15 November 2017

Fenner PLC

2017 Full Year Results

Highlights

Year ended 31 August	**2017**	2016	Change
Revenue	**£655.4m**	£572.5m	+ 14%
Underlying operating profit	**£59.1m**	£37.1m	+ 59%
Operating profit/(loss)	**£53.4m**	£(14.7)m	+ £68.1m
Underlying profit before taxation	**£45.3m**	£23.2m	+ 95%
Profit/(loss) before taxation	**£38.1m**	£(30.3)m	+ £68.4m
Underlying earnings per share	**17.7p**	8.4p	+ 111%
Earnings/(loss) per share	**17.6p**	(13.6)p	+ 31.2p
Dividend per share	**4.2p**	3.0p	+ 40%
Free cash flow	**£69.0m**	£38.8m	+ 78%

Alternative performance measures

Underlying and non-GAAP measures (including constant currency and like-for-like revenue) 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 can be found in Alternative Performance Measures in Note 2.

- Significantly improved results as the Group moves from recovery towards sustainable growth
- Underlying profit before taxation of £45.3m (up 95%) and underlying earnings per share of 17.7p (up 111%)
- Free cash flow of £69.0m (up 78%); net debt of £101.5m (2016: £150.0m), representing 1.2 times EBITDA
- AEP like-for-like revenue up by 11%; underlying operating profit of £43.9m (up 29% at constant currencies)
- ECS underlying operating profit of £24.1m (up 46% at constant currencies)
- Significant increases in underlying operating margins; AEP 14.9% (+2.7 pcp), ECS 6.7% (+2.2 pcp) and Group 9.0% (+2.3 pcp)
- Increased final dividend of 2.8p (up 40%) making total dividend for the year of 4.2p

Mark Abrahams, Chief Executive Officer, commented:

“The Group’s results for 2017 show significant improvements over the previous year on all measures. These improvements illustrate the strength of the Group’s responses to the difficult trading conditions faced by the Group in many of its principal markets over recent years and particularly reflect our continuing commitments to customer service, product development and operating efficiency.

As we enter the new year, the outlook is strengthening. The Group’s momentum is being maintained with each of our businesses seeing opportunities and encouraging developments.

We believe the coming year will see further progress across the Group, notwithstanding the significant macro-economic uncertainties around the world. Overall, given the structural growth opportunities that the Group has created, the Board anticipates that the outcome will be above its previous expectations.”

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 9.15 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
)
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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. *AEP is a group of related growth businesses that use advanced polymeric materials and technical expertise to provide high value-added solutions to global business customers; its principal product areas are sealing systems; belts, hoses and elastomeric solutions; and medical.*

Engineered Conveyor Solutions. *ECS is an established leader in the supply of industry-leading heavyweight conveyor belting and related services to mining and industrial markets. ECS is a global business with particular strengths in Australia, Europe and North America.*

Forward looking statements

Certain statements contained in this Report, in particular Outlook, 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.

Operating review

Introduction

The Group's results for 2017 show significant improvements over the previous year on all measures and, in particular, in terms of operating margin, operating cash flow, earnings and return on capital.

The improvements achieved illustrate the strength of the Group's responses to the difficult trading conditions faced by the Group in many of its principal markets over recent years and particularly reflect our continuing commitments to customer service, product development and operating efficiency. Whilst there were some improvements in the markets in which the Group operates, these were patchy and the earlier months of the year, in particular, saw some softness.

The Group's results are summarised in the table below.

	Advanced Engineered Products		Engineered Conveyor Solutions		Unallocated Corporate		Total	
At constant currencies	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Revenue	**294.0**	279.5	**361.4**	369.3	**-**	-	**655.4**	648.8
Underlying operating profit	**43.9**	34.1	**24.1**	16.5	**(8.9)**	(7.1)	**59.1**	43.5
Underlying operating margin	**14.9%**	12.2%	**6.7%**	4.5%			**9.0%**	6.7%
Operating profit/(loss) *	**41.1**	14.9	**22.7**	(21.3)	**(10.4)**	(8.3)	**53.4**	(14.7)

* as reported

Revenue for the year was £655.4m (2016: £572.5m), an increase of 14%. There were significant increases in profit and earnings. Underlying profit before taxation was £45.3m (2016: £23.2m), an increase of 95%, and underlying earnings per share was 17.7p (2016: 8.4p), an increase of 111%. Profit before taxation was £38.1m (2016: £30.3m loss) and earnings per share was 17.6p (2016: 13.6p loss).

Both AEP and ECS produced significantly stronger results.

In AEP, revenue rose to £294.0m. After taking into account currency movements and businesses sold or closed, this represents an increase of 11%. AEP's underlying operating profit was £43.9m (2016: £34.1m at constant currencies), an increase of 29%, and underlying operating margin was 14.9% (2016: 12.2% at constant currencies), an increase of 2.7 percentage points. Operating profit was £41.1m (2016: £14.9m).

All of AEP's product areas showed marked increases but with particular highlights being the strong performance by its US oil & gas businesses, which have significantly increased market shares as a result of investment in new materials and the strength of their customer relationships, and by AEP's medical businesses, which have continued to grow and whose future prospects have further strengthened through customer and product developments.

ECS achieved much higher profitability despite higher raw material prices and the mining supplies market showing few signs of sustained recovery. Underlying operating profit was £24.1m (2016: £16.5m at constant currencies), an increase of 46%, and underlying operating margin was 6.7% (2016: 4.5% at constant currencies), an increase of 2.2 percentage points. Operating profit was £22.7m (2016: £21.3m loss).

ECS's American business produced a much higher profit as its results benefitted from restructuring and its refocusing towards industrial markets. In Australia, revenue, profit and margin all improved, reflecting continued efficiency gains and the strength of our relationships with the mining majors; the final quarter of the year saw an encouraging trend with increased customer enquiries and a slowly improving order flow.

Net debt was reduced by £48.5m to £101.5m, with the ratio of net debt to EBITDA reduced to 1.2 times (2016: 2.4 times). The Group's free cash flow was £69.0m, up from £38.8m in 2016, benefitting from the higher underlying operating profit and continued tight control of working capital.

Outlook

As we enter the new year, the outlook is strengthening. The Group's momentum is being maintained with each of our businesses seeing opportunities and encouraging developments.

In Advanced Sealing Technologies, the disruption from storms Harvey and Irma were taken in our stride due to careful planning, whilst the benefits of market share gains combined with improved market dynamics should lead to further advancement this year.

Solesis Medical has recently seen the benefit of product developments advancing from its pipeline towards commercialisation. This should support our progress over the next two years, accelerating our growth rate over that period.

Precision Polymers is growing steadily as it sees acceptance of new product developments as well as the benefits of integrating Revolution Drives.

In ECS, our customers have seen a steadier background to their markets. Whilst it will take a little time to feed through into demand for our products, the need for new mining developments is increasingly on the agenda, as is the requirement for innovative ways to reduce our customers' handling costs. Taken together, these factors lead us to believe that we are through the nadir of the cycle.

We believe the coming year will see further progress across the Group, notwithstanding the significant macro-economic uncertainties around the world. Overall, given the structural growth opportunities that the Group has created, the Board anticipates that the outcome will be above its previous expectations.

Divisional reviews

AEP

In 2017, AEP generated sharply improved results in terms of revenue, profit and margin.

Revenue was £294.0m (2016: £279.5m at constant currencies). After adjusting for businesses sold or closed, revenue increased by 11%.

Of AEP's three product groups, Advanced Sealing Technologies generated 44% of AEP's revenue in 2017; Precision Polymers 37%; and Solesis Medical 19%.

Underlying operating profit was £43.9m (2016: £34.1m at constant currencies), an increase of 29%. Underlying operating margin was 14.9% (2016: 12.2% at constant currencies), an increase of 2.7 percentage points. Operating cash flow also significantly improved to £50.9m (2016: £34.2m), an increase of 49% and representing 116% of underlying operating profit. Operating profit was £41.1m (2016: £14.9m).

Advanced Sealing Technologies

Advanced Sealing Technologies ("AST"), the largest product group within AEP, designs and manufactures performance-critical seals for use in oil & gas and fluid power applications and precision machined polymer components. In 2017, like-for-like revenue was £129.0m (2016: £109.9m at constant currencies), an increase of 17%.

CDI and EGC supply seals to the oil & gas industry and together accounted for approximately one-half of AST revenue.

CDI (custom seals for upstream oil & gas) is the Group's largest oil & gas business, with its principal operation in Texas, USA. CDI's revenue was significantly ahead of the previous year, with profit and margin showing even greater proportionate improvements.

In the USA, CDI has outperformed its competitors and increased its share of its target markets, as its continued investments in material sciences and product development enabled it to meet the more stringent demands of the US fracking industry where changes in technical specifications for sealing systems have arisen, in particular as a consequence of wells operating at higher temperatures and pressures.

As a result, CDI has significantly strengthened its relationships with its key customers, which include all principal US oilfield service companies and OEMs. CDI is therefore well positioned to benefit from further recovery and growth in the fracking industry in the USA and globally.

CDI's operations in the Far East, headquartered in Singapore, serve the oil & gas industry in the Middle East and Asia. General economic and political uncertainties and customer specific issues have dampened demand and, for the region as a whole, performance was flat compared with the previous year. In Europe, CDI completed the restructuring of its operations in February 2017 with the sale of the Norwegian business, a distributor of seals primarily to the North Sea oil & gas industry.

EGC (seals and other components for fluid handling in midstream/downstream oil & gas) continued to make progress in establishing a strong international customer base and technologically advanced products. Its end markets in downstream oil & gas have shown early signs of improvement with the US refining industry adjusting to lower oil & gas prices. Overall, EGC's revenue was slightly ahead of the previous year.

Towards the end of the financial year, both CDI and EGC encountered some disruption to their operations in Houston from Hurricane Harvey, although careful planning substantially mitigated the impact.

Hallite (seals for fluid power) achieved higher revenue and markedly higher profit, meaning that its margin was close to the average for AEP as a whole. Hallite successfully further broadened its product range and geographical coverage and increased penetration at targeted OEMs. Stronger sales to customers serving the construction industry more than offset weaknesses in sales to other sectors. The increase in margin was also assisted by further improvements in operating efficiencies and reduced costs within its supply chain.

AIP (precision machined polymer components) is the smallest business within AST. AIP recorded modest declines in revenue and profit as it continued to transition away from its traditional customer base in the energy industry to newer markets including medical, aerospace and specialist industrial.

Precision Polymers

Precision Polymers produces a range of specialist belts for motion control, hoses and other high value-added elastomeric solutions which are used across a range of industries and applications.

In 2017, revenue was £109.1m (2016: £101.8m at constant currencies), an increase of 7%. Profit was ahead of the previous year, although the improvement was held back by a lower result in Mandals. Precision Polymers US and Precision Polymers UK both generated higher margins and continued to achieve attractive returns on capital.

In 2017, Precision Polymers US achieved higher profit on revenue which was in line with the previous year. Financial performance improved as the year progressed, with the earlier months of the year being held back by lower sales of bespoke belts to certain key customers and general economic uncertainty in the USA ahead of the Presidential election. Subsequently, order intake improved with the strengthening of the US economy. As expected, there were gains in operating efficiencies arising from the combination of Fenner Drives and Fenner Precision which took place in 2016.

Revolution Drives was acquired in August 2017; it is a small specialist precision polymers business focused on power transmission and motion control solutions. The business is in the process of being integrated into Precision Polymers US.

Precision Polymers UK achieved improved revenue and profit, reflecting in particular a strong performance by the UK elastomeric solutions business, which has successfully increased its range of innovative problem-solving polymer products and grown its customer base amongst OEMs in the UK and Europe. Revenue from hoses for high-performance diesel engines was ahead of the previous year, reflecting stronger demand for commercial vehicles used in the construction industry in the UK and Europe; there was also an improved performance from the hose operation in China.

Mandals (lay-flat hoses) saw an increase in revenue which arose mainly from sales of hose for use in agricultural and industrial applications in Europe and the Americas. Sales of hose into the US unconventional oil & gas industry for use in fracking increased from the very low level of the previous year but remain challenging. Overall, the results remained subdued. With effect from the start of the new financial year, Mandals was transferred into AST; this is intended to help drive Mandals' sales in the US and Latin American fracking markets by leveraging AST's extensive global network in the oil & gas industry.

Solesis Medical

Solesis Medical comprises Secant Group and Charter Medical, both of which are located in the USA. The businesses build upon Fenner's expertise in polymers and textiles to design and manufacture components with an emphasis on implantable biomedical device technologies and single-use disposables; the components are generally used by OEMs in the life sciences industry.

In 2017, Solesis Medical recorded revenue of £55.0m (2016: £51.5m on a like-for-like basis at constant currencies), an increase of 7%. Profit and margin increased strongly during the year.

Secant Group (biomedical textile components and biomaterials) had a transformational year in which it completed its move to new, purpose-built and industry-leading premises which has assisted in reinforcing Secant Group's position as the leading independent supplier of implantable medical textiles. During the year, Secant Group has continued to expand its customer base which includes both a significant number of medical majors and also early stage start-up companies. Secant Group has strengthened its product development pipeline with particular emphasis on advanced biomaterials for use in regenerative medicine. Secant Technical Materials has been established to find opportunities for Secant Group's expertise in applications outside the medical industry, including space, energy and filtration.

Secant Group's financial performance was strongly ahead in the year with marked increases in profit and margin. Revenue growth was weighted towards the second half of the year as various new products approached the commercialisation stage. The higher profitability also reflected improved mix and operating efficiencies.

Charter Medical (single-use products for blood management, bio-processing and cell therapy) saw solid revenues from its blood management business and made significant progress in the development of its range of products for use in cell therapy applications and in enhancing key customer relationships. Revenue was in line with the previous year but with an improvement in the mix of business towards the growing and more profitable areas. Accordingly, profit was ahead, despite higher investment in product development.

Xeridiem Medical Devices was sold at the start of the financial year.

ECS

In 2017, ECS generated sharply higher underlying operating profit and operating margin, as it benefitted from its continuous improvement programmes and specific initiatives implemented in 2016. Higher prices for raw materials on world markets have been managed.

Underlying operating profit was £24.1m (2016: £16.5m at constant currencies), an increase of 46%. Underlying operating margin was 6.7% (2016: 4.5% at constant currencies), an increase of 2.2 percentage points. Operating profit was £22.7m (2016: £21.3m loss).

Revenue for the year was £361.4m (2016: £367.0m on a like-for-like basis at constant currencies), split approximately equally between the Northern and Southern Hemispheres. Despite higher sales to the industrial segment, total revenue fell slightly as the mining industry remained focused on cost such that improvements in miners' sentiment have not yet been reflected in purchases of belt.

Cash flow was again strong. Operating cash flow increased to £38.2m (2016: £34.9m), representing 159% of underlying operating profit, due to the higher underlying operating profit and continuing disciplined use of capital.

As it enters the new financial year, ECS will benefit further from its on-going programmes of efficiency and product development; there are indications that market conditions are improving with continued growth in industrial production and, within the mining industry, belt destocking having come to an end together with signs that expenditure on new mining developments is being more actively considered.

Northern Hemisphere

Revenue was £184.0m (2016: £190.2m on a like-for-like basis at constant currencies), a decrease of 3%. For the year, the Northern Hemisphere accounted for 51% of ECS's revenue. Profit rose significantly compared to the previous year due to the recovery in profits in North America.

Americas

ECS Americas continued to benefit from the refocusing and restructuring of the business, announced in January 2016. Profit was much ahead of the previous year, reflecting the increased efficiency of operations, despite revenue being slightly lower.

The business continues to place high emphasis on growing its sales to the industrial segments of the belting market which includes customers engaged in construction, building materials and agriculture; revenue from these segments increased over the period, partly offset by lower sales to non-coal mining customers.

ECS has continued to enlarge its product range for industrial users and to enhance its distributor network through which these end-users are generally accessed. In July 2017, ECS launched its "Patriot X" range of belts, which provide ECS's US customers with domestically manufactured belts for light to medium industrial

applications. The new range of belting offers higher performance in terms of rip, tear and impact resistance than is available from other suppliers in that market segment.

During the year, the US coal mining industry experienced a recovery from the very low levels of the previous year, with both coal prices and extraction volumes increasing. With their improved cash flows and prospects, coal mining groups were generally more able to replace worn-out belts which led to a pick-up in ECS's order intake; however, the business remains cautious over the likelihood of further coal mining market recovery in the future.

Improved efficiencies led to significant reductions in costs compared with 2016; these were in addition to the annualisation of the benefit of headcount reductions and other savings arising from the 2016 restructuring. The on-going programme to increase cost effectiveness is expected to yield further benefits going forward.

As it enters the new financial year, there are indications that ECS Americas is on a sustainable path to return to historic margins on revenue that will grow more steadily from the current reduced level.

Europe

ECS's principal European operation, based at Drachten in the Netherlands, saw on-going subdued levels of demand from its customer base across Europe, North Africa and the Middle East with amounts of new project work remaining, by historic standards, at relatively low levels. ECS's Drachten facility continues to be one of the most productive plants in ECS and, in the prevailing market conditions, the result achieved was satisfactory and compares well with other European belt manufacturers.

The UK business produced revenues in line with the previous year, despite the difficult conditions in a number of the export markets which it serves.

Southern Hemisphere

In 2017, revenue was virtually unchanged at £177.4m (2016: £176.8m at constant currencies), which represented 49% of ECS's revenue. Profit and margin were ahead of the previous year.

Australia

ECS's business in Australia is by far the largest part of ECS Southern Hemisphere in terms of revenue and profit; the business is focused on the metallurgical and thermal coal and iron ore mining industries.

During the year, ECS Australia increased revenue, profit and margin. Sentiment in the Australian mining industry improved as commodity prices rose sharply over the year and extraction volumes remained on upward growth trajectories, albeit at reduced rates compared with earlier years. However, mining groups generally remained highly focused on costs and cash flows, with the principal upward pressure on belt volumes coming from the progressive ending of de-stocking.

Revenue arising from new mining projects remained at relatively low levels although, by the end of the year, customer enquiries were increasing.

As in recent years, competitive pressure on belt supply and service contracts remained strong; however, ECS Australia successfully maintained its clear market leadership, assisted by its local manufacturing presence, high standards of customer service and on-going measures to increase operational efficiencies. Relationships with mining customers were strengthened by the business's ability to respond flexibly to shortened order lead times and various periods of intense weather.

During the year, the Group acquired the outstanding non-controlling interests in Belle Banne Conveyor Services and Leading Edge Conveyor Services ("BBCS and LECS"), both conveyor service businesses located in Australia.

As the year ended, continued strength in the seaborne markets for Australian iron ore and coal (in particular, metallurgical coal) were being increasingly reflected in the level of enquiries received, including in relation to new mining developments.

RSA

ECS's business in RSA achieved results ahead of the previous year due to a recovery in the domestic mining industry; however, the return generated was held back by nationwide labour disruption across the mining industry in RSA and by higher raw material costs.

In July 2017, the business signed a long-term supply agreement under which Fenner conveyor belt will be distributed in RSA and other sub-Saharan countries by a partner which has a well-established branch and distributor network throughout the region. Under this agreement, Fenner will transfer its sales branches and service operations in the region to its partner. The agreement presently remains conditional on the approval of competition authorities.

China

With the coal industry in China going through a significant restructuring, ECS recorded volumes and revenues which were below the previous year. In response, the business has implemented programmes to effect significant cost reductions.

Financial review

Revenue and operating profit

The Group reported a much improved operating performance. Growth in the AEP division has been encouraging and the margin improvement in the ECS division, notwithstanding generally lacklustre market conditions, has exceeded initial expectations.

Group revenue increased by 14% to £655.4m (2016: £572.5m). The favourable translation impact from movements in foreign exchange rates, which includes the effect of the devaluation of sterling following the UK's vote to leave the European Union, was £76.3m. Revenue on a like-for-like basis, excluding businesses which have been sold or closed, and measured at constant currencies, increased by 4%.

In the AEP division, revenue was £294.0m (2016: £279.5m at constant currencies). After adjusting for businesses sold or closed (the former CDI operations in the UK and Norway and Xeridiem Medical Devices), revenue grew by 11%. The results from our Advanced Sealing Technologies business improved significantly, benefiting from the recovery in oil & gas markets, market share gains and some re-stocking in the supply chain. Other notable growth was achieved by Solesis Medical, where a stronger second half benefitted from the timing of project demand for biomedical textiles.

In the ECS division, revenue was £361.4m (2016: £369.3m at constant currencies). Revenue reduced, despite gains in bulk material handling markets in North America and some improvement in the trading environment in Australia, due to lower demand from the Chinese coal industry, which continues to restructure, and from Africa, where non-coal mining project work remained scarce.

The Group's underlying operating profit increased by 59% to £59.1m (2016: £37.1m) or by 36% at constant currencies.

The AEP division's underlying operating profit increased by 29% to £43.9m (2016: £34.1m at constant currencies), benefitting from operational gearing on the incremental revenue and from management actions taken in the previous year. In the ECS division, underlying operating profit increased by 46% to £24.1m (2016: £16.5m at constant currencies) largely as a result of self-help measures implemented in the prior year.

Amortisation of intangible assets acquired fell to £8.3m (2016: £11.0m) due to impairments made in the previous financial year, principally in ECS Conveyor Services (Americas). The exceptional credit amounted to £2.6m (2016: £40.8m charge), comprising a profit on disposal of businesses of £4.1m less employment costs relating to the former Chief Executive Officer of £1.5m. Further details of exceptional items are provided in note 4.

The resultant operating profit was £41.1m (2016: £14.9m) in the AEP division, £22.7m (2016: £21.3m loss) in the ECS division and £53.4m (2016: £14.7m loss) for the Group.

Cash flow and net debt

The table below summarises the cash flows giving rise to the movement in net debt.

	2017 £m	2016 £m
Underlying operating profit	**59.1**	37.1
Depreciation	**26.5**	24.2
EBITDA	**85.6**	61.3
Capital expenditure	**(12.4)**	(16.1)
Capital disposals	**1.2**	1.9
Working capital	**7.5**	15.1
Operating cash flow	**81.9**	62.2
Taxation	**4.1**	(6.2)
Interest	**(14.7)**	(13.2)
Other movements	**(2.3)**	(4.0)
Free cash flow	**69.0**	38.8
Restructuring costs	**(2.2)**	(10.4)
Acquisition of businesses	**(15.2)**	(5.6)
Disposal of businesses	**5.8**	-
Dividends - Fenner shareholders	**(5.8)**	(23.3)
Dividends - non-controlling interests	**(1.0)**	(1.3)
Movement in net debt before currency	**50.6**	(1.8)
Settlement of derivatives	**-**	10.5
Currency movements	**(2.1)**	(20.7)
Movement in net debt	**48.5**	(12.0)
Net debt at start of year	**(150.0)**	(138.0)
Net debt at end of year	**(101.5)**	(150.0)

Free cash flow was exceptionally strong, increasing by 78% to £69.0m. The main contributory factors within operating cash flow were the significant increase in underlying operating profit combined with modest levels of capital expenditure (which was weighted towards the AEP division given the well invested ECS division) and the careful control of working capital. The inflow from taxation includes a one-off repayment in the USA of £7.8m from the carry back of prior year losses which arose principally from restructuring activities; excluding this amount, there was a tax outflow of £3.7m.

Restructuring costs incurred in the year relate to the payment of exceptional amounts provided in the previous year. Acquisition payments predominantly relate to acquiring the remaining non-controlling interests in BBCS and LECS plus a small amount for the initial payment for Revolution Drives. Disposal of businesses relates to Xeridiem Medical Devices and CDI Energy Products in Norway.

Overall, net debt reduced markedly during the year, closing at £101.5m, resulting in a much reduced net debt to EBITDA of 1.2 times (2016: 2.4 times).

Net finance costs

Finance costs, net of finance income, decreased by £0.3m to £15.3m (2016: £15.6m).

	2017 £m	2016 £m
Fixed rate debt	**11.6**	10.9
Floating rate debt	**2.0**	2.7
Loan and commitment fees	**0.8**	0.8
Less: interest receivable	**(0.6)**	(0.5)
Net interest payable	**13.8**	13.9
Notional interest	**1.5**	1.7
Net finance costs	**15.3**	15.6

The majority of the Group's net interest payable is at fixed interest rates, principally arising from the US dollar private placement loan notes. The remaining borrowings and cash deposits are at floating interest rates.

Whilst the underlying interest cost fell year on year, principally as a result of the repayment of $90m of private placement borrowings in June 2017, the part year impact is masked by less favourable exchange rate movements.

Notional interest comprises the net interest cost of defined benefit post-retirement schemes of £0.8m (2016: £0.8m) and, in relation to BBCS and LECS, the unwinding of the discount on deferred payments on acquiring the remaining non-controlling interests of £0.2m (2016: £0.8m) and a finance charge relating to the redemption liability of £0.5m (2016: £0.1m).

Taxation

The total tax charge for the Group is £3.8m (2016: £5.0m credit) on a profit before taxation of £38.1m (2016: £30.3m loss).

The net tax charge is split into:
• an underlying tax charge of £10.7m on underlying profit before taxation of £45.3m;
• a tax credit of £3.1m on exceptional items, amortisation of intangible assets acquired and notional interest; and
• an exceptional tax credit of £3.8m relating to current tax relief on prior year restructuring costs.

The underlying tax rate for the Group was 24% (2016: 25%). The underlying rate is a combination of the varying tax rates applicable in the countries in which the Group operates and, in any year, will depend on the mix of profits made in different countries. Whilst a large proportion of the Group's profits are generated in the USA, where the federal tax rate is currently 35%, the underlying rate is lower than this because tax losses not previously recognised have been utilised or recognised in the year. Moving forward, the Group's underlying tax rate is likely to increase towards 30%.

Earnings per share

Underlying basic earnings per share was 17.7p (2016: 8.4p) and basic earnings per share was 17.6p (2016: 13.6p loss). Further details are given in note 9.

Return on gross capital employed

The return on gross capital employed has increased to 12.7% (2016: 7.9%) due to a much improved underlying operating profit in both the AEP and ECS divisions.

Dividends

The interim dividend of 1.4p per share (2016: 1.0p) was paid on 7 September 2017. The Board is recommending a final dividend of 2.8p per share (2016: 2.0p) to make a total dividend for the year of 4.2p per share (2016: 3.0p). Dividend cover, defined as the ratio of underlying earnings per share to dividend per share, was 4.2 times (2016: 2.8 times). If approved by shareholders, the final dividend will be paid on 8 March 2018 to shareholders on the register on 26 January 2018.

The Board intends to continue to pursue a progressive dividend policy, reflective of the Group's earnings, prospects and financial strength.

When declaring or recommending future dividends, the Board will pay particular attention to maintaining appropriate levels of dividend cover based on the Group's earnings and cash flow. Other factors that will be taken into account include: the Group's indebtedness, cash reserves and available financing facilities; future cash commitments and investment plans; the principal risks and uncertainties facing the Group; and the level of distributable reserves in the parent company.

Acquisitions and disposals

In November 2016, the remaining non-controlling interests in BBCS and LECS, both based in Australia, were acquired for £14.4m. In August 2017, Revolution Drives, a small precision polymers business based in the USA, was acquired for £2.0m, comprising an initial payment of £0.8m and deferred payments of £1.2m.

The momentum gained in transforming the Group's profitability and cash conversion will assist the Group in pursuing further growth initiatives. Future acquisitions are more likely to be focused towards the AEP division although opportunities will be evaluated on their respective merits, financial returns and strategic fit.

In September 2016, Xeridiem Medical Devices, located in Arizona, USA, which manufactures minimally invasive catheter and other single-use medical devices, was sold. The sale enables greater focus on the growth opportunities in the Secant Group and Charter Medical businesses. In February 2017, CDI Energy Products, a Norwegian distributor of seals to the North Sea oil & gas industry, was sold.

Further details of acquisitions and disposals are disclosed in notes 19 and 20 respectively.

Financing

The Group is financed by a mix of equity, retained earnings, US dollar private placement loan notes and committed and uncommitted bank facilities. The principal loan facilities are raised centrally; operating companies supplement this funding with local overdraft and working capital facilities.

The Group's principal committed loan facilities consist of US dollar private placement loan notes and bank facilities. The US dollar private placement loan notes total $200.0m (£155.0m). These mature between 2021 and 2023 and bear fixed interest rates averaging 5.26%. As scheduled, on 1 June 2017, $90.0m of US dollar private placements were repaid, principally from existing cash balances.

The committed bank facilities, which total £125.0m, are multi-currency revolving credit agreements. They comprise a £100.0m club facility with four major UK-based banks and a further bilateral facility of £25.0m with one of the club facility banks. Both facilities have been in place for the whole of the financial year and both mature in July 2019.

The Group's total committed loan facilities at 31 August 2017 were £280.3m (2016: £346.7m). At 31 August 2017, £112.8m (2016: £111.5m) of these facilities were not drawn down. In addition, the Group has uncommitted facilities of £43.2m (2016: £36.5m). The private placement loan notes are fully drawn down and used to fund or hedge Group operations.

The principal financial covenants relating to the committed loan facilities are: the ratio of net debt to EBITDA (net debt must be less than 3.5 times adjusted EBITDA); and the ratio of EBITDA to interest (adjusted EBITDA must be at least 3 times the net interest charge).

Throughout the year under review, the Group complied with all of its loan covenants, with significant headroom available. At 31 August 2017, the reported net debt to EBITDA was 1.2 times (2016: 2.4 times). Reported EBITDA interest cover was 6.2 times (2016: 4.4 times). For the purpose of testing the Group's compliance with its loan covenants, reported EBITDA is adjusted for, inter alia, acquisitions and exceptional and certain non-cash items. In addition, for covenant purposes, net debt may also be translated at average exchange rates for the financial year rather than at year end exchange rates. Translating net debt at average exchange rates, the net debt to EBITDA ratio at 31 August 2017 is unchanged at 1.2 times (2016: 2.2 times).

In normal circumstances, the Group aims to maintain significant headroom in its net debt to EBITDA ratio. The Board has indicated that it will allow reduced headroom for short periods when organic or acquisitive growth opportunities arise which are expected to enhance shareholder value.

The Group remains well placed to fund and support its operations, including further investment, with a diversified range of committed loan facilities with a medium-term maturity profile, cash resources and, where necessary, shorter-term facilities.

Financial risk management

In the normal course of business, the Group is exposed to certain financial risks, principally foreign exchange risk, interest rate risk, liquidity risk and credit risk. These risks are managed by the central treasury function in conjunction with the operating units in accordance with risk management policies that are designed to minimise the potential adverse effects of these risks on financial performance. The policies are reviewed and approved by the Board.

The exposures are managed through the use of borrowings, derivatives and credit management procedures. The use of derivatives is undertaken only where the underlying interest or foreign exchange risk arises from the Group's operations or sources of finance. No speculative trading in derivatives is permitted. Further information on foreign exchange risk management is given below.

Foreign exchange translation risk

The Group has operations around the world which report in their respective functional currencies.

The Group is exposed to translation risk in respect of its income statement. Principal average exchange rates applied on translation of the income statement for 2017 and 2016 were as follows:

	2017	2016
US dollars	**1.27**	1.44
Australian dollars	**1.67**	1.97
Euros	**1.15**	1.29

The Group is also exposed to translation risk in respect of its net assets in foreign operations. Where cost effective, the Group hedges a proportion of its exposures through a combination of borrowings, cross-currency swaps and forward foreign currency contracts, principally in respect of net assets denominated in US dollars, Euros, Norwegian krone and Chinese renminbi.

The Group continues to manage its exposure to the translation of debt denominated in foreign currencies in order to align the net debt to EBITDA for all currencies, particularly the US dollar, with the Group ratio. The effect is that exchange rate movements, whilst changing the value of net debt, will not materially affect the Group net debt to EBITDA ratio.

Foreign exchange transaction risk

Transaction exposures arise where an operation sells or purchases goods or services in a non-functional currency. These transaction exposures are reduced by many of the Group's global operations serving local markets.

Material transaction exposures are hedged, principally with forward foreign currency contracts, once cash flows can be identified with sufficient certainty. Where derivatives are used to hedge transaction exposures, the Group does not hedge account for such transactions under the requirements of IAS 39 'Financial Instruments: Recognition and Measurement', recognising that cash flows through to the maturity of the derivative are unaffected. In compliance with IAS 39, all financial instruments have been measured at their fair value as at the balance sheet date. A charge or credit to the income statement has been recognised for the loss or gain on these instruments. In addition, in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates', all foreign currency monetary items have been retranslated at the closing rate, with changes in value charged or credited to the income statement.

Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world. The UK scheme, which was closed to new entrants in 1997, and the scheme in the Netherlands, which is a career average plan, together represent 96% of both total assets and total liabilities of the schemes.

During the year, the fair value of assets of the schemes increased to £224.2m (2016: £219.7m), principally generated by gains in the UK scheme's investments and additional Group contributions paid to reduce the deficit. The present value of obligations decreased to £251.7m (2016: £268.7m) largely due to an increase in corporate bond yields used to determine the discount rate and the updating of mortality assumptions to the latest data available for the UK scheme.

The total defined benefit post-retirement deficit, as calculated by the schemes' actuaries and recorded on the balance sheet at 31 August 2017, decreased to £27.5m (2016: £49.0m).

Further details of post-retirement benefits are disclosed in note 12.

Long-term viability statement

The Board has assessed the viability of the Group over a three year period to 31 August 2020, taking account of the Group's position at 31 August 2017 and the potential impacts of the principal risks over the review period. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due during the period to 31 August 2020.

In making this statement, the Board has considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. The stress testing of the financial model has also taken into account the principal risks and uncertainties of the Group.

The Board has determined that the three year period to 31 August 2020 is an appropriate period over which to provide its viability statement since this represents the period over which financial forecasts are prepared each year. This period also gives the Board a reasonable degree of visibility with regard to the Group's business cycle. The financial forecasts were prepared by individual business units and were subject to a robust review during the annual budget approval process.

In making its assessment of long-term viability, the Board has taken account of the Group's balance sheet strength, the maturity profile of its current debt funding and its ability to raise new finance in most market conditions.

Going concern review

After making enquiries, the Board has 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 Board has reviewed the Group's budget and cash flow forecasts against availability of financing, including an assessment of sensitivities to changes in market conditions in conjunction with its long-term viability assessment.

Consolidated income statement

for the year ended 31 August 2017

	Notes	**2017 £m**	2016 £m
Revenue		**655.4**	572.5
Cost of sales		**(451.1)**	(410.3)
Gross profit		**204.3**	162.2
Distribution costs		**(57.5)**	(52.3)
Administrative expenses		**(93.4)**	(124.6)
Operating profit before amortisation of intangible assets acquired and exceptional items		**59.1**	37.1
Amortisation of intangible assets acquired		**(8.3)**	(11.0)
Exceptional items	4	**2.6**	(40.8)
Operating profit/(loss)		**53.4**	(14.7)
Finance income	5	**0.6**	0.5
Finance costs	6	**(15.9)**	(16.1)
Profit/(loss) before taxation		**38.1**	(30.3)
Taxation	7	**(3.8)**	5.0
Profit/(loss) for the year		**34.3**	(25.3)
Attributable to:			
Owners of the parent		**34.1**	(26.3)
Non-controlling interests		**0.2**	1.0
		34.3	(25.3)
Earnings/(loss) per share			
Basic	9	**17.6p**	(13.6)p
Diluted	9	**17.5p**	(13.6)p

Consolidated statement of comprehensive income

for the year ended 31 August 2017

	2017 £m	2016 £m
Profit/(loss) for the year	**34.3**	(25.3)
Other comprehensive income/(expense)		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements on defined benefit post-retirement schemes	**20.4**	(24.5)
Tax on items that will not be reclassified	**(4.5)**	3.7
	15.9	(20.8)
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**18.1**	80.6
Net investment hedges	**(5.1)**	(30.8)
Tax on items that may be reclassified	**4.6**	(2.3)
	17.6	47.5
Total other comprehensive income for the year	**33.5**	26.7
Total comprehensive income for the year	**67.8**	1.4
Attributable to:		
Owners of the parent	**67.2**	(1.8)
Non-controlling interests	**0.6**	3.2
	67.8	1.4

Consolidated balance sheet

at 31 August 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	10	**224.2**	228.8
Intangible assets	11	**175.3**	178.3
Deferred tax assets		**24.7**	28.1
		424.2	435.2
Current assets			
Inventories		**90.1**	75.3
Trade and other receivables		**113.7**	104.9
Assets held for sale	21	**0.9**	2.2
Current tax assets		**1.2**	7.2
Derivative financial assets	15	**0.3**	0.6
Cash and cash equivalents	14	**79.7**	94.9
		285.9	285.1
Total assets		**710.1**	720.3
Current liabilities			
Borrowings	14	**(11.8)**	(76.7)
Trade and other payables		**(145.8)**	(117.5)
Liabilities held for sale	21	**-**	(1.0)
Current tax liabilities		**(4.4)**	(1.9)
Derivative financial liabilities	15	**(1.6)**	(1.1)
Provisions	13	**(4.7)**	(17.9)
		(168.3)	(216.1)
Non-current liabilities			
Borrowings	14	**(169.4)**	(168.2)
Trade and other payables		**(0.7)**	(0.8)
Retirement benefit obligations	12	**(27.5)**	(49.0)
Provisions	13	**(0.5)**	-
Deferred tax liabilities		**(2.8)**	(7.5)
		(200.9)	(225.5)
Total liabilities		**(369.2)**	(441.6)
Net assets		**340.9**	278.7
Equity			
Share capital		**48.5**	48.5
Retained earnings		**216.4**	159.2
Exchange reserve		**98.8**	76.8
Hedging reserve		**(21.8)**	(16.9)
Equity attributable to owners of the parent		**341.9**	267.6
Non-controlling interests		**(1.0)**	11.1
Total equity		**340.9**	278.7

The financial statements were approved by the Board of Directors and authorised for issue on 15 November 2017 and signed on its behalf by:

V Murray OBE
Chairman

W J Pratt
Group Finance Director

Registered Number: 329377

Consolidated cash flow statement

for the year ended 31 August 2017

	Notes	**2017 £m**	2016 £m
Profit/(loss) before taxation		**38.1**	(30.3)
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets		**34.8**	35.2
Impairment of property, plant and equipment		**-**	2.9
Impairment of intangible assets		**-**	25.0
Other exceptional non-cash movements		**(2.6)**	4.8
Cash payments in respect of prior year exceptional items		**(2.2)**	(2.3)
Defined benefit post-retirement costs charged to operating profit		**2.9**	0.8
Cash contributions to defined benefit post-retirement schemes		**(5.8)**	(5.2)
Movement in provisions		**(0.1)**	(0.8)
Finance income		**(0.6)**	(0.5)
Finance costs		**15.9**	16.1
Other non-cash movements		**0.7**	1.2
Operating cash flow before movement in working capital		**81.1**	46.9
Movement in inventories		**(11.8)**	11.1
Movement in trade and other receivables		**(4.8)**	13.6
Movement in trade and other payables		**24.1**	(9.6)
Net cash from operations		**88.6**	62.0
Taxation received/(paid)		**4.1**	(6.2)
Net cash from operating activities		**92.7**	55.8
Investing activities			
Purchase of property, plant and equipment		**(11.2)**	(14.2)
Disposal of property, plant and equipment		**1.2**	1.9
Purchase of intangible assets		**(1.0)**	(1.1)
Acquisition of businesses	19	**(0.8)**	(5.6)
Disposal of businesses	20	**5.8**	-
Interest received		**0.6**	0.5
Net cash used in investing activities		**(5.4)**	(18.5)
Financing activities			
Dividends paid to Company's shareholders	8	**(5.8)**	(23.3)
Dividends paid to non-controlling interests		**(1.0)**	(1.3)
Options exercised on acquisition of non-controlling interests in subsidiary undertakings	19	**(14.4)**	-
Settlement of derivative financial instruments		**-**	10.5
Interest paid		**(15.3)**	(13.7)
Repayment of borrowings		**(68.1)**	(29.7)
New borrowings		**0.3**	0.6
Net cash used in financing activities		**(104.3)**	(56.9)
Net decrease in cash and cash equivalents		**(17.0)**	(19.6)
Cash and cash equivalents at start of year		**90.0**	93.1
Exchange movements		**(1.1)**	16.5
Cash and cash equivalents at end of year		**71.9**	90.0

Cash and cash equivalents comprises:			
Cash and cash equivalents		**79.7**	94.9
Bank overdrafts		**(7.8)**	(4.9)
		71.9	90.0

Consolidated statement of changes in equity
for the year ended 31 August 2017

	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 year	-	-	(26.3)	-	-	-	(26.3)	1.0	(25.3)
Other comprehensive (expense)/income	-	-	(20.9)	84.6	(39.2)	-	24.5	2.2	26.7
Total comprehensive (expense)/income for the year	-	-	(47.2)	84.6	(39.2)	-	(1.8)	3.2	1.4
Transactions with owners									
Dividends paid in the year	-	-	(23.3)	-	-	-	(23.3)	(1.3)	(24.6)
Share-based payments	-	-	0.7	-	-	-	0.7	-	0.7
Capital reduction	-	(51.7)	117.6	-	-	(65.9)	-	-	-
Total transactions with owners	-	(51.7)	95.0	-	-	(65.9)	(22.6)	(1.3)	(23.9)
At 1 September 2016	**48.5**	**-**	**159.2**	**76.8**	**(16.9)**	**-**	**267.6**	**11.1**	**278.7**
Profit for the year	**-**	**-**	**34.1**	**-**	**-**	**-**	**34.1**	**0.2**	**34.3**
Other comprehensive income/(expense)	**-**	**-**	**16.0**	**22.0**	**(4.9)**	**-**	**33.1**	**0.4**	**33.5**
Total comprehensive income/(expense) for the year	**-**	**-**	**50.1**	**22.0**	**(4.9)**	**-**	**67.2**	**0.6**	**67.8**
Transactions with owners									
Dividends paid in the year	**-**	**-**	**(5.8)**	**-**	**-**	**-**	**(5.8)**	**(1.0)**	**(6.8)**
Share-based payments	**-**	**-**	**1.2**	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Transfer of non-controlling interests	**-**	**-**	**11.7**	**-**	**-**	**-**	**11.7**	**(11.7)**	**-**
Total transactions with owners	**-**	**-**	**7.1**	**-**	**-**	**-**	**7.1**	**(12.7)**	**(5.6)**
At 31 August 2017	**48.5**	**-**	**216.4**	**98.8**	**(21.8)**	**-**	**341.9**	**(1.0)**	**340.9**

Notes

1. Basis of preparation

The full year results for the year ended 31 August 2017 were approved by the Board of Directors on 15 November 2017. They are abridged from the Group's audited financial statements and do not constitute the statutory accounts of the Company within the meaning of section 434 of the Companies Act 2006. The auditors, Deloitte LLP, have reported on the Group financial statements for the year ended 31 August 2017 and the Company's previous auditors, PricewaterhouseCoopers LLP, have reported on the Group financial statements for the year ended 31 August 2016; both have given unqualified opinions, which did not include a statement under Section 498 of the Companies Act 2006. The Group financial statements for 2016 have been delivered to the Registrar of Companies and the Group financial statements for 2017 will be filed with the Registrar of Companies in due course.

The Group financial statements from which these results have been extracted have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are prepared under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

After making enquiries, the Board has 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 Board has reviewed the Group's budget and cash flow forecasts against the availability of financing, including an assessment of sensitivities to changes in market conditions in conjunction with its long-term viability assessment.

2. Accounting policies

The accounting policies adopted are consistent with those for 2016.

There were no new standards, amendments or interpretations adopted by the Group and effective for the first time for the year ended 31 August 2017 that have had a material impact on the Group.

A number of new standards, amendments or interpretations have been published but are not mandatory for the year ended 31 August 2017 and consequently have not yet been applied in preparing the financial statements. The principal standards for the Group are detailed below.

IFRS 9 'Financial Instruments'
IFRS 9 covers the requirements for classification, measurement, impairment and hedge accounting. The standard is effective for the accounting period beginning 1 September 2018. The Group is currently assessing the impact of this standard but it is not expected to have a material impact on the financial statements. The Group will update its hedging documentation as appropriate, in accordance with the requirements of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 establishes a single, comprehensive framework for revenue recognition, focusing on the identification and satisfaction of performance obligations. The standard is effective for the accounting period beginning 1 September 2018. The Group has evaluated the effect of adopting IFRS 15 and this is not expected to have a material impact on the financial statements although may have some impact on the Group's disclosures. The Group will adopt the modified retrospective approach in implementing IFRS 15.

IFRS 16 'Leases'
IFRS 16 covers the requirements for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for the accounting period beginning 1 September 2019. The Group is in the process of assessing the impact of this standard.

No other standards, amendments or interpretations are expected to have a material impact on the Group.

Exceptional items

Certain items of income and expense are classified as exceptional items due to their nature or size. These are presented separately on the face of the income statement in order to provide a better understanding of the Group's financial performance. Such exceptional items may include impairments of intangible or tangible assets, business restructuring costs, profits or losses arising from the disposal or closure of a business and adjustments to fair values in respect of acquisitions, such as changes to contingent consideration, together with the associated taxation.

Alternative performance measures

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

The underlying and non-GAAP measures are presented in order to provide a more meaningful measure of the underlying financial performance of the business, allowing users of financial statements to compare these measures with our peers, 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.

Revenue: like-for-like and constant currencies *

	Advanced Sealing Technologies £m	Precision Polymers £m	Solesis Medical £m	Total AEP £m	Northern Hemisphere £m	Southern Hemisphere £m	Total ECS £m	Group £m
2017								
Revenue as reported	129.9	109.1	55.0	294.0	184.0	177.4	361.4	655.4
Impact of businesses sold or closed	(0.9)	-	-	(0.9)	-	-	-	(0.9)
Like-for-like revenue	**129.0**	**109.1**	**55.0**	**293.1**	**184.0**	**177.4**	**361.4**	**654.5**
2016								
Revenue as reported	105.1	92.7	52.9	250.7	171.4	150.4	321.8	572.5
Currency impact	12.6	9.1	7.1	28.8	21.1	26.4	47.5	76.3
Revenue at constant currencies	**117.7**	**101.8**	**60.0**	**279.5**	**192.5**	**176.8**	**369.3**	**648.8**
Impact of businesses sold or closed	(7.8)	-	(8.5)	(16.3)	(2.3)	-	(2.3)	(18.6)
Like-for-like revenue	**109.9**	**101.8**	**51.5**	**263.2**	**190.2**	**176.8**	**367.0**	**630.2**

Underlying operating profit: constant currencies *

	AEP £m	ECS £m	Corporate £m	Group £m
2016				
Underlying operating profit (as reconciled below) as reported	29.9	14.2	(7.0)	37.1
Currency impact	4.2	2.3	(0.1)	6.4
Underlying operating profit at constant currencies	**34.1**	**16.5**	**(7.1)**	**43.5**

* 2016 amounts stated at constant currencies are reported amounts retranslated at 2017 exchange rates.

Underlying operating profit

	2017 £m	2016 £m
Operating profit/(loss)	**53.4**	(14.7)
Amortisation of intangible assets acquired	**8.3**	11.0
Exceptional items	**(2.6)**	40.8
Underlying operating profit	**59.1**	37.1

Underlying profit before taxation

	2017 £m	2016 £m
Profit/(loss) before taxation	**38.1**	(30.3)
Amortisation of intangible assets acquired	**8.3**	11.0
Exceptional items	**(2.6)**	40.8
Notional interest	**1.5**	1.7
Underlying profit before taxation	**45.3**	23.2

Underlying earnings per share

A reconciliation is provided in note 9.

Operating cash flow

	2017 £m	2016 £m
Net cash from operations	**88.6**	62.0
Add back:		
Defined benefit post-retirement costs charged to operating profit	**(2.9)**	(0.8)
Cash contributions to defined benefit post-retirement schemes	**5.8**	5.2
Movement in provisions	**0.1**	0.8
Cash outflow on exceptional items (current year and prior year)	**2.2**	10.4
Other non-cash movements	**(0.7)**	(1.2)
Investing activities:		
Purchase of property, plant and equipment	**(11.2)**	(14.2)
Disposal of property, plant and equipment	**1.2**	1.9
Purchase of intangible assets	**(1.0)**	(1.1)
Finance leases	**(0.2)**	(0.8)
Operating cash flow	**81.9**	62.2

Free cash flow

	2017 £m	2016 £m
Net cash from operating activities	**92.7**	55.8
Add back:		
Cash outflow on exceptional items (current year and prior year)	**2.2**	10.4
Investing activities:		
Purchase of property, plant and equipment	**(11.2)**	(14.2)
Disposal of property, plant and equipment	**1.2**	1.9
Purchase of intangible assets	**(1.0)**	(1.1)
Finance leases	**(0.2)**	(0.8)
Interest received	**0.6**	0.5
Financing activities:		
Interest paid	**(15.3)**	(13.7)
Free cash flow	**69.0**	38.8

EBITDA

	2017 £m	2016 £m
Operating profit/(loss)	**53.4**	(14.7)
Depreciation, amortisation and impairment charges	**34.8**	63.1
Exceptional items (excluding impairment charges)	**(2.6)**	12.9
EBITDA	**85.6**	61.3

Net debt

A reconciliation is provided in note 14.

Return on gross capital employed

Underlying operating profit divided by the average of opening and closing gross capital employed.

	2017 £m	2016 £m	2015 £m
Underlying operating profit (as reconciled above)	**59.1**	37.1	
Property, plant and equipment	**224.2**	228.8	208.4
Intangible assets	**175.3**	178.3	188.5
Inventories	**90.1**	75.3	76.0
Trade and other receivables	**113.7**	104.9	105.2
Assets held for sale	**0.9**	2.2	-
Trade and other payables	**(146.5)**	(118.3)	(114.6)
Liabilities held for sale	**-**	(1.0)	-
Gross capital employed at year end date	**457.7**	470.2	463.5
Average gross capital employed	**464.0**	466.9	
Return on gross capital employed	**12.7%**	7.9%	

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 products 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 (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 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.

Segment information for the years ended 31 August 2017 and 31 August 2016 is as follows:

	Advanced Engineered Products		Engineered Conveyor Solutions		Unallocated Corporate		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Segment result								
Segment revenue	**294.0**	250.7	**361.4**	321.8	**-**	-	**655.4**	572.5
Operating profit before amortisation of intangible assets acquired and exceptional items	**43.9**	29.9	**24.1**	14.2	**(8.9)**	(7.0)	**59.1**	37.1
Amortisation of intangible assets acquired	**(6.9)**	(6.3)	**(1.4)**	(4.7)	**-**	-	**(8.3)**	(11.0)
Exceptional items	**4.1**	(8.7)	**-**	(30.8)	**(1.5)**	(1.3)	**2.6**	(40.8)
Operating profit/(loss)	**41.1**	14.9	**22.7**	(21.3)	**(10.4)**	(8.3)	**53.4**	(14.7)
Net finance costs							**(15.3)**	(15.6)
Taxation							**(3.8)**	5.0
Profit/(loss) for the year							**34.3**	(25.3)
Segment assets								
Property, plant and equipment	**81.0**	81.8	**142.4**	146.0	**0.8**	1.0	**224.2**	228.8
Intangible assets	**130.1**	134.3	**45.2**	44.0	**-**	-	**175.3**	178.3
Inventories	**34.7**	32.2	**55.4**	43.1	**-**	-	**90.1**	75.3
Trade and other receivables	**46.6**	40.3	**66.4**	61.8	**0.7**	2.8	**113.7**	104.9
Assets held for sale	**-**	2.2	**0.9**	-	**-**	-	**0.9**	2.2
Intra-group receivables	**0.1**	0.1	**0.1**	0.1	**(0.2)**	(0.2)	**-**	-
Total segment assets	**292.5**	290.9	**310.4**	295.0	**1.3**	3.6	**604.2**	589.5
Unallocated assets							**105.9**	130.8
Total assets							**710.1**	720.3
Segment liabilities								
Trade and other payables	**44.3**	35.4	**93.4**	75.1	**8.8**	7.8	**146.5**	118.3
Liabilities held for sale	**-**	1.0	**-**	-	**-**	-	**-**	1.0
Intra-group payables	**2.1**	1.4	**1.9**	1.5	**(4.0)**	(2.9)	**-**	-
Total segment liabilities	**46.4**	37.8	**95.3**	76.6	**4.8**	4.9	**146.5**	119.3
Unallocated liabilities							**222.7**	322.3
Total liabilities							**369.2**	441.6

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

	2017 £m	2016 £m
(Credited)/charged to operating profit		
Profit on disposal of businesses	**(4.1)**	-
Employment costs	**1.5**	-
Restructuring costs	**-**	15.8
Impairment of goodwill and intangible assets acquired	**-**	25.0
Total exceptional (credit)/charge	**(2.6)**	40.8
Credited to taxation		
Taxation on exceptional items (credited)/charged to operating profit	**(0.3)**	(7.1)
Exceptional tax credit	**(3.8)**	-
Total exceptional credit	**(4.1)**	(7.1)

Profit on disposal of businesses relates to the disposals during the year of Xeridiem Medical Devices, Inc. (£5.1m profit) and CDI Energy Products AS (£1.0m loss). Further details can be found in note 20.

Employment costs relate to contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson.

The exceptional tax credit relates to tax losses arising from prior year exceptional restructuring costs which were utilised following detailed analysis and advice received during the year. These losses, not previously recognised in deferred tax, have been carried back against prior period profits resulting in the exceptional tax credit.

5. Finance income

	2017 £m	2016 £m
Bank interest receivable	**0.6**	0.5

6. Finance costs

	2017 £m	2016 £m
Interest payable on bank overdrafts and loans	**2.8**	3.4
Interest payable on other loans	**11.6**	11.2
	14.4	14.6
Less amounts capitalised on qualifying assets	**-**	(0.2)
Interest payable	**14.4**	14.4
Net interest on defined benefit post-retirement schemes	**0.8**	0.8
Interest on the unwinding of discount on provisions	**0.2**	0.8
Finance charge on redemption liability	**0.5**	0.1
Notional interest	**1.5**	1.7
Total finance costs	**15.9**	16.1

7. Taxation

	2017 £m	2016 £m
Current taxation		
UK corporation tax:		
- current year	**2.1**	0.8
- double tax relief	**(0.4)**	(0.4)
	1.7	0.4
Overseas tax:		
- current year	**6.3**	(0.2)
- adjustments in respect of prior years	**(3.5)**	0.5
	2.8	0.3
	4.5	0.7
Deferred taxation		
Origination and reversal of temporary differences:		
UK:		
- current year	**0.4**	(0.5)
- adjustments in respect of prior years	**0.3**	(0.3)
Overseas:		
- current year	**(1.4)**	(4.8)
- adjustments in respect of prior years	**-**	(0.1)
	(0.7)	(5.7)
Total taxation charge/(credit)	**3.8**	(5.0)

The taxation charge/(credit) includes a credit of £4.1m (2016: £7.1m) in respect of exceptional items, £2.7m (2016: £3.6m) in respect of the amortisation of intangible assets acquired and £0.1m (2016: £0.2m) in respect of notional interest.

UK corporation tax is calculated at an average rate of 19.6% (2016: 20.0%) of the estimated assessable profit for the year. Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

8. Dividends

	2017 £m	2016 £m
Dividends paid or approved in the year		
Interim dividend for the year ended 31 August 2016 of 1.0p (2015: 4.0p) per share	**1.9**	7.8
Final dividend for the year ended 31 August 2016 of 2.0p (2015: 8.0p) per share	**3.9**	15.5
	5.8	23.3
Dividends neither paid nor approved in the year		
Interim dividend for the year ended 31 August 2017 of 1.4p (2016: 1.0p) per share	**2.7**	1.9
Final dividend for the year ended 31 August 2017 of 2.8p (2016: 2.0p) per share	**5.4**	3.9
	8.1	5.8

The interim dividend for the year ended 31 August 2017 was paid on 7 September 2017. The proposed final dividend for the year ended 31 August 2017 is subject to approval by shareholders at the AGM. Consequently, neither has been recognised as liabilities at 31 August 2017. If approved, the final dividend will be paid on 8 March 2018 to shareholders on the register on 26 January 2018.

9. Earnings/(loss) per share

	2017 £m	2016 £m
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the parent	**34.1**	(26.3)
Amortisation of intangible assets acquired	**8.3**	11.0
Exceptional items	**(2.6)**	40.8
Notional interest	**1.5**	1.7
Taxation attributable to amortisation of intangible assets acquired, exceptional items and notional interest and exceptional tax credit (note 7)	**(6.9)**	(10.9)
Profit for the year before amortisation of intangible assets acquired, exceptional items and notional interest	**34.4**	16.3

	million	million
Average number of shares		
Weighted average number of shares in issue	**194.0**	194.0
Weighted average number of shares held by the Employee Share Ownership Plan Trust	**(0.1)**	(0.1)
Weighted average number of shares in issue - basic	**193.9**	193.9
Effect of contingent long-term incentive plans	**0.9**	-
Weighted average number of shares in issue - diluted	**194.8**	193.9

	pence	pence
Earnings/(loss) per share		
Underlying - Basic (before amortisation of intangible assets acquired, exceptional items and notional interest)	**17.7**	8.4
Underlying - Diluted (before amortisation of intangible assets acquired, exceptional items and notional interest)	**17.7**	8.4
Basic	**17.6**	(13.6)
Diluted	**17.5**	(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 year are as follows:

	£m
At 1 September 2016	228.8
Additions	11.3
Disposals	(1.0)
Transfer to assets held for sale	(0.5)
Depreciation	(23.7)
Exchange movements	9.3
At 31 August 2017	**224.2**

11. Intangible assets

Movements in the year are as follows:

	£m
At 1 September 2016	178.3
Additions	1.0
Acquisition of businesses	1.9
Disposal of businesses	(0.1)
Amortisation	(11.1)
Exchange movements	5.3
At 31 August 2017	**175.3**

12. Post-retirement benefits

The Group operates a number of defined benefit post-retirement schemes for qualifying employees in operations around the world. The schemes based in the UK and the Netherlands together account for 96% of both total assets and total liabilities of the schemes. 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.

UK scheme

The Fenner Pension Scheme is a UK funded defined benefit scheme which was closed to new entrants in 1997. Scheme members accrue an annual pension, being a proportion of final salary for each year of pensionable service, increasing in line with inflation whilst in payment, subject to certain caps and floors. Active members of the scheme have paid contributions at the rate of 10% of salary and the Company pays the balance of the cost as determined by regular actuarial valuations. The Company offers a salary sacrifice arrangement.

The scheme is subject to regular actuarial valuations, which are usually carried out every three years. A triennial valuation, as at 31 March 2017, is currently being carried out. The initial results of the ongoing valuation were rolled forward to 31 August 2017 by an independent qualified actuary.

Overseas schemes

The principal overseas scheme is the Fenner Dunlop BV scheme, which is based in the Netherlands. This is a career average pay scheme with indexation in line with the industry-wide pension fund. The accrued nominal benefits in this scheme are fully insured with registered insurance companies, which mitigates the downside risk to the Group.

The scheme is subject to annual actuarial valuations carried out this year on 31 August 2017 by an independent qualified actuary.

The principal assumptions used to determine the assets and liabilities of the schemes in the UK and the Netherlands are as follows:

	2017		2016	
	UK	**Netherlands**	UK	Netherlands
Discount rate	**2.4%**	**2.0%**	2.0%	1.2%
Inflation rate - RPI	**3.4%**	**n/a**	2.8%	n/a
Inflation rate - CPI	**2.4%**	**2.0%**	2.1%	2.0%
Rate of increase in salaries	**4.4%**	**2.5%**	3.8%	2.5%
Rate of increase in benefits in payment subject to Limited Price Indexation increases:				
- capped at 5.0% (based on RPI)	**3.2%**	**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)	**2.0%**	**n/a**	1.8%	n/a

Movements in the year are as follows:

	£m
At 1 September 2016	49.0
Charged to operating profit	2.9
Notional interest	0.8
Remeasurements	(20.4)
Employer contributions	(5.8)
Exchange movements	1.0
At 31 August 2017	**27.5**

The remeasurements principally comprise a decrease in liabilities of £19.8m, largely due to an increase in corporate bond yields used to determine the discount rate and updated mortality assumptions for the UK scheme.

13. Provisions

Provisions comprise current liabilities of £4.7m (2016: £17.9m) and non-current liabilities of £0.5m (2016: £nil).

Movements in the year are as follows:

	Employment costs 1 £m	Restructuring costs 2 £m	Property and environmental 3 £m	Deferred consideration 4 £m	Redemption liability 5 £m	Total £m
At 1 September 2016	-	4.0	0.7	-	13.2	17.9
Provisions created during the year	1.5	-	-	-	-	1.5
Provisions utilised during the year	-	(2.2)	(0.1)	-	(14.4)	(16.7)
Acquisition of businesses	-	-	-	1.2	-	1.2
Notional interest on the unwinding of discount	-	-	-	-	0.2	0.2
Notional finance charge on redemption liability	-	-	-	-	0.5	0.5
Exchange movements	-	0.1	-	-	0.5	0.6
At 31 August 2017	**1.5**	**1.9**	**0.6**	**1.2**	**-**	**5.2**

1 Contractual death in service costs in respect of the former Chief Executive Officer, Nicholas Hobson.
2 Costs associated with the restructuring and closure of operations.
3 Obligations in respect of property costs or environmental matters.
4 Deferred payments in respect of acquired businesses.
5 Obligations 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.

Non-current provisions are expected to be utilised within two years.

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.

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

	2017 £m	2016 £m
Net decrease in cash and cash equivalents	**(17.0)**	(19.6)
Net decrease in borrowings resulting from cash flows	**67.8**	29.1
Movement in net debt resulting from cash flows	**50.8**	9.5
Finance leases	**(0.2)**	(0.8)
Exchange movements	**(2.1)**	(20.7)
Movement in net debt in the year	**48.5**	(12.0)
Net debt at start of year	**(150.0)**	(138.0)
Net debt at end of year	**(101.5)**	(150.0)

Net debt comprises cash and cash equivalents of £79.7m (2016: £94.9m), current borrowings of £11.8m (2016: £76.7m) and non-current borrowings of £169.4m (2016: £168.2m).

15. Derivative financial instruments

Derivative financial instruments comprise current assets of £0.3m (2016: £0.6m) and current liabilities of £1.6m (2016: £1.1m).

Movements in assets/(liabilities) in the year are as follows:

	Forward foreign currency contracts and options £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	-	-	(1.3)	(1.3)
At 31 August 2017	**(0.6)**	**0.1**	**(0.8)**	**(1.3)**

16. Hedging

Group financial instruments denominated principally in US dollars and euros are designated as hedges of the net investment in overseas subsidiaries. The overall loss on translation to sterling of £5.1m (2016: £30.8m) is recognised in the hedging reserve and charged to other comprehensive income. This comprises a loss of £1.3m (2016: £nil) in respect of derivative financial instruments (note 15) and a loss of £3.8m (2016: £30.8m) 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. 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.

18. Related party transactions

Related party transactions comprise remuneration of the Group's executive and non-executive directors and members of the Executive Committee of £5.2m (2016: £3.8m) and administrative expenses paid on behalf of defined benefit post-retirement schemes of £0.5m (2016: £0.5m).

19. 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 ("BBCS/LECS"), 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.

On 25 August 2017, the Group completed the acquisition of certain assets and liabilities of Revolution Drives, Inc. ("Revolution Drives"), a small specialist precision polymers business focussed on power transmission and motion control solutions, located in Pennsylvania, USA. Revolution Drives has been integrated into the Precision Polymers business in the AEP division. The total consideration was £2.0m, of which £1.2m is deferred (non-contingent); this comprises £0.8m due within one year and £0.4m due in more than one but less than two years. Acquisition expenses of less than £0.1m were included within administrative expenses in the Consolidated income statement.

Details of the provisional aggregate assets and liabilities acquired, based on exchange rates at the date of completion, are given below.

	BBCS/LECS	Revolution Drives	Total
	Contingent and deferred consideration £m	Provisional fair value £m	Provisional fair value £m
Goodwill	-	0.5	0.5
Intangible assets acquired:			
- customer relationships	-	1.3	1.3
- non-compete agreements	-	0.1	0.1
Trade and other receivables	-	0.1	0.1
	-	2.0	2.0
Consideration:			
Cash consideration per cash flow statement	14.4	0.8	15.2
Contingent and deferred consideration	(14.4)	1.2	(13.2)
	-	2.0	2.0

Provisional fair values of assets and liabilities represent the best estimate of the fair values at the date of acquisition. As permitted by IFRS 3 (Revised) 'Business Combinations', these provisional amounts 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.

Goodwill arising on acquisition principally represents the workforce and anticipated synergies gained through the acquisition; this is deductible for tax purposes.

From the date of acquisition, Revolution Drives contributed less than £0.1m to Group revenue, Group operating profit before amortisation of intangible assets acquired and exceptional items and Group operating profit as the acquisition date was shortly before the year end. If the acquisition had occurred on 1 September 2016, it is estimated that Group revenue would have been £656.1m, Group operating profit before amortisation of intangible assets acquired and exceptional items would have been £59.2m and Group operating profit would have been £53.5m. These amounts have been calculated by adjusting the results of the acquired business to reflect the effect of the Group's accounting policies as if they had been in effect from 1 September 2016.

20. 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. In 2016, the assets and liabilities of Xeridiem Medical Devices were classified within assets/(liabilities) held for sale (note 21).

Details of the assets and liabilities disposed of are given below.

	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 of	**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 of	-	(0.6)	(0.6)
Net cash flow	**6.3**	**(0.5)**	**5.8**

21. Assets/(liabilities) held for sale

During the year, the Group announced that its ECS business in South Africa signed a long-term agreement with Bearing Man Group (Pty) Ltd ("BMG") for BMG to distribute Fenner conveyor belting products in specified territories in Sub-Saharan Africa. As part of this arrangement, BMG is acquiring the ECS service operations and related assets in South Africa. Fenner will supply BMG with conveyor belting for South Africa and other specified territories. The transaction is conditional on clearance from the South African competition authorities. It is expected to complete after the approval of the Group financial statements, but within 12 months of the balance sheet date; consequently, the relevant assets have been separately disclosed as assets held for sale.

On 1 September 2016, the Group disposed of Xeridiem Medical Devices, Inc.

The following assets and liabilities of BMG (2017) and Xeridiem Medical Devices (2016) are classified as held for sale in the Consolidated balance sheet.

	2017 £m	2016 £m
Assets held for sale		
Property, plant and equipment	**0.5**	0.2
Inventories	**0.4**	0.8
Trade and other receivables	**-**	1.2
	0.9	2.2
Liabilities held for sale		
Trade and other payables	**-**	1.0

22. Principal risks

Fenner’s operations around the world are exposed to a number of risks which could, either on their own, or in combination with others, have an adverse effect on the Group’s results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns. The principal risks are detailed in the Strategic Report in Fenner’s Annual Report. Additional risks and uncertainties not presently known to Fenner, or that Fenner currently consider immaterial, may also have an adverse effect on its business.