19 April 2017

Fenner PLC

2017 Half Year Results

Fenner PLC, a world leader in reinforced polymer technology, today announces its results for the half year ended 28 February 2017.

Highlights

Half year	2017	2016
Revenue	**£307.4m**	£276.8m
Underlying operating profit [1, 4]	**£24.0m**	£15.0m
Underlying profit before taxation [2, 4]	**£16.5m**	£8.1m
Profit/(loss) before taxation	**£13.8m**	£(23.1)m
Operating cash flow [4]	**£34.0m**	£19.1m
Underlying earnings per share [2, 3, 4]	**6.3p**	2.9p
Dividend per share	**1.4p**	1.0p

- Revenue up 11% to £307.4m, assisted by market share gains and exchange rates
- Underlying operating profit up 60% (27% at constant currencies)
- Underlying operating margin strongly ahead in both divisions
- Underlying earnings per share up 117% to 6.3p
- Dividend per share up 40% to 1.4p
- Strong cash flow resulted in net debt reducing to £144.7m (£28.7m lower than February 2016 at constant currencies) and net debt/EBITDA of 1.9 times (at constant currencies)
- Expected outcome for the year above previous expectations at the operating profit level with a further benefit to earnings from a lower tax rate in the current financial year

Mark Abrahams, Chief Executive Officer, commented:

"It is pleasing that the restructuring of the Group has created a platform from which we are now growing and making steady market share gains. We look forward to maintaining this momentum."

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 and non-GAAP measures have been presented to provide a more meaningful measure of the underlying performance of the business. Reconciliations of these amounts from the most directly comparable measures recognised under International Financial Reporting Standards ("IFRS") are set out in note 1

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

For further information please contact:

Fenner PLC

Mark Abrahams, Chief Executive Officer	) today: 020 7067 0700
	)
John Pratt, Group Finance Director	) thereafter: 01482 626501

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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 is a group of nine businesses that use advanced polymeric materials and technical expertise to provide high value-added solutions to customers' most challenging engineering problems across a variety of markets, generally classified as specialist industrial, medical and oil & gas. AEP's trading names include Hallite, Fenner Precision, Fenner Drives, Secant Group, Charter Medical, CDI Energy Products and EGC Critical Components.*

Engineered Conveyor Solutions. *The ECS division, trading under the Fenner Dunlop, Fenner and Dunlop brand names, is an established global leader in the supply of heavyweight conveyor belting and related services to the mining, industrial and bulk materials markets. ECS has leading presences in the Northern Hemisphere (principally North America and Europe) and the Southern Hemisphere (principally Australia).*

Interim management report

In January, we reported that the Group was performing well, benefiting from both the refocusing of our businesses and from market share gains. The Group's results for the first half of the financial year reflect the improvements indicated at that time. Momentum is being maintained in the second half of the financial year as the Group continues to deliver its strategy.

Revenue for the period was £307.4m (2016: £276.8m), an increase of 11%. Underlying operating profit was £24.0m (2016: £15.0m), an increase of 60%. Underlying profit before taxation was £16.5m (2016: £8.1m), an increase of 104%. Underlying earnings per share was 6.3p (2016: 2.9p), an increase of 117%.

A particular feature of the results was the increase in underlying operating margin which increased to 7.8% (2016: 5.4%) reflecting operational improvements and efficiencies across many of the Group's operations. In addition, as the period progressed, there were increasing benefits from operational gearing as certain businesses generated revenue growth.

The Group's cash flow was again strong with higher profits and lower capital expenditure. Net borrowings ended the period at £144.7m (31 August 2016: £150.0m) despite currency movements of £5.4m. Measured at constant exchange rates, net debt at 28 February 2017 was £28.7m lower than at 29 February 2016.

During the period, the Group acquired the non-controlling interests in BBCS and LECS, each of which are conveyor service businesses located in Australia. The Group has no further deferred consideration payments outstanding. Also during the period, the Group disposed of Xeridiem Medical Devices and CDI Norway.

Advanced Engineered Products

AEP's revenue was £136.9m (2016: £139.8m at constant currencies). After adjusting for business disposals and closures, like-for-like revenue grew by 4%. Underlying operating profit was £17.9m (2016: £15.5m at constant currencies) and underlying operating margin increased to 13.1% (2016: 11.1%).

The division's results reflect improved operational performances across its businesses, driven by market share gains, new product introductions and prudent cost control. Whilst market indicators showed some softness at the start of the financial year, they gradually strengthened as the period progressed.

Advanced Sealing Technologies

Advanced Sealing Technologies generated a higher operating profit and operating margin on slightly increased revenue of £60.1m (2016: £59.9m at constant currencies). Excluding businesses which have been closed or sold (the former CDI operations in the UK and Norway), revenue increased by 7%.

During the period, there were progressive improvements in oil & gas industry lead indicators such as rig count, albeit from very low levels. Notwithstanding this, the average rig count in the period was below the average for the same period last year.

Both CDI and EGC have continued to make market share gains in their respective segments of the oil & gas industry, partly as a result of having introduced new products that reflect customer demand for higher technical specifications. As a result of both the improving market and the market share gains, order flow increased steadily throughout the period.

Hallite performed strongly, delivering revenue growth well ahead of industry indicators and even greater increases in terms of operating profit and margins. The strong performance reflects new product introductions as well as some re-stocking in the supply chain.

Precision Polymers

Precision Polymers' revenue increased to £52.2m (2016: £50.8m at constant currencies) and operating profit and margin were both well ahead of the previous period.

Precision US finished the period strongly after some softness in customer ordering in the autumn reflecting uncertainty around the outcome of the US election as well as normal seasonality patterns.

Precision UK continues to make good progress as it expands both its range of elastomeric products and its customer base.

Mandals achieved a modest improvement in revenue for the period; its order book has improved following management changes and new product introductions.

Solesis Medical Technologies

Revenue for the period was £24.7m (2016: £29.3m at constant currencies and including a contribution from Xeridiem Medical Devices sold in September 2016). Operating profit and operating margin were both well ahead of the prior period.

Secant Group is in the final validation phase of its relocation process. It achieved a strong operating result for the period, with some third party project delays offset by new developments and other efficiencies. The business' new product pipeline has been further strengthened.

Charter Medical continues to trade well following the managerial and operational changes made last year. Demand for cell therapy products has been strong.

Engineered Conveyor Solutions

ECS's revenue was £170.5m (2016: £188.6m at constant currencies). Underlying operating profit was higher at £10.4m (2016: £7.0m at constant currencies) and underlying operating margin recovered to 6.1% (2016: 3.7%).

In the mining industry, whilst there was a general improvement in sentiment due to higher commodity prices and mineral extraction rates, this was not generally reflected in higher orders for replacement belt; the increased operating profit and margin were generated by the substantial operating improvements implemented across the business.

Northern Hemisphere

Revenue for the period was £89.8m (2016: £103.6m at constant currencies).

In ECS North America, industrial volumes continued to grow as a result of the refocusing commenced last year. In mining, whilst below the corresponding period last year, volumes improved from recent lows which, when combined with significantly improved operating efficiencies, increased overall profitability.

In Europe, financial performance was constrained by the ongoing shortage of major project work.

Southern Hemisphere

Revenue for the period was £81.3m (2016: £86.7m at constant currencies).

In Australia, on flat volumes, ECS achieved a higher profit than in the corresponding period last year reflecting its strengthened market position and the operational improvements made across the business. Despite an improved sentiment within the mining industry, the business has not yet seen a general increase in order intake although there are now some indications that belt de-stocking is coming to an end and that project work may resume next year.

ECS China continues to face significant pressures from the on-going re-organisation of the domestic coal industry.

Financial report

Revenue and profit

Group revenue for the period was £307.4m (2016: £276.8m or £328.4m at constant currencies). The 2016 amount includes £12.5m in respect of businesses which have been closed or sold. Underlying operating profit was £24.0m (2016: £15.0m or £18.9m at constant currencies).

Interest for the period (excluding notional interest) was £7.5m (2016: £6.9m or £8.0m at constant currencies). EBITDA interest cover, on a 12 month rolling basis, was 4.9 times (2016: 4.8 times).

Exceptional items during the period amounted to a profit of £2.6m (2016: loss of £25.1m); a net gain of £4.1m arising on business disposals was partly offset by a contractual payment due to the family of the former Chief Executive Officer following his passing away in January 2017.

Underlying profit before taxation was £16.5m (2016: £8.1m). The taxation rate on underlying profit before taxation was lower at 22% (2016: 25%) reflecting the utilisation of previous tax losses in the current financial year, most notably in the USA. Profit before taxation was £13.8m (2016: loss of £23.1m).

Underlying earnings per share amounted to 6.3p (2016: 2.9p). Basic earnings per share was 5.3p (2016: loss of 9.8p).

Cash flow and borrowings

The Group's cash flow in the period remained strong. Operating cash flow was £34.0m (2016: £19.1m) reflecting a higher operating profit and reduced capital expenditure. Free cash flow was £23.9m (2016: £7.2m). The net outflow on business acquisitions and disposals amounted to £8.6m. Dividend payments were much reduced.

Notwithstanding a further adverse currency movement in the period due to the continued weakening of sterling against the US dollar, net debt ended the period at £144.7m (31 August 2016: £150.0m). Measured at constant exchange rates, net debt at 28 February 2017 was £28.7m lower than at 29 February 2016.

Calculated on a rolling basis over the 12 months ended 28 February 2017 and at average exchange rates, net debt to EBITDA improved to 1.9 times (29 February 2016: 2.1 times).

Board of Directors

On 20 December 2016, the Group announced that Vanda Murray OBE had agreed to take up the role of Non-Executive Chairman of the Company with immediate effect having been the Acting Non-Executive Chairman since 8 June 2016.

At the same time, Chris Surch was appointed as Senior Independent Director and Geraint Anderson as Chairman of the Remuneration Committee.

Michael E. Ducey was appointed as a non-executive director on 11 January 2017.

The search for a new Chief Executive Officer is continuing. In order to preserve stability, Mark Abrahams has, as previously reported, agreed to remain as Chief Executive Officer until an appointment is made.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those set out in the 2016 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 has started to see positive movements in lead and current indicators of demand for its belting products and services but risks remain concerning the strength and durability of recovery which is likely to be uneven across the different territories in which the Group operates. Particular issues are recognised in the USA where the recent pick-up in coal mining may prove to be short lived and in China where the coal industry continues to be restructured. The oil & gas industry globally is recovering but long-term uncertainties remain over the supply and demand balance and how this will impact on the oil & gas industry in the USA. Considerable political uncertainty exists in many regions which may, in due course, have implications for global trade in commodities and finished goods and for exchange rates.

Dividend

As the Group's earnings recover, it remains 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.

An increased interim dividend of 1.4p per share (2016: 1.0p) has been declared.

Outlook

The market drivers in many of the Group's businesses are starting to look more favourable although in many cases this is translating only slowly into growing markets for our products. In the case of oil & gas however, there is a clearly improving trend. In addition, across our businesses, progress made in new product development and market share gains remains a driver of revenue which, combined with a well-controlled cost base, is improving profitability.

As a result of our actions, we expect the results for the year to be above previous expectations at the operating profit level with a further benefit to earnings from a lower tax rate in the current financial year.

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 28 February 2017 (unaudited)

	Notes	**Half year ended 28 February 2017 £m**	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Revenue	3	**307.4**	276.8	572.5
Cost of sales		**(211.9)**	(203.2)	(410.3)
Gross profit		**95.5**	73.6	162.2
Distribution costs		**(27.4)**	(25.2)	(52.3)
Administrative expenses		**(45.7)**	(64.0)	(124.6)
Operating profit before amortisation of intangible assets acquired and exceptional items	3	**24.0**	15.0	37.1
Amortisation of intangible assets acquired		**(4.2)**	(5.5)	(11.0)
Exceptional items	4	**2.6**	(25.1)	(40.8)
Operating profit/(loss)		**22.4**	(15.6)	(14.7)
Finance income	5	**0.2**	0.3	0.5
Finance costs	6	**(8.8)**	(7.8)	(16.1)
Profit/(loss) before taxation		**13.8**	(23.1)	(30.3)
Taxation	7	**(3.0)**	4.6	5.0
Profit/(loss) for the period		**10.8**	(18.5)	(25.3)
Attributable to:				
Owners of the parent		**10.2**	(19.0)	(26.3)
Non-controlling interests		**0.6**	0.5	1.0
		10.8	(18.5)	(25.3)
Earnings/(loss) per share				
Basic	9	**5.3p**	(9.8)p	(13.6)p
Diluted	9	**5.2p**	(9.8)p	(13.6)p

Consolidated statement of comprehensive income

for the half year ended 28 February 2017 (unaudited)

	Notes	**Half year ended 28 February 2017 £m**	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Profit/(loss) for the period		**10.8**	(18.5)	(25.3)
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements on defined benefit post-retirement schemes	12	**10.5**	(0.1)	(24.5)
Tax on items that will not be reclassified		**(2.1)**	-	3.7
		8.4	(0.1)	(20.8)
Items that may be reclassified subsequently to profit or loss				
Currency translation differences		**28.2**	44.3	80.6
Cash flow hedges	16	**(0.3)**	-	-
Net investment hedges	16	**(9.2)**	(20.0)	(30.8)
Tax on items that may be reclassified		**0.4**	2.1	(2.3)
		19.1	26.4	47.5
Total other comprehensive income for the period		**27.5**	26.3	26.7
Total comprehensive income for the period		**38.3**	7.8	1.4
Attributable to:				
Owners of the parent		**37.3**	6.3	(1.8)
Non-controlling interests		**1.0**	1.5	3.2
		38.3	7.8	1.4

Consolidated balance sheet
at 28 February 2017 (unaudited)

	Notes	**28 February 2017 £m**	Restated (note 2) 29 February 2016 £m	31 August 2016 £m
Non-current assets				
Property, plant and equipment	10	**232.9**	219.8	228.8
Intangible assets	11	**181.9**	183.3	178.3
Deferred tax assets		**20.8**	24.1	28.1
		435.6	427.2	435.2
Current assets				
Inventories		**81.4**	80.3	75.3
Trade and other receivables		**113.0**	108.0	104.9
Assets held for sale		**-**	-	2.2
Current tax assets		**7.6**	6.0	7.2
Derivative financial assets	15	**-**	1.2	0.6
Cash and cash equivalents	14	**116.1**	90.9	94.9
		318.1	286.4	285.1
Total assets		**753.7**	713.6	720.3
Current liabilities				
Borrowings	14	**(97.2)**	(34.5)	(76.7)
Trade and other payables		**(132.9)**	(130.8)	(117.5)
Liabilities held for sale		**-**	-	(1.0)
Current tax liabilities		**(2.3)**	(2.6)	(1.9)
Derivative financial liabilities	15	**(1.1)**	(1.1)	(1.1)
Provisions	13	**(4.6)**	(16.5)	(17.9)
		(238.1)	(185.5)	(216.1)
Non-current liabilities				
Borrowings	14	**(163.6)**	(211.4)	(168.2)
Trade and other payables		**(0.9)**	(0.6)	(0.8)
Retirement benefit obligations	12	**(38.3)**	(26.4)	(49.0)
Deferred tax liabilities		**(1.9)**	(4.2)	(7.5)
		(204.7)	(242.6)	(225.5)
Total liabilities		**(442.8)**	(428.1)	(441.6)
Net assets		**310.9**	285.5	278.7
Equity				
Share capital		**48.5**	48.5	48.5
Share premium		**-**	51.7	-
Retained earnings		**184.4**	69.4	159.2
Exchange reserve		**104.8**	35.5	76.8
Hedging reserve		**(26.2)**	4.4	(16.9)
Merger reserve		**-**	65.9	-
Shareholders' equity		**311.5**	275.4	267.6
Non-controlling interests		**(0.6)**	10.1	11.1
Total equity		**310.9**	285.5	278.7

Consolidated cash flow statement

for the half year ended 28 February 2017 (unaudited)

	Notes	**Half year ended 28 February 2017 £m**	Restated (note 2) Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Profit/(loss) before taxation		**13.8**	(23.1)	(30.3)
Adjustments for:				
Depreciation of property, plant and equipment and amortisation of intangible assets		**17.4**	17.4	35.2
Impairment of property, plant and equipment		**-**	2.7	2.9
Impairment of intangible assets		**-**	14.5	25.0
Other exceptional non-cash movements		**(2.6)**	4.9	4.8
Cash payments in respect of prior year exceptional items		**(1.7)**	(2.1)	(2.3)
Defined benefit post-retirement costs charged to operating profit		**1.5**	1.1	0.8
Cash contributions to defined benefit post-retirement schemes		**(2.3)**	(2.2)	(5.2)
Movement in provisions		**(0.1)**	(0.4)	(0.8)
Finance income		**(0.2)**	(0.3)	(0.5)
Finance costs		**8.8**	7.8	16.1
Other non-cash movements		**0.1**	0.9	1.2
Operating cash flow before movement in working capital		**34.7**	21.2	46.9
Movement in inventories		**(2.3)**	1.5	11.1
Movement in trade and other receivables		**(3.4)**	4.4	13.6
Movement in trade and other payables		**6.9**	(4.9)	(9.6)
Net cash from operations		**35.9**	22.2	62.0
Taxation paid		**(1.8)**	(4.3)	(6.2)
Net cash from operating activities		**34.1**	17.9	55.8
Investing activities:				
Purchase of property, plant and equipment		**(4.5)**	(8.3)	(14.2)
Disposal of property, plant and equipment		**0.8**	0.4	1.9
Purchase of intangible assets		**(0.6)**	(0.6)	(1.1)
Acquisition of businesses		**-**	(5.6)	(5.6)
Disposal of businesses	18	**5.8**	-	-
Interest received		**0.2**	0.3	0.5
Net cash from/(used in) investing activities		**1.7**	(13.8)	(18.5)
Financing activities:				
Dividends paid to Company's shareholders	8	**(1.9)**	(7.8)	(23.3)
Dividends paid to non-controlling interests		**(1.0)**	(0.6)	(1.3)
Acquisition of non-controlling interests in subsidiary undertakings	17	**(14.4)**	-	-
Settlement of derivative financial instruments		**-**	10.5	10.5
Interest paid		**(7.7)**	(7.3)	(13.7)
Repayment of borrowings		**(0.8)**	(17.1)	(29.7)
New borrowings		**0.9**	-	0.6
Net cash used in financing activities		**(24.9)**	(22.3)	(56.9)
Net increase/(decrease) in cash and cash equivalents		**10.9**	(18.2)	(19.6)
Cash and cash equivalents at start of period		**90.0**	93.1	93.1
Exchange movements		**8.0**	7.1	16.5
Cash and cash equivalents at end of period		**108.9**	82.0	90.0
Cash and cash equivalents comprises:				
Cash and cash equivalents		**116.1**	90.9	94.9
Bank overdrafts		**(7.2)**	(8.9)	(4.9)
		108.9	82.0	90.0

Consolidated statement of changes in equity

for the half year ended 28 February 2017 (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 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
(Loss)/profit for the period	-	-	(7.3)	-	-	-	(7.3)	0.5	(6.8)
Other comprehensive income/(expense):									
Currency translation differences	-	-	-	35.1	-	-	35.1	1.2	36.3
Net investment hedges	-	-	-	10.5	(21.3)	-	(10.8)	-	(10.8)
Remeasurements on defined benefit post-retirement schemes	-	-	(24.4)	-	-	-	(24.4)	-	(24.4)
Tax on other comprehensive income	-	-	3.6	(4.3)	-	-	(0.7)	-	(0.7)
Total other comprehensive income/(expense)	-	-	(20.8)	41.3	(21.3)	-	(0.8)	1.2	0.4
Total comprehensive income/(expense) for the period	-	-	(28.1)	41.3	(21.3)	-	(8.1)	1.7	(6.4)
Transactions with owners:									
Dividends paid in the period	-	-	-	-	-	-	-	(0.7)	(0.7)
Share-based payments	-	-	0.4	-	-	-	0.4	-	0.4
Tax on transactions with owners	-	-	(0.1)	-	-	-	(0.1)	-	(0.1)
Capital reduction	-	(51.7)	117.6	-	-	(65.9)	-	-	-
Total transactions with owners	-	(51.7)	117.9	-	-	(65.9)	0.3	(0.7)	(0.4)
At 1 September 2016	**48.5**	**-**	**159.2**	**76.8**	**(16.9)**	**-**	**267.6**	**11.1**	**278.7**
Profit for the period	**-**	**-**	**10.2**	**-**	**-**	**-**	**10.2**	**0.6**	**10.8**
Other comprehensive income/(expense):									
Currency translation differences	**-**	**-**	**-**	**27.8**	**-**	**-**	**27.8**	**0.4**	**28.2**
Cash flow hedges	**-**	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**	**-**	**(0.3)**
Net investment hedges	**-**	**-**	**-**	**-**	**(9.2)**	**-**	**(9.2)**	**-**	**(9.2)**
Remeasurements on defined benefit post-retirement schemes	**-**	**-**	**10.5**	**-**	**-**	**-**	**10.5**	**-**	**10.5**
Tax on other comprehensive income	**-**	**-**	**(2.1)**	**0.2**	**0.2**	**-**	**(1.7)**	**-**	**(1.7)**
Total other comprehensive income/(expense)	**-**	**-**	**8.4**	**28.0**	**(9.3)**	**-**	**27.1**	**0.4**	**27.5**
Total comprehensive income/(expense) for the period	**-**	**-**	**18.6**	**28.0**	**(9.3)**	**-**	**37.3**	**1.0**	**38.3**
Transactions with owners:									
Dividends paid/approved in the period	**-**	**-**	**(5.8)**	**-**	**-**	**-**	**(5.8)**	**(1.0)**	**(6.8)**
Share-based payments	**-**	**-**	**0.7**	**-**	**-**	**-**	**0.7**	**-**	**0.7**
Transfer of non-controlling interests	**-**	**-**	**11.7**	**-**	**-**	**-**	**11.7**	**(11.7)**	**-**
Total transactions with owners	**-**	**-**	**6.6**	**-**	**-**	**-**	**6.6**	**(12.7)**	**(6.1)**
At 28 February 2017	**48.5**	**-**	**184.4**	**104.8**	**(26.2)**	**-**	**311.5**	**(0.6)**	**310.9**

Notes to the half yearly financial statements

1. Basis of preparation

The condensed half yearly financial statements for the half year ended 28 February 2017 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 2016.

After making enquiries, the directors have formed a judgement that there is a reasonable expectation the Group has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of this report. Accordingly, the Board has assessed that the going concern basis of accounting is appropriate in preparing the financial statements. In forming this view, the directors have reviewed the Group's cash flow forecasts against availability of financing, including an assessment of sensitivities to changes in market conditions. In particular, the Group has sufficient existing cash balances and bank facilities to repay the private placement loan notes due in June 2017.

The accounting policies adopted are consistent with those applied in the preparation of the Group's financial statements for the year ended 31 August 2016 except for new standards, amendments or interpretations which have been adopted for the first time for the year ending 31 August 2017. Except for the change detailed in note 2, there were no other new standards, amendments or interpretations adopted by the Group and effective for the first time for the year ending 31 August 2017 that have had a material impact on the Group.

The comparative financial information for the year ended 31 August 2016 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 2016 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 19 April 2017.

Alternative performance measures

The directors assess the performance of the Group using a variety of performance measures.

The results of the Group are frequently presented on an "underlying" basis, which excludes exceptional items, amortisation of intangible assets acquired and notional interest, as applicable. In addition, the directors use certain financial performance measures that are not defined under IFRS ("non-GAAP measures").

The directors believe the underlying and non-GAAP measures provide a more meaningful measure of the underlying performance of the business, as well as being more consistent with the way that financial information is measured internally by management and presented to the Board.

Reconciliations of these amounts from the most directly comparable measures recognised under IFRS are detailed below.

Underlying operating profit

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Operating profit/(loss)	**22.4**	(15.6)	(14.7)
Amortisation of intangible assets acquired	**4.2**	5.5	11.0
Exceptional items	**(2.6)**	25.1	40.8
Underlying operating profit	**24.0**	15.0	37.1

Underlying profit before taxation

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Profit/(loss) before taxation	**13.8**	(23.1)	(30.3)
Amortisation of intangible assets acquired	**4.2**	5.5	11.0
Exceptional items	**(2.6)**	25.1	40.8
Notional interest	**1.1**	0.6	1.7
Underlying profit before taxation	**16.5**	8.1	23.2

Underlying earnings per share

A reconciliation is provided in note 9.

1. Basis of preparation continued

Operating cash flow

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Net cash from operations	**35.9**	22.2	62.0
Add back:			
Defined benefit post-retirement costs charged to operating profit	**(1.5)**	(1.1)	(0.8)
Cash contributions to defined benefit post-retirement schemes	**2.3**	2.2	5.2
Movement in provisions	**0.1**	0.4	0.8
Cash outflow on exceptional items (current year and prior year)	**1.7**	5.1	10.4
Other non-cash movements	**(0.1)**	(0.9)	(1.2)
Included in investing activities:			
Purchase of property, plant and equipment	**(4.5)**	(8.3)	(14.2)
Disposal of property, plant and equipment	**0.8**	0.4	1.9
Purchase of intangible assets	**(0.6)**	(0.6)	(1.1)
Finance leases	**(0.1)**	(0.3)	(0.8)
Operating cash flow	**34.0**	19.1	62.2

Free cash flow

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Net cash from operating activities	**34.1**	17.9	55.8
Add back:			
Cash outflow on exceptional items (current year and prior year)	**1.7**	5.1	10.4
Included in investing activities:			
Purchase of property, plant and equipment	**(4.5)**	(8.3)	(14.2)
Disposal of property, plant and equipment	**0.8**	0.4	1.9
Purchase of intangible assets	**(0.6)**	(0.6)	(1.1)
Finance leases	**(0.1)**	(0.3)	(0.8)
Interest received	**0.2**	0.3	0.5
Included in financing activities:			
Interest paid	**(7.7)**	(7.3)	(13.7)
Free cash flow	**23.9**	7.2	38.8

EBITDA

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Operating profit/(loss)	**22.4**	(15.6)	(14.7)
Depreciation, amortisation and impairment charges	**17.4**	34.6	63.1
Exceptional items (excluding impairment charges)	**(2.6)**	7.9	12.9
EBITDA	**37.2**	26.9	61.3

Net debt

A reconciliation is provided in note 14.

2. Changes in accounting policies

In March 2016, the IFRS IC issued an agenda decision in respect of the treatment of cash pooling arrangements clarifying in which circumstances these can be offset in accordance with IAS 32 ‘Financial Instruments: Presentation’. It was determined that where a Group does not expect to settle subsidiaries’ bank balances on a net basis, these balances cannot be offset. In response to this, the Group has reviewed its cash pooling arrangements which has resulted in changes to the amounts that can be offset. Comparative information for the half year ended 29 February 2016 has been restated. The impact of this change on 2016 is to increase both cash and cash equivalents and current borrowings in the Consolidated balance sheet by £8.7m. There was no overall impact on net debt or net assets.

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

AEP provides high value-added solutions using advanced polymeric materials in three related product areas:

- Advanced Sealing Technologies (seals for upstream/midstream oil & gas and petrochemicals; and seals for fluid power);
- Precision Polymers (precision belts for power transmission and motion control; elastomeric solutions; and specialist hoses); and
- Solesis Medical Technologies (biomedical textile components and biomaterials; and single-use products for blood management, bioprocessing and cell therapy).

Engineered Conveyor Solutions

ECS manufactures rubber ply, solid woven and steel cord heavyweight conveyor belt for the mining, industrial and bulk handling markets. ECS also provides related conveyor services such as maintenance, design and installation.

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, customer types and regulatory environments.

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.

Segment results are analysed as follows:

	Half year ended 28 February 2017			
	Advanced Engineered Products £m	**Engineered Conveyor Solutions £m**	**Unallocated Corporate £m**	**Total £m**
Total segment revenue	**136.9**	**170.5**	**-**	**307.4**
Operating profit before amortisation of intangible assets acquired and exceptional items	**17.9**	**10.4**	**(4.3)**	**24.0**
Amortisation of intangible assets acquired	**(3.5)**	**(0.7)**	**-**	**(4.2)**
Exceptional items	**4.1**	**-**	**(1.5)**	**2.6**
Operating profit/(loss)	**18.5**	**9.7**	**(5.8)**	**22.4**
Net finance costs				**(8.6)**
Taxation				**(3.0)**
Profit for the period				**10.8**

	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)

3. Segment information continued

	Year ended 31 August 2016			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Total segment revenue	250.7	321.8	-	572.5
Operating profit before amortisation of intangible assets acquired and exceptional items	29.9	14.2	(7.0)	37.1
Amortisation of intangible assets acquired	(6.3)	(4.7)	-	(11.0)
Exceptional items	(8.7)	(30.8)	(1.3)	(40.8)
Operating profit/(loss)	14.9	(21.3)	(8.3)	(14.7)
Net finance costs				(15.6)
Taxation				5.0
Loss for the period				(25.3)

Segment assets and liabilities are analysed as follows:

	28 February 2017			
	Advanced Engineered Products £m	**Engineered Conveyor Solutions £m**	**Unallocated Corporate £m**	**Total £m**
Assets				
Property, plant and equipment	**83.5**	**148.4**	**1.0**	**232.9**
Intangible assets	**137.0**	**44.9**	**-**	**181.9**
Inventories	**33.4**	**48.0**	**-**	**81.4**
Trade and other receivables	**48.0**	**63.3**	**1.7**	**113.0**
Intra-group receivables	**0.1**	**-**	**(0.1)**	**-**
Segment assets	**302.0**	**304.6**	**2.6**	**609.2**
Unallocated assets				**144.5**
Total assets				**753.7**
Liabilities				
Trade and other payables	**36.3**	**85.3**	**12.2**	**133.8**
Intra-group payables	**1.4**	**1.6**	**(3.0)**	**-**
Segment liabilities	**37.7**	**86.9**	**9.2**	**133.8**
Unallocated liabilities				**309.0**
Total liabilities				**442.8**

	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
Intra-group receivables	0.1	0.1	(0.2)	-
Segment assets	286.4	302.0	3.0	591.4
Unallocated assets				122.2
Total assets				713.6
Liabilities				
Trade and other payables	34.4	74.9	22.1	131.4
Intra-group payables	1.4	0.9	(2.3)	-
Segment liabilities	35.8	75.8	19.8	131.4
Unallocated liabilities				296.7
Total liabilities				428.1

3. Segment information continued

	31 August 2016			
	Advanced Engineered Products £m	Engineered Conveyor Solutions £m	Unallocated Corporate £m	Total £m
Assets				
Property, plant and equipment	81.8	146.0	1.0	228.8
Intangible assets	134.3	44.0	-	178.3
Inventories	32.2	43.1	-	75.3
Trade and other receivables	40.3	61.8	2.8	104.9
Assets held for sale	2.2	-	-	2.2
Intra-group receivables	0.1	0.1	(0.2)	-
Segment assets	290.9	295.0	3.6	589.5
Unallocated assets				130.8
Total assets				720.3
Liabilities				
Trade and other payables	35.4	75.1	7.8	118.3
Liabilities held for sale	1.0	-	-	1.0
Intra-group payables	1.4	1.5	(2.9)	-
Segment liabilities	37.8	76.6	4.9	119.3
Unallocated liabilities				322.3
Total liabilities				441.6

Unallocated assets comprise deferred tax assets, current tax assets, derivative financial 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 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
(Credited)/charged to operating profit			
Profit on disposal of businesses	**(4.1)**	-	-
Employment costs	**1.5**	-	-
Restructuring costs	**-**	9.5	15.8
Impairment of goodwill and intangible assets acquired	**-**	14.5	25.0
Impairment of trade receivables	**-**	1.1	-
Total exceptional (credit)/charge	**(2.6)**	25.1	40.8
Credited to taxation			
Taxation on exceptional items (credited)/charged to operating profit	**(0.3)**	(4.6)	(7.1)

Profit on disposal of businesses relates to the disposals during the period of Xeridiem Medical Devices, Inc (£5.1m profit) and CDI Energy Products AS (£1.0m loss). Further details can be found in note 18.

Employment costs relate to contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson. The amount is held within provisions and is payable after the half year end.

5. Finance income

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Bank interest receivable	**0.2**	0.3	0.5

6. Finance costs

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Interest payable on bank overdrafts and loans	**1.2**	1.9	3.4
Interest payable on other loans	**6.5**	5.5	11.2
	7.7	7.4	14.6
Less amounts capitalised on qualifying assets	**-**	(0.2)	(0.2)
Interest payable	**7.7**	7.2	14.4
Interest on defined benefit post-retirement schemes	**0.4**	0.4	0.8
Interest on the unwinding of discount on provisions	**0.2**	0.4	0.8
Finance charge/(credit) on redemption liability on acquisitions	**0.5**	(0.2)	0.1
Notional interest	**1.1**	0.6	1.7
Total finance costs	**8.8**	7.8	16.1

7. Taxation

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
UK taxation	**1.3**	-	(0.4)
Overseas taxation	**1.7**	(4.6)	(4.6)
Total taxation charge/(credit)	**3.0**	(4.6)	(5.0)

The taxation charge/(credit) includes credits of £0.3m (2016: £4.6m) in respect of exceptional items, £0.3m (2016: £1.9m) in respect of amortisation of intangible assets acquired and £nil (2016: £0.1m) in respect of notional interest.

The underlying taxation charge was £3.6m (2016: £2.0m) and is calculated based on the estimated underlying effective tax rate for the full year of 22% (2016: 25%).

8. Dividends

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Dividends paid or 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
Final dividend for the year ended 31 August 2016 of 2.0p (2015: 8.0p) per share	**3.9**	15.5	15.5
	5.8	23.3	23.3
Dividends neither paid nor approved in the period			
Interim dividend for the year ended 31 August 2017 of 1.4p (2016: 1.0p) per share	**2.7**	1.9	1.9

The interim dividend for the year ended 31 August 2016 was paid on 7 September 2016. The final dividend for the year ended 31 August 2016 was approved by shareholders at the Annual General Meeting on 11 January 2017 and was paid on 9 March 2017. The interim dividend for the year ending 31 August 2017 is due for payment on 7 September 2017 and so has not been recognised as a liability at 28 February 2017. It will be paid to shareholders on the register on 28 July 2017.

9. Earnings per share

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Earnings			
Profit/(loss) for the period attributable to owners of the parent	**10.2**	(19.0)	(26.3)
Amortisation of intangible assets acquired	**4.2**	5.5	11.0
Exceptional items	**(2.6)**	25.1	40.8
Notional interest	**1.1**	0.6	1.7
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest (note 7)	**(0.6)**	(6.6)	(10.9)
Profit for the period before amortisation of intangible assets acquired, exceptional items and notional interest	**12.3**	5.6	16.3

	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	**193,888,564**	193,888,564	193,888,564
Effect of contingent long-term incentive plans	**1,078,725**	-	-
Weighted average number of shares in issue - Diluted	**194,967,289**	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)	**6.3**	2.9	8.4
Underlying - Diluted (before amortisation of intangible assets acquired, exceptional items and notional interest)	**6.3**	2.9	8.4
Basic	**5.3**	(9.8)	(13.6)
Diluted	**5.2**	(9.8)	(13.6)

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

Movements in the period are as follows:

	£m
At 1 September 2016	228.8
Additions	4.6
Disposals	(0.7)
Depreciation	(12.0)
Exchange movements	12.2
At 28 February 2017	**232.9**

11. Intangible assets

Movements in the period are as follows:

	£m
At 1 September 2016	178.3
Additions	0.6
Disposal of businesses	(0.1)
Amortisation	(5.4)
Exchange movements	8.5
At 28 February 2017	**181.9**

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 2016.

The principal financial assumptions used for the schemes in the UK and the Netherlands, compared to the 2016 year end, are as follows:

	28 February 2017		31 August 2016	
	UK	Netherlands	UK	Netherlands
Discount rate	2.5%	2.0%	2.0%	1.2%
Inflation rate - RPI	3.3%	n/a	2.8%	n/a
Inflation rate - CPI	2.6%	2.0%	2.1%	2.0%
Rate of increase in salaries	4.3%	2.0%	3.8%	2.5%
Rate of increase in benefits in payment subject to Limited Price Index increases:				
- capped at 5.0% (based on RPI)	3.1%	n/a	2.7%	n/a
- capped at 2.5% (based on RPI)	2.1%	n/a	1.9%	n/a
- capped at 3.0% (based on CPI)	2.1%	n/a	1.8%	n/a

Movements in the period are as follows:

	£m
At 1 September 2016	49.0
Charged to operating profit	1.5
Notional interest	0.4
Remeasurements	(10.5)
Employer contributions	(2.3)
Exchange movements	0.2
At 28 February 2017	**38.3**

The remeasurements comprise a decrease in liabilities of £16.8m due to changes in assumptions, principally the discount rate due to an increase in corporate bond yields, less a reduction in plan assets of £6.3m, principally on insurance policies in the Netherlands.

13. Provisions

Movements in the period are as follows:

	Employment costs £m	Restructuring costs £m	Property and environmental £m	Redemption liability on acquisitions £m	Total £m
At 1 September 2016	-	4.0	0.7	13.2	17.9
Provisions created during the period	1.5	-	-	-	1.5
Provisions utilised during the period	-	(1.7)	(0.1)	(14.4)	(16.2)
Notional interest on the unwinding of discount	-	-	-	0.2	0.2
Notional finance charge on redemption liability	-	-	-	0.5	0.5
Exchange movements	-	0.2	-	0.5	0.7
At 28 February 2017	**1.5**	**2.5**	**0.6**	**-**	**4.6**

Provisions represent the best estimate of obligations at the balance sheet date. Where the effect of discounting is material, provisions have been discounted at a suitable pre-tax rate based on borrowings that match the maturity of the amounts being discounted, to reflect the risks associated with future cash flows.

The employment costs provision relates to contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson. The restructuring costs provision principally relates to costs associated with the restructuring and closure of operations. The redemption liability on acquisitions related to the obligation in respect of put and call options in relation to the purchase of non-controlling interests in acquisitions. The put and call options were exercised in November 2016 on completion of the acquisition of the remaining non-controlling interests in Belle Banne Conveyor Services Pty Limited and Leading Edge Conveyor Services Pty Limited.

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

	Half year ended 28 February 2017 £m	Half year ended 29 February 2016 £m	Year ended 31 August 2016 £m
Net increase/(decrease) in cash and cash equivalents	**10.9**	(18.2)	(19.6)
(Increase)/decrease in borrowings resulting from cash flows	**(0.1)**	17.1	29.1
Movement in net debt resulting from cash flows	**10.8**	(1.1)	9.5
Finance leases	**(0.1)**	(0.3)	(0.8)
Exchange movements	**(5.4)**	(15.6)	(20.7)
Movement in net debt in the period	**5.3**	(17.0)	(12.0)
Net debt at start of period	**(150.0)**	(138.0)	(138.0)
Net debt at end of period	**(144.7)**	(155.0)	(150.0)

Net debt is analysed as follows:

	28 February 2017 £m	Restated (note 2) 29 February 2016 £m	31 August 2016 £m
Cash and cash equivalents	**116.1**	90.9	94.9
Current borrowings	**(97.2)**	(34.5)	(76.7)
Non-current borrowings	**(163.6)**	(211.4)	(168.2)
	(144.7)	(155.0)	(150.0)

15. Derivative financial instruments

Derivative financial instruments comprise current assets of £nil (2016 year end: £0.6m) and current liabilities of £1.1m (2016 year end: £1.1m).

Movements in the period are as follows:

	Forward currency contracts £m	Currency swaps - cash flow hedges £m	Currency swaps - net investment hedges £m	Total £m
At 1 September 2016	1.1	(0.1)	(0.5)	0.5
Credited to income statement	(0.5)	-	-	(0.5)
Charged to other comprehensive income	-	0.3	0.8	1.1
At 28 February 2017	**0.6**	**0.2**	**0.3**	**1.1**

16. Financial instruments

Hedging

Group financial instruments denominated in US dollars, euros and Norwegian krone are designated as hedges of the net investment in overseas subsidiaries. The overall loss on translation to sterling at 28 February 2017 of £9.2m (2016: £20.0m) has been recognised as a net investment hedge loss in the hedging reserve in other comprehensive income. This comprises a loss of £0.8m (2016: £0.1m gain) in respect of derivative financial instruments (note 15) and a loss of £8.4m (2016: £20.1m) in respect of borrowings.

The overall cash flow hedge loss of £0.3m (2016: £nil), recognised in the hedging reserve in other comprehensive income, is in respect of derivative financial instruments (note 15).

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

Fair values for financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs that are not based on observable market data.

Financial instruments comprise cash and cash equivalents, current and non-current borrowings, trade and other receivables, trade and other payables, provisions and derivative financial instruments. At 28 February 2017, all financial instruments are measured at fair value using level 2 observable inputs. In the prior year, redemption liability on acquisitions, within provisions, was measured using level 3 unobservable inputs; this was utilised in full during the period (note 13).

16. Financial instruments continued

The carrying amount and fair value of borrowings is as follows:

	28 February 2017		Restated (note 2) 29 February 2016		31 August 2016	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Current borrowings	**97.2**	**97.7**	34.5	34.5	76.7	78.5
Non-current borrowings	**163.6**	**174.5**	211.4	229.7	168.2	183.4
	260.8	**272.2**	245.9	264.2	244.9	261.9

There is no material difference between the carrying amount and fair value of cash and cash equivalents, trade and other receivables, trade and other payables, provisions or derivative financial instruments.

17. Acquisitions

On 1 November 2016, the Group acquired the remaining non-controlling interests in Belle Banne Conveyor Services Pty Limited and Leading Edge Conveyor Services Pty Limited, both located in Australia, following the vendors exercising their put options granted in November 2010 (the date the Group acquired its controlling interest) for a cash consideration of £14.4m.

18. Disposals

On 1 September 2016, the Group disposed of Xeridiem Medical Devices, Inc, a manufacturer of minimally invasive catheter and other single-use medical devices, located in Arizona, USA.

On 13 February 2017, the Group disposed of CDI Energy Products AS, a distributor of seals, principally to the North Sea oil & gas industry, located in Norway.

The results of neither Xeridiem Medical Devices nor CDI Energy Products have been disclosed as discontinued operations since neither represented a separate major line of business or geographical area of operation, did not form part of a single coordinated plan to dispose of such operations and were not acquired exclusively with a view to resale.

Details of the assets and liabilities disposed of are as follows:

	Xeridiem Medical Devices £m	CDI Energy Products £m	Total £m
Property, plant and equipment	0.2	-	0.2
Intangible assets	-	0.1	0.1
Inventories	0.8	0.4	1.2
Trade and other receivables	1.2	0.4	1.6
Cash and cash equivalents	-	0.6	0.6
Trade and other payables	(1.0)	(0.4)	(1.4)
Total net assets disposed	**1.2**	**1.1**	**2.3**
Cash proceeds net of expenses	6.3	0.1	6.4
Profit/(loss) on disposal of businesses	**5.1**	**(1.0)**	**4.1**

The effect on the cash flow statement is as follows:

	Xeridiem Medical Devices £m	CDI Energy Products £m	Total £m
Cash proceeds net of expenses	6.3	0.1	6.4
Cash and cash equivalents disposed	-	(0.6)	(0.6)
Net cash flow	**6.3**	**(0.5)**	**5.8**

19. 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 small 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.

20. 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.

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; and
- 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 are as stated in the 2016 Annual Report, except for Michael E. Ducey who was appointed as a non-executive director on 11 January 2017. In addition, on 20 December 2016, Vanda Murray became Non-Executive Chairman having previously been Acting Non-Executive Chairman, Geraint Anderson replaced Vanda Murray as Chairman of the Remuneration Committee and Chris Surch replaced Vanda Murray as Senior Independent Director. A list of current directors is maintained on the Fenner PLC website at www.fenner.com.

By order of the Board

Vanda Murray OBE	John Pratt
Chairman	Group Finance Director
19 April 2017	19 April 2017