	**3.2**	**591.4**
Unallocated assets				**113.5**
Total assets				**704.9**
Liabilities				
Trade and other payables	**34.4**	**74.9**	**22.1**	**131.4**
Segment liabilities	**34.4**	**74.9**	**22.1**	**131.4**
Unallocated liabilities				**288.0**
Total liabilities				**419.4**

	28 February 2015			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Assets				
Property, plant and equipment	67.7	147.3	1.1	216.1
Intangible assets	129.9	77.6	-	207.5
Inventories	33.4	56.7	-	90.1
Trade and other receivables	50.2	77.9	2.8	130.9
Segment assets	281.2	359.5	3.9	644.6
Unallocated assets				107.3
Total assets				751.9
Liabilities				
Trade and other payables	38.0	84.1	23.4	145.5
Segment liabilities	38.0	84.1	23.4	145.5
Unallocated liabilities				306.1
Total liabilities				451.6

	31 August 2015			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Assets				
Property, plant and equipment	72.0	135.4	1.0	208.4
Intangible assets	126.1	62.4	-	188.5
Inventories	31.2	44.8	-	76.0
Trade and other receivables	41.6	61.9	1.7	105.2
Segment assets	270.9	304.5	2.7	578.1
Unallocated assets				130.1
Total assets				708.2
Liabilities				
Trade and other payables	37.6	70.9	6.1	114.6
Segment liabilities	37.6	70.9	6.1	114.6
Unallocated liabilities				292.4
Total liabilities				407.0

Unallocated assets comprise deferred tax assets, derivative financial assets, current tax assets and cash and cash equivalents. Unallocated liabilities comprise borrowings, current tax liabilities, derivative financial liabilities, provisions, retirement benefit obligations and deferred tax liabilities.

4. Exceptional items

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Charged to operating profit			
Impairment of goodwill and intangible assets acquired	**14.5**	15.2	24.5
Restructuring costs	**9.5**	5.0	9.9
Impairment of trade receivables	**1.1**	-	-
	25.1	20.2	34.4
Credited to taxation			
Taxation on exceptional items charged to operating profit	**(4.6)**	(2.8)	(4.5)

Impairment of goodwill and intangible assets acquired

The impairment of goodwill and intangible assets acquired relates to Mandals (£4.1m) and ECS Conveyor Services (Americas) (£10.4m).

Mandals manufactures lay-flat and speciality hoses for use in demanding applications including in the exploitation of shale gas reserves. The impairment resulted from the decline in oil and gas prices which has had a significant impact on Mandals' end markets and, as a result, on its actual and forecast cash flows.

ECS Conveyor Services (Americas) provides a wide range of services principally to the US coal and Chilean copper mining markets. The impairment resulted from the continuing weakness in commodity prices and the subsequent impact on the mining industry which has led to reductions in actual and forecast cash flows in this cash-generating unit.

The methodology for impairment testing is consistent with that adopted in the year ended 31 August 2015. The recoverable amounts of cash-generating units are based on value in use calculations using cash flow projections discounted to calculate the net present value.

A summary of the impairments in the period is provided below.

	Discount rate	Goodwill £m	Intangible assets acquired £m	Total £m
Advanced Engineered Products				
Mandals	11.1%	1.5	2.6	4.1
Engineered Conveyor Solutions				
ECS Conveyor Services (Americas)	12.9%	10.4	-	10.4
Total impairment charge		**11.9**	**2.6**	**14.5**

At 29 February 2016, the remaining net book value of goodwill and intangible assets acquired was £nil at Mandals and £11.9m at ECS Conveyor Services (Americas).

Restructuring costs

The majority of the restructuring costs relate to the restructuring programme in ECS Americas and includes the closure of the majority of the belt manufacturing facility at Port Clinton, Ohio and the fabricated products operation at Allison, Pennsylvania. Other costs, including severance costs, were incurred at various operations across the Group.

At 29 February 2016, £3.0m was paid in cash, with £3.4m payable after the half year end and held in provisions, £2.7m in respect of impairment of property, plant and equipment and £0.4m in respect of impairment of inventories. The impairments of property, plant and equipment and inventories are all within ECS and principally relate to the closures at Port Clinton and Allison. In addition, cash payments of £2.1m were made in the year in respect of prior year exceptional items.

Impairment of trade receivables

The impairment of trade receivables relates to receivable balances within ECS.

5. Finance income

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Bank interest receivable	**0.3**	0.4	0.5

6. Finance costs

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Interest payable on bank overdrafts and loans	**1.9**	2.4	4.4
Interest payable on other loans	**5.5**	5.1	10.4
	7.4	7.5	14.8
Less amounts capitalised on qualifying assets	**(0.2)**	(0.2)	(0.4)
Interest payable	**7.2**	7.3	14.4
Interest on defined benefit post-retirement schemes	**0.4**	0.5	1.0
Interest on the unwinding of discount on provisions	**0.4**	0.5	1.1
Finance credit on redemption liability on acquisitions	**(0.2)**	(1.2)	(1.6)
Notional interest	**0.6**	(0.2)	0.5
Total finance costs	**7.8**	7.1	14.9

7. Taxation

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
UK taxation	**-**	0.1	(0.5)
Overseas taxation	**(4.6)**	1.9	4.9
	(4.6)	2.0	4.4

The underlying taxation charge was £2.0m (2015: £6.2m) and is calculated based on the estimated underlying effective tax rate for the full year of 25% (2015: 28%).

The taxation (credit)/charge includes credits of £4.6m (2015: £2.8m) in respect of exceptional items, £1.9m (2015: £1.3m) in respect of amortisation of intangible assets acquired and £0.1m (2015: £0.1m) in respect of notional interest.

8. Dividends

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Dividends paid or approved in the period			
Interim dividend for the year ended 31 August 2015 of 4.0p (2014: 4.0p) per share	**7.8**	7.8	7.8
Final dividend for the year ended 31 August 2015 of 8.0p (2014: 8.0p) per share	**15.5**	15.5	15.5
	23.3	23.3	23.3
Dividends neither paid nor approved in the period			
Interim dividend for the year ended 31 August 2016 of 1.0p (2015: 4.0p) per share	**1.9**	7.8	7.8

The interim dividend for the year ended 31 August 2015 was paid on 7 September 2015. The final dividend for the year ended 31 August 2015 was approved by shareholders at the Annual General Meeting on 13 January 2016 and was paid on 9 March 2016. The interim dividend for the year ending 31 August 2016 is due for payment on 7 September 2016 and so has not been recognised as a liability at 29 February 2016. It will be paid to shareholders on the register on 29 July 2016.

9. Earnings per share

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Earnings			
Loss for the period attributable to owners of the parent	**(19.0)**	(7.6)	(10.5)
Amortisation of intangible assets acquired	**5.5**	6.9	12.9
Exceptional items	**25.1**	20.2	34.4
Notional interest	**0.6**	(0.2)	0.5
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest (note 7)	**(6.6)**	(4.2)	(7.2)
Profit for the period before amortisation of intangible assets acquired, exceptional items and notional interest	**5.6**	15.1	30.1

	number	number	number
Average number of shares			
Weighted average number of shares in issue	**194,002,741**	194,002,741	194,002,741
Weighted average number of shares held by the Employee Share Ownership Plan Trust	**(114,177)**	(114,177)	(114,177)
Weighted average number of shares in issue - Basic & Diluted	**193,888,564**	193,888,564	193,888,564

	pence	pence	pence
Earnings/(loss) per share			
Underlying - Basic (before amortisation of intangible assets acquired, exceptional items and notional interest)	**2.9**	7.8	15.5
Underlying - Diluted (before amortisation of intangible assets acquired, exceptional items and notional interest)	**2.9**	7.8	15.5
Basic	**(9.8)**	(3.9)	(5.4)
Diluted	**(9.8)**	(3.9)	(5.4)

Underlying earnings per share measures have been presented to provide a more meaningful measure of the underlying performance of the Group.

10. Property, plant and equipment

The increase in property, plant and equipment in the period of £11.4m comprises additions of £7.0m and exchange movements of £18.4m less depreciation of £11.0m, impairment charges of £2.7m and disposals of £0.3m.

11. Intangible assets

The reduction in intangible assets in the period of £5.2m comprises amortisation of £6.4m, impairment charges of £14.5m and acquisition fair value adjustments of £0.1m less additions of £0.6m and exchange movements of £15.2m.

12. Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world. The assets of the schemes are held in separate trustee administered funds. The cost of the schemes is assessed in accordance with the advice of independent qualified actuaries using the projected unit credit method.

The principal schemes are the Fenner Pension Scheme, based in the UK, and the Fenner Dunlop BV Scheme, based in the Netherlands. The Fenner Pension Scheme was closed to new entrants in 1997. The most recent triennial actuarial valuation for the Fenner Pension Scheme was on 31 March 2014. The most recent annual actuarial valuation for the Fenner Dunlop BV Scheme was on 30 June 2015.

The principal financial assumptions used for the schemes in the UK and the Netherlands, compared to the 2015 year end, are as follows:

	29 February 2016		31 August 2015	
	UK	Netherlands	UK	Netherlands
Discount rate	3.7%	2.3%	3.7%	2.3%
Inflation rate - RPI	2.7%	n/a	3.0%	n/a
Inflation rate - CPI	2.0%	2.0%	2.3%	2.0%
Rate of increase in salaries	3.7%	2.5%	4.0%	2.5%
Rate of increase in benefits in payment subject to Limited Price Index increases:				
- capped at 5.0% (based on RPI)	2.6%	n/a	2.9%	n/a
- capped at 2.5% (based on RPI)	1.9%	n/a	2.0%	n/a
- capped at 3.0% (based on CPI)	1.8%	n/a	1.9%	n/a

The retirement benefit obligations remained unchanged overall compared to the previous year end. Movements comprise amounts charged to operating profit of £1.1m, notional interest of £0.4m, remeasurements of £0.1m and exchange movements of £0.6m less employer contributions of £2.2m. The remeasurements comprise lower than expected returns on assets of the schemes of £2.8m less a decrease in liabilities of £2.7m due to changes in assumptions, primarily a reduction in the inflation rates used.

13. Provisions

Provisions comprise current provisions of £16.5m (2015 year end: £8.9m) and non-current provisions of £nil (2015 year end: £10.7m). The overall decrease in the period of £3.1m comprises payments of deferred consideration on prior year acquisitions of £5.6m, utilisation of prior year restructuring provisions of £2.1m, utilisation of other provisions of £0.4m and notional finance credit on redemption liability on acquisitions of £0.2m less new exceptional restructuring provisions of £3.4m, notional interest on the unwinding of discount of £0.4m and exchange movements of £1.4m.

14. Reconciliation of net cash flow to movement in net debt

	Half year ended 29 February 2016 £m	Half year ended 28 February 2015 £m	Year ended 31 August 2015 £m
Net decrease in cash and cash equivalents	**(18.2)**	(34.0)	(7.7)
Decrease/(increase) in borrowings resulting from cash flows	**17.1**	(2.3)	(8.9)
Movement in net debt resulting from cash flows	**(1.1)**	(36.3)	(16.6)
Finance leases	**(0.3)**	(0.3)	(0.7)
Exchange movements	**(15.6)**	(5.3)	(3.4)
Movement in net debt in the period	**(17.0)**	(41.9)	(20.7)
Net debt at start of period	**(138.0)**	(117.3)	(117.3)
Net debt at end of period	**(155.0)**	(159.2)	(138.0)

Net debt is analysed as follows:

	29 February 2016 £m	28 February 2015 £m	31 August 2015 £m
Cash and cash equivalents	**82.2**	67.1	93.2
Current borrowings	**(25.8)**	(36.2)	(39.9)
Non-current borrowings	**(211.4)**	(190.1)	(191.3)
	(155.0)	(159.2)	(138.0)

15. Derivative financial instruments

Derivative financial instruments comprise non-current assets of £nil (2015 year end: £11.7m), current assets of £1.2m (2015 year end: £0.8m), current liabilities of £1.1m (2015 year end: £0.2m) and non-current liabilities of £nil (2015 year end: £1.1m).

The overall reduction of £11.1m comprises the following:

Forward foreign currency contracts and options

A loss on forward foreign currency contracts and options of £0.7m has been recognised within administrative expenses in the Consolidated income statement.

Currency swaps

Currency swaps were principally in respect of US dollars that have been swapped into sterling and this sterling balance then swapped into euros and Australian dollars. A net investment hedge gain of £0.1m has been recognised in the hedging reserve in other comprehensive income. Currency swaps with an asset value of £10.5m were settled as cash during the period.

16. Hedging

Group financial instruments denominated in euros, Australian dollars, US dollars and Norwegian krone are designated as hedges of the net investment in overseas subsidiaries. The overall loss on translation to sterling at 29 February 2016 of £20.0m (2015: £2.9m gain) has been recognised as a net investment hedge loss in the hedging reserve in other comprehensive income. This comprises a gain of £0.1m (2015: £5.4m) in respect of derivative financial instruments (note 15) and a loss of £20.1m (2015: £2.5m) in respect of borrowings.

No ineffectiveness in respect of cash flow hedges or net investment hedges has been recognised in the Consolidated income statement.

17. Acquisitions

As permitted by IFRS 3 (Revised) ‘Business Combinations’, provisional estimates of the fair values of assets and liabilities acquired can be amended for a period of up to 12 months following acquisition if subsequent information becomes available which changes the estimates of fair values at the date of acquisition. In respect of the acquisition of Charter Medical on 30 January 2015, the estimated fair value of trade and other payables reduced by £0.3m and the fair value of inventories reduced by £0.2m, resulting in a decrease in goodwill on acquisition of £0.1m.

Payments amounting to £5.6m were made in the period in respect of deferred consideration on acquisitions made in previous years.

18. Contingent liabilities

In the normal course of business the Group has given guarantees and counter indemnities in respect of commercial transactions.

The Group is involved as defendant in a number of potential and actual litigation cases in connection with its business. The directors believe that the likelihood of a material liability arising from these cases is remote.

19. Related party transactions

Other than the remuneration of executive and non-executive directors and members of the Executive Committee, there were no related party transactions during the period.

20. Post-balance sheet events

In March 2016, after the half year end, the Group announced that the CDI Energy Products businesses in Hampton and Leeds will relocate certain manufacturing capacity to other global CDI locations. The cash cost of this restructuring is estimated to be up to £1.5m.

Responsibility statement

We confirm that to the best of our knowledge:

- the condensed half yearly financial statements contained in this document have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

- the Interim management report contained in this document includes a fair review of the information required by the Disclosure and Transparency Rules of the Financial Services Authority: paragraph DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and paragraph DTR 4.2.8R (disclosure of related party transactions and changes therein).

The directors of Fenner PLC and their responsibilities are as stated in the 2015 Annual Report, except for Alan Wood, who resigned as a non-executive director on 13 January 2016 and Geraint Anderson, who replaced him as a non-executive director on the same date. After the half year end, the Group announced that John Sheldrick will resign as a non-executive director on 1 May 2016. He will be replaced by Chris Surch, who will be appointed as a non-executive director on the same date.

By order of the Board

Mark Abrahams	John Pratt
Executive Chairman	Group Finance Director
27 April 2016	27 April 2016